NEW ISSUE – BOOK-ENTRY ONLY **RATINGS:**
Moody's "MIG 1"
S&P "SP-1+"
(See "RATINGS" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012C Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and interest on the Series 2012C Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See "TAX MATTERS."

$160,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2012C

Dated: Date of Delivery **Maturity Date: June 27, 2013**

The proceeds of the Series 2012C Notes will be used as more fully described herein to (i) make interest-free loans to certain Colorado school districts identified herein in order to alleviate temporary general fund cash flow deficits expected to be experienced by such school districts during the fiscal year ending June 30, 2013, and (ii) pay the costs of issuing the Series 2012C Notes.

The Series 2012C Notes will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Series 2012C Notes. Beneficial Ownership Interests in the Series 2012C Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2012C Notes by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The principal of and interest on the Series 2012C Notes, at the rates per annum specified below, is payable on the maturity date of the Series 2012C Notes specified above. The Series 2012C Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.*
$40,000,000	1.50%	100.656	0.14%	19672M BH0
60,000,000	1.50	100.652	0.15	19672M BH0
60,000,000	2.50	101.130	0.16	19672M BG2

The Series 2012C Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues described herein. Interest on the Series 2012C Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2012C Notes in the Series 2012-13 Notes Repayment Account; and the principal of the Series 2012C Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2013, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2012C Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B, which are currently outstanding in the aggregate principal amount of $125,000,000. The Series 2012C Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the registered owners and Beneficial Owners of the Series 2012C Notes may not look to any source other than the Pledged Revenues for payment of the Series 2012C Notes.

An investment in the Series 2012C Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

The Series 2012C Notes are offered when, as and if issued by the State, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Certain legal matters will be passed upon for the State by the Attorney General of the State, and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State. The Series 2012C Notes are expected to be delivered through the facilities of DTC on or about January 3, 2013.

Dated: December 19, 2012

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* CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services operated by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by Standard & Poor's, a business unit of The McGraw-Hill Companies, and is provided solely for the convenience of the purchasers of the Series 2012C Notes and only as of the issuance of the Series 2012C Notes. The State takes no responsibility for the accuracy of such data now or at any time in the future.

NOTICES

This Official Statement does not constitute an offer to sell the Series 2012C Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the State, the State Treasurer or the Financial Advisor to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the State or any other person.

The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof.

The information in this Official Statement has been obtained from officers, employees and records of the State, the Participating Districts and other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State, the State Treasurer or the Financial Advisor.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2012C Notes is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2012C Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2012C Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have neither confirmed the accuracy nor determined the adequacy of this Official Statement. Any representation to the contrary is unlawful.

CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement, including, but not limited to, the material set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts; – Summary Financial Information Regarding the Participating Districts," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "APPENDIX C – THE STATE GENERAL FUND," and "APPENDIX D – STATE PENSION SYSTEM," contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. The achievement of certain results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. The State Treasurer does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or events, conditions or circumstances on which these statements are based occur.

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OFFICIAL STATEMENT

Relating to

$160,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2012C

INTRODUCTION

This Official Statement, which includes the cover page, inside cover, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the State of Colorado (the "State") of its $160,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2012C (the "Series 2012C Notes").

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2012C Notes to potential investors is made only by means of the entire Official Statement.

This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated December 13, 2012, including, without limitation, the interest rates, prices, reoffering yields and CUSIP numbers of the Series 2012C Notes, as well as the original purchasers of the Series 2012C Notes (the "Underwriters") and the aggregate purchase price paid by the Underwriters for the Series 2012C Notes. Accordingly, prospective investors should read this Official Statement in its entirety.

Purpose

Sections 29-15-112 and 22-54-110, Colorado Revised Statutes, as amended ("C.R.S."), referred to herein collectively as the "Loan Program Statutes," establish a program (the "Loan Program") for making interest-free loans ("Program Loans") to participating Colorado school districts (the "Participating Districts") in order to alleviate Participating Districts' temporary general fund cash flow deficits. The Series 2012C Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2013 ("Fiscal Year 2012-13"), and paying the costs of issuing the Series 2012C Notes. The first installment of the Loan Program was funded on July 11, 2012, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B (the "Series 2012B Notes"), in the aggregate principal amount of $125,000,000, the net proceeds of which have been borrowed by 12 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS."

The net proceeds of the sale of the Series 2012C Notes will be deposited in the Series 2012C Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2012C Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 16 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2012-13. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts." Prior to receiving a Program Loan, each Participating District is required to adopt a resolution (each a "District Resolution" and collectively the "District Resolutions") pledging to the repayment of its

Program Loan those ad valorem property tax revenues received by the Participating District during the period of March-June 2013 that are required to be deposited in the Participating District's general fund ("Taxes"), and is required to execute a promissory note payable to the State Treasurer (each a "District Note" and collectively the "District Notes") to evidence its repayment obligation. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2012C Notes

Authorization. The Series 2012C Notes are issued pursuant to the Loan Program Statutes; Part 2 of Article 57 of Title 11, C.R.S. (the "Supplemental Public Securities Act"); and a resolution (the "State Resolution") adopted by the State Treasurer (the "State Treasurer") and approved and countersigned by the Controller of the State (the "State Controller"). See "THE SERIES 2012C NOTES – Authorization."

General Provisions. The Series 2012C Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 27, 2013 (the "Series 2012C Notes Maturity Date"). The Series 2012C Notes are not subject to redemption prior to the Series 2012C Notes Maturity Date. Interest on the Series 2012C Notes, at the rates per annum set forth on the cover page hereof (computed on the basis of a 360-day year of twelve 30-day months), will accrue from the Closing Date and will be payable on the Series 2012C Notes Maturity Date. See "THE SERIES 2012C NOTES – General Provisions."

Book-Entry Only System. The Series 2012C Notes will be issued in fully registered form (*i.e.*, registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will serve as securities depository for the Series 2012C Notes. Ownership interests in the Series 2012C Notes ("Beneficial Ownership Interests"), in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system ("DTC Participants"). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2012C Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2012C NOTES – General Provisions" and "APPENDIX E – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2012C Notes mean Cede & Co., or such other nominee as may be designated by DTC, and not the Beneficial Owners.

Security and Sources of Payment. The Series 2012C Notes are special, limited obligations of the State payable solely from and secured by a pledge of the following (the "Pledged Revenues"), which the State Treasurer believes will be sufficient for the repayment of the Series 2012C Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2013, as repayment of their Program Loans;

- amounts deposited to the "Series 2012-13 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2012-13 Notes Repayment Account") as discussed in "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*"; and

- any unexpended proceeds of the Series 2012B Notes, the Series 2012C Notes and of any additional tax and revenue anticipation notes authorized and issued pursuant to the Loan Program Statutes and the Supplemental Public Securities Act and payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with the pledge thereof in favor of the registered owners (the "Owners") of the Series 2012C Notes ("Parity Lien Notes") that have not been loaned to the Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the State Treasurer in the Series 2012C Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS – The Series 2012C Notes Proceeds Account."

Interest on the Series 2012C Notes will be payable from a deposit to be made by the State Treasurer on the Closing Date to the Interest Subaccount of the Series 2012-13 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2012C Notes from the Closing Date to the Series 2012C Notes Maturity Date. This deposit is to be made from "Current General Fund Revenues," consisting of any cash income or other cash receipt credited to the General Fund for Fiscal Year 2012-13 that is (i) subject to appropriation for Fiscal Year 2012-13 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2012B Notes, the Series 2012C Notes, of any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2012C Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2013, as repayment of their Program Loans, supplemented if necessary by, among other things, any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes, including Current General Fund Revenues and any amounts in the State Funds from which the State Treasurer is authorized to borrow under State law ("Borrowable Resources").

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2012A (the "State Series 2012A General Fund Notes"), issued by the State Treasurer on July 17, 2012, in the principal amount of $500 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2012-13.

The Series 2012-13 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes. The Owners of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2012-13 Notes Repayment Account and the moneys credited thereto.

The Series 2012C Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the Constitution of the State of Colorado (the "State Constitution") or State statutes, and the Owners and Beneficial Owners of the Series 2012C Notes may not look to any source other than the Pledged Revenues for payment of the Series 2012C Notes.

See generally "THE SERIES 2012C NOTES – Security and Sources of Payment – Parity Lien Notes," "DISTRICT RESOLUTIONS AND DISTRICT NOTES," "SOURCE OF PAYMENT OF PROGRAM LOANS," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND."

Legal and Tax Matters

Kutak Rock LLP, Denver, Colorado, is serving as bond counsel ("Bond Counsel") in connection with the issuance of the Series 2012C Notes and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX F – FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the State by the Attorney General of the State and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012C Notes is excluded from gross income for federal income tax purposes and is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax; and interest on the Series 2012C Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See also "LEGAL MATTERS" and "TAX MATTERS" and "APPENDIX F – FORM OF OPINION OF BOND COUNSEL."

Continuing Disclosure

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), no undertaking to report annual financial information or operating data as set forth in the final Official Statement, or audited financial statements, will be provided by the State in connection with the Series 2012C Notes because the Series 2012C Notes have a stated maturity of less than 18 months. However, the State Treasurer does undertake in the State Resolution to provide notice of certain enumerated events if they occur, as described in "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared by Development Research Partners, Inc. for use by the State. See "APPENDIX B – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. The State does not assume responsibility for the accuracy, completeness or fairness of such information. The information in "APPENDIX B – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" has been included in the Official Statement in reliance upon the authority of Development Research Partners, Inc. as experts in the preparation of economic and demographic analyses. Potential investors should read such appendix in its entirety for information with respect to the economic and demographic status of the State.

Additional Information

Brief descriptions of the Series 2012C Notes, the State Resolution, the Loan Program Statutes, the District Resolutions, the District Notes, the Participating Districts, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period, copies of the State Resolution and certain other documents referred to herein may be obtained from RBC Capital Markets, LLC (the "Financial Advisor"), One Tabor Center, 1200 17th Street, Suite 2150, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222.

Investment Considerations

An investment in the Series 2012C Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

Forward Looking Statements

See the inside cover of this Official Statement regarding forward-looking statements.

Miscellaneous

The cover page, inside cover, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from officers, employees and records of the State, the Participating Districts and from other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State, the State Treasurer or the Financial Advisor. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement shall not be construed as a contract or agreement between the State and the registered owners or Beneficial Owners of the Series 2012C Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS

The Loan Program

Timing differences between revenue collections and disbursements cause many Colorado school districts to incur annual cash flow deficits. The salaries of some school district employees are paid over a 12-month period, and some school district expenses occur on a relatively consistent monthly basis, although most salaries and expenses of school districts are incurred during the traditional school year of September through May. The primary sources of revenue to school districts to meet these expenditures include (i) funding from the State pursuant to the Public School Finance Act of 1994, as amended (the "Public School Finance Act"), which is received in approximately equal monthly amounts throughout the July 1-June 30 fiscal year of the school districts and the State (the "Fiscal Year"), and (ii) property taxes levied by the school districts, most of which are received in March through June when property taxes are paid by taxpayers. See "SOURCE OF PAYMENT OF PROGRAM LOANS." As a result, school districts often experience cash flow shortages during the fall and winter months before such tax revenues are received. School districts may address this cash flow shortage in a variety of ways, including: (i) borrowing funds from the State; (ii) transferring funds to the school district's general fund from other school district funds on a short-term basis; (iii) borrowing funds on a short-term basis through the issuance by the school district of tax anticipation notes; or (iv) borrowing funds on a short-term basis from a bank or other lender.

Under the Loan Program Statutes, upon approval by the State Treasurer of an application submitted by a school district, the State Treasurer is to make available to such school district in any month of the budget year in which a cash flow deficit occurs an interest-free or low-interest loan from the

State's General Fund or from the proceeds of tax and revenue anticipation notes. There are certain limits on the receipt of such loans. For instance, a Program Loan may not be made to provide assistance for matters eligible for payment from the school district's contingency reserve or to cover a foreseeable level of uncollectible property taxes, nor may a Program Loan be used by a school district for the simultaneous purchase and sale of the same security or an equivalent security in order to profit from price disparity. All loans to a school district are to be made from the proceeds of tax and revenue anticipation notes issued by the State Treasurer as discussed below; provided, however, that if the amount of the tax and revenue anticipation notes, if any, issued on behalf of a school district as determined by the State Treasurer is not sufficient to cover the school district's cash deficit, the State Treasurer may, in his or her discretion, make available to such school district an emergency low-interest loan from the State's General Fund. Such loan is to have the same rate of interest as that paid by the State Treasurer on the general fund tax and revenue anticipation notes issued by the State Treasurer pursuant to Part 9 of Article 75 of Title 24, C.R.S. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds."

The Loan Program Statutes authorize the State Treasurer to issue tax and revenue anticipation notes for the purpose of alleviating temporary cash flow deficits by making interest-free loans available to eligible school districts. The Series 2012C Notes are being issued pursuant to this authorization. See also "THE SERIES 2012C NOTES – Authorization."

Application of Series 2012C Notes Proceeds

The proceeds of the Series 2012C Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2012C Notes, will be deposited in the Series 2012C Notes Proceeds Account and disbursed from time to time by the State Treasurer upon request of the Participating Districts in order to alleviate temporary general fund cash flow deficits expected to be experienced by such Participating Districts during Fiscal Year 2012-13, subject to the conditions stated in the State Resolution and the District Resolutions. See "Program Loans" and "The Participating Districts" below, "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2012C Notes Proceeds Account

The State Resolution previously directed the State Controller to establish within the State's General Fund the Series 2012C Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2012C Notes Proceeds Account are to be applied in accordance with the Loan Program Statutes, including the payment of the costs and expenses related to the issuance and sale of the Series 2012C Notes. The original purchasers of the Series 2012C Notes will not be responsible for the application or disposition by the State or its officers of any of the funds derived from the sale of the Series 2012C Notes.

Moneys held in the Series 2012C Notes Proceeds Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Investment earnings on moneys credited to the Series 2012C Notes Proceeds Account up to the amount deposited by the State Treasurer to the Interest Subaccount on the Closing Date are to be credited to the State General Fund and will not be credited to the Series 2012C Notes Proceeds Account; and investment earnings on moneys credited to the Series 2012C Notes Proceeds Account in excess of the amount deposited by the State Treasurer to the Interest Subaccount on the Closing Date are to be retained therein until June 25, 2013, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2012-13 Notes Repayment Account, after which the Series 2012C Notes Proceeds Account is to be closed. See "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

Program Loans

In order to participate in the Loan Program, each Participating District's governing board (the "Board of Education") must adopt a resolution approving the amount of the Program Loan (the "Maximum Principal Amount") and submit any actual or projected financial or budgetary statements required by the State Treasurer, as well as certain other financial information required by the State Treasurer. Based on such information, the State Treasurer has approved the Maximum Principal Amount of the Program Loan for each such Participating District.

An aggregate amount of not more than the Maximum Principal Amount may be drawn upon in the manner provided in the District Resolution and expended by the Participating District from time to time to fund its general fund cash flow deficit occurring during Fiscal Year 2012-13. See also "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Participating Districts

As of the date hereof, the Participating Districts that have requested the State Treasurer to issue the Series 2012C Notes on their behalf are set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts." Denver School District No. 1, Boulder Valley School District RE-2 and Cherry Creek School District No. 5 are expected to borrow the largest percentages of available proceeds of the Series 2012B Notes and the Series 2012C Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2012C NOTES

The following is a summary of certain provisions of the Series 2012C Notes during such time as the Series 2012C Notes are subject to the DTC book-entry system. Reference is hereby made to the State Resolution in its entirety for the detailed provisions pertaining to the Series 2012C Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2012C Notes are being issued pursuant to the Loan Program Statutes, the Supplemental Public Securities Act and the State Resolution. The Loan Program Statutes authorize the State Treasurer to issue tax and revenue anticipation notes from time to time to accomplish the purposes of the Loan Program Statutes. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS." The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes in Fiscal Year 2012-13. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2012C Notes will be issued in fully registered form (*i.e.*, registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2012C Notes. Beneficial Ownership Interests in the Series 2012C Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest and the receipt of notices and other communications, transfers and various other matters with respect to the Series 2012C Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "APPENDIX E – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2012C Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2012C Notes will be dated as of the Closing Date, mature on the Series 2012C Notes Maturity Date and bear interest at the rates per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) set forth on the cover page of this Official Statement. Interest on the Series 2012C Notes will accrue from the Closing Date and will be payable on the Series 2012C Notes Maturity Date. The principal of and interest on the Series 2012C Notes will be payable by the State Treasurer, as paying agent for the Series 2012C Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2012C Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX E – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2012C Notes will cease to accrue on the Series 2012C Notes Maturity Date.

The Deputy State Treasurer or the Chief Financial Officer of the Department of the Treasury will serve as the registrar for the Series 2012C Notes (the "Registrar"), subject to the provisions of the DTC book-entry system.

Neither the State, the State Treasurer, the Deputy State Treasurer, the Chief Financial Officer of the Department of the Treasury, the State Controller nor the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2012C Notes under the State Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the State Resolution with respect to the Series 2012C Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2012C Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2012C Notes are not subject to redemption prior to the Series 2012C Notes Maturity Date.

Security and Sources of Payment

The Series 2012C Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2012B Notes and any additional Parity Lien Notes. The Series 2012C Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the State Constitution or State statutes, and the Owners and Beneficial Owners of the Series 2012C Notes may not look to any source other than the Pledged Revenues for payment of the Series 2012C Notes.

The Pledged Revenues. The Pledged Revenues consist of: (i) amounts received by the State Treasurer from the Participating Districts on or before June 25, 2013, in repayment of their Program Loans; (ii) amounts deposited to the Series 2012-13 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes that have not been loaned to Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the State Treasurer in the Series 2012C Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS – The Series 2012C Notes Proceeds Account."

The Series 2012-13 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2012-13 Notes Repayment Account, including therein the Interest Subaccount and the Principal Subaccount, all of which are to be segregated from all other accounts in the General Fund. The Series 2012-13 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2012B

Notes, the Series 2012C Notes and any Parity Lien Notes. The Owners of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2012-13 Notes Repayment Account and the moneys credited thereto.

On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2012-13 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2012C Notes from the Closing Date to the Series 2012C Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2013, in repayment of their Program Loans. However, if on June 26, 2013, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes, the State Treasurer is to deposit to the Principal Subaccount the amount of the deficiency from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. In addition, the covenant of the State Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account does not constitute a pledge of or lien on such other funds for that purpose, and there is no limit on the availability or use of such other funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2012C Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2013. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND."

Moneys held in the Series 2012-13 Notes Repayment Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Interest income from the investment or reinvestment of moneys credited to the Interest Subaccount and the Principal Subaccount up to and including June 25, 2013, is to be credited to the General Fund up to the amount deposited in the Interest Subaccount at Closing and not credited to the Interest Subaccount or the Principal Subaccount. See "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

Limitations on the Obligations of the State. The State Resolution provides that no provision thereof or of the Series 2012C Notes is to be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or an indebtedness of the State within the meaning of any applicable provision of the State Constitution or State statutes; (iii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article X, Section 20 of the State Constitution (the "Taxpayer's Bill of Rights" or "TABOR") for which adequate cash reserves have not been pledged irrevocably and held for payment in all future fiscal years; (iv) as a delegation of governmental powers by the State; (v) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the State Constitution; or (vi) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the State Constitution. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights."

Parity Lien Notes

The State Resolution authorizes the State Treasurer from time to time during Fiscal Year 2012-13 to issue additional tax and revenue anticipation notes pursuant to the Loan Program Statutes that are payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with (but not superior to) the pledge in favor of the Owners of the Series 2012B Notes and the Series 2012C Notes. Such Parity Lien Notes may have such details as the State Treasurer may determine; provided, however, that the Parity Lien Notes are required to be (i) non-redeemable prior to their Maturity Date, (ii) due and payable as to both principal and interest on the Maturity Date and (iii) payable from the Series 2012-13 Notes Repayment Account.

The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on a parity with the pledge in favor of the Series 2012B Notes and the Series 2012C Notes; however, the State Treasurer reserves the right to issue such additional notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes.

Covenants of the State

The State Treasurer covenants in the State Resolution for the benefit of the original purchasers (the "Purchasers") and the Owners of the Series 2012C Notes to: (i) keep proper books of record and accounts showing complete and correct entries of all transactions relating to the Funds and Accounts referred to therein and in such manner that the amount of Program Loans made to each Participating District and the amount of repayment of such Program Loans by each Participating District may at all times be readily and accurately determined; and (ii) take any and all actions that may be reasonably required to ensure timely collection of the amounts due by Participating Districts under their respective District Notes.

Defaults and Remedies

Each of the following constitutes an "Event of Default" under the State Resolution:

- payment of the principal of or interest on any of the Series 2012C Notes is not made on the Series 2012C Notes Maturity Date; or
- the State fails to perform or observe any of the covenants, agreements or conditions contained in the State Resolution or in the Series 2012C Notes and such failure continues for 15 days after receipt of written notice thereof by the State Treasurer from any Owner of any of the Series 2012C Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2012C Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2012C Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2012C Notes; (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the State of any covenant in the State Resolution or the Series 2012C Notes; or (iii) examine the books and records of the State and require the State Treasurer to account for all moneys and investments constituting Pledged Revenues as if the State Treasurer were the trustee of an express trust. Neither principal of nor interest on the Series 2012C Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2012-13 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2012-13 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2012B Note, Series 2012C Note or Parity Lien Note over any other Series 2012B Note, Series 2012C Note or Parity Lien Note, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or preference.

Tax Covenant

The State Treasurer covenants in the State Resolution for the benefit of the Purchasers and the Owners of the Series 2012C Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2012C Notes Proceeds Account and the Series 2012-13 Notes Repayment Account not immediately needed will be invested only in investments authorized by the Loan Program Statutes; Article 36 of Title 24, C.R.S.; or, to the extent applicable, Part 6 of Article 75 of Title 24, C.R.S.

The State Treasurer further covenants that the State Treasurer will not take any action or omit to take any action with respect to the Series 2012C Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2012C Notes to lose its exclusion from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder (the "Code"); (ii) would cause interest on the Series 2012C Notes to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income; or (iii) would cause interest on the Series 2012C Notes to lose its exclusion from State taxable income or State alternative minimum taxable income under present State law. This covenant will remain in full force and effect notwithstanding the payment in full of the Series 2012C Notes until the date on which all obligations of the State Treasurer in fulfilling such covenant under the Code and State law have been met. See also "TAX MATTERS."

INVESTMENT CONSIDERATIONS

An investment in the Series 2012C Notes involves certain investment risks that are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below that, among others, could affect the payment of the principal of and interest on the Series 2012C Notes.

Limited Obligations

The Series 2012C Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues. The State has not pledged its General Fund, taxing power or revenues, other than the Pledged Revenues, to the payment of the Series 2012C Notes. The Series 2012C Notes do not constitute a debt, indebtedness or multiple fiscal year financial obligation of the State or any political subdivision thereof within the meaning of any applicable provision of the State Constitution or State laws; do not constitute general obligations of the State, the Participating Districts or any other political subdivision of the State; and no governmental entity has pledged its faith and credit for the payment of the Series 2012C Notes. If an Event of Default under the State Resolution should occur, there may not be sufficient Pledged Revenues available to pay the principal of and/or the interest on the Series 2012C Notes. See "THE SERIES 2012C NOTES – Security and Sources of Payment – Defaults and Remedies."

Insufficient Taxes

The District Notes are payable solely from the Taxes of the respective Participating Districts received during the period of March through June 2013. Property taxes received by a Participating District either prior or subsequent to such period will not be available for repayment of its District Note. In the event that a Participating District's Taxes are insufficient to timely repay its District Note, the State Treasurer is required by the State Resolution to fund the amount of the deficiency, and pay the principal amount of the Series 2012C Notes, from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes, but is first to utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The State Treasurer is entitled to and intends to recover those moneys from such Participating District under the default provisions of the Loan Program Statutes and the District Resolutions. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Defaults and Remedies." The obligation of a Participating District to make payments in respect of its District Note does not constitute a joint obligation with any other Participating District and is strictly limited to the principal amount of the District Note and, under the circumstances described in "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Participation in the Loan Program," default interest thereon (the "Payment Obligation") under its District Resolution. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts" for information regarding the historical average property tax collection rates for the Participating Districts. The amount of Taxes received by Participating Districts may be affected by the economy and the housing market. Based on information included in the Colorado Assessed Values Manual for 2011 published by the Colorado Department of Local Affairs, Division of Property Taxation, statewide taxable assessed values decreased from $97.78 billion in 2009 to $92.65 billion in 2010 and $87.80 billion in 2011, constituting decreases of approximately 5.3% and 5.2%, respectively. It is not possible for the State to predict whether current economic conditions will continue or worsen or to predict how future conditions will affect the housing market, assessed values, and the amount of Taxes received by each Participating District. Current national and regional economic conditions may increase the rate of nonpayment of property taxes and delays in collection of property taxes in the future, and significant numbers of foreclosures (if they occur in the future) may decrease or delay the payment and collection of property taxes. Further, there is no assurance that the Participating Districts will collect sufficient Taxes from March through June of 2013 to repay the Program Loans in full.

Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds

As discussed in "Insufficient Taxes" under this caption and in "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*" and "SELECTED

STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," in the event of a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account resulting from a default in the repayment of Program Loans, the State Resolution requires the State Treasurer to deposit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account the amount of the deficiency from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to utilize all other funds that are eligible for investment for such purpose prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. In addition, the covenant of the State Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account does not constitute a pledge of or lien on such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2012C Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2013. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

Budgets and Revenue Forecasts

The State Constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. In addition, Section 24-75-201.1(1)(d), C.R.S., provides that for each Fiscal Year, a portion of the unrestricted General Fund year-end balance is to be retained as a reserve (the "Unappropriated Reserve"), and Section 24-75-201.1, C.R.S., provides that General Fund appropriations for each Fiscal Year, with certain exceptions, may not exceed specified amounts, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts – Expenditures; The Balanced Budget and Statutory Spending Limitation*."

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("OSPB") is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on September 20, 2012 (the "OSPB September 2012 Revenue Forecast"), and is summarized in this Official Statement. See "STATE FINANCIAL INFORMATION" and "APPENDIX C – THE STATE GENERAL FUND – Revenue Estimation – OSPB Revenue and Economic Forecasts." The Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual method of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("GASB"), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on a modified accrual basis, which is not solely based on when such amounts are received or paid. If an unanticipated cash shortfall were to occur in late Fiscal Year 2012-13, it may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account on June 26, 2013. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND – Revenue Estimation."

The OSPB September 2012 Revenue Forecast projects that the State will end Fiscal Years 2011-12 and 2012-13 with reserves equal to $582.3 million and $717.1 million, respectively, above the 4.0% Unappropriated Reserve requirement. Per HB 12-1338, $59.0 million of the Fiscal Year 2011-12 excess reserves are to be transferred to the State Education Fund and the balance is to be carried forward and become part of the beginning Fiscal Year 2012-13 fund balance, and all of the Fiscal Year 2012-13 excess reserves are required to be transferred to the State Education Fund. The next OSPB revenue forecast will be released on December 20, 2012. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2012 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2012-13 and subsequent forecasted years, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. A revenue shortfall in Fiscal Year 2012-13 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account on June 26, 2013. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND – Revenue Estimation – *Revenue Shortfalls* – OSPB Revenue and Economic Forecasts."

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See the inside cover of this Official Statement regarding forward-looking statements.

Parity Lien Notes

The State Resolution permits the State to issue Parity Lien Notes upon satisfaction of certain conditions provided therein and in the Loan Program Statutes. If issued, such Parity Lien Notes would be payable from and secured by a pledge of the Pledged Revenues on parity with the pledge securing the Series 2012B Notes and the Series 2012C Notes. Therefore, the issuance of Parity Lien Notes could materially diminish the level of repayment coverage provided by the Taxes and other funds as security for the Series 2012C Notes. The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on a parity with the pledge in favor of the Series 2012B Notes and the Series 2012C Notes; however, the State Treasurer reserves the right to issue such additional notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes. See "THE SERIES 2012C NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2012C Notes could become includable in gross income for federal income tax purposes and/or become includable in Colorado taxable income or Colorado alternative minimum taxable income as a result of a failure of the State to comply with certain covenants contained in the State Resolution.

Future Changes in Laws

Various State laws and State Constitutional provisions apply to the operations of the Participating Districts and the imposition, collection and expenditure of ad valorem property taxes and other funds by the Participating Districts, including the Taxes and other funds pledged to the repayment of the Program Loans, as well as to the operations of and availability and appropriation of funds by the State. There is no assurance that there will not be any changes in, interpretation of or addition to such laws that would have a material adverse effect, directly or indirectly, on the operations of the Participating Districts, the imposition, collection or expenditure of ad valorem property taxes and other funds by the Participating Districts or the ability of the Participating Districts to repay the Program Loans, or on the affairs of the State, the availability of and appropriation of funds by the State or the ability of the State to repay the Series 2012C Notes. See also "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation" for a discussion of certain pending litigation the outcome of which could materially affect the State's funding of public education and potentially have a material adverse impact on the operations and finances of the State in general.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District that has requested the State Treasurer to issue the Series 2012C Notes on its behalf has, or prior to the Closing Date is required to have, adopted a District Resolution that authorizes the Participating District to borrow funds from the State Treasurer pursuant to the Loan Program, and has, or prior to the Closing Date is required to have, executed and delivered a District Note to the State Treasurer to evidence the Participating District's obligation to repay its Program Loan. The obligation of a Participating District to make payments in respect of its District Note is not a joint obligation with any other Participating District and is strictly limited to the Payment Obligations of such Participating District under its District Resolution.

Set forth below is a summary of the District Resolutions and District Notes. The District Resolutions and District Notes are substantially the same except as to Maximum Principal Amount and the cash flow projections. The references in this summary to a single District Resolution, District Note or Participating District are, except where otherwise indicated, equally applicable to all of the District Resolutions, District Notes, and Participating Districts. The following summary does not purport to be complete, and is qualified by express reference to the provisions of the District Resolutions and District Notes, copies of which are available as provided in "INTRODUCTION – Additional Information" and "MISCELLANEOUS." A District Resolution may be amended only with the written consent of the State Treasurer. See also "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS – Program Loans – The Participating Districts."

Participation in the Loan Program

The District Resolution authorizes the Participating District to participate in the Loan Program for Fiscal Year 2012-13, and to issue and deliver the District Note to the State Treasurer in the Maximum Principal Amount to evidence the Participating District's Payment Obligation, for the purpose of paying the Participating District's projected budgeted expenditures during Fiscal Year 2012-13. The District Note matures on June 25, 2013 (the "District Note Maturity Date"), and is interest-free through such date;

provided, however, that if the District Note is not paid in full on the District Note Maturity Date, it will become a defaulted note (a "Defaulted Note") and the unpaid portion thereof will bear interest thereafter until paid at a default rate equal to the interest rate, or the weighted average interest rate, paid by the State Treasurer on the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes. The District Note may be prepaid in whole or in part at any time prior to the District Note Maturity Date.

The Participating District may obtain advances on its Program Loan in the manner discussed in "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS – Program Loans."

The State Treasurer is authorized pursuant to the District Resolution to maintain records on behalf of the Participating District that reflect the outstanding principal amount due under the District Note, the date and amount of the Program Loan and repayment of the Program Loan by the Participating District to the State Treasurer.

Security for and Payment of the District Note

The District Note is payable from and secured by a lien in the amount of the Participating District's Payment Obligations on all of the Participating District's ad valorem taxes on real and personal property received by the Participating District during the period of March through June 2013 that are required to be credited to the Participating District's general fund. Such lien has priority over all other expenditures from such Taxes until the Participating District's Payment Obligations are paid in full. All Taxes received by the Participating District are to be paid to the State Treasurer within one Business Day of receipt until the Payment Obligations are paid in full. The District Resolution authorizes the State Treasurer to pledge and assign the District Note and all or any part of the Participating District's obligations thereunder, including, without limitation, the Participating District's Payment Obligations, to secure the payment of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS."

Defaults and Remedies

The occurrence of any of the following constitutes a "District Event of Default" with respect to the District Resolution and District Note:

(i) failure by the Participating District to pay in full the principal amount of the District Note when due or before the District Note Maturity Date;

(ii) default by the Participating District in the performance or observance of any other covenant, agreement or obligation of the Participating District under its District Note or District Resolution (other than as described in the previous paragraph) and failure to cure such default within ten days after the earlier of the date that the Participating District furnishes notice of a default or the Participating District receives written notice of default from the State Treasurer;

(iii) with certain exceptions, any warranty, representation or other statement by or on behalf of the Participating District contained in its District Resolution or in any certificate, requisition, report or any other instrument furnished in compliance with or in reference to its District Resolution or its District Note is false or misleading in any material respect; or

(iv) the Participating District applies for or consents to the appointment of a receiver, trustee, liquidator, custodian or the like either of itself or of its property; admits in writing its inability to pay its debts generally as they become due; makes a general assignment for the benefit of creditors; or is adjudicated as bankrupt or insolvent.

Upon the occurrence of a District Event of Default as described in clause (i) above, the statutory remedy of the State Treasurer is to notify the treasurer of each county in which the Participating District levies Taxes that the Participating District is in default on its obligation to pay its Payment Obligation and the amount of the Payment Obligation. Pursuant to the Loan Program Statutes, the county treasurer is thereupon required to withhold any "Default Taxes" (being ad valorem taxes on real and personal property received or to be received by the Participating District after the District Note Maturity Date that are required to be credited to the Participating District's general fund and are available for payment of the Defaulted Note pursuant to Section 22-54-110(2)(c), C.R.S.) to be received by the District and in the possession of the county treasurer in the amount of such unpaid Payment Obligation. If the amount of Default Taxes to be received by the District and in the possession of the county treasurer at the time such notice is given is less than the amount of the Payment Obligation, the county treasurer is to withhold additional Default Taxes to be received by the District and in the possession of the County Treasurer until such time as the Payment Obligation has been paid to the State Treasurer in full. *Default Taxes are available solely to repay a Participating District's Payment Obligation to the State Treasurer following a District Event of Default and are not pledged to the payment of the Series 2012C Notes.*

The State Treasurer also may, with the agreement of the Participating District, acquire from the Participating District real property having a fair market value at least equal to the outstanding balance of the District Note and lease back such property to the Participating District pursuant to a lease-purchase agreement that is subject to annual appropriation. If a Participating District defaults in the payment of rent required by the lease-purchase agreement and fails to cure such default, the State Treasurer may take possession of the property and, upon entry of a judgment in favor of the State Treasurer and the issuance of a writ of restitution, the State Treasurer is to liquidate the property to the best advantage of the State.

Upon the occurrence of any District Event of Default, the State Treasurer may take any other action at law or in equity to enforce the performance or observance of any other obligation, agreement or covenant of the Participating District, and to enforce the levy, liens, pledges and security interests granted or created under the District Resolution. The several remedies available to the State Treasurer upon a District Event of Default are cumulative. No delay or omission to exercise any right or power occurring upon any default is to impair any such right or power or be construed to be a waiver thereof, and all such rights and powers may be exercised as often as may be deemed expedient.

A District Event of Default does not constitute an Event of Default under the State Resolution. See "THE SERIES 2012C NOTES – Defaults and Remedies."

Other Covenants and Representations

The Participating District further covenants and agrees in the District Resolution as follows:

- The Participating District will provide to the State Treasurer demographic and financial information concerning the Participating District relevant to the Participating District's obligations under the District Resolution, which the State Treasurer is authorized to provide, on behalf of the Participating District, to such other parties as the State Treasurer deems necessary and in the best interests of the Participating District in order to consummate the transactions contemplated by the District Resolution and under the Loan Program. The Participating District further covenants that, with respect to the Participating District's operations or description as of the Closing Date and as of the date provided, whether prior to or following the Closing Date, the information so provided will not contain any untrue statement of a material fact, and will not omit any material fact necessary to prevent such statements or information so provided, in light of the circumstances under which they are made, from being misleading.

- The Participating District will not issue notes or other obligations for cash flow purposes that are payable from the Taxes or Defaulted Taxes or are secured by a lien on the Taxes or Defaulted Taxes that is superior to or on a parity with the lien of the District Note.

- The Participating District will furnish to the State Treasurer as soon as possible (and in any event within two Business Days) after the discovery by the Participating District of any District Event of Default, or of any event, act or occurrence that with notice or lapse of time, or both, would become a District Event of Default (a "District Default"), a certificate of an Authorized Officer (as defined in the District Resolution) setting forth the details of such District Event of Default or District Default and the action proposed to be taken by the Participating District with respect thereto.

- The Participating District will deliver to the State Treasurer such financial data as the State Treasurer may reasonably request (including, without limitation, any information relating to Taxes, expenses, available funds, tax rolls, financial statements, budget and cash flow) and, if requested, copies of the Participating District's audited year-end financial statements, budgets, official statements and similar information issued by it to the public.

The Participating District also represents to the State Treasurer that unless, prior to the Closing Date, one of the Authorized Officers of the District notifies the State Treasurer in writing to the contrary, among other things: (i) it has had an ad valorem property tax collection rate of not less than 90% of the aggregate amount of ad valorem property taxes levied within the Participating District in each of the most recent five Fiscal Years; (ii) as of the date of adoption of the District Resolution and on the date of issuance of the District Note the Participating District reasonably expects to collect at least 90% of such amount for Fiscal Year 2012-13; (iii) the Participating District has not defaulted within the past five years, and is not currently in default, on any debt obligation; and (iv) any documents setting forth, among other matters, financial information regarding the District and information relating to the District Resolution and the District's obligations thereunder, other disclosures by the District pursuant to the District Resolution and cash flow projections and ongoing reports pursuant to the District Resolution have been and will be prepared consistent with generally accepted accounting principles; and (v) the District's budget and financial accounting policies and procedures are in compliance with State law.

Parties in Interest

Nothing in the District Resolution, expressed or implied, is intended to or is to be construed to confer upon or to give to any person or party other than the State Treasurer, acting on behalf of the State, as the sole owner of the District Note, any rights, remedies or claims under or by reason of the District Resolution or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the District Resolution are for the sole and exclusive benefit of the State Treasurer, acting on behalf of the State, as a third party beneficiary.

SOURCE OF PAYMENT OF PROGRAM LOANS

Taxes

The Program Loans are payable solely from the Taxes of the Participating Districts, and do not constitute general obligations of the Participating Districts. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Security for and Payment of the District Note."

Taxes are limited to ad valorem taxes on real and personal property received by the Participating District during the period of March through June 2013 that are required to be credited to the Participating

District's general fund. These in turn are comprised of the ad valorem property taxes that the Participating District is authorized to impose in accordance with the Public School Finance Act, plus certain permitted "override revenues," both of which are discussed in this section.

In addition to the Taxes, the Participating Districts are also authorized to impose ad valorem property taxes for certain other purposes, such as for bond redemption and capital improvements, and receive various other local, State and federal revenues. However, none of these other revenues constitute Taxes pledged to the payment of the District Loans.

State Equalization Funding of School Districts

The discussion under this caption provides an overview of the funding of the Colorado school districts under State statutes. *The State portion of the school districts' funding is not pledged to pay the Program Loans*.

The constitutionality of the Colorado school finance system described herein has been challenged in a lawsuit filed against the State by several school districts, students and parents. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation" for a further description of this lawsuit. See also "INVESTMENT CONSIDERATIONS – Future Changes in Laws."

General. Colorado school districts are funded primarily from revenues that are determined in accordance with the Public School Finance Act, which was adopted in furtherance of the duty of the State legislature, known as the General Assembly, under Article IX, Section 2 of the State Constitution to provide for a thorough and uniform system of public schools throughout the State. The Public School Finance Act has applied to school districts for budget years beginning on and after July 1, 1994, and its provisions are to be used to calculate for each school district an amount that represents the financial base of support for public education in that district (the "Total Program"), which is then funded in part by the school district and in part by the State.

Total Program Funding Formula. Funding to school districts is based on a per-pupil formula that calculates the Total Program. For each pupil funded in the October 1 pupil count, the formula provides a base per pupil amount of money, increased each year to account for inflation ($5,634.77 for Fiscal Year 2011-12 and $5,843.26 for Fiscal Year 2012-13), plus additional money to recognize variances among school districts in cost of living, personnel costs and size. The Total Program amount also includes additional funding for at-risk pupils. As these components vary among school districts, so does the amount of Total Program funding provided.

A new factor was introduced in the school finance formula starting in Fiscal Year 2010-11 due to the budget balancing challenges facing the State. This new factor, originally called the "State Budget Stabilization Factor," and pursuant to Senate Bill ("SB") 11-230 renamed the "Negative Factor" beginning with Fiscal Year 2011-12, reduces in an equitable manner the amount of funding that school districts would have received prior to the application of this factor. In general, the Negative Factor is calculated by first determining the Total Program funding amount for all school districts in the State (the "Statewide Total Program") prior to application of the Negative Factor. The Negative Factor then reduces this Statewide Total Program to an amount set by the General Assembly, which amount reflects reductions to stabilize the State's budget for each Fiscal Year, as applicable. The difference between the Statewide Total Program amount prior to application of the Negative Factor and the established floor amount for the Statewide Total Program after the application of the Negative Factor is utilized to calculate a percentage reduction that is then applied to decrease each school district's Total Program funding amount for a given Fiscal Year.

SB 11-230 set the unadjusted Statewide Total Program funding amount for Fiscal Year 2011-12 at $5,987,109,016 before application of the Negative Factor. HB 12-1345 set the Statewide Total

Program funding amount for Fiscal Year 2012-13 after application of the Negative Factor at an amount of not less than $5,286,898,382.

SB 11-230 extends the Negative Factor to each subsequent budget year without specifying the amount of Total Program funding for any budget year after Fiscal Year 2011-12. The Negative Factor percentage is expected to fluctuate depending on the amount of revenues received by the State in a particular Fiscal Year and action taken by the General Assembly.

The general rule for calculating Total Program funding for Fiscal Year 2011-12 and thereafter is as follows:

Total Program	=	Funded Pupil Count (October 1)	x	Total Per Pupil Funding	+	At-Risk Funding	+	On-Line Funding and ASCENT	-	Negative Factor

Funded Pupil Count	=	The sum of (i) the greater of the number of pupils enrolled in the school district for the current budget year or the average enrollment for the current and up to four prior budget years (less the Colorado Preschool Program Pupil Counts), plus (ii) the school district's On-line Pupil Count plus (iii) the school district's Colorado Preschool Program Pupil Count.
Per Pupil Funding	=	A formula which takes into consideration a Statewide base level plus adjustments for variances in district size, cost of living, personnel costs and non-personnel cost factors specified in the Public School Finance Act.
At-Risk Funding	=	Formulaic funding amounts which are based upon the number of district pupils and pupils Statewide eligible for the federal free lunch program.
On-Line Funding and ASCENT	=	Funding amounts for pupils receiving an education predominantly through an on-line program and residing in the State or participating in the "Accelerating Students Through Concurrent Enrollment" ("ASCENT") program administered by the Colorado Department of Education pursuant to Section 22-35-108, C.R.S. The goals of the ASCENT program are to, among other things, increase the percentage of students who participate in postsecondary education, especially among low-income and traditionally underserved populations.
Negative Factor	=	An amount equal to (i) the Negative Factor percentage reduction for a given year multiplied by (ii) a district's Total Program funding amount before application of the Negative Factor.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2012-13 of $6,141.28 ($7,320.89 before application of the Negative Factor) per traditional pupil, plus $5,910.68 ($7,046.00 before application of the Negative Factor) per on-line pupil, but limits a school district's Total Program per pupil funding to not more than 125% of its prior year's Total Program per pupil funding (not including override revenues discussed below). In addition, a school district's ability to accept the full amount of Total Program funding may be limited by the constraints on the school district's annual revenue and spending growth discussed in "Taxpayer's Bill of Rights" below.

Amendment 23. In November of 2000, the State's voters approved an amendment to the State Constitution relating to funding for public schools, commonly referred to as "Amendment 23." Amendment 23 requires that the base per-pupil funding amount and the funding for categorical programs (such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education): (i) increase by the rate of inflation plus one percentage point for Fiscal Year 2001-02 through Fiscal Year 2010-11, and (ii) increase by at least the rate of inflation each year thereafter. Amendment 23 also creates the State Education Fund, and (i) mandates that there be deposited therein an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, and (ii) exempts such revenues from the revenue limitations of TABOR. See "Taxpayer's Bill of Rights" below. The General Assembly may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23, including accountable education reform, accountable programs to meet State academic standards, reducing class size, expanding technology education, improving public safety, accountability reporting, performance incentives for teachers and public school building capital construction. The Amendment 23 funds may not be used to reduce the current level of general fund appropriations for Total Program funding and categorical programs. Amendment 23 further requires the State to increase its General Fund appropriation for the Public School Finance Act by at least 5% in each year from Fiscal Year 2001-02 through Fiscal Year 2010-11, except in any Fiscal Year in which State personal income grows less than 4.5% between the previous two Fiscal Years, as was the case for Fiscal Years 2008-09 and 2009-10. The State was not required to increase by at least 5% its General Fund appropriation for the Total Program in Fiscal Year 2010-11. See also "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – *The State Education Fund*" for a discussion of the State Education Fund established by Amendment 23.

Sources of Funding of Total Program. Under the Public School Finance Act, a school district's Total Program is funded in part by the school district (the "local share"), with the State funding the balance (the "State share"). The local share is the amount raised by the school district's ad valorem property tax levy (assuming 100% collection) plus the amount of specific ownership tax revenue paid to the school district in the prior Fiscal Year that is attributable to the school district's general fund, excluding override revenues.

Pursuant to the Public School Finance Act, a school district's property tax levy to fund the local share of its Total Program is to be the lowest of the following: (i) the number of mills (one mill equals $0.001) levied by the school district for the immediately preceding property tax year; (ii) the number of mills that will generate property tax revenue in an amount equal to the school district's Total Program for the applicable budget year minus the minimum State aid and the amount of specific ownership tax revenue paid to the school district; (iii) for school districts that have not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed on such school districts by TABOR (such voter approval commonly referred to as being "De-Bruced"), the number of mills that may be levied by such school districts in accordance with the property tax revenue limitation imposed by TABOR; or (iv) 27.000 mills. See "Taxpayer's Bill of Rights" below and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

Specific ownership tax revenue is the portion of the revenues of the specific ownership tax on certain motor vehicles and other personal property imposed by the State pursuant to Article 3 of Title 42, C.R.S., allocable to the school district. Specific ownership taxes are collected on property within each county by the county treasurer, and the total amount of specific ownership taxes collected by the county treasurer is apportioned among all taxing entities within the county on the basis of the amount of ad valorem property taxes levied by such entities within the county during the preceding calendar year.

The difference between the Total Program and the amount generated from the school district's mill levy is required to be paid by the State. The State Legislature is required to make annual appropriations to fund the State's share of the Total Program of all school districts. The availability of

State funds to the school district may be affected by actions of the legislature and by the cash position of the State itself. In the event the State's appropriation for its share of the Total Program of all school districts is not sufficient to fund fully the State's share, the Department of Education is required to submit a request for a supplemental appropriation in an amount which will fund fully the State's share during the Fiscal Year in which such insufficiency occurs. If a supplemental appropriation is not made, a percentage reduction in State aid to all school districts receiving State aid is to be made in funding categories not mandated by the State Constitution. Such reductions, or "rescissions," occurred in Fiscal Years 2001-02, 2002-03, 2008-09 and 2009-10. For Fiscal Year 2010-11, the reduction in State aid was effected through the application of the Negative Factor. It is expected that the Negative Factor may occur in future years as a result of State budgetary constraints. See also "Amendment 23" above.

Override Revenues

The other source of Taxes pledged to the repayment of Program Loans is "override revenues" received by the Participating District. If a school district or its electorate desires to spend property tax revenues in excess of the amount authorized to fund its share of the Total Program, the school district may, or upon receipt of a valid initiative petition is required to, seek voter approval to raise and spend additional, or "override," property tax revenues. Override revenues are currently permitted for excess transportation costs, special building and technology fund, excess costs related to a full-day kindergarten program and for school districts that obtained voter approval for override revenues in 2009 or thereafter, for capital construction projects. Override revenues are also permitted for a school district whose Fiscal Year 1994-95 actual Total Program exceeded its funding formula calculation for that Fiscal Year (a "hold harmless" district). A school district's override revenues are generally limited to the greater of $200,000 or 20% of its Total Program for the budget year in which the election at which the 20% limitation was reached, plus an amount equal to the maximum dollar amount of property tax revenue that the school district could have generated for Fiscal Year 2001-02 in a cost of living adjustment election pursuant to Section 22-54-107.5, C.R.S. In addition, pursuant to SB 09-256, for any school district that obtains voter approval in 2009 and thereafter to raise and spend additional or "override" property tax revenues the foregoing limitation was changed to the greater of $200,000 or 25% of the school district's Total Program plus an amount equal to the maximum dollar amount of property tax revenue that the school district could have generated for Fiscal Year 2001-02 in a cost of living adjustment election pursuant to Section 22-54-107.5, C.R.S. Override revenues are derived entirely from increased property taxes, and do not affect the amount of State funding that the school district is otherwise eligible to receive under the School Finance Act.

Ad Valorem Property Taxation Procedure

Property Subject to Taxation. Subject to the limitations discussed in "Taxpayer's Bill of Rights" below, the Board of Education of each school district has the power to certify to each county in which the school district is located a levy for collection of ad valorem taxes against all taxable property within the school district.

Property taxes are uniformly levied against the assessed valuation of all taxable property within the boundaries of the school district. Both real and personal property are subject to taxation unless exempt. Exempt property includes, without limitation: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner's land; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies that are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Determination of Actual Value. Each County Assessor in the State annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory "actual" value of all taxable property within the county as of January 1st. The statutory actual value of a property is not intended to represent current market value, but, with certain exceptions, is determined by the County Assessor utilizing a "level of value" ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. The statutory actual value is based on the "level of value" for the period one and one-half years immediately prior to the July 1st preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). The one and one-half year period used to determine the level of value advances two years with the start of each reassessment cycle.

The following table sets forth the State property appraisal system for property tax levy years 2005 through 2011:

Levy Years	Collection Years	Value Calculated as of July 1	Based on the Market Period
2005 and 2006	2006 and 2007	2004	Jan. 1, 2003 to June 30, 2004
2007 and 2008	2008 and 2009	2006	Jan. 1, 2005 to June 30, 2006
2009 and 2010	2010 and 2011	2008	Jan. 1, 2007 to June 30, 2008
2011 and 2012	2012 and 2013	2010	Jan. 1, 2009 to June 30, 2010

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State property tax administrator based upon the value of the utility's tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State Constitution requires the General Assembly to adjust the ratio of valuation for assessment of residential property for each year in which a change in the base year level of value occurs based on an estimated target percentage. This adjustment is mandated in order to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property that existed in the previous year. The State Constitution also prohibits any valuation for assessment ratio increase for a property class without prior voter approval. See "Taxpayer's Bill of Rights" below. The ratio of valuation for assessment of residential property has been 7.96% since the 2003 levy year.

All other taxable property, with certain exceptions, is assessed at 29% of statutory actual value. Vacant land (other than agricultural land), which includes land upon which no buildings, structures or fixtures are located, but may include land with site improvements, is also assessed at 29% of statutory actual value. Producing oil and gas property is generally assessed at 87.5% of statutory actual value.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with certain statutory deadlines. Property owners are given the opportunity to object to increases in the actual value of such property, and may petition for a hearing thereon before the county's board of equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization may order the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the applicable Board of County Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Board of County Commissioners; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1st of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities that levied a tax against the property.

Statewide Review. The General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not County Assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the State Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. A school district's assessed valuation may be subject to modification following any such annual assessment study.

Homestead Exemption. The State Constitution provides to qualified senior citizens and qualified disabled veterans a property tax exemption equal to 50% of the first $200,000 of the actual value of owner-occupied residential real property. In order to qualify for the senior citizen exemption, the owner or his or her spouse must be at least 65 years of age and have occupied the residence for at least ten years, and in order to qualify for the disabled veteran exemption, the veteran must be rated 100% permanently disabled by the federal government. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption, and therefore the exemption does not result in a loss of revenue to school districts. The homestead exemption for qualified senior citizens was suspended by the General Assembly for property tax collection years 2011 and 2012 as part of a State budget balancing package, which means that senior citizens were required to pay property taxes to local governments for 2011 and 2012 and the State is not required to reimburse such amounts to the local governments. The exemption is restored for property tax bills payable in 2013. See "APPENDIX C – THE STATE GENERAL FUND – Revenue Estimation – Budgetary Reduction Measures for Fiscal Year 2010-11."

Taxation Procedure. The County Assessor is required to certify to the school district the assessed valuation of property within the school district no later than August 25th of each year, which amount is subject to adjustment until December 10th of such year. Subject to the limitations of the State Constitution, based upon the valuation certified by the County Assessor, the school district's Board of Education computes a rate of levy that, when levied upon every dollar of the valuation for assessment of taxable property within the school district, and together with other legally available school district revenues, will raise the amount required by the school district in its upcoming Fiscal Year. The school district subsequently certifies to the applicable county or counties the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year.

The Board of County Commissioners is required to certify to the County Assessor the levy for all taxing entities within the county by December 22nd of each year. If such certification is not made, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Property taxes levied in one year are collected in the succeeding year. Thus, taxes levied in 2012 will be collected in 2013. Taxes are due on January 1st in the year of collection; however, they may be paid in either a single payment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty.

Interest accrues on unpaid first installments at the rate of 1% per month from March 1st until the date of payment unless the whole amount is paid by April 30th. If the second installment is not paid by June 15th, the unpaid installment will bear interest at the rate of 1% per month from June 16th until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the school district on a monthly basis, with an additional mid-month payment in March, May and June.

All taxes levied on property, together with interest thereon and penalties for default, and other costs of collection with respect to such taxes as have become delinquent, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Once a tax lien attaches, it has priority over all other liens, even those created prior in time (except for certain federal liens) such as a deed of trust or mortgage on the property. Thus, while a foreclosure will extinguish liens junior to the lien being foreclosed, it will not extinguish an existing tax lien. The lien would have to be paid as part of the foreclosure process in order to obtain clear title to the property. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty, but no lien can be filed or other collection procedures begun more than six years after the date the taxes become due. Delinquent personal property taxes are enforceable by court action, employment of a collection agency or distraint, seizure and sale of the property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. The State Treasurer will issue a certificate of purchase to the successful bidder at the sale, but a deed on the property cannot be issued until at least three years after the sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale.

Tax liens may not be sold for less than the aggregate amount of all due taxes, delinquent interest and fees. If no bid to settle the full value of the tax lien is offered, the County Treasurer removes the property from the tax rolls and strikes off the tax lien to the county until the county sells the lien or it is redeemed by the original tax debtor. When any real property has been stricken off to the county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the county after that time. Therefore, to the extent that a tax lien is not successfully sold at an auction or the county cancels the uncollectible taxes, the proceeds of tax liens sold may not necessarily be sufficient to produce the amount required with respect to property taxes levied by the school district and property taxes levied by overlapping taxing authorities, as well as any interest or costs due thereon.

Taxpayer's Bill of Rights

Article X, Section 20 of the State Constitution limits the ability of the State and its local governments, such as school districts, to increase revenues, debt and spending and restricts property, income and other taxes. Generally, TABOR limits most percentage increases in spending and property tax revenues to the prior year's amounts, adjusted for inflation, local growth and voter approved changes. Local growth for school districts is defined as the percentage change in student enrollment. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change as an offset. TABOR also requires that school districts obtain voter approval for certain tax or tax rate increases and to create any "multiple fiscal year direct or indirect ... debt or other financial obligation," except for refinancing debt at a lower interest rate or adding new employees to existing pension plans. Voter approval under TABOR is not required for the issuance of the District Notes as they are both issued and payable within the same

Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. TABOR also requires school districts to establish and maintain an emergency reserve equal to 3% of fiscal year spending (as defined in TABOR) excluding bonded debt service.

Many of the provisions of TABOR are ambiguous. Several lawsuits have been filed regarding TABOR, and some of its provisions have been judicially interpreted. Future litigation regarding TABOR could raise questions that bear upon the operations and financial condition of school districts. See also "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights."

Budgets

School districts are required by State law to annually formulate a budget and to hold a public hearing thereon prior to the determination of the amounts to be financed in whole or in part by ad valorem property taxes, funds on hand or estimated revenues from other sources.

No later than 30 days prior to the beginning of each Fiscal Year, the administrators of the school district are required to present the proposed budget to the Board of Education. After conducting a public hearing on the budget proposals, at which time any person paying school taxes in the school district has an opportunity to be heard, the Board of Education is required to adopt a final budget for the succeeding Fiscal Year by resolution specifying the amount of money appropriated to each fund. Beginning in 2009, the Board of Education is required to file the adopted budget with the Department of Education on or before January 31 of each year. By December 15th the Board of Education is to certify to the applicable board of county commissioners the amounts necessary to be raised from levies against the assessed valuation of all taxable property located within the school district to defray expenditures therefrom during the next ensuing Fiscal Year. The Board of Education may not expend moneys in excess of the amount appropriated by resolution for a particular fund.

The annual budget for all expenditures and estimated revenues prepared by the Board of Education becomes the financial operating plan for the school district after adoption by the Board of Education. The budget may be revised from time to time after following steps required by Board of Education policy and State law.

Financial Statements

An annual audit of the school district's financial affairs is required by State law to be submitted to the Board of Education within five months after the close of the Fiscal Year and filed with the State Auditor and the State Commissioner of Education within 30 days after receipt thereof by the school district. Failure to file an audit report may result in the withholding of moneys of the school district by the applicable county treasurers until the audit report is filed with the State Auditor.

Due to the number of Participating Districts, the audited financial statements of the Participating Districts are not presented in this Official Statement; however, such financial statements are available upon request as provided in "INTRODUCTION – Additional Information" and "MISCELLANEOUS."

Summary Financial Information Regarding the Participating Districts

The following table sets forth certain financial information concerning the Participating Districts. The Participating Districts expected to borrow the largest percentages of available proceeds of the Series 2012B Notes and the Series 2012C Notes are Denver School District No. 1, Boulder Valley School District RE-2 and Cherry Creek School District No. 5. See "Largest Borrowers" hereafter.

Participating District Financial Information

(Totals may not add due to rounding)

	Amount of Program Loans[1]						Actual and Estimated Fiscal Year 2012-13 Tax Information				Fiscal Year 2011-12 Loan Program Information	
Participating District	**Series 2012B Notes**	**% of Total**	**Series 2012C Notes**	**% of Total**	**Total Amount Borrowed**	**% of Total**	**Final 2012 Assessed Valuation (000's)[2]**	**Estimated Tax Collections[3]**	**Ratio of Amount Borrowed to Estimated 2013 Tax Collections**	**3 Year Average[4]**	**Amount Borrowed[5]**	**Repayment Date (2012)**
Adams-Arapahoe 28J	$ 10,434,565	8.36%	$ --	-- %	$ 10,434,565	3.67%	$ 1,757,447	$ 77,102,015	13.5%	98.67%	$ 3,555,108	March 13
Boulder Valley RE-2	39,571,788	31.71	50,691,478	31.82	90,263,266	31.77	4,732,099	169,558,779	53.2	99.48	87,547,172	May 11
Cherry Creek 5	8,678,086	6.95	44,071,852	27.66	52,749,938	18.57	4,288,390	185,676,335	28.4	97.34	36,019,456	March 13
Colorado Springs 11	14,505,717	11.62	14,405,815	9.04	28,911,532	10.18	2,316,851	77,055,507	37.5	99.46	13,839,540	March 13
Cripple Creek-Victor RE-1	--	--	1,263,783	0.79	1,263,783	0.44	277,909	3,299,857	38.3	100.00	1,489,614	May 25
Custer County C-1	232,898	0.19	659,037	0.41	891,935	0.31	96,254	1,718,049	51.9	98.97	893,280	May 11
Denver County 1	43,299,128	34.69	27,497,254	17.26	70,796,382	24.92	10,007,268	327,104,053	21.6	98.58	81,874,574	March 13
Eagle County RE 50	5,515,665	4.42	8,772,740	5.51	14,288,405	5.03	2,519,484	33,421,229	42.8	99.39	15,933,915	May 11
Gilcrest RE-1	--	--	1,182,789	0.74	1,182,789	0.42	1,101,344	7,627,111	15.5	98.33	1,301,577	May 11
Gunnison Watershed Re-1J	1,590,567	1.27	866,003	0.54	2,456,570	0.86	566,790	8,403,642	29.2	99.76	1,167,586	March 13
Hayden RE-1	135,821	0.11	1,081,557	0.68	1,217,378	0.43	104,732	2,835,963	42.9	98.77	915,065	May 11
Montezuma - Cortez RE-1	--	--	2,664,829	1.67	2,664,829	0.94	543,263	9,193,529	29.0	99.43	N/A	N/A
Park (Estes Park) R-3	--	--	1,178,438	0.74	1,178,438	0.41	356,674	7,945,264	14.8	98.70	735,000	March 13
Platte Valley RE-7	--	--	1,261,845	0.79	1,261,845	0.44	729,671	5,981,248	21.1	99.90	450,000	May 25
Sierra Grande R-30	22,871	0.02	228,574	0.14	251,445	0.09	64,819	1,141,245	22.0	94.67	324,570	May 11
South Routt RE-3	633,413	0.51	1,209,068	0.76	1,842,481	0.65	116,686	3,168,830	58.1	99.00	2,227,138	May 11
Summit RE-1[6]	191,501	0.15	--	--	191,501	0.07	N/A	N/A	N/A	N/A	374,000	March 13
Windsor RE-4	--	--	2,287,051	1.44	2,287,051	0.80	483,962	14,617,114	15.6	98.83	1,285,680	March 13
	$124,812,020	100.00%	$159,322,113	100.00%	$284,134,133	100.00%						

[1] These are estimates based upon information furnished by the Participating Districts regarding the amounts that they will borrow from the proceeds of the Series 2012B Notes and the Series 2012C Notes. Such amounts do not necessarily represent the actual Maximum Principal Amount that will be borrowed from the Loan Program by such Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2012C NOTES PROCEEDS." The Owners of the Series 2012C Notes will have a lien upon the Taxes of these Participating Districts, as well as on the Taxes of any Participating Districts that have not yet expressed the intent to participate in the Series 2012C Notes program (and thus are not included in the table) but eventually do participate in the program. Such lien also will be on parity with the lien thereon of the Owners of any Parity Lien Notes. See "THE SERIES 2012C NOTES – Parity Lien Notes."

[2] See "Ad Valorem Property Tax Procedure – *Taxation Procedure*" above.

[3] This amount was calculated for each Participating District by multiplying the 2012 assessed value of the Participating District by the Participating District's estimated 2012 general fund mill levy; and assumes collections of 100% of taxes collected by all Participating Districts normally during the months of March through June of 2013. Mill levies for 2013 tax collections are not required to be certified by the Participating Districts until December 15, 2012. The estimated mill levies used to calculate the estimated Taxes collected during Fiscal Year 2012-13 are based upon information provided by the Participating Districts and are subject to change; however, because Colorado school district taxes are determined pursuant to the Public School Finance Act, such changes, if any, are not expected to be material. See "State Equalization Funding of School Districts – Allocation of Total Program Funding" above and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

[4] Based on each Participating District's actual collection data for Fiscal Years 2009-10, 2010-11 and 2011-12.

[5] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2011-12. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2011A and Series 2012A.

[6] This school district previously expressed an intent to borrow proceeds of the Series 2012B Notes but ultimately did not do so.

Sources: The Participating Districts, the Colorado Department of Education and the State Treasurer's Office

Largest Borrowers

Denver School District No. 1. School District No. 1, commonly known as Denver Public Schools ("DPS"), is expected to be one of the largest borrowers of proceeds of the Series 2012B Notes and the Series 2012C Notes. DPS expects to borrow approximately 34.7% of the net proceeds of the Series 2012B Notes and approximately 17.3% of the net proceeds of the Series 2012C Notes, or approximately 24.9% of the combined amount of the Series 2012B Notes and the Series 2012C Notes.

DPS is the only school district serving the City and County of Denver, the boundaries of which are coterminous with those of the District, encompassing approximately 155 square miles with an estimated population as of July 2011 (as calculated by the Colorado State Demography Office) of 620,917. For the 2012-13 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 74,486.5. The October 1 pupil counts for the 2011-12, 2010-11 and 2009-10 school years were 72,271, 70,062 and 68,384, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2011 certified assessed valuation of DPS (for ad valorem property tax collections in 2012), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $10,200,816,964. The District's total tax levy for the 2011 levy year (2012 tax collection year) is 42.265 mills, of which 25.541 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 7.584 mills is for voter-approved override revenues, 7.958 mills is for debt service on general obligation bonds and 1.182 mills is to recover lost revenue due to prior year tax abatements and credits. The 2012 certified assessed valuation of DPS (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $10,007,268,892.

Boulder Valley School District RE-2. Boulder Valley School District RE-2 ("BVSD") is expected to also be one of the largest borrowers of proceeds of the Series 2012B Notes and the Series 2012C Notes. BVSD expects to borrow approximately 31.7% of the net proceeds of the Series 2012B Notes and approximately 31.8% of the net proceeds of Series 2012C Notes, or approximately 31.8% of the combined amount of Series 2012B Notes and the Series 2012C Notes.

BVSD encompasses approximately 500 square miles in Boulder and Gilpin Counties and the City and County of Broomfield approximately 20 miles northwest of Denver, including the cities of Boulder, Lafayette, Louisville and Superior, a large portion of the City and County of Broomfield, the towns of Gold Hill, Jamestown, Nederland and Ward, a portion of the town of Erie and certain unincorporated areas within the counties. The District serves an estimated population of 293,000. For the 2012-13 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 28,080. The October 1 pupil counts for the 2011-12, 2010-11 and 2009-10 school years were 27,866, 27,746 and 27,339, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2011 certified assessed valuation of BVSD (for ad valorem property tax collections in 2012), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,727,938,464. The District's total tax levy for the 2011 levy year (2012 tax collection year) is 44.834 mills, of which 25.023 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.096 mills is for voter-approved override revenues, 1.544 mills is to fund excess transportation costs, 5.999 mills is for debt service on general obligation bonds and 1.544 mills is to recover lost revenue due to prior year tax abatements and credits. The 2012 certified assessed valuation of BVSD (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,732,098,623.

Cherry Creek School District No. 5. Cherry Creek School District No. 5 ("CCSD") is expected to also be one of the largest borrowers of proceeds of Series 2012B Notes and the Series 2012C Notes. CCSD expects to borrow approximately 7.0% of the net proceeds of the Series 2012B Notes and approximately 27.7% of the net proceeds of the Series 2012C Notes, or approximately 18.6% of the combined amount of the Series 2012B Notes and the Series 2012C Notes.

CCSD encompasses approximately 108 square miles in western Arapahoe County in the southeast Denver metropolitan area and includes within its boundaries the cities of Cherry Hills Village and Glendale, the Town of Foxfield, portions of the cities of Aurora, Centennial, Greenwood Village and Englewood and certain unincorporated areas of Arapahoe County. The District serves a population of over 267,000. For the 2012-13 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 49,957 49,313. The October 1 pupil counts for the 2011-12, 2010-11 and 2009-10 school years were 49,313, 48,927 and 48,502, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2011 certified assessed valuation of CCSD (for ad valorem property tax collections in 2012), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,291,424,053. The District's total tax levy for the 2011 levy year (2012 tax collection year) is 54.367 mills, of which 25.712 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 13.889 mills is for voter-approved override revenues, 12.700 mills is for debt service on general obligation bonds and 2.066 mills is to recover lost revenue due to prior year tax abatements and credits. The 2012 certified assessed valuation of CCSD (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,288,389,810.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2013. Typically, taxing entities do not collect 100% of the taxes levied each year; however, the property tax collection rate among the Participating Districts historically has been very high as shown in the previous table.

Receipt of Taxes by the Participating Districts requires timely payment of ad valorem property taxes by property owners. Participating Districts having one or more large taxpayers are particularly dependent upon the timely payment of property taxes by such taxpayers. Taxpayers owning more than 10% of the property comprising the certified assessed valuation of a Participating District typically are public or private companies involved in the mining or drilling industries or in the production of power. Property tax payments by such taxpayers could be impacted not only by each taxpayer's individual financial condition but also by events that negatively impact the energy production industry as a whole. It is not possible to predict whether any such events will occur that will have a material impact upon the repayment of the Program Loans.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately five million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also "APPENDIX A – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012" and "APPENDIX B – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2011 and will expire on the second Tuesday in January 2015. No elected executive official may serve more than two consecutive terms in the same office.

The General Assembly is bicameral, consisting of the 35-member Senate and 65-member House of Representatives. Senators serve a term of four years and representatives serve a term of two years. No senator may serve more than two consecutive terms, and no representative may serve more than four consecutive terms. The State Constitution allocates to the General Assembly legislative responsibility for, among other things, appropriating State moneys to pay the expenses of State government. The General Assembly meets annually in regular session beginning no later than the second Wednesday of January of each year. Regular sessions may not exceed 120 calendar days. Special sessions may be convened by proclamation of the Governor or by written request of two-thirds of the members of each house to consider only those subjects for which the special session is requested.

STATE FINANCIAL INFORMATION

The information in this section, "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND" describes general State finances and particularly funds that are eligible for investment in the District Notes. On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2012-13 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2012C Notes from the Closing Date to the Series 2012C Notes Maturity Date. The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2013, in repayment of their Program Loans. Prospective investors are advised that in the event the amounts received by the State Treasurer from Participating Districts as repayment of their Program Loans on or before June 25, 2013, together with investment earnings thereon, is insufficient to pay the principal of the Series 2012C Notes when due, the principal of the Series 2012C Notes will be payable solely from funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the

District Notes. The Series 2012C Notes are not general obligations of the State. See also "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*" and "INVESTMENT CONSIDERATIONS – Insufficient Taxes – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds."

The State Treasurer

The State Constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the "State Treasury"), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State (except certain institutions of higher education). The State Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State (except for certain institutions of higher education) charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller. The State Treasurer and the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the State Treasurer's credit in lieu of transmitting such moneys to the State Treasury.

The State Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See "Investment and Deposit of State Funds" under this caption and "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool." All interest derived from the deposit and investment of State moneys must be credited to the General Fund unless otherwise expressly provided by law.

Taxpayer's Bill of Rights

As discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Taxpayer's Bill of Rights," TABOR (defined below) imposes various fiscal limits and requirements on the State and local Colorado governments.

The Constitutional Provision. Article X, Section 20 of the State Constitution, entitled the Taxpayer's Bill of Rights and commonly known as "TABOR," imposes various fiscal limits and requirements on the State and its local governments. Overall, TABOR is a limitation on the amount of revenue that may be kept by the State in any particular year, regardless of whether that revenue is spent during the year. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year. TABOR implements these revenue limitations through certain restrictions and limitations on spending, including the following:

(a) Prior voter approval is required for: (i) any increase in State "fiscal year spending" from one year to the next in excess of the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991; and (ii) any new State tax, State tax rate increase, extension of an expiring State tax, State tax policy change directly causing a net revenue gain to the State or the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation." "Fiscal year spending" is defined as all expenditures and reserve increases except those for refunds made in the current or next Fiscal

Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales. This effectively defines spending as all revenues received by the State other than those items that are specifically excluded.

(b) If revenues received from sources not excluded from fiscal year spending exceed the prior fiscal year spending plus the adjustment described in clause (a)(i) above, the excess must be refunded in the next Fiscal Year unless voters approve a revenue change.

(c) Under TABOR, the State must maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"). The TABOR Reserve may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "Long Bill") designates the resources that constitute the TABOR Reserve. For Fiscal Year 2011-12, such designated resources included portions of the Major Medical Insurance Fund, the Wildlife Cash Fund and the Unclaimed Property Tourism Promotion Trust Fund, plus up to $98.8 million of designated State real property. The State's unaudited Fiscal Year 2011-12 Basic Financial Statements (the "Fiscal Year 2011-12 Unaudited BFS") appended to this Official Statement show that the TABOR Reserve for Fiscal Year 2011-12, based on unaudited actual revenue, was approximately $308.1 million, and included portions of the Major Medical Insurance Fund, the Wildlife Cash Fund and the Unclaimed Property Tourism Promotion Trust Fund, plus up to $100 million of the State real property subsequently designated in an adjustment to the Long Bill for Fiscal Year 2011-12. See Note 8(B) to the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement. For Fiscal Year 2012-13, the TABOR Reserve is estimated by the General Assembly in the Long Bill to be approximately $298 million, and the funds designated to constitute the TABOR Reserve include portions of the Major Medical Insurance Fund, the Wildlife Cash Fund, the Severance Tax Fund, the Colorado Water Conservation Board Construction Fund, the Controlled Maintenance Trust Fund and the Unclaimed Property Tourism Promotion Trust Fund, plus up to $87.5 million of designated State real property.

Statutes Implementing TABOR. A number of statutes implementing TABOR have been enacted by the General Assembly, including those that (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of the revenue and spending limits of TABOR, (ii) specify the accounting treatment of refunds owed by the State under TABOR and (iii) define State operations that qualify as "enterprises" excluded from TABOR.

The "Ratchet Down" Effect of TABOR on State Revenues; Curative Measures. As discussed above, TABOR limits year-to-year increases in revenues, and therefore spending, to the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, plus any voter approved revenue (*i.e.*, tax) increase. There are no provisions in TABOR to account for cyclical revenue swings. This originally produced a "ratchet down" effect whenever State revenues declined from one Fiscal Year to the next and then rebounded in subsequent years. The ratcheting down occurred as the result of the TABOR requirements that the State's revenue base be reduced to the lower amount, without limitation, but that the State's revenue base may be increased only to the extent of the limitations stated above, with any excess to be refunded. Such a ratcheting down occurred between Fiscal Years 2000-01 and 2002-03, when TABOR revenues declined by 13.1%, followed by an increase of 8.0% in Fiscal Year 2003-04. The same effect occurred between Fiscal Year 2007-08 and Fiscal Year 2009-10, but it did not result in subsequent required refunds because of Referendum C, which is discussed in Colorado Economic Recovery Act of 2005 below.

Legislation enacted during the 2002 legislative session, described in "The Growth Dividend" below, mitigated the "ratcheting down" effect of TABOR through the decennial census adjustment. Referendum C, a statutory provision approved by the State's voters on November 1, 2005 and described in "Colorado Economic Recovery Act of 2005" below, eliminated the "ratcheting down" of revenue available for expenditure by creating a new Excess State Revenue Cap and allowing the State to retain and spend revenue up to the new Excess State Revenue Cap (as adjusted), which new cap never ratchets down. See "Colorado Economic Recovery Act of 2005" below describing Referendum C. Revenue collected above the Excess State Revenue Cap (as adjusted) must be refunded to the taxpayers in the next Fiscal Year.

The "Growth Dividend." HB 02-1310 and SB 02-179 enabled the State to recoup refunds previously paid as the result of the TABOR limits having been computed during the 1990s using population estimates that were too low when compared to the 2000 Census figure. This undercount resulted in lower TABOR limits and higher refunds than would have occurred using more accurate population figures. The percentage by which population was underestimated and the process for recovering the related excess refunds was called the "growth dividend." Such legislation allowed the State to recoup the prior decade's excess refunds by cumulatively increasing the spending limit in the current decade up to the growth dividend percentage over a period not to exceed nine years. The growth dividend was completely used before the expiration of the nine-year period through the elimination of the TABOR surplus in Fiscal Year 2003-04 and reduction of the TABOR surplus in Fiscal Year 2004-05. The adjustment allowed the State to keep $283.3 million in additional revenue in Fiscal Year 2003-04 and $187.2 million in Fiscal Year 2004-05.

The adjustment from the 2009 population estimate to the 2010 census was very small, which indicates that census population estimates in the decade were overstated rather than understated. The overstated population estimates did not cause under-refunding because Referendum C prevented refunds from 2006 to 2010 when the population growth estimates were large. As a result, there is no growth dividend for the 2000-2010 decade, and the TABOR limit and Excess State Revenue Cap created by Referendum C will be adjusted based on the actual population in a subsequent TABOR report.

Colorado Economic Recovery Act of 2005. During the 2005 legislative session, the General Assembly and the Governor agreed to four pieces of legislation that mitigated the effects of TABOR in an effort to relieve State budget challenges. Three of these measures, referred to herein collectively as "The Colorado Economic Recovery Act of 2005," were designed primarily to provide additional revenues for State operations, as well as to address the methodology for the allocation of additional revenues by subsequent appropriation. Implementation of two measures included in the Colorado Economic Recovery Act of 2005 required Statewide voter approval, and on November 1, 2005, one of these measures, referred to as "Referendum C," was approved by State voters and later codified as Sections 24-77-103.6 and 24-77-106.5, C.R.S.

Referendum C permitted the State to retain and appropriate State revenues in excess of the then-current TABOR limit on State spending for the period of July 1, 2005, through June 30, 2010 (Fiscal Years 2005-06 through 2009-10), thus making all revenues received by the State during this period available for appropriation. Referendum C did not, however, eliminate the 6% limit on the annual growth of total appropriations from the General Fund. The 6% limit was eliminated for Fiscal Year 2009-10 and thereafter by SB 09-228. See "Budget Process and Other Considerations – *Expenditures; The Balanced Budget and Statutory Spending Limitation*" hereafter in this section.

Referendum C establishes an "Excess State Revenues Cap" that serves as the new limit on State fiscal year spending beginning in Fiscal Year 2010-11. The Excess State Revenues Cap is an amount equal to the highest total State revenues for a Fiscal Year from the period of Fiscal Year 2005-06 through

Fiscal Year 2009-10. Since the highest total State revenues during this period were achieved during Fiscal Year 2007-08, the State revenues in such Fiscal Year became the base year for calculating the Excess State Revenue Cap. In each subsequent Fiscal Year, the Excess State Revenues Cap is adjusted for inflation and a percentage change in State population, as well as for the qualification or disqualification of enterprises. For purposes of the Excess State Revenues Cap, inflation, the percentage change in State population, the qualification or disqualification of an enterprise and debt service changes retain their meanings as they currently exist under TABOR and State law.

Referendum C also creates in the General Fund the "General Fund Exempt Account," to consist of the moneys collected by the State in excess of the TABOR limit. Moneys in the General Fund Exempt Account, once appropriated, may be used to fund: (i) health care; (ii) public elementary, high school and higher education, including any related capital construction; (iii) retirement plans for firefighters and police officers if the General Assembly determines such funding to be necessary; and (iv) strategic transportation projects in the Colorado Department of Transportation ("CDOT") Strategic Transportation Project Investment Program. HB 05-1350 specifies how moneys in the General Fund Exempt Account are to be appropriated or transferred under Referendum C.

Referendum C provides that, for each Fiscal Year that the State retains and spends State revenues in excess of the TABOR limit on State fiscal year spending, the Director of Research of the Colorado Legislative Council is to prepare by October 15th an excess State revenues legislative report that identifies the amount of excess State revenues retained by the State and describes how such excess State revenues have been expended. Referendum C requires that the report be published and made available on the official web site of the Colorado General Assembly. In addition, the Office of the State Controller is required to prepare a report each Fiscal Year that identifies revenues that the State is authorized to retain pursuant to Referendum C and to certify the same no later than September 1st following the end of the Fiscal Year.

As a result of Referendum C, in Fiscal Years 2005-06, 2006-07 and 2007-08 the State was allowed to retain $1.116 billion, $1.308 billion and $1.169 billion, respectively, in excess of the TABOR limit on State fiscal year spending. State revenues did not exceed the TABOR limit in either Fiscal Year 2008-09 or Fiscal Year 2009-10, but exceeded the limit by $770.6 million in Fiscal Year 2010-11. However, no refund was required because Fiscal Year 2010-11 spending was $1,260.1 million below the Excess State Revenue Cap. The OSPB September 2012 Revenue Forecast calculates that, based on preliminary data, Fiscal Year 2011-12 spending exceeded the TABOR limit by $1,469.1 million, but was $602.4 million below the Excess State Revenue Cap. See "APPENDIX C – THE STATE GENERAL FUND – General Fund Overview."

Effect of TABOR on the Series 2012C Notes. Voter approval under TABOR is not required for the issuance of the Series 2012C Notes as they are both issued and payable within the same Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. Further, the revenue and spending limits of TABOR are not expected to affect the ability of the State to collect and spend the Pledged Revenues for the payment of the principal of and interest on the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes.

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. The State also maintains a large number of statutorily created special funds for which specific revenues are designated for specific purposes, and, if necessary, are available for paying the principal of the Series 2012C Notes. Some of the Funds are considered

Borrowable Resources available to pay the principal of and interest on any outstanding State General Fund Tax and Revenue Anticipation Notes, including, without limitation, the State Series 2012A General Fund Notes. See "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – Borrowable Resources – The State General Fund" and "APPENDIX C – THE STATE GENERAL FUND."

Budget Process and Other Considerations

Phase I (Executive). The budget process begins in June of each year when State departments reporting to the Governor prepare both operating and capital budgets for the Fiscal Year beginning 13 months later. In August, these budgets are submitted to the OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on departmental budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted by the Governor in November to the Joint Budget Committee of the General Assembly (the "JBC"), as described below. In January, the Governor makes additional budget recommendations to the JBC for the budget of all branches of the State government, except that the elected executive officials, the judicial branch and the legislative branch may make recommendations to the JBC for their own budgets.

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Bill, which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2012-13 was adopted by the General Assembly on April 26, 2012.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two-thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2012-13 was approved and signed by the Governor on May 7, 2012.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental appropriations. Any supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

Revenues and Unappropriated Amounts. For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined, the "Unappropriated Reserve"), which Unappropriated Reserve may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Per SB 09-219 and SB 09-277, the Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated 4.0% to 2.0% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year. The Unappropriated Reserve for Fiscal Year 2010-11 and Fiscal Year 2011-12 increased to 2.3% and 4.0%, respectively, of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement show that the State ended such Fiscal Year with $582.3 million in General Fund Surplus, which is in excess of the required 4.0% Unappropriated Reserve level. The OSPB September 2012 Revenue Forecast projects that the State will end Fiscal Year 2012-13 with reserves equal to $717.1 million above the 4.0% Unappropriated Reserve requirement. Per HB 12-1338, $59.0 million of Fiscal Year 2011-12 excess reserves were transferred to the State Education Fund and the balance was carried forward and became part of the beginning Fiscal Year 2012-13 fund balance, and all of the Fiscal Year 2012-13 excess reserves are required to be transferred to the State Education Fund.

See also "APPENDIX C – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation."

Expenditures; The Balanced Budget and Statutory Spending Limitation. The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement through Fiscal Year 2008-09, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) an amount equal to 106% of General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

The limitation on the level of General Fund appropriations may also be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

See "Taxpayer's Bill of Rights" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the approval of Referendum C.

Fiscal Year Spending and Emergency Reserves. Through TABOR, the State Constitution imposes restrictions on increases in fiscal year spending without voter approval and requires the State to maintain a TABOR Reserve. See "Taxpayer's Bill of Rights" under this caption for a discussion of the effects of the State Constitution on the State's financial operations.

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel & Administration. The State Controller is the head of the Office of the State Controller. The State Controller or his delegate has the statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the State Treasury are made by warrants signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant is full authority for the State Treasurer to pay the warrant upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants for payment of claims against the State. The State Controller prepares a comprehensive annual financial report ("CAFR") in accordance with generally accepted accounting principles ("GAAP") applicable to governmental entities, with certain statutory exceptions for budget reporting. The State's Comprehensive Annual Financial Report for Fiscal Year 2010-11 (the "Fiscal Year 2010-11 CAFR") is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2011-12 is expected to be available by the end of December 2012.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the financial statements in the State's Fiscal Year 2010-11 CAFR appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The Fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "Auditor") through the Auditor's staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2016. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2010-11 CAFR, including the State Auditor's Opinion thereon, and the State's Fiscal Year 2011-12 Unaudited BFS are appended to this Official Statement. The State's CAFR for the Fiscal Year ended June 30, 2012, is expected to be released to the public by the State and be available on or about December 31, 2012. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2010-11 CAFR or on the Fiscal Year 2011-12 Unaudited BFS, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain U.S. public and non-public fixed income securities. In making such investments, the State Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the State Treasurer's custody available for investment. In accordance with this directive, the State Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each Fund.

The State Treasurer is also authorized to deposit State funds in national or state chartered banks and savings and loan associations having a principal office in the State and designated as an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Notes 14 and 15 to both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement and "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS

General

On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2012-13 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2012C Notes from the Closing Date to the Series

2012C Notes Maturity Date. See "The State General Fund" below and "APPENDIX C – THE STATE GENERAL FUND."

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2013, in repayment of their Program Loans. However, if on June 26, 2013, the amount credited to the Principal Subaccount of the Series 2012-13 Notes Repayment Account is less than the principal amount of the Series 2012C Notes and any Parity Lien Notes, the State Resolution requires the State Treasurer to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. See "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*."

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds" and "APPENDIX C – THE STATE GENERAL FUND."

Certain Funds Eligible for Investment in the District Notes

A deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account on June 26, 2013, is required to be funded by the State Treasurer first from all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. However, such covenant does not constitute a pledge of or lien on any such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. Further, the State Treasurer has both a statutory and a fiduciary obligation to use prudence and care in investing State funds. See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2012-13 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2012C Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2013. See also "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX C – THE STATE GENERAL FUND."

By constitutional or statutory provision and judicial decision, certain State Funds, including, without limitation, the State Education Fund, the Highway Users Tax Fund, the Public School Permanent Fund and the TABOR Emergency Reserve Fund, are not Borrowable Resources although moneys therein may be eligible for investment by the State Treasurer. The two Funds in this category with the largest current balances that are eligible for investment, and thus the Funds that are likely to be considered first by the State Treasurer as an available source of investment in the District Notes in order to provide liquidity in the Principal Subaccount of the Series 2012-13 Notes Repayment Account in the event of a deficiency therein, are the State Education Fund and the State Highway Fund. Prospective investors are cautioned, however, that these Funds are neither required to be utilized by the State Treasurer, nor pledged for such purpose. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer for such Funds and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. Accordingly, no representation or warranty is made herein that the State Treasurer will in fact utilize amounts available in these Funds, if necessary, to provide liquidity to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account. See also "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

The State Education Fund. The State Education Fund was established by Amendment 23. Amendment 23 also mandates that an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited into this Fund, and that such funds are exempt from the revenue limitations of "TABOR." See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." The General Assembly may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23 as discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – Amendment 23." The State Education Fund represents a shift of General Fund moneys to a restricted cash fund. Moneys in the State Education Fund may not be transferred to the General Fund, and consequently the State Education Fund is not a Borrowable Resource.

The following information has been provided by the State Treasurer's office to show the actual cash and short term investment balances in the State Education Fund at June 30 of Fiscal Years 2007-08 through 2011-12. The amount shown at June 30, 2011, does not include the $221.4 million receivable as a transfer of the Fiscal Year 2010-11 General Fund Surplus per SB 11-156. The receivable was converted to cash in December 2011 at the date of publication of the State's Fiscal Year 2010-11 CAFR. The amount shown at June 30, 2012, does not include the $59.0 million receivable recorded as a transfer of the Fiscal Year 2011-12 General Fund Surplus per HB 12-1338. The receivable will be converted to cash in December 2012 at the date of publication of the State's Fiscal Year 2011-12 CAFR.

State of Colorado
State Education Fund Actual Cash and Short Term Investment Balances
(Dollar amounts expressed in millions)

At June 30	Cash and Investment Balance
2008	$298.9
2009	293.2
2010	152.3
2011	147.8
2012	140.6

Source: State Treasurer's Office

The State Highway Fund. The State Highway Fund is established by Section 43-1-219, C.R.S. All receipts from the following sources are to be credited to the State Highway Fund: (i) such appropriations as may, from time to time, be made by law to the Fund from excise tax revenues; (ii) all revenues accruing to the Fund by law, by way of excise taxation from the imposition of any license, registration fee or other charge with respect to the operation of any motor vehicle upon any public highways in the State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel; and (iii) certain receipts from the Limited Gaming Fund. Moneys in the State Highway Fund are to be expended for, among other things, the construction, reconstruction, repair, improvement, planning, supervision and maintenance of the State highway system and other public highways, including any county and municipal roads and highways, together with the acquisition of rights-of-way and access rights for the same; provided, however, that receipts from the Limited Gaming Fund are to be used solely for public roads and highways leading to and within a 50-mile radius of any limited gaming community (currently Black Hawk, Central City, Cripple Creek and any Indian lands where limited gaming is authorized). Moneys in the State Highway Fund may not be transferred to the General Fund, and consequently the State Highway Fund is not a Borrowable Resource.

The following information has been provided by the State Treasurer's office to show the actual cash balances in the State Highway Fund at June 30 of Fiscal Years 2007-08 through 2011-12.

State of Colorado
State Highway Fund Actual Cash and Short Term Investment Balances
(Dollar amounts expressed in millions)

At June 30	Cash and Investment Balance
2008	$1,388.2
2009	1,197.0
2010	1,148.3
2011	1,118.3
2012	1,130.9

Source: State Treasurer's Office

Borrowable Resources

Borrowable Resources consist of over 600 funds and accounts other than the General Fund. By constitutional or statutory provision and judicial decision, certain State Funds, such as the Public School Permanent Fund, the State Education Fund, the Highway Users Tax Fund and the TABOR Emergency Reserve, are not Borrowable Resources. Borrowable Resources are considered to be moneys in the State pool, and as such are invested as described in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

The ability of the State Treasurer to utilize Borrowable Resources to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account will depend upon the availability of funds in the State Treasury that are eligible for investment in the District Notes, and is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. The availability of Borrowable Resources may also be affected by the State's statutory obligation to assure the timely payment of certain school district bonds and lease obligations pursuant to Section 22-41-110, C.R.S., commonly referred to as the "State Intercept Act."

The following tables set forth the actual and estimated Borrowable Resources for Fiscal Year 2011-12 and estimated Borrowable Resources for Fiscal Year 2012-13. The estimates in the table are based on various assumptions made by the State Treasurer's office, which are subject to uncertainties. Inevitably, some assumptions used to develop the forecasted amounts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted amounts in the table and the amounts ultimately realized, and such differences may be material. See also the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
Actual Borrowable Resources
Fiscal Year 2011-12[1,2]

(Amounts expressed in millions; totals may not add due to rounding)

	Actual											
	July 2011	**Aug 2011**	**Sept 2011**	**Oct 2011**	**Nov 2011**	**Dec 2011**	**Jan 2012**	**Feb 2012**	**Mar 2012**	**Apr 2012**	**May 2012**	**June 2012**
Higher Education Funds [3]	$1,086.9	$1,204.5	$1,287.2	$1,266.9	$1,180.5	$1,119.7	$1,296.8	$1,349.5	$1,456.0	$1,338.8	$1,264.2	$1,329.9
State Public School Fund	442.6	176.5	852.0	577.1	304.9	965.9	690.4	427.4	415.1	140.0	362.0	82.8
State and Local Severance Tax Funds	174.1	177.0	169.7	181.1	199.3	212.2	213.4	224.0	232.0	252.7	266.2	213.9
School Capital Construction Assistance	113.4	123.4	118.9	119.6	125.7	137.3	136.9	148.6	127.8	137.2	145.7	147.8
Water Conservation Construction Fund	105.7	107.3	110.8	108.1	107.6	114.7	115.8	111.2	127.2	129.8	132.2	127.2
Mineral Impact Fund	95.0	109.0	66.0	82.1	96.1	81.9	81.9	107.2	96.2	108.9	123.0	81.3
Lottery Fund	45.6	47.6	34.4	37.1	47.5	32.7	38.3	50.2	36.9	53.0	67.0	33.7
Limited Gaming Fund	44.3	1.7	3.9	6.9	10.8	14.4	18.1	22.2	26.5	32.1	36.7	42.1
Colorado Student Obligation Bond Authority – Administration	29.3	29.1	28.8	29.2	29.2	29.0	29.5	29.5	29.4	30.2	30.0	29.9
Aviation Fund	31.6	32.2	32.7	32.4	33.7	33.6	32.8	34.6	35.6	35.2	36.2	33.9
College Scholarship Fund	29.5	166.9	74.0	47.2	46.9	170.2	152.6	73.7	51.4	51.4	49.1	29.8
Hospital Provider Fee	28.7	34.9	27.6	34.0	40.1	26.1	35.0	44.2	34.3	73.4	93.1	42.4
Capital Construction Fund	83.2	80.2	76.7	68.2	66.9	64.4	60.5	39.3	37.0	32.2	31.9	28.8
Hazardous Substance Fund	13.8	13.9	13.2	13.7	13.5	13.9	13.5	13.9	14.0	14.3	14.2	14.1
Tobacco Tax Funds	21.6	31.7	21.8	34.1	42.6	34.7	47.9	53.1	45.2	43.2	64.1	6.3
Workers' Compensation Fund	0.0	12.2	9.4	6.9	14.5	11.6	8.7	4.7	3.4	0.0	0.0	0.0
Other Borrowable Resources	1,254.2	1,269.7	1,309.2	1,313.3	1,319.5	1,327.1	1,304.5	1,310.3	1,276.0	1,367.7	1,260.6	925.1
Total Borrowable Resources	3,599.4	3,617.8	4,236.3	3,957.9	3,679.3	4,389.4	4,276.6	4,043.6	4,044.0	3,840.1	3,976.2	3,169.0
Total General Fund	304.1	299.7	(264.5)	(29.4)	86.6	(902.2)	(434.9)	(442.7)	(531.5)	359.5	532.7	575.4
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	--
Net Borrowable Resources	$3,403.5	$3,417.5	$3,471.8	$3,428.5	$3,265.9	$2,987.2	$3,341.7	$3,100.9	$3,012.5	$3,699.6	$4,008.9	$3,744.4

[1] This table shows monthly balances for 16 individual funds plus over 600 other funds and accounts of the State constituting Borrowable Resources. Such funds do not represent State funds with the largest fund balances and are included in this table to be consistent with the Borrowable Resources disclosures provided by the State in the last several years.

[2] The information in this table is presented on a cash basis, and is not directly comparable to similar information included in the State's CAFRs, which is presented on the modified accrual and accrual basis.

[3] The amounts shown for Higher Education primarily represent cash balances in institutions of higher education other than the University of Colorado, which operates its own Treasury and does not deposit its cash with the State Treasurer except for selected minor funds and the Capital Construction Fund resources.

Source: State Treasurer's Office

State of Colorado
Actual and Estimated Borrowable Resources
Fiscal Year 2012-13[1,2]

(Amounts expressed in millions; totals may not add due to rounding)

	Actual				Estimated[3]							
	July 2012	**Aug 2012**	**Sept 2012**	**Oct 2012**	**Nov 2012**	**Dec 2012**	**Jan 2013**	**Feb 2013**	**Mar 2013**	**Apr 2013**	**May 2013**	**June 2013**
Higher Education Funds[4]	$1,145.2	$1,308.0	$1,388.8	$1,399.5	$1,343.7	$1,284.4	$1,427.8	$1,483.6	$1,483.7	$1,422.4	$1,331.2	$1,406.7
State Public School Fund	516.3	255.2	861.9	585.7	122.3	605.7	196.6	22.6	739.5	365.3	232.6	75.4
State and Local Severance Tax Funds	223.0	214.1	191.7	200.6	187.3	199.2	202.5	206.4	214.1	226.2	234.3	232.4
School Capital Construction Assistance	145.8	165.8	157.1	159.6	167.0	172.0	176.6	201.2	187.1	188.2	201.7	204.1
Water Conservation Construction Fund	133.1	123.1	128.1	129.1	126.3	133.2	129.9	125.5	131.1	140.1	143.6	148.0
Mineral Impact Fund	91.0	101.8	57.0	67.6	76.8	65.5	73.0	81.5	74.4	86.3	96.2	74.0
Colorado Student Obligation Bond Authority – Administration	29.7	30.0	30.1	29.1	27.9	23.0	24.4	23.9	24.0	23.8	24.1	30.9
Limited Gaming Fund	42.5	1.7	4.4	7.8	11.6	15.1	19.1	23.3	27.2	32.1	37.0	42.4
Lottery Fund	35.6	24.4	34.9	42.6	50.1	40.7	48.1	51.4	34.2	43.3	52.7	36.6
College Scholarship Fund	162.2	161.6	110.5	43.7	110.3	435.7	429.2	289.2	109.0	117.3	114.9	79.3
Aviation Fund	37.2	35.7	36.0	34.5	36.4	36.1	35.0	36.9	38.5	36.9	36.6	37.3
Hazardous Substance Fund	14.4	15.0	14.3	14.8	14.7	14.3	14.7	14.5	14.3	14.6	14.7	15.1
Hospital Provider Fee	41.7	55.4	45.2	60.6	74.4	87.6	110.3	136.8	134.6	154.2	172.9	0.0
Capital Construction Fund	89.7	87.5	82.8	78.5	72.9	69.1	60.1	48.0	41.9	51.2	32.5	33.0
Tobacco Tax Funds	16.8	14.8	19.2	26.2	27.5	24.4	27.3	28.3	24.5	26.9	27.8	1.8
Workers' Compensation Fund	17.3	25.7	21.5	19.5	19.5	13.4	10.6	7.9	4.9	1.8	1.0	0.0
Other Borrowable Resources	1,396.4	1,483.2	1,490.2	1,467.8	1,615.5	2,745.0	2,626.4	2,636.4	2,593.9	2,482.7	2,744.4	1,426.3
Total Borrowable Resources	4,137.9	4,103.0	4,673.7	4,367.2	4,084.1	5,964.4	5,611.6	5,417.1	5,877.1	5,413.3	5,498.0	3,843.2
Total General Fund	413.7	501.4	58.1	294.3	425.5	(397.1)	140.7	141.1	(469.4)	168.6	396.7	493.2
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	--
Net Borrowable Resources	$4,051.6	$4,104.4	$4,231.8	$4,161.5	$4,009.7	$5,067.4	$5,252.3	$5,058.3	$4,907.7	$5,081.9	$5,394.7	$4,336.4

[1] This table shows monthly balances for 16 individual funds plus over 600 other funds and accounts of the State constituting Borrowable Resources. Such funds do not represent State funds with the largest fund balances and are included in this table to be consistent with the Borrowable Resources disclosures provided by the State in the last several years.

[2] The information in this table is presented on a cash basis estimate, and is not directly comparable to similar information to be included in the State's CAFR, which will be presented on the modified accrual and accrual basis.

[3] Amounts in this table for November 2012 and thereafter are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such estimates will be realized. See also the inside cover of this Official Statement regarding forward-looking statements.

[4] The amounts shown for Higher Education primarily represent cash balances in institutions of higher education other than the University of Colorado, which operates its own Treasury and does not deposit its cash with the State Treasurer except for selected minor funds and the Capital Construction Fund resources.

Source: State Treasurer's Office

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2010-11 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account would be funded from Current General Fund Revenues eligible for investment in the District Notes only after all other sources of funding therefor have been utilized. In addition, the right of the State Treasurer to use Current General Fund Revenues for this purpose is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. See "APPENDIX C – THE STATE GENERAL FUND" for a discussion of the General Fund.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. Accordingly, the State currently has, and upon issuance of the Series 2012C Notes will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2012, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be $110.87 million in Fiscal Year 2012-13. See Notes 24 and 43 to the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement for a discussion of the State's notes and bonds payable and material subsequent events that occurred after June 30, 2012, but before publication of the Fiscal Year 2011-12 Unaudited BFS.

Separate from lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these leases have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. At June 30, 2012, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2012-13 are estimated to be approximately $92.16 million. See Note 22 to the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes. At June 30, 2012, CDOT had outstanding

$739.14 million in aggregate principal amount of such notes. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

In addition to the obligations described above, State departments and agencies, including State institutions of higher education, issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2012, see Notes 24 and 43 to the financial statements included in the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement. Institutions of higher education and other State enterprises may have issued additional refunding or original issuance revenue bonds that will be reported in the State's Fiscal Year 2011-12 CAFR.

Pension and Post-Employment Benefits

The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX D – STATE PENSION SYSTEM," the "Plan"), a defined contribution plan and a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("PERA"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each category of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. Most State employees participate in the Plan. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program. For a general description of the Plan and PERA, see "APPENDIX D – STATE PENSION SYSTEM," which is based on PERA's Comprehensive Annual Financial Report for calendar year 2011 (the "PERA 2011 CAFR"). For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement, as well as the PERA 2011 CAFR. The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010. However, the information under this caption, as well as the information in the State's Fiscal Year 2011-12 Unaudited BFS, is based the PERA 2011 CAFR.

The Plan is funded with payments made by the State and by each participating State employee, the amounts of which are determined and established by statute. See "APPENDIX D – STATE PENSION SYSTEM – Funding and Contributions." Although the State has made all statutorily required contributions ("SRC") to the Plan, as of December 31, 2011 (the latest period for which audited information for the Plan is available), the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.0 billion and $20.8 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $8.8 billion and a funded ratio of 57.7%, assuming an investment rate of return of 8%. The UAAL at December 31, 2011, would amortize over a 56-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC)[*]. See "APPENDIX D – STATE PENSION SYSTEM – Funding and Contributions" and Table 1 therein for details on the State's SRC and ARC, and supplemental contributions made by the State to address funding shortfalls.

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[*] For purposes of calculating the actuarial Annual Required Contribution ("ARC") under the Plan for accounting purposes, GAAP requires that the UAAL be amortized over a maximum period of 30 years. As a result, the ARC is higher than the SRC because it results in a 30-year amortization of the UAAL instead of a 56-year amortization of the UAAL at December 31, 2011.

The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.7%. The funded ratio of the Plan at December 31, 2011, based on the market value of assets, was 57.6%, representing an unfunded accrued liability of \$8.8 billion. See "APPENDIX D – STATE PENSION SYSTEM – Plan Assets, Liabilities and Funding Levels" for historical information regarding the Plan's assets, liabilities and funding levels. See also "Management's Discussion and Analysis" and Notes 18, 19 and 20 to the State's Fiscal Year 2010-11 CAFR appended to this Official Statement. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation, contribution rates, discount rates, investment rates and life expectancy rates. No assurance can be given that the AAL and UAAL of the Plan will not materially increase or that the actuarial or market values of the Plan assets will not materially decrease.

Because the State's annual contributions with respect to the Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of the Plan assets or funding ratio of the Plan.

The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance is provided under the PERA Health Care Trust Fund in which members from all divisions of PERA may participate. It is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.4 billion, a funded ratio of 16.5% and a 42-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, the actuary has not determined the portion of the UAAL that applies to each division participant. However, the State Division, which is itself a cost-sharing, multiple employer participant in the Health Care Trust Fund, represented approximately 34% of the covered payroll reported for the Health Care Trust Fund at December 31, 2011. Although at December 31, 2012, the funded ratio of the Health Care Trust fund was 16.5%, the benefit is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 10 and 11 to the PERA 2011 CAFR for additional information regarding the Health Care Trust Fund.

State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State. Generally, State authorities are legally separate, independent bodies, governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

Prior to July 1, 2001, the Colorado Housing and Finance Authority ("CHFA") was permitted by statute to establish capital reserve funds for the purpose of paying debt service, and is required to request additional funding from the Governor and General Assembly if such reserve funds are depleted, although the General Assembly is not required to make an appropriation for such reserve funds. No request for additional funding to establish or replenish such reserve funds has ever been made by CHFA. Under generally accepted accounting principles for governments, CHFA is not a component unit of the State and therefore it is not included in the State's financial statements.

Note Issues of the State

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes, such as the State Series 2012A General Fund Notes, in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of Borrowable Resources. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes, such as the Series 2012B Notes and the Series 2012C Notes, for local school districts in anticipation of local school district revenues to be collected at a later date. After publication of the Fiscal Year 2010-11 CAFR, the State issued $230,000,000 of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012A, which matured on June 29, 2012, and resulted in $2,121,111 of interest paid. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time. See Note 43 to the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement for a discussion of all currently outstanding revenue anticipation notes issued by the State.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2012C Notes

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2012C Notes or questioning or affecting the validity of the Series 2012C Notes or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the State Treasurer to adopt the State Resolution and to secure the Series 2012C Notes in the manner provided in the State Resolution and the Loan Program Statutes.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "Immunity Act"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered to $150,000 for injury to one person in a single occurrence and an aggregate of $600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $150,000. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State, the Participating Districts or their employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State, the Participating Districts or their employees sued in their official capacities under federal statutes when such actions are brought in federal court.

HB 12-1361 amended the Immunity Act by waiving sovereign immunity of the State in an action for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire.

Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6H, 21, 42 in both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement, as well as the General Fund Components in the Supplementary Information in the State's Fiscal Year 2010-11 CAFR. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 42 to the financial statements in both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement. One case referenced in Note 42 is the case of *Lobato v State of Colorado*, which challenges the State's school finance system. On December 9, 2011, the Denver District Court ruled in favor of the plaintiffs, holding that current funding of Colorado's K-12 school finance system is unconstitutional because it is inadequate and not rationally related to the State Constitutional mandate of a thorough and uniform system of free public education. The State has appealed the ruling to the State Supreme Court. The State Attorney General is not opining as to the effect of any final decision rendered in connection with the *Lobato* case. See also "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts."

There can be no assurance regarding the ultimate outcome of the actions described in Note 42 and except as provided in Note 42, no provision has been made in the financial statements related to the actions discussed in such Note.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., have assigned to the Series 2012C Notes the ratings set forth on the cover page of this Official Statement. No other ratings have been applied for.

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2012C Notes, the State and its financial condition and operations, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2012C Notes. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which exemption applies to offerings of municipal securities having a stated maturity of 18 months or less, such as the Series 2012C Notes, the State Treasurer will not undertake to provide on an ongoing basis either audited annual financial statements or annual financial information or operating data of the type presented in this Official Statement. However, the State Treasurer will undertake in the State Resolution, for the benefit of the Owners and Beneficial Owners of the Series 2012C Notes, that during such time as any of the Series 2012C Notes are outstanding, the State Treasurer will provide to the MSRB in a timely manner, not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the events enumerated in Subsection (b)(5)(i)(C) of Rule 15c2-12 with respect to the Series 2012C Notes, including: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Series 2012C Notes; (iv) modifications to rights of owners of the Series 2012C Notes, if material; and (v) rating changes. The other events enumerated in Subsection (b)(5)(i)(C) of Rule 15c2-12, and subject to the State Treasurer's undertaking in the State Resolution, include the following, although not necessarily applicable to the Series 2012C Notes: (a) unscheduled draws on debt service reserves reflecting financial difficulties; (b) unscheduled draws on credit enhancements reflecting financial difficulties; (c) substitution of credit or liquidity providers, or their failure to perform; (d) Series 2012C Note calls, if material, and tender offers; (e) defeasances; (f) release, substitution or sale of property securing repayment of the Series 2012C Notes, if material; (g) bankruptcy, insolvency, receivership or similar event of the State; (h) the consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (i) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The obligations of the State Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2012C Notes, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, breach of the State Treasurer's obligations pursuant to the undertaking does not constitute an Event of Default under the State Resolution, and none of the rights and remedies provided in the State Resolution for Events of Default will be available to the Owners or Beneficial Owners of the Series 2012C Notes in the event of a breach of such continuing disclosure undertaking.

Except as discussed below, during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertakings entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. From January 2011 to May 2011, the State Treasurer failed to file with the MSRB monthly cash flow schedules for the State's General Fund Tax and Revenue Anticipation Notes, Series 2010A (the "Series 2010A General Fund Notes"), which were issued on December 14, 2010, and paid in full at maturity. Although such filings were not required by Rule 15c2-12, the authorizing resolution for the Series 2010A General Fund Notes included an affirmative covenant by the State Treasurer to file such schedules with the MSRB.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2012C Notes, as well as the treatment of interest on the Series 2012C Notes for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State in connection with the preparation of this Official Statement. Payment of legal fees to Bond Counsel and special counsel are contingent upon the sale and delivery of the Series 2012C Notes.

TAX MATTERS

Generally

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012C Notes is excluded from gross income for federal income tax purposes and is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2012C Notes. Failure to comply with such covenants could cause interest on the Series 2012C Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012C Notes. The State has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2012C Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2012C Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Series 2012C Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws.

The accrual or receipt of interest on the Series 2012C Notes may otherwise affect the federal income tax liability of the owners of the Series 2012C Notes. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2012C Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2012C Notes.

The amount treated as interest on the Series 2012C Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Series 2012C Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Series 2012C Notes and the aggregate amount to be paid at maturity of the Series 2012C Notes (the "original issue discount"). For this purpose, the issue price of the Series 2012C Notes is the first price at which a substantial amount of the Series 2012C Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012C Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2012C Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2012C Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Series 2012C Note over its stated redemption price at maturity constitutes original issue premium on such Series 2012C Note. An initial purchaser of a Series 2012C Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2012C Note with original issue premium should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Series 2012C Notes with original issue premium.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2012C Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2012C Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012C Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2012C Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2012C Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2012C Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2012C Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

UNDERWRITING

The Series 2012C Notes will be purchased from the State by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, N.A (the “Underwriters”), pursuant to a competitive sale conducted by the State, for an aggregate purchase price of $161,327,200, being the principal amount of the Series 2012C Notes plus an aggregate original issue premium of $1,331,600 and less an aggregate underwriting discount of $4,400.

FINANCIAL ADVISOR

RBC Capital Markets, LLC, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2012C Notes, and in such capacity has assisted in the preparation of this Official Statement and other matters relating to the planning, structuring, rating and execution and delivery of the Series 2012C Notes. However, the Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2012C Notes.

MISCELLANEOUS

The cover page, inside cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2012C Notes, copies of the State Resolution and certain other documents referred to herein may be obtained from the Financial Advisor at RBC Capital Markets, LLC, One Tabor Center, 1200 17th Street, Suite 2150, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement have been authorized by the State Treasurer. This Official Statement is hereby approved by the State Treasurer as of the date set forth on the cover page hereof.

By: /s/ Walker R. Stapleton
Treasurer of the State of Colorado

APPENDIX A

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

AND

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Pagination reflects the original printed documents)

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COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Efficient, Effective, Elegant

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STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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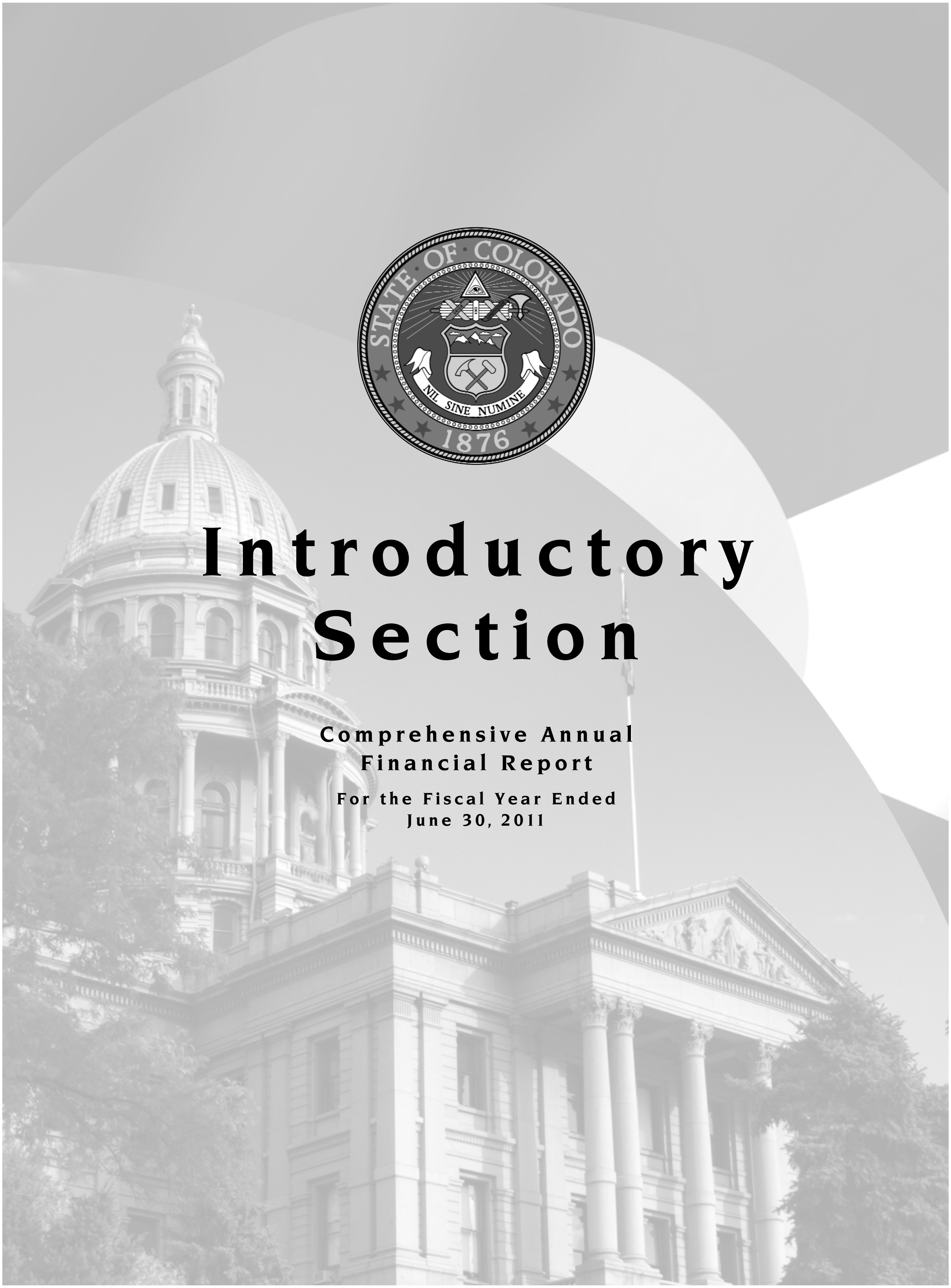

Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

State of Colorado

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA

Department of Personnel & Administration

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December 16, 2011

To the Citizens, Governor, and Legislators of the State of Colorado:

It is our privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Colorado for the fiscal year ended June 30, 2011. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

We believe the financial statements are fairly presented in all material aspects. They are presented in a manner designed to set forth the financial position, results of operations, and changes in net assets or fund balances of the major funds and nonmajor funds in the aggregate. All required disclosures have been presented to assist readers in understanding the State's financial affairs.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 19, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 39 of the Management's Discussion and Analysis.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the State.

The funds and entities included in the CAFR are those for which the State is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the State, its departments, agencies, and State institutions of higher education. It also includes certain university activities that are legally separate but have been blended with the accounts of the institution that is financially accountable for the activity.

The State's elected officials are financially accountable for other legally separate entities that qualify as discretely presented component units. The following entities qualify as discretely presented component units of the State:

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
Other Component Units (nonmajor):
- Denver Metropolitan Major League Baseball Stadium District
- CoverColorado
- Venture Capital Authority
- Renewable Energy Authority
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority
- HLC @ Metro, Inc.
- University of Colorado Real Estate Foundation

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 71). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 feet above sea level. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the State's semi-arid climate, water resource development, allocation, and conservation are ongoing challenges for State management.

The State maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law, and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four-year terms with a limit on the number of terms allowed.

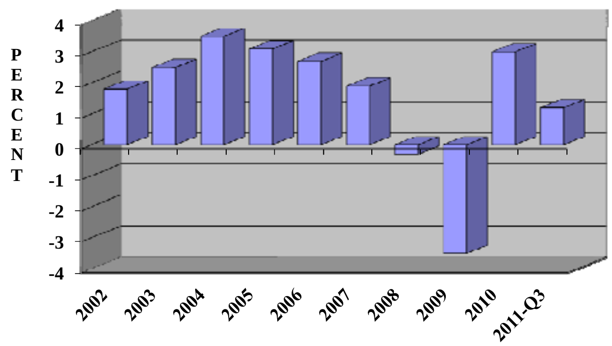
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited to the topics identified by the Governor. The Legislature's otherwise plenary power is checked by the requirement for the Governor to sign its legislation and by specific limitations placed in the State Constitution by voters. The most significant fiscal limitation is the restriction related to issuing debt, raising taxes, and changing existing spending limits. From a fiscal perspective, the Joint Budget Committee of the Legislature, because of its preparation of the annual budget and supplemental appropriations bills, holds the most important power vested in the Legislature. The Committee is bipartisan with members drawn from each of the houses of the Legislature. The Governor's Office of State Planning and Budgeting develops and submits an executive branch budget proposal, but there is no requirement for the Joint Budget Committee or the General Assembly to adopt that proposal.

The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more than 300 justices and judges in 22 judicial districts across the State (excluding 23 Denver county court judges). Municipal courts are not part of the State system. There are also seven water courts, one in each of the State's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

The State's General Fund revenues reflect the overall condition of the State economy, which showed improved growth in Fiscal Year 2010-11; General Fund revenues increased by $632.0 million (9.8 percent) from the prior year. Although improving, General Fund revenue is $417.0 million (5.6 percent) below the pre-recession level in Fiscal Year 2007-08. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 2.5 percent for 2010 and is forecast to increase by 5.0 percent for 2011. State nonagricultural employment levels continued to decline with 25,500 jobs lost in 2010; however, 17,700 jobs are forecasted to be added in 2011.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



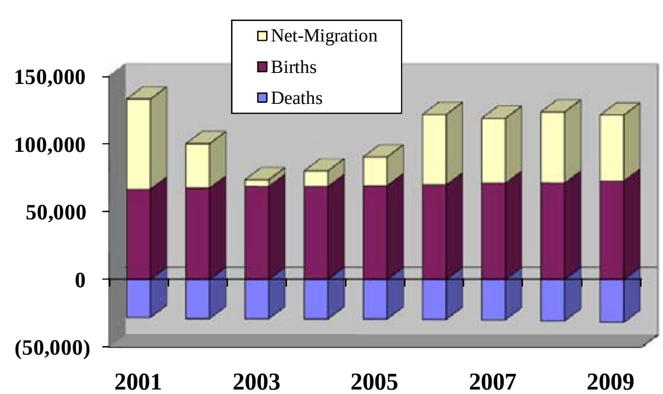
The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 3.0 percent in the third quarter of calendar year 2010 and 1.2 percent in the third quarter of 2011. Inflation adjusted GDP increased 1.5 percent from the third quarter of 2010 to the third quarter of 2011 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.2 percent. Personal consumption was lead by a 7.0 percent increase in durable goods (including recreational goods and vehicles increasing at 11.6 percent) and was offset by anemic growth in household services consumption and a decline in nonprofit spending. Notwithstanding a 7.5 percent increase in fixed investment (including significant increases in transportation – 20 percent, industrial equipment – 12.5 percent and other equipment and software – 5.1 percent), private domestic investment was up only 0.4 percent in aggregate as nonfarm inventories grew only slightly and farm inventories declined. Also holding back private domestic investment, residential investment grew slightly by 1.4 percent from a significantly lowered base, and other information processing equipment and software declined by 2.5 percent. Government spending declined quarter-over-quarter by 2.4 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 5.9 percent and imports grew by 1.9 percent; net imports continued to be a reduction of GDP but by a lesser amount than in the third quarter of 2010.

The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. The September 2011 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

> "…several sections of the economy have continued to weaken due to the persistence of a combination of negative factors affecting households, businesses, investors, and governments. The economy continues to deal with high debt levels, elevated food and gas prices, a slumped housing market, and the stock market volatility resulting from sovereign debt problems. Private investment – an important ingredient for economic growth – has mostly languished in this environment and unfortunately signals that a stronger pickup in growth is unlikely in the near term. However, there are positive trends in the economy. The services industries continue to expand, exports remain strong, and bank loans to businesses are increasing."

The recovery of the Colorado economy from the recession continues at a slow pace. According to the Office of State Planning and Budgeting (OSPB), uncertainties remain as to the strength of the recovery at the national level and Colorado has yet to experience significant job growth. Although there has been jobs added in economically important industries, the high unemployment rate persists which leaves households in a weaker financial state and the consumer reluctant to spend. Businesses remain uncertain as to the path of the recovery, with residential construction as the primary cause of weak private investment. Mixed signals exist regarding the pace of economic recovery in Colorado, and employment has yet to develop a discernable trend.

COMPONENTS OF COLORADO'S POPULATION CHANGE



Historically, Colorado economic activity and in-migration have been interdependent. However unlike the recession in 2001-2002, the recession in 2008-2009 has not resulted in a decreasing in-migration, which has averaged approximate 50,200 from 2006 to 2009. It remains slightly off its nine-year peak amount of about 66,400 which occurred in 2001, but is significantly in excess of its low of about 4,900 in 2003. International in-migration decreased from approximately 13,248 to 13,078 for 2008 and 2009, respectively, while in-migration from other states decreased more significantly from about 38,500 to about 35,600 for 2008 and 2009, respectively. The information in the adjacent chart is based on current Census Bureau estimates. Data for the year 2010 is not included in the chart because an adjustment was made to total state population for that year and matching estimates for deaths and births are not available. The Colorado State Demographer forecasts net population growth of 82,671 for 2011 and 84,399 for 2012, and OSPB forecasts net migration of 40,800 and 40,000, for those years respectively, which indicates persistent in-migration in spite of high unemployment and the State's economic challenges.

The OSPB September 20, 2011 quarterly estimate predicts that Colorado's recovery from the recession will continue throughout calendar years 2011 and 2012, albeit at a slow rate until employment conditions improve and increases in personal income are realized. OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 8.8 percent for 2011 compared with 8.9 percent and 8.3 percent in 2010 and 2009, respectively, and it is expected to slightly decrease in 2012 to 8.7 percent.
- Wages and salary income will increase by 3.5 percent in 2011 and by 2.1 percent in 2012 before increasing to 5.0 percent growth in 2014.
- Total personal income will increase by 5.0 percent in 2011 followed by 2.7 percent in 2012.
- Net in-migration is expected to be 40,800 in 2011 and 40,000 in 2012 with total population growth of about 1.6 percent in each year.
- Retail trade sales will increase 5.3 percent in 2011 followed by an increase of 3.0 percent in 2012.
- Colorado inflation will increase by 3.5 percent in 2011 and 2.6 percent in 2012.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2011 session. However, in an environment of continued revenue shortfalls, resources available for major initiatives were very limited. Colorado is constitutionally required to maintain a balanced budget as well as a positive General Fund fund balance on the budgetary basis. As a result, the main fiscal focus of the session was on near term budget balancing and revenue issues.

The General Assembly enacted the following measures which had significant financial impacts:

- The General Assembly enacted several tax measures that overall increased State revenue by $32.5 million in Fiscal Year 2011-12 and $5.6 million in Fiscal Year 2012-13. These include revenues generated by a temporary reduction in the sales tax vendor fee, and the extension of sales and use tax to the sale of cigarettes. Additional revenue is offset by reductions from the reinstatement of the sales tax exemption on certain agricultural products, the extension of the time period for disputing sales tax, a sales tax exemption for standardized computer software, and changes to the trigger mechanism for child care credits. The timing of conservation easement tax credits changed as a result of modifications to the cap related to an expedited dispute resolution process.
- In an effort to address the declining funded status of the State and other divisions of the Public Employees' Retirement Association (PERA), the General Assembly authorized the one year continuation of a provision enacted in the 2010 legislative session temporarily decreasing the employer contribution and increasing the employee contribution.
- In an effort to reform financing of unemployment benefits, the General Assembly enacted a changes to the calculation of base wages subject to premiums, changes to the premium structure, along with a requirement for an on-line application for account management. The changes are anticipated to generate additional revenues of about $68.0 million in Fiscal Year 2011-12, and reach an estimated $202.8 million by Fiscal Year 2013-14.
- An amendment to the "Public School Finance Act of 1994" was enacted to modify the funding for K-12 public schools in Fiscal Year 2011-12 by extending the budget stabilization factor, renamed the negative factor, thereby reducing State expenditures by an estimated $229.0 million. This represents a 12.97 percent funding reduction as compared to not applying the negative factor. The legislation also diverted ending Fiscal Year 2010-11 General Fund Surplus to education including $67.5 million to the Public School Fund, and $221.4 million to the State Education Fund. Other legislative changes in property tax exemptions on certain agricultural lands will also serve to increase the local share of education funding and reduce the state share, as well as provide supplemental K-12 education funding through diversions from a tax amnesty program.
- The General Assembly enacted several measures concerning health care including an increase to the nursing facility provider fees received, a decrease in nursing facility provider rates paid, and increases to certain poverty levels for eligibility for the Children's Basic Health Plan These provisions are anticipated to reduce the state share of health care expenditures by $19.9 million in Fiscal Year 2011-12 and by a similar amount in Fiscal Year 2012-13. The General Assembly declared a State fiscal emergency for Fiscal Year 2010-11 allowing the use of Amendment 35 tobacco tax moneys for health-related purpose including funding of the Children's Basic Health Plan. Approximately $19.2 million was redirected from other tobacco tax funded programs to the Children's Basic Health Plan.

- The General Assembly addressed State's capital needs with the appropriation of $51.5 million of general-purpose revenues to fund four capital projects, sixteen maintenance projects, and three lease payments starting in Fiscal Year 2011-12. The Fort Lyons Prison was decommissioned at a savings of approximately $6.3 million in operating costs annually starting in Fiscal Year 2011-12. Additionally, future state historic preservation funds were allocated for the Capitol dome restoration project.
- The General Assembly reduced contributions to the Fire and Police Protection Association for the old hire pension plans by $20.0 million in Fiscal Year 2011-12, and $15.3 million in Fiscal Year 2012-13, and extended the date for funding the pension liability to April 30, 2019.
- In light of recurring reductions in discretionary budget allocations to institutions of higher education, the General Assembly provided institution's further flexibility in setting student fee policies, establishing not-for-profit entities, indemnifying contractors, managing classified employees, and carrying out capital activities.
- The General Assembly enacted legislation to merge the Division of Parks and the Division of Wildlife, and designated the new combined division as a TABOR enterprise. The merger will decrease the Excess State Revenue Cap under the Taxpayer Bill of Rights by an estimated $50.0 million in Fiscal Year 2011-12, and it will make a similar reduction in revenue subject to the Cap.

The State expended $2,047.1 million of American Recovery and Reinvestment Act (ARRA) funds in Fiscal Year 2010-11 – a significant portion of which backfilled shortfalls in General Fund general-purpose revenue. Notwithstanding the refinancing of general funds to federal ARRA funds, the State carried out the following major actions to maintain service levels.

- The General Assembly authorized the transfer of $158.1 million from various cash funds in Fiscal Year 2010-11 to augment General Fund revenues and to prevent a deficit fund balance. Additionally nine 2010 bills authorized additional augmenting transfers of $130.2 million in Fiscal Year 2011-12.
- The General Assembly authorized the refinancing of certain Medicaid expenditures hospital provider fees, $50.0 million for Fiscal Year 2011-12 and $25.0 million for Fiscal Year 2012-13.
- The General Fund required reserve was maintained at two and three-tenths percent, which is slightly more than half the normal four percent reserve that increases to 6.5 percent in Fiscal Year 2016-17 and beyond.

Additional information on the current and long-term impact of some of these initiatives can be found in the Management Discussion and Analysis and Notes to the Financial Statements.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly appropriates the annual State budget for ongoing programs, except for federal and custodial funds. New programs are funded for the first time in enabling legislation and are continued through the Long Appropriations Act in future periods. For the most part, appropriations lapse at the end of the fiscal year unless the State Controller approves an appropriation rollforward based on extenuating circumstances. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

The State records the budget and certain nonappropriated spending authority (including most institutions of higher education activity) in its accounting system along with estimates of federal awards and custodial funds of the various departments. The accounting system will not disburse monies without spending authority. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A). Encumbrances are also recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances represent appropriations that are approved for rollforward into the subsequent fiscal year, unspent revenue related to specific non-legislatively directed purposes, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 41).

In developing the State's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Those controls also assure the reliability of financial records for preparing financial statements and maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

INDEPENDENT AUDIT

The State Auditor performs an audit of the Basic Financial Statements. The opinion of the auditor is on page 16 of this report. Besides annually auditing the statewide financial statements, the auditor has the authority to audit the financial statements and operations of the departments and institutions within State government.

In 1996, the United States Congress amended the Single Audit Act of 1984. The amended act clarifies the State's and the auditor's responsibility for ensuring that federal moneys are used and accounted for properly. Under the requirements of this act, transactions of major federal programs are tested. The State prepares a Schedule of Expenditures of Federal Awards for inclusion in the State Auditor's Statewide Single Audit Report. The State Auditor issues reports on the schedule, the financial statements, internal controls, and compliance with the requirements of federal assistance programs.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

In conclusion, I thank my staff and the controllers, accountants, auditors, and program managers in the State departments and branches whose time and dedication have made this report possible. I reaffirm our commitment to maintaining the highest standards of accountability in financial reporting.

Sincerely,

David J. McDermott

David J. McDermott, CPA
Colorado State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

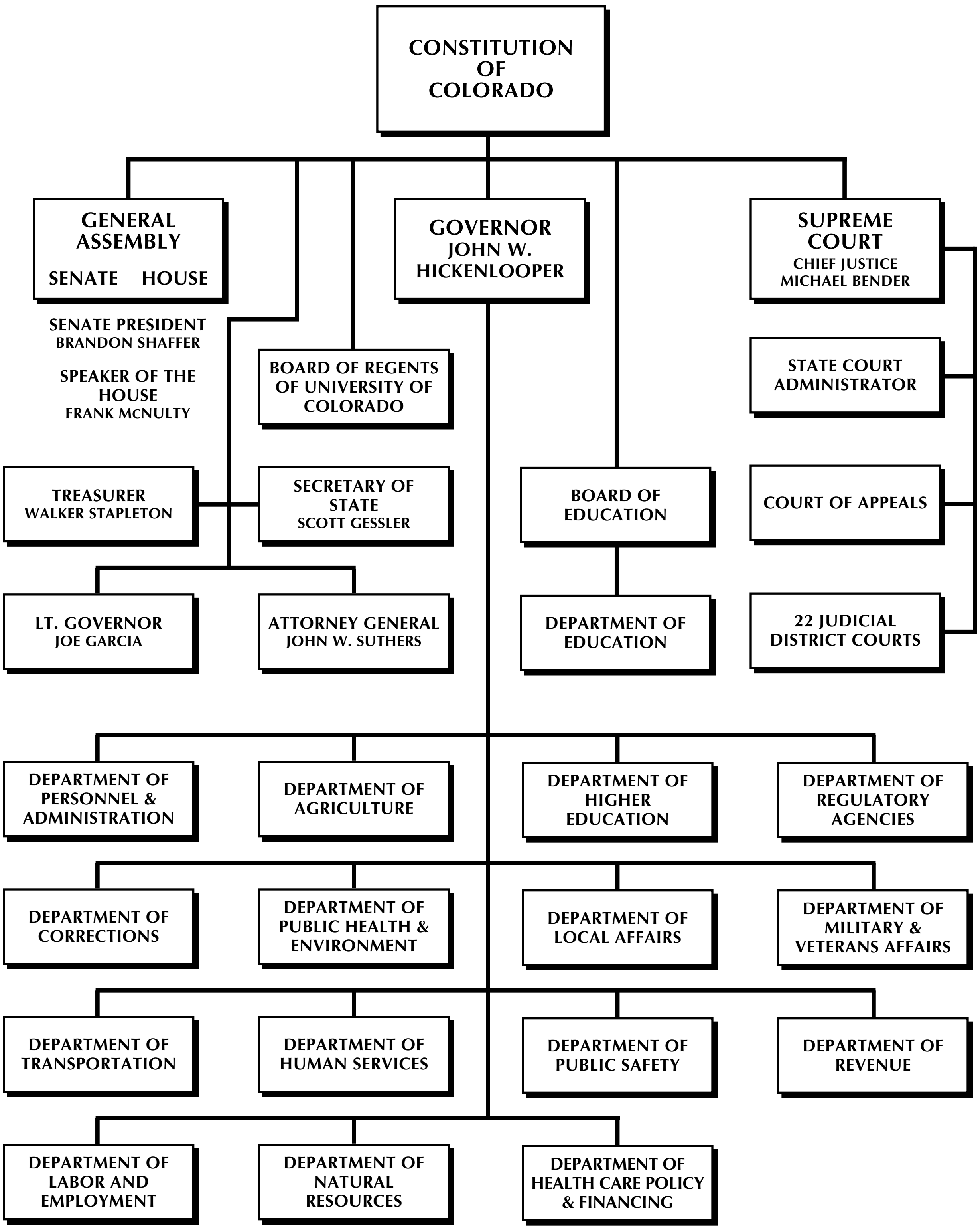
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

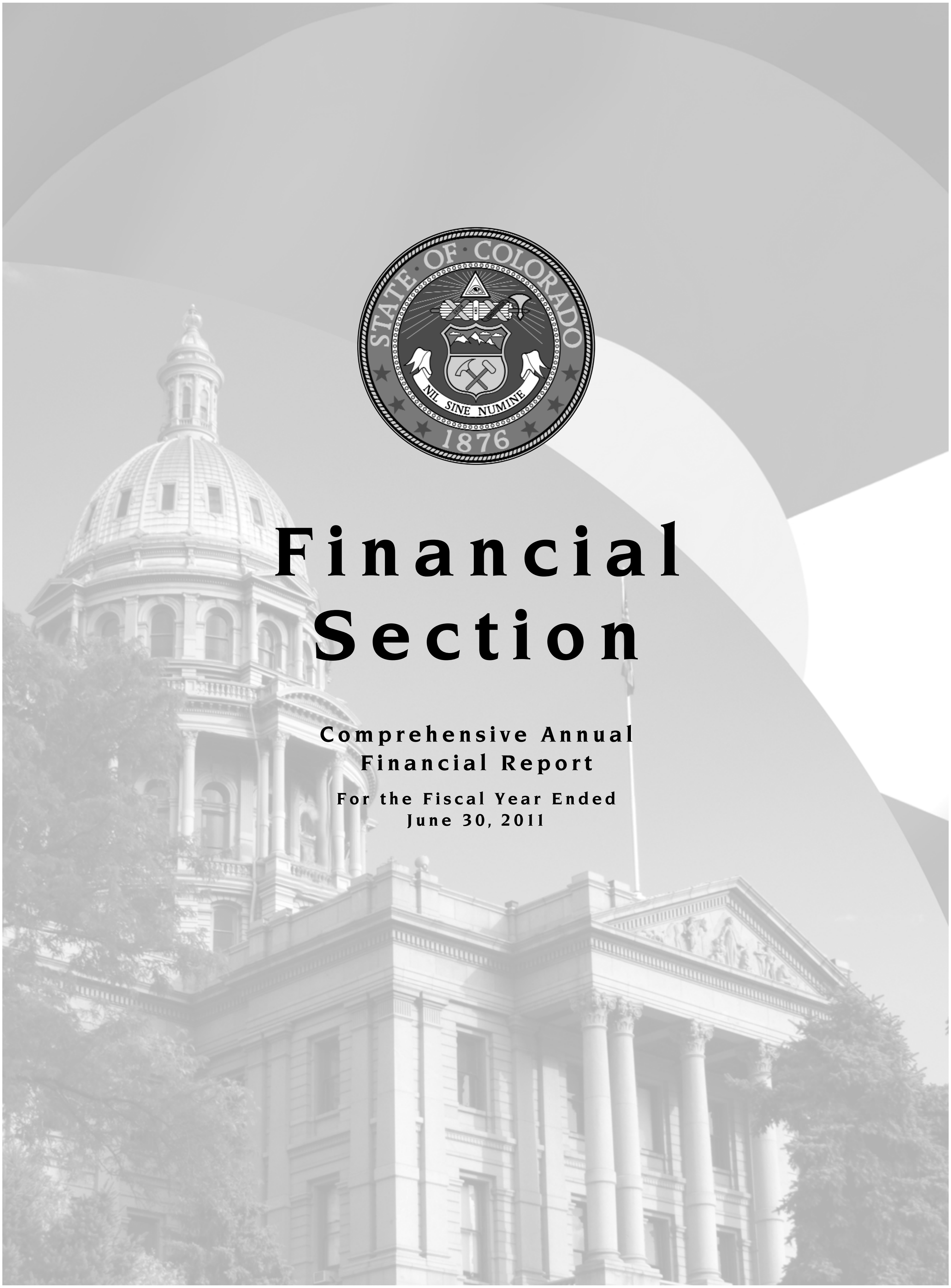
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

December 16, 2011

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State) as of and for the fiscal year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenues of the discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents approximately 3 percent of the assets, 4 percent of the net assets, and 8 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net assets, and 5 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, and University of Northern Colorado Foundation, discretely presented major component units; and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6J to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in Fiscal Year 2011.

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information listed in the table of contents, beginning on page 1, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, supplementary information, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the attached financial statements and notes should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $13,393.1 million, a decrease of $62.2 million as compared to the prior year amount of $13,455.3 million. There was not a single factor impacting the decline, but several offsetting changes. Causes of the decrease in Net Assets include a reduction in cash and restricted cash balances of $352.0 million, primarily related to using existing resources in the General Fund ($27.1 million), the Capital Projects Fund ($39.7 million), and the State Education Fund ($42.2 million) to complete construction projects and to backfill general-purpose revenue shortfalls. Investments and restricted investments decreased by $66.2 million from liquidations of financing proceeds for construction activities, offset by additional investment proceeds for public school construction. Other long-term assets increased by $116.6 million, largely due to an increase in long-term taxes receivable. Capital assets decreased by $214.9 million, primarily due to $738.6 million in depreciation charges offsetting new transportation and public school construction, along with the construction of the Colorado History Center and the Ralph L. Carr Judicial Complex. Governmental activities notes, bonds, and certificates of participation payable decreased by $430.5 million because in the current fiscal year the State retired its short-term education tax revenue anticipation notes before fiscal year end while similar financing in the amount of $515.0 million in the prior fiscal year was defeased but still outstanding at June 30, 2010. Assets of the State's business-type activities exceeded liabilities by $5,264.7 million, an increase of $518.2 million as compared to the prior year amount of $4,746.5 million. The overall increase was primarily the result of the following net asset changes: an increase of $428.2 million in Higher Education Institutions and an increase of $171.0 million in Other Enterprises (primarily related to a newly created Transportation Enterprise). In total, net assets of the State increased by $456.0 million to $18,657.8 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $4,842.0 million (prior year $4,676.3 million). In total, governmental fund balances increased by $165.7 million from the prior year due to increases in the General Fund and State Education Fund, which were partially offset by reductions in the Highways Users Tax Fund (HUTF), in the Capital Projects Fund and in the Other Governmental Funds. The General Fund increase is primarily due to the reclassification of $293.7 million into the General Fund as required by the newly implemented fund balance reporting standard and includes the Public School Fund, and various portions of Other Governmental Funds – the most significant of which is the Building Excellent Schools Today (BEST) public school construction program. These funds are referred to as the Special Purpose General Fund, while the general-purpose revenue funded portion of the General Fund is referred to as the General Purpose Revenue Fund. The General Purpose Revenue Fund fund balance increased by $40.2 million over the prior year due to increased tax collections that also allowed for the transfer of $221.4 million to the State Education Fund. Although revenue increased over the prior year, a portion of the normal four percent statutory reserve was needed to offset revenue shortfalls in relation to appropriations. While all revenues and expenditures contributed to the increase in the General Fund fund balance, the change includes an augmenting transfer into the General Fund of $158.1 million, which is down significantly from $815.3 million in Fiscal Year 2008-09 and $418.4 million in Fiscal Year 2009-10. The newly reported major Resource Extraction Fund has a fund balance of $868.5 million; it primarily consists of the Water Projects Fund and the Resource Extraction Fund, which were both reported as nonmajor funds in the prior year. The HUTF decreased primarily due to increased expenditures without the benefit of increasing revenue. The Capital Projects Fund decreased primarily due to the spending of proceeds of Certificates of Participation from the Ralph L. Carr Justice Complex and Colorado History Center projects. The

State Education Fund increased due to the transfer in of $221.4 million of General Fund Surplus at the end of Fiscal Year 2010-11. The Other Governmental Funds decreased by $1,223.1 million, largely due to the required reclassifications resulting from the new fund balance reporting standard GASB Statement No. 54. On the basis of generally accepted accounting principles (GAAP), the unreserved undesignated/unassigned fund balance of the General Purpose Revenue Fund was a deficit of ($21.5) million and ($30.8) million at June 30, 2011 and June 30, 2010, respectively. In addition (on the GAAP basis), the State was $156.6 million short of the amount of net assets required for the statutorily mandated 2.3 percent reserve. The reserve requirement was reduced through legislation from four percent to two and three-tenths percent for Fiscal Years 2010-11; that legislation restored the reserve to four percent for Fiscal Year 2011-12 and required it to increase by 0.5 percent each fiscal year from Fiscal Year 2012-13 through 2016-17. Thereafter, the reserve is to be maintained at 6.5 percent.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $5,264.7 million (prior year $4,746.5 million), of which, $3,746.4 million (prior year $3,586.6 million) was restricted or invested in capital assets, and the balance of $1,518.3 million (prior year $1,159.9 million) was unrestricted. The total increase of $518.2 million in Enterprise Fund net assets was primarily due to an increase of $428.2 million in Institutions of Higher Education, and $171.0 million in Other Enterprises primarily from the newly created Transportation Enterprises – the Bridge Enterprise and the High Performance Transportation Enterprise.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2011, were $1,766.9 million (prior year $2,197.4 million), which is 29.3 percent (prior year 33.8 percent) of financial assets (cash, receivables, and investments) and 9.8 percent (prior year 11.9 percent) of total assets of governmental activities. The governmental activities debt declined due to the retirement of short-term notes during the year as discussed in the Government-Wide section above; the largest single portion is related to infrastructure, and future federal revenues and State highway revenues are pledged to the related debt service. The State's Enterprise Funds have revenue bonds outstanding that total $3,196.2 million (prior year $2,783.3 million). The $412.9 million increase in revenue bonds from the prior year is primarily related to the issuance of $300.0 million in bonds by the Bridge Enterprise in the Department of Transportation. The majority of the remaining outstanding revenue bonds are related to institutions of higher education and are invested in capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the State to retain revenues in excess of the TABOR limit for Fiscal Years 2005-06 through 2009-10. Partially due to the economic downturn, the State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2010-11, and although it did exceed the TABOR limit by $770.2 million, no refund was required because Referendum C removed the ratchet down provision of TABOR. The $0.7 million shown on the financial statements is the residual amount of a Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2011. (See page 27 for more information on the TABOR requirements and Referendum C.)

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are three major parts to the basic financial statements – government-wide statements, fund-level statements, and notes to the financial statements. Certain required supplementary information (in addition to this MD&A), including budget-to-actual comparisons and funding progress for other post-employment benefits is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

The government-wide statements focus on the government as a whole. These statements are similar to those reported by businesses in the private sector, but they are not consolidated financial statements because certain intra-entity transactions have not been eliminated. Using the economic resources perspective and the accrual basis of accounting, these statements include all assets and liabilities on the *Statement of Net Assets* and all expenses and revenues on the *Statement of Activities*. These statements can be viewed as an aggregation of the governmental and proprietary fund-level statements along with certain perspective and accounting-basis adjustments discussed below. Fiduciary activities are excluded from the government-wide statements because those resources are not available to support the State's programs.

The *Statement of Net Assets* shows the financial position of the State at the end of the fiscal year. Net assets measure the difference between assets and liabilities. Restrictions reported in net assets indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net assets from year to year indicate the State is better off financially, while decreases in total net assets indicate the State is worse off.

The *Statement of Activities* shows how the financial position has changed since the beginning of the fiscal year. The most significant financial measure of the government's current activities is presented in the line item titled "Change in Net Assets" at the bottom of the *Statement of Activities.* The statement is presented in a net program cost format, which shows the cost of programs to the government by offsetting revenues earned by the programs against expenses of the programs. Due to the large number of programs operated by the State, individual programs are aggregated into functional areas of government.

On the *Statement of Net Assets,* columns are used to segregate the primary government, including governmental activities and business-type activities, from the discretely presented component units. On the *Statement of Activities*, both columns and rows are used for this segregation. The following bullets describe the segregation.

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the State is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 71.

Fund-Level Statements

The fund-level statements present additional detail about the State's financial position and activities. However, some fund-level statements present information that is different from the government-wide statements due to the perspective and the basis of accounting used. Funds are balanced sets of accounts tracking activities that are legally defined or are prescribed by generally accepted accounting principles. Funds are presented on the fund-level statements as major or nonmajor based on criteria set by the Governmental Accounting Standards Board (GASB). There are three types of funds operated by the State – governmental, proprietary, and fiduciary. In the fund-level statements, each fund type has a pair of statements that show financial position and activities of the fund; a statement showing cash flows is also presented for the proprietary fund type.

- Governmental Funds – A large number of the State's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column with additional fund detail presented in the Supplementary section of this report. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds.

- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the State's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds generally charge other State agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an increase or reduction to program expenses on the government-wide *Statement of Activities.* On the fund-level statements, nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.
- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported are not available to finance the State's programs, and therefore, these funds are not included in the government-wide statements. The State's fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

The State has elected to present combining financial statements for its component units. In the report, the component unit financial statements follow the fund-level financial statements discussed above.

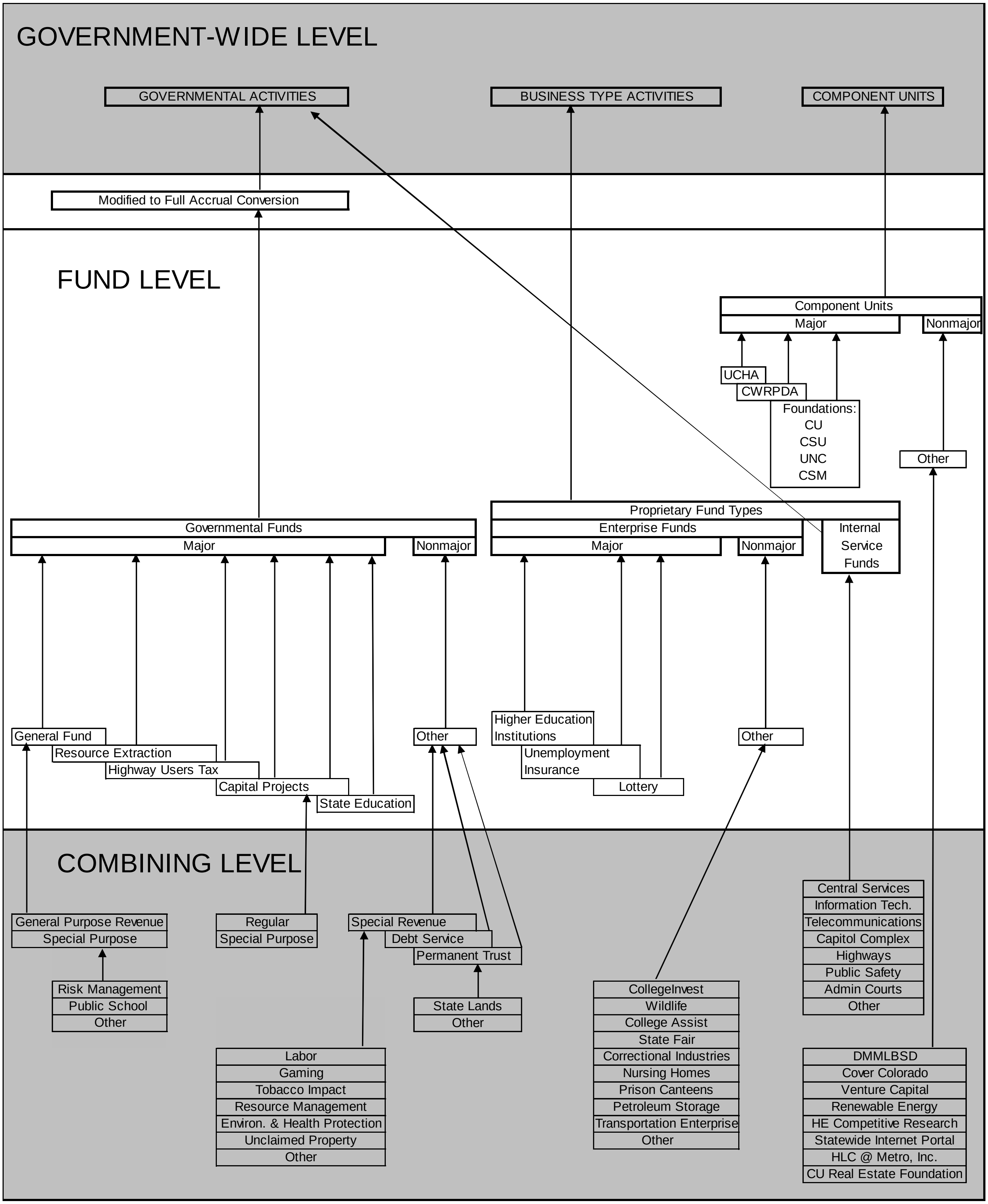
Notes to Basic Financial Statements

The notes to the financial statements are an integral part of the basic financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to fair presentation.

Required Supplementary Information (RSI)

Generally accepted accounting principles require certain supplementary information to be presented following the notes to the financial statements. Required supplementary information differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes budgetary comparison schedules and a schedule of funding progress for other post-employment benefits.

The chart on the following page is a graphic representation of how the State's funds are organized in this report. Fiduciary Funds are not shown in the chart; they occur only in fund-level statements.


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
Major
Nonmajor
UCHA
CWRPDA
Foundations:
CU
CSU
UNC
CSM
Other
Proprietary Fund Types
Enterprise Funds
Major
Nonmajor
Internal Service Funds
Governmental Funds
Major
Nonmajor
General Fund
Resource Extraction
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
Lottery
Other
COMBINING LEVEL
General Purpose Revenue
Special Purpose
Risk Management
Public School
Other
Regular
Special Purpose
Labor
Gaming
Tobacco Impact
Resource Management
Environ. & Health Protection
Unclaimed Property
Other
Special Revenue
Debt Service
Permanent Trust
State Lands
Other
CollegeInvest
Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Transportation Enterprise
Other
Central Services
Information Tech.
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Courts
Other
DMMLBSD
Cover Colorado
Venture Capital
Renewable Energy
HE Competitive Research
Statewide Internet Portal
HLC @ Metro, Inc.
CU Real Estate Foundation

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following table was derived from the current and prior year government-wide *Statement of Net Assets*.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Noncapital Assets	$ 6,874,659	$ 7,208,926	$ 4,588,450	$ 4,180,622	$ 11,463,109	$11,389,548
Capital Assets	11,112,240	11,327,140	5,600,890	5,119,819	16,713,130	16,446,959
Total Assets	17,986,899	18,536,066	10,189,340	9,300,441	28,176,239	27,836,507
Deferred Outflow of Resources	-	-	-	7,778	-	7,778
Current Liabilities	1,965,976	2,551,854	1,362,845	1,482,306	3,328,821	4,034,160
Noncurrent Liabilities	2,627,815	2,528,940	3,559,806	3,079,433	6,187,621	5,608,373
Total Liabilities	4,593,791	5,080,794	4,922,651	4,561,739	9,516,442	9,642,533
Deferred Inflow of Resources	-	-	2,006	-	2,006	-
Invested in Capital Assets, Net of Related Debt	9,836,378	10,118,621	2,990,094	2,854,803	12,826,472	12,973,424
Restricted	2,706,388	2,284,632	756,305	731,810	3,462,693	3,016,442
Unrestricted	850,342	1,052,019	1,518,284	1,159,867	2,368,626	2,211,886
Total Net Assets	$13,393,108	$13,455,272	$ 5,264,683	$ 4,746,480	$ 18,657,791	$18,201,752

The amount of total net assets is one measure of the health of the State's finances, and the State reports significant positive balances in all categories of net assets. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State.

Capital assets, net of related debt, account for $12,826.5 million or 68.7 percent of the State's total net assets, which represents a decrease of $146.9 million from the prior year; capital assets decreased in the governmental activities and increased in the business-type activities. The reduction in governmental capital assets is the result of depreciation on existing capital assets, primarily infrastructure, outpacing capital asset replacement and acquisition activity. Approximately $716.0 million in depreciation charges for bridge and roadway infrastructure offset increases related to transportation projects, public school construction, the Colorado History Center, and the Ralph L. Carr Justice Complex that totaled approximately $527.7 million. The current year increase of $135.3 million in business-type activities indicates that capital asset purchases from current resources and borrowing combined with paying down capital related debt exceeded the reduction in carrying value of capital assets caused by recognizing depreciation of those capital assets. It should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $3,462.7 million or 18.6 percent of net assets, which represents an increase of $446.3 million over the prior year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, the amount may not be available for the general use of the State's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the State's net assets. Governmental activities accounted for $421.8 million of the increase and business-type activities accounted for the remaining $24.5 million. The restriction increases in governmental activities are largely due to the implementation of the new GASB Statement No. 54 accounting standard that require analysis of restrictions for each of the State's funds. The largest individual restriction increases related to Gaming Fund moneys ($58.2 million), various federal funds ($49.6 million), State Aviation Fund moneys ($33.0 million), and Lottery funds held for parks and outdoor recreation projects ($25.4 million).

The Unrestricted Net Assets of $2,368.6 million represents 12.7 percent of total net assets and is the amount by which total assets exceed total liabilities after all restrictions and capital asset exclusions are considered. This represents an increase of $156.7 million from the prior fiscal year. The governmental activities unrestricted net assets declined by $201.7 million offset by an increase of $358.4 million in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds; however, legislative action is generally required to make the Special Revenue Fund resources available for State programs other than the program for which the revenue was collected.

Another important measure of the State's financial health is the change in net assets from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments and accounting changes, that the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by $77.1 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by $165.7 million. Program revenue of the governmental activities increased by $618.9 million (7.8 percent) related to increased grants and charges for services, and general-purpose revenues increased by $867.9 million (11.2 percent) primarily due to increased tax collections. Expenses increased by $570.3 million (3.5 percent) from the prior year primarily due to continued spending under the American Recovery and Reinvestment Act (ARRA),

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	$ 1,632,567	$ 1,398,714	$ 4,808,159	$ 3,991,677	$ 6,440,726	$ 5,390,391
Operating Grants and Contributions	6,218,836	5,885,657	3,689,492	3,957,310	9,908,328	9,842,967
Capital Grants and Contributions	659,288	607,383	25,432	24,619	684,720	632,002
General Revenues:						
Taxes	7,576,943	6,739,757	-	-	7,576,943	6,739,757
Restricted Taxes	928,260	873,287	-	-	928,260	873,287
Unrestricted Investment Earnings	6,523	10,215	-	-	6,523	10,215
Other General Revenues	91,608	112,138	-	-	91,608	112,138
Total Revenues	17,114,025	15,627,151	8,523,083	7,973,606	25,637,108	23,600,757
Expenses:						
General Government	192,579	189,865	-	-	192,579	189,865
Business, Community, and Consumer Affairs	667,929	662,854	-	-	667,929	662,854
Education	5,432,143	5,096,032	-	-	5,432,143	5,096,032
Health and Rehabilitation	696,539	659,187	-	-	696,539	659,187
Justice	1,538,363	1,527,857	-	-	1,538,363	1,527,857
Natural Resources	149,878	144,445	-	-	149,878	144,445
Social Assistance	6,397,426	6,091,958	-	-	6,397,426	6,091,958
Transportation	1,974,009	2,105,688	-	-	1,974,009	2,105,688
Interest on Debt	32,487	33,203	-	-	32,487	33,203
Higher Education Institutions	-	-	4,755,385	4,451,541	4,755,385	4,451,541
Unemployment Insurance	-	-	2,141,728	2,496,188	2,141,728	2,496,188
CollegeInvest	-	-	-	68,650	-	68,650
Lottery	-	-	470,480	456,352	470,480	456,352
Wildlife	-	-	108,425	105,037	108,425	105,037
College Assist	-	-	402,648	410,027	402,648	410,027
Other Business-Type Activities	-	-	191,123	170,410	191,123	170,410
Total Expenses	17,081,353	16,511,089	8,069,789	8,158,205	25,151,142	24,669,294
Excess (Deficiency) Before Contributions, Transfers, and Other Items	32,672	(883,938)	453,294	(184,599)	485,966	(1,068,537)
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(110,266)	(94,993)	110,266	94,993	-	-
Permanent Fund Additions	460	357	-	-	460	357
Special Item	-	-	1,493	(79,575)	1,493	(79,575)
Total Contributions, Transfers, and Other Items	(109,806)	(94,636)	111,759	15,418	1,953	(79,218)
Total Changes in Net Assets	(77,134)	(978,574)	565,053	(169,181)	487,919	(1,147,755)
Net Assets - Beginning	13,455,272	15,477,205	4,746,480	4,880,112	18,201,752	20,357,317
Prior Period Adjustment	14,970	(594,624)	(46,850)	35,549	(31,880)	(559,075)
Accounting Changes	-	(448,735)	-	-	-	(448,735)
Net Assets - Ending	$13,393,108	$ 13,455,272	$ 5,264,683	$ 4,746,480	$18,657,791	$18,201,752

albeit at a lower level than in the prior year. The table on the previous page was derived from the current and prior year government-wide *Statement of Activities*.

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $565.1 million resulting in an increase in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $549.5 million (6.9 percent) and expenses decreased by $88.4 million. Most of the program revenue increase occurred in Higher Education Institutions' Charges for Services ($474.4 million) that offset reductions in Operating Grants and Contributions related to phase-out of American Recovery and Reinvestment Act of 2009 funding ($340.1 million), along with increases in Unemployment Insurance's Charges for Services ($290.7 million). The decrease in expenses is primarily attributable to a 14.6 percent decrease in Unemployment Insurance benefits paid.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2010-11 is the eighteenth year of State operations under Article X, Section 20 of the State Constitution revenue limitations, which is also known as TABOR. With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the State to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, which was referred to the ballot by the Legislature. Referendum C authorized the State to retain all revenues in excess of the TABOR limit for the five-year period from Fiscal Year 2005-06 through Fiscal Year 2009-10. Referendum C had additional provisions and effects that are discussed below.

TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations have been significant factors in the changing fiscal status of the State's General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and expended from the General Fund Exempt Account created in the General Fund by Referendum C.

In years when Referendum C is not in effect, the State's ability to retain revenues is also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the State's ability to retain current and future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

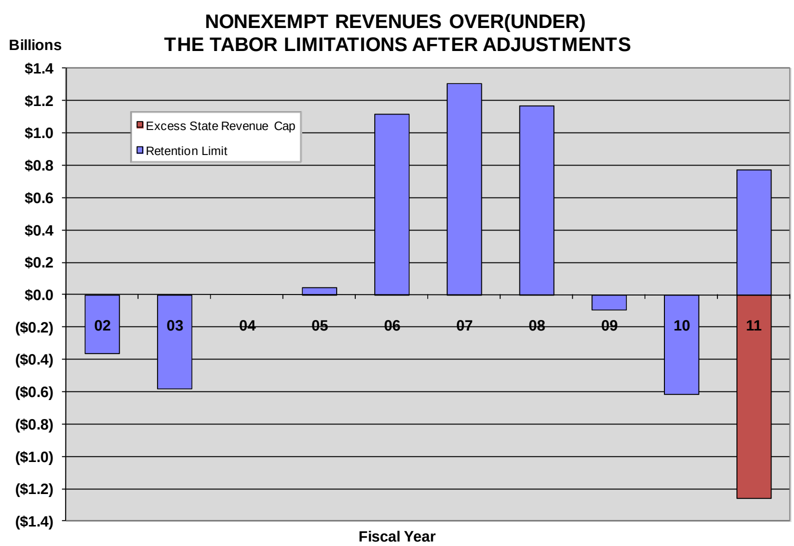
In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The State was required to refund $41.1 million in Fiscal Year 2004-05. At the end of Fiscal Year 2010-11, this amounted to total required refunds of $3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the State recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years except for the $0.7 million amount currently shown in the financial statements.

With the end of the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2005-06 through Fiscal Year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the TABOR retention limit continues to apply, but the new ESRC replaces it as the limit that triggers taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in Fiscal Year 2007-08. For Fiscal Year 2010-11, unaudited State revenues subject to TABOR were $9,424.8 million, which was $1,260.1 million under the ESRC, and $770.2 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

During Fiscal Year 2010-11, Ft. Lewis College requalified as TABOR enterprises because it received less than 10 percent of revenues from the State. As required by TABOR, the State Controller makes the qualification or requalification of enterprises neutral in the excess revenue calculation by removing the newly qualified or requalified enterprise's nonexempt revenues from the TABOR base before adjusting for allowable growth. In Fiscal Year 2010-11, the TABOR limit was decreased by $17.7 million related to the enterprise qualification.

Legislation was enacted in the 2011 legislative session to merge the Division of Parks (a nonexempt-TABOR activity) and the Division of Wildlife (a TABOR enterprise); the new Division is in its entirety authorized as a TABOR enterprise starting in Fiscal Year 2011-12.

Referendum C



Referendum C, approved by the voters in the November 2005 election, contained the following provisions:

- The State shall be authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.
- After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.
- A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each fiscal year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is subject to the six percent limit on General Fund expenditure growth.
- The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.
- The State retained $3,593.6 million during the five-year refund time-out authorized by Referendum C.

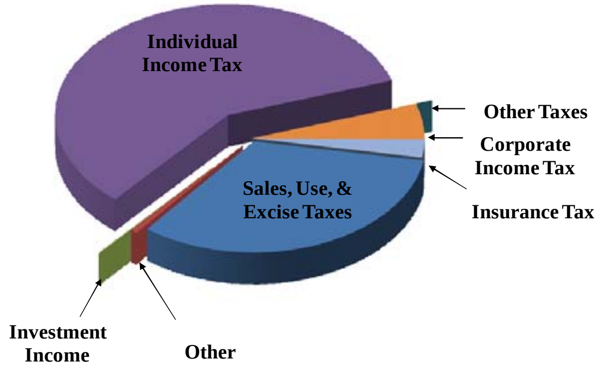
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery the State's revenues are not expected to exceed the ESRC cap during Fiscal Year 2010-11. Neither the Legislative Council nor the Governor's economic forecast projects TABOR revenue in excess of the TABOR limit throughout the forecast period that goes through Fiscal Year 2013-14.

INDIVIDUAL FUND ANALYSIS

General Fund

The General Fund is the focal point in determining the State's ability to maintain or improve its financial position. Beginning in Fiscal Year 2010-11, with the implementation of new accounting standards, the General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund and Other Special Purpose Funds reside in the General Fund along with Risk Management. These funds are referred to as Special Purpose General Funds, and the traditional General Fund is referred to as the General Purpose Revenue Fund. Revenues of the General Purpose Revenue Fund consist of two broad categories - general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Augmenting revenues include federal funds, transfers-in, fees and charges, or specific user taxes. Augmenting revenues are usually limited as to how they can be spent. Even though significant federal grant revenues are accounted for in the General Purpose Revenue Fund, they have little impact on fund balance because most federal revenues are earned on a reimbursement basis and are closely matched with federal expenditures.

GENERAL-PURPOSE REVENUES BY SOURCE

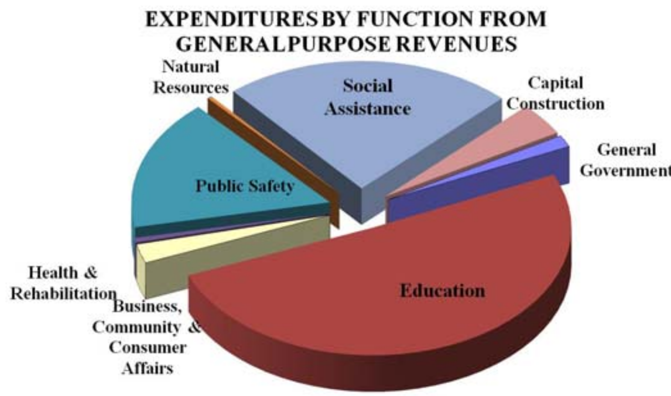


The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $602.8 million, $32.4 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. On a comparable basis, the net assets of General Purpose Revenue Fund increased by $39.6 million from the prior year. While the State was able to fund the General Fund Statutory Reserve of $156.6 million on the budget basis due to the deferral of certain expenditures into the following fiscal year, the required reserve on a GAAP basis was zero and the Unassigned Fund Balance was a deficit of $21.5 million. On both the budget basis and the GAAP basis, the General Purpose Revenue Fund received augmenting transfers of $158.1 million in Fiscal Year 2010-11 ($418.4 million Fiscal Year 2009-10) to address the State's budget crisis. In Fiscal Year 2010-11 the augmenting transfers were not necessary to prevent a General Purpose Revenue Fund deficit as was the case in the prior year; General Purpose Revenue Fund fund deficits are constitutionally prohibited. However, absent these transfers general-purpose-revenue-funded programs would eventually be required to reduce expenditures by the transferred amounts. The General Purpose Revenue Fund's $173.6 million year-end cash balance increased by $293.0 million from the prior year primarily due to improving tax collections.

General-purpose revenues for Fiscal Years 2010-11 and 2009-10 were $7,085.8 million (see page 165) and $6,456.1 million, respectively – an increase of $629.7 million or 9.8 percent. Individual income tax revenue increased by $377.1 million or 10.0 percent. The major categories of individual income tax, that contributed to the increase, were estimated payments (up 38.3 percent), and withholding payments (up 4.8 percent). Cash with income tax returns and income tax refunds did not change significantly from the prior year. The significant percentage increase in estimated tax payments is normally associated with improving self-employment income and taxpayers' investment earnings. The increase in withholding reflects modest job growth and some wage inflation. Corporate income tax receipts increased by $15.5 million or 4.4 percent reflecting corporate cost cutting and improved profitability. Sales, use, and excise taxes increased by $251.6 million or 12.1 percent, which is consistent with the 5.0 percent projected increase in personal income in 2011. Other revenue decreased by $14.7 million or 24.3 percent primarily related to a $14.2 million decrease in court receipts that were redirected to support the Ralph L. Carr Judicial Complex.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2010-11 and 2009-10 were $6,921.6 million (see page 165) and $6,727.7 million, respectively. For Fiscal Year 2010-11, the total annual increase in general-funded appropriations was limited to five percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process. In Fiscal Year 2010-11, revenues were not sufficient to support the allowed appropriation growth and budget cuts were enacted that resulted in the budget decreasing by 8.4 percent.

The Special Purpose portion of the General Fund fund balance totaled $570.4 million in Fiscal Year 2010-11. Risk Management was previously reported in the General Fund, and continues to be reported in the General Fund as part of the Special Purpose General Fund. Beginning in Fiscal Year 2010-11 the Public School Fund and Other Special Purpose Funds are also reported as part of the Special Purpose General Fund, and together they increased General Fund beginning fund balance by $557.1 million.

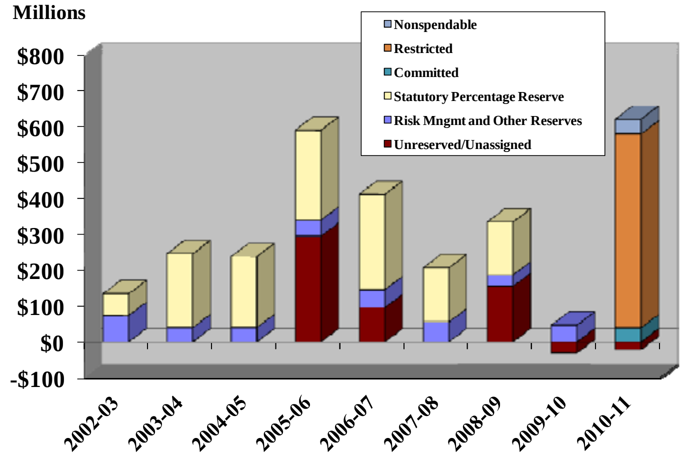


With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 81.7 percent of all Fiscal Year 2010-11 general-funded expenditures, which is a decrease of 0.6 percent from the prior year. The Departments of Higher Education, Corrections, and Health Care Policy and Financing's general-funded expenditures increased $276.3 million (64.4 percent), $92.6 million (16.4 percent), and $151.6 million (13.2 percent), respectively. The percentage use of general-funded resources by these three departments increased as a result of the phase-out of American Recovery and Reinvestment Act of 2009 moneys for education stabilization and government services stabilization, and because of increased Medicaid caseloads coupled with the deferral of two additional weeks of Medicaid expenditures from Fiscal Year 2009-10 into Fiscal Year 2010-11. The Departments of Revenue, Education and Human Services' general-funded expenditures decreased by $18.5 million (34.2 percent), $275.8 million (8.5 percent), and $27.0 million (3.6 percent), respectively. The percentage reductions of general-funded resources by these three departments was primarily the result of fewer Old Age Pension payments in the Department of Revenue, the receipt of federal funds offsetting mandated increased in the Department of Education related to local public school districts pursuant to Amendment 23 passed in the 2000 legislative session, and reductions in the Department of Human Services related to child welfare services, residential treatment placement in the Division of Youth Corrections, and in the mental health institutes.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2010-11, the State met the statutory required reserve on a budgetary basis, but not on the GAAP basis. The statutorily required process of deferring expenditures moved $86.4 million of payroll, $166.7 million of Medicaid, and $1.3 million of OIT expenditures into Fiscal Year 2011-12. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $101.3 million. In total, the effect was to increase General Fund budgetary fund balance by $151.8 million, which was $16.4 million less than the effect of deferring Fiscal Year 2009-10 expenditures into Fiscal Year 2010-11. Although Medicaid expenditures continue to increase, the Medicaid related deferral declined because the additional two weeks of Medicaid expenditure deferral that occurred in the prior year did not recur in the current fiscal year. These deferrals made available funds to meet the statutorily required reserve and allowed excess general-purpose resources (including the $158.1 million referenced in the revenue section above) in the amount of $221.4 million and $67.5 million to be transferred to the State Education Fund and the State Public School Fund, respectively.

The chart shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes in effect for Fiscal Year 2010-11 require a two and three-tenths percent fund balance reserve of $156.6 million; however, as previously discussed, the General Purpose Revenue Fund did not have adequate unassigned resources to meet the required two and three-tenths percent reserve on the GAAP basis and ended the year with a ($21.5) million shortfall. Statutory compliance was achieved on a budgetary basis by deferring $151.8 million of payroll, Medicaid, and other costs into Fiscal Year 2011-12. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03, and has prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06 and 2006-07 when adequate resources were available for a positive budgetary reserve without the deferral. In Fiscal Year 2010-11 the statutorily required reserve was lowered from four percent to two and three-tenths percent of appropriations. As previously noted and shown in the graph above, the implementation of GASB Statement No. 54 in Fiscal Year 2010-11 modified the required fund balance classifications. As a result, "Risk Management and Other Reserves" are included as Special Purpose Fund balances. The implementation also moved a number of Special Purpose Funds that do not have sufficient original source revenue streams to qualify as special revenue funds into the General Fund; this significantly increased the overall General Fund fund balance ($293.7 million). See Note 29B and the General Fund Components Combining Statement in the Supplementary Information section of this report for additional information on the GASB Statement No. 54 implementation.

GENERAL FUND - FUND BALANCE[1]



[1] Beginning in Fiscal year 2010-11, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management remained part of General Fund fund balance and other Special Purpose Funds became part of General Fund fund balance.

Resource Extraction Fund

The Resource Extraction Fund comprises receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments and regulatory costs. This fund also accounts for construction loans made to local governments and special districts to enhance the use of water resources of the State. The Resource Extraction Fund was previously reported as a nonmajor special revenue fund, and with the implementation of GASB Statement No. 54, the Water Projects Fund, also formerly a nonmajor special revenue fund, was combined into the Resource Extraction Fund. A significant portion, $427.2 million, of the fund's net assets of $868.5 million comprises long-term loans receivables related to the financing of local government water projects by the Water Projects Fund.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $39.5 million from the prior year largely due to increased expenditures and minimal increases in revenue. Legislation in response to the economic downturn has permanently eliminated General Purpose Revenue Fund Surplus diversions to HUTF and also terminated the diversion of sales and use tax from the General Fund to the Highway Fund until at least Fiscal Year 2018-19.

The HUTF shows a fund balance of $1,203.0 million. This amount includes $854.3 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,160.8 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance decreased by $165.7 million from the prior fiscal year primarily due to significant spending of Certificates of Participation proceeds to construct the Ralph L. Carr Justice Complex and the Colorado History Center. Fund expenditures of $217.5 million were primarily related to projects appropriated in previous years. Capital outlay expenditures increased by $53.6 million due to the Ralph L. Carr Justice Complex construction, General Government expenditures decreased by $6.8 million, and Justice expenditures decreased by $41.9 million due to the use of refunding proceeds that occurred in Fiscal Year 2009-10, but not Fiscal Year 2010-11. Investment income declined by $4.2 million. The Capital Projects Fund reported fund balance restrictions of $185.4 million related to certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance increased by $171.2 million during Fiscal Year 2010-11. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer tax liability, and the fund's portion of those receipts increased in Fiscal Year 2010-11 by $41.5 million from the prior year. Investment income declined by $6.8 million from the prior year primarily due to unrealized investment losses, that reduced realized investment income by over two-thirds. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Transfers-in from the General Purpose Revenue Fund increased by $221.4 million which contributed to the improved fund balance position. Expenditures of the fund were $416.6 million and $475.0 million in Fiscal Year 2010-11 and 2009-10, respectively.

Higher Education Institutions

Current activity reduced by a prior period adjustment of $46.3 million increased the net assets of the Higher Education Institutions by $428.3 million. The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $188.0 million, sales of goods and services increased by $286.4 million, federal revenues decreased by $168.9 million, and Other Operating revenues increased by $13.4 million. In addition, investment income (including an increase in fair value of investments) was $166.2 million. Overall, revenues increased by 7.6 percent and expenses increased by 7.2 percent The State made capital contributions of $11.3 million and $32.8 million in Fiscal Years 2010-11 and 2009-10, respectively, that were funded by the Capital Projects Fund and transferred $185.6 million ($174.5 million in Fiscal Year 2009-10) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training. In response to the State's budget crises, the Governor's Office provided the remaining $29.1 million of funding from American Recovery and Reinvestment Act (ARRA) moneys in the State Fiscal Stabilization Fund to institutions of higher education. The money was used to fund normal operations and to prevent reductions that would otherwise have been made to the related general-funded appropriations.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund were in deficit by ($117.9) million because the fund's current liabilities exceeded the fund's assets. This represents a slight decrease in net assets of $2.2 million, as high unemployment persists due to the sluggish economy. Unemployment benefits paid decreased by $364.9 million, or (14.6) percent, after increasing $1,357.0 million in the prior year. The reduced benefits paid caused a reduction of $135.9 million in federal grants – including ARRA funds that extended the duration of unemployment benefits. Unemployment insurance premiums collected increased by $290.7 million over the prior year. The change in net assets was also affected by a $2.6 million decrease in investment earnings. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. The fund's cash balance of $2.7 million from Fiscal Year 2009-10 was completely depleted, and it borrowed $1.7 million of General Purpose Revenue Fund pooled cash to avoid a cash deficit. In addition, the fund reports a $302.5 million payable to the federal government for borrowing to support the State's share of unemployment benefit payments.

State Lottery

The Lottery produced operating income of $113.3 million ($113.8 million in Fiscal Year 2009-10) on sales of $526.3 million ($512.3 million in Fiscal Year 20009-10). The change represents a 0.4 percent decrease in operating income. The Lottery distributed $56.0 million ($56.4 million in Fiscal Year 2009-10) to the Great Outdoors Colorado program, a related organization, and transferred $57.9 million ($57.1 million in Fiscal Year 2009-10) to other State funds, of which, $10.1 million was used to fund operations of the State's Division of Parks and Recreation and $45.3 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change nominally from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 165. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

The following list shows departments that had net changes in general-funded budgets greater than $13.0 million.

Department of Education – The department's original budget exceeded the final budget by $576.4 million. House Bill 10-1369 reduced the budgeted amount by $363.5 million in order to balance the State budget due to general-purpose revenue shortfalls. Another reduction of $216.4 million in general-funded budget was enacted as federal money became available through two sources.

Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $77.2 million. The primary reasons for the decrease include:

- $140.7 million decrease due to the additional transfers in from cash sources including transfers from the Health Care Expansion Fund, the Hospital Provider Fee Cash fund, the Supplemental Old Age Pension Fund, and tobacco tax funds,
- $53.4 million increase due to the phase-out of ARRA funding, offset by new Children's Health Insurance Reauthorization Act bonus moneys,
- $13.1 million increase required by the deferral of June 2010 Medicaid payments from Fiscal Year 2009-10 into Fiscal Year 2010-11 (a matching deferral was not done in June 2011), and
- $8.2 million decrease related to rate reductions in payments to nursing facility providers.

Department of Higher Education – The department's original budget was $44.8 million under the final budget. This difference comprises a $15.4 million reduction of general-funded budget to be funded from the proceeds of the sale of CollegeInvest's loan portfolio, and an increase of $60.0 million in institution of higher education fee for service contracts and area vocation support that had been ARRA-funded (federal funds) in the prior year.

Department of Human Services – The department's original budget exceeded the final budget by $13.0 million. This was largely the result of decreases in community services for people with developmental disabilities. A portion of the costs were refinanced with Medicaid funds, and a portion of the costs were eliminated with reductions in contract placement services in the Division of Youth Corrections.

Department of Revenue – The department's original budget exceeded the final budget by $19.3 million. This was largely the result of decreases in general-funded appropriations for driver and vehicle services that were refinanced to cash-funded appropriations.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $171.7 million for Fiscal Year 2010-11 including deficit fund balances that are considered overexpenditures and excluding $18.2 million of duplicate overexpenditures resulting from inadequate imputed spending authority related to Long Bill cash fund annotations where reappropriations were not made. General-funded overexpenditures are discussed in detail in Note 8A on page 84 at the individual line item appropriation level. After reduction for general-funded overexpenditures ($12.0 million), State departments reported general-funded appropriation reversions of $19.4 million. In addition, departments reverted $6.7 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $2.3 million (0.4 percent) primarily due to difficulty in hiring qualified drug and alcohol counselors coupled with the uncertainty of funding those positions in the future. Additional funds were appropriated for wrap around services for parolees; however, the availability of services was limited. There were smaller reversions related to parole board contracts, dispatch services, and medical services.

- Department of Health Care Policy and Financing – The department had negative reversions of $6.1 million (0.5 percent) primarily caused by the general fund overexpenditure of $8.5 million detailed in Note 8A. Caseloads and utilization of medical services increased more than forecasted.

- Department of Human Services – The department reverted $3.9 million (0.6 percent) comprising numerous small amounts, the most significant of which are:

  - $1.0 million of county tax-base relief moneys that were not expended for Tier I counties were reverted in lieu of being transferred for county administration costs,

  - $0.8 million of general administration appropriations not expended due availability of additional federal indirect costs recoveries, and worker's compensation and risk management costs being lower than anticipated,

  - $0.6 million due to unanticipated cash collections for which the department could add cash-funded spending authority which also reduced general-funded needy and disabled state support expenditures,

  - $0.4 million from a one-time federal reimbursement reducing general-funded food assistance expenditures, and

  - $0.3 million in reduced Division of Youth Corrections' spending related to slightly lower than estimated caseloads and a policy changes prohibiting conference expenses.

- Legislative Branch – The Legislative Branch reverted $3.0 million (8.7 percent) including $1.6 million due to amounts appropriated for a Special Session, which did not occur. Other reversions were not deemed individually significant and were related to personal services, travel, and leased computers.

- Department of Public Safety – The department reverted $1.9 million (2.3 percent) from its community corrections appropriation, primarily due to the underutilization of residential beds. Prior year legislative changes continue to account for reduced referrals to the program.
- Department of Revenue – The department reverted $9.4 million (5.5 percent) compromising several amounts the most significant which are:
  - $5.7 million for demand driven old age pension programs administered by the Department of Human Services,
  - $1.6 million in personal services and benefits for various programs throughout the department,
  - $1.3 million for old age heat and fuel rebates that have decreased with the requirement for verification of legal presence, and
  - $0.3 million for cigarette tax rebates issued to counties, based on monthly cigarette tax collections that have been declining.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2011, was $16.7 billion ($16.4 billion in Fiscal Year 2009-10). Included in this amount were $14.0 billion of depreciable capital assets after reduction for $6.1 billion of accumulated depreciation. Also included was $2.7 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,440.4 million and $1,362.7 million of capital assets in Fiscal Year 2010-11 and 2009-10, respectively. Of the Fiscal Year 2010-11 additions, $656.1 million was recorded by governmental funds and $784.4 million was recorded by business-type activities. General-purpose revenues funded $42.3 million of capital and controlled maintenance expenditures during Fiscal Year 2010-11 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the State's capital assets by asset type for both governmental and business-type activities.

The State's capital assets at June 30, 2011 and 2010, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 153	$ 154	$ 384	$ 360	$ 537	$ 514
Collections	9	9	19	18	28	27
Construction in Progress	738	613	534	829	1,272	1,442
Infrastructure	881	861	1	-	882	861
Total Capital Assets Not Being Depreciated	1,781	1,637	938	1,207	2,719	2,844
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,908	1,662	6,383	5,483	8,291	7,145
Software	209	173	109	74	318	247
Vehicles and Equipment	647	646	852	815	1,499	1,461
Library Books, Collections, and Other Capital Assets	44	41	489	481	533	522
Infrastructure	9,466	9,313	25	21	9,491	9,334
Total Capital Assets Being Depreciated	12,274	11,835	7,858	6,874	20,132	18,709
Accumulated Depreciation	(2,943)	(2,145)	(3,195)	(2,961)	(6,138)	(5,106)
Total	$ 11,112	$ 11,327	$ 5,601	$ 5,120	$ 16,713	$ 16,447

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2011, the State had commitments of $62.1 million in the Capital Projects Fund ($91.7 million in Fiscal Year 2009-10) and $854.3 million in the Highway Users Tax Fund ($960.9 million in Fiscal Year 2009-10). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation. The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the

State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. TABOR does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the State has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and State highway users taxes. The State has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 24).

Fiscal Year 2010-11
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 107.6	$ 33.8	$ 869.3	$ 142.1	$ 897.6	$ 660.7	$ 1,874.5	$ 836.6
Business-Type Activities	48.4	17.2	2,762.2	2,278.8	430.5	219.9	3,241.1	2,515.9
Total	$ 156.0	$ 51.0	$ 3,631.5	$ 2,420.9	$ 1,328.1	$ 880.6	$ 5,115.6	$ 3,352.5

Fiscal Year 2009-10
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 97.1	$ 30.9	$ 992.4	$ 190.7	$ 690.0	$ 595.1	$ 1,779.5	$ 816.7
Business-Type Activities	83.4	31.3	2,306.7	1,776.2	432.7	241.5	2,822.8	2,049.0
Total	$ 180.5	$ 62.2	$ 3,299.1	$ 1,966.9	$ 1,122.7	$ 836.6	$ 4,602.3	$ 2,865.7

In Fiscal Year 2009-10, the total principal amount of capital leases, revenue bonds, and COPs was 40.4 percent of assets other than capital assets. In Fiscal Year 2010-11, that measure increased to 44.6 percent because noncapital assets increased 0.6 percent while the principal amount of capital leases, revenue bonds, and COPs increased by 11.2 percent. The majority of the increase for governmental activities is related to several financed construction projects for local schools under the Build Excellent Schools Today (BEST) program ($217.5 million), offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($119.4 million), while the majority of the increase for business-type activities is related to the issuance of bonds by the Bridge Enterprise in the Department of Transportation ($300.0 million). Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,050 , $1,022 , $1,201, $1,134, and $1,064 per person in Fiscal Years 2010-11, 2009-10, 2008-09, 2007-08, and 2006-07, respectively.

INFRASTRUCTURE ASSETS PREVIOUSLY REPORTED UNDER THE MODIFIED APPROACH

Each year the Colorado Department of Transportation (CDOT) provides the Colorado Transportation Commission with estimates of the funding needed to either maintain or improve existing infrastructure condition over the next 20 years. Based on the estimates, the State previously reported bridge and roadway infrastructure owned and maintained by the State's Department of Transportation under the modified approach. The main feature of the modified approach is that annual maintenance and preservation costs were reported rather than depreciation. However, the State was unable to provide adequate resources to meet acceptable condition assessment targets and bridges were taken off the modified approach in Fiscal Year 2007-08; roadways were taken off the modified approach in Fiscal Year 2009-10.

Beginning in Fiscal Year 2007-08, the Department of Transportation reported that available resources were no longer adequate to maintain the State's bridges at the Commission established condition levels as required by the modified approach. Therefore, the department began reporting depreciation of its bridges in Fiscal Year 2007-08. CDOT monitors and rates the condition of approximately 3,800 bridges under its jurisdiction. Bridges that are unsafe are closed to traffic without regard to their condition rating. Although the modified approach is no longer used for bridges, the following information is included to show historical condition levels through the current fiscal year.

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Poor	5.53	5.48	5.62	6.21	5.81	5.61	3.39	3.84	4.37

Beginning in Fiscal Year 2009-10, the Department of Transportation reported that due to several years of decreases in General Fund diversions and transfers, available resources were no longer adequate to maintain the State's roadways at the Commission established condition levels as required by the modified approach. Therefore, the department began reporting depreciation of its roadways in Fiscal Year 2009-10. Although the modified approach is no longer used, the following information is included to show historical condition levels through the current fiscal year.

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Good/Fair	48	48	50	53	59	63	65	61	58
Percent Rated Poor	52	52	50	47	41	37	35	39	42

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2009-10 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2010-11, as follows:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the State to retain all revenues in excess of the TABOR limit for a five-year period from Fiscal Year 2005-06 through 2009-10. During that period, the State retained $3,593.6 million that it would otherwise have been required to refund to State taxpayers. Due to the shortfall in current and prior year revenues, no amounts were retained in Fiscal Years 2008-09 or 2009-10. Referendum C created an Excess State Revenue Cap (ESRC) that increases each year for inflation and population growth and allows the State to retain and spend amounts above the TABOR limit and below the ESRC. This provision removes the effect of the TABOR ratchet down provision (discussed earlier in this MDA). However, economic recovery and State revenue growth rates in excess of the population and inflation adjustment could result in future refunds of TABOR revenues in excess of the new ESRC. In Fiscal Year 2010-11, the State was $1,260.2 million under the ESRC, but absent Referendum C, would have been required to refund $770.2 million per the TABOR limit due to its ratchet down provision. Both the Legislative Council economist and the Governor's Office of State Planning and Budgeting economists project there will be no TABOR refunds in their three-year forecast period.

- Pension Plan Contributions

  - Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns of 17.4 percent and 14.0 percent in 2009 and 2010, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 62.8 percent at December 31, 2010. Because of the four-year smoothing, the full effect of the 2008 negative return and subsequent partial recovery is not reflected in the funding ratio. In 2000, when the State Division and the School Division were reported as a single division, the combined division had a funding ratio of 104.7 percent. At December 31, 2010, the amortization period for the plan was 47 years, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will be fully funded by December 31, 2057. The employer contribution rate of 12.25 percent for most State employees as of June 30, 2011, was 0.8 percentage points (or 7.0 percent) above the average during the 1990s. If not for Senate Bill 10-146 (discussed below) requiring State employees to pay an additional 2.5 percent of salary in Fiscal Year 2010-11, the State's contribution would have been 14.75 percent – 3.6 percent points or 32.3 percent above the 1990s' average. However, based on the 2008, 2009, and 2010 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.16, 16.09, and 17.77 percent, respectively, to achieve the 30-year amortization period required by the Governmental Accounting Standards Board.

  - In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 session. In the 2010 legislative session, the General Assembly extended the increases required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 15.65 percent in 2012 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.

  - To provide budgetary relief for the State, Senate Bill 10-146 requires that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunsets as of June 30, 2012, after which employee contribution rates will return to the 8.0 percent level in effect prior to July 1, 2010, and State employer contributions will increase to 15.65 percent including the AED and SAED. The Governor's most recent budget balancing plan does not recommend the extending of the 2.5 percent contribution swap past June 30, 2012.

  - Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the current 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires after 2011, to 90 for new hires after 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. In its 2010 Comprehensive Annual Financial Report, PERA assessed a negative outcome as unlikely, and in June 2011, the Denver District Court dismissed the lawsuit.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C in 2000 and the deterioration of general-funded revenues during Fiscal Years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in Fiscal Year 2010-11, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For Fiscal Year 2011-12, $658.9 million is budgeted from the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Children's' Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift beginning in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Fund. In Fiscal Year 2009-10 this treatment was extended to two weeks of Medicaid payments. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($153.1 million net of related deferred revenue in Fiscal Year 2010-11) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State's credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $173.6 million at June 30, 2011, providing apparent liquidity. However, as noted previously, this amount was augmented by $158.1 million of cash transfers from other funds. When combined with nontax receivables it is still significantly less than the $892.2 million due to vendors, other governments, and other funds at June 30, 2011. These conditions demonstrate that the General Fund increasingly comprises tax receivables ($1,065.5 million) net of tax refunds payable ($615.2 million) and deferred revenue ($281.9 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy turns down again, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on General Purpose Revenue Fund fund balance. Although there were increased tax collections in Fiscal Year 2010-11, the anemic State economy has over time resulted in significantly lower general-purpose revenues than pre-recession amounts and has exacerbated the lack of General Fund liquidity. The General Fund legally has access to short-term borrowing from the cash balances of other funds. Additional cash transfers occurred in Fiscal Year 2010-11 and more are scheduled for Fiscal Year 2011-12 and beyond; however, those transfers become increasingly difficult as accessible cash fund balances are depleted.

- Debt Service
  - Principal and interest payments on the remaining $828.2 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $168.0 million per year over the next five years. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.
  - In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued $300.0 million of enterprise fund revenue bonds to be paid from the revenue stream mentioned above. The department has additional large borrowings planned.
  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Complex, the Colorado History Center, a prison, a hospital building, and a number of school buildings in local school districts. The average debt service over next five years totals $64.3 million. The majority of the revenue streams to cover the debt service payments comprises cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.
- Intergovernmental Fiscal Dependency – The State expended $9,547.4 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2010-11 which represents 38.0 percent of the $25,151.1 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is up from the 36.0 percent reported in Fiscal Year 2009-10. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately $0.7 trillion for the 2012 federal Fiscal Year, and a $3.2 trillion deficit for federal Fiscal Years 2011-2015. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

- American Reinvestment and Recovery Act – In response to the global economic downturn that occurred during 2008, the United States Congress passed the American Recovery and Reinvestment Act (ARRA) in February of 2009. ARRA is intended to stimulate the U. S. economy by providing $787 billion of funding to states for job creation and retention and to spur economic activity and long-term growth, as well as providing transparency and accountability in government spending. The Act as passed provided $288 billion in tax cuts, $224 billion for education, health care and entitlement programs, and $275 billion for various federal grants, contracts and loans. These funds have been and continue to be made available to the public through state and local governments.

  The State expects to receive approximately $7.2 billion dollars in ARRA funds with approximately $3.5 billion overseen or distributed by State government. The State expended $533.5 million of funds in Fiscal Year 2008-09, $2,461.8 million in Fiscal Year 2009-10, and $1,769.0 million in Fiscal Year 2010-11. These amounts differ from the amounts reported under Section 1512 of the Act because entitlement based amounts such as Unemployment Benefits and Medicaid services were not subject to 1512 reporting. The most significant Fiscal Year 2010-11 ARRA expenditures were:

  - $798.6 million of Unemployment Benefits ($1,355.2 million in the prior year),
  - $397.5 million of increased Medicaid funding ($415.3 million in the prior year),
  - $346.5 million distributed to local school districts by the Colorado Department of Education ($93.1 million in the prior year),
  - $62.6 million for Social Assistance programs in the Department of Human Services ($32.2 million in the prior year), and
  - $29.4 million of State Fiscal Stabilization Funds expended by the Higher Education Institutions ($382.1 million in the prior year).

  With a substantial portion of ARRA funding expended, the State will have to reduce State services unless it identifies other revenue streams to replace ARRA funding. Current revenue forecasts do not project adequate revenues to compensate for the reduction in ARRA funding.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,548,435	$ 1,306,800	$ 2,855,235	$ 223,855
Investments	45,548	273,605	319,153	72,810
Restricted Securities Not Held for Investment	-	-	-	7,884
Taxes Receivable, net	830,730	186,161	1,016,891	-
Contributions Receivable, net	-	-	-	42,817
Other Receivables, net	147,768	302,042	449,810	197,235
Due From Other Governments	486,655	177,822	664,477	2,122
Internal Balances	18,620	(18,620)	-	-
Due From Component Units	62	19,736	19,798	-
Inventories	19,837	43,600	63,437	17,069
Prepaids, Advances, and Deferred Charges	56,543	18,018	74,561	10,426
Other Current Assets	-	-	-	435
Total Current Assets	3,154,198	2,309,164	5,463,362	574,653
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,635,476	409,652	2,045,128	112,899
Restricted Investments	1,097,797	98,146	1,195,943	511,691
Restricted Receivables	173,347	24,980	198,327	22,416
Restricted Securities Not Held for Investment	-	-	-	40,793
Investments	52,343	1,623,569	1,675,912	2,486,498
Contributions Receivable, net	-	-	-	56,799
Net Pension Asset	-	-	-	6,800
Other Long-Term Assets	761,498	122,939	884,437	1,255,050
Depreciable Capital Assets and Infrastructure, net	9,331,295	4,662,346	13,993,641	729,462
Land and Nondepreciable Infrastructure	1,780,945	938,544	2,719,489	78,944
Total Noncurrent Assets	14,832,701	7,880,176	22,712,877	5,301,352
TOTAL ASSETS	17,986,899	10,189,340	28,176,239	5,876,005
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	-	625,145	-
Accounts Payable and Accrued Liabilities	785,496	556,294	1,341,790	116,648
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	216,956	331,246	548,202	397
Due To Component Units	-	524	524	-
Deferred Revenue	111,506	234,662	346,168	10,839
Accrued Compensated Absences	9,741	14,579	24,320	17,902
Claims and Judgments Payable	44,641	-	44,641	26,910
Leases Payable	12,872	4,950	17,822	700
Notes, Bonds, and COPs Payable	145,165	79,106	224,271	77,598
Other Current Liabilities	13,748	141,484	155,232	137,722
Total Current Liabilities	1,965,976	1,362,845	3,328,821	388,716
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	-	14	270,691
Accrued Compensated Absences	137,139	205,621	342,760	-
Claims and Judgments Payable	340,003	35,373	375,376	-
Capital Lease Payable	94,716	43,466	138,182	2,032
Derivative Instrument Liability	-	6,182	6,182	-
Notes, Bonds, and COPs Payable	1,621,749	3,117,100	4,738,849	1,873,316
Due to Component Units	-	2,374	2,374	-
Other Postemployment Benefits	-	105,876	105,876	-
Other Long-Term Liabilities	434,194	43,814	478,008	139,548
Total Noncurrent Liabilities	2,627,815	3,559,806	6,187,621	2,285,587
TOTAL LIABILITIES	4,593,791	4,922,651	9,516,442	2,674,303
DEFERRED INFLOW OF RESOURCES:	-	2,006	2,006	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	9,836,378	2,990,094	12,826,472	210,847
Restricted for:				
Construction and Highway Maintenance	1,160,789	-	1,160,789	-
Education	485,171	-	485,171	-
Debt Service	10,127	6,753	16,880	-
Emergencies	85,400	12,368	97,768	24
Permanent Funds and Endowments:				
Expendable	8,017	5,936	13,953	768,198
Nonexpendable	641,802	73,956	715,758	659,318
Other Purposes	315,082	657,292	972,374	576,703
Unrestricted	850,342	1,518,284	2,368,626	986,612
TOTAL NET ASSETS	$ 13,393,108	$ 5,264,683	$ 18,657,791	$ 3,201,702

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses		Program Revenues		
(DOLLARS IN THOUSANDS) Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 209,361	$ (16,782)	$ 115,099	$ 262,891	$ -
Business, Community, and Consumer Affairs	665,833	2,096	128,502	305,940	921
Education	5,431,151	992	20,032	1,017,935	84
Health and Rehabilitation	695,524	1,015	83,967	383,316	-
Justice	1,533,786	4,577	193,663	67,514	1,146
Natural Resources	148,761	1,117	170,661	55,309	15
Social Assistance	6,395,276	2,150	517,493	4,032,317	18
Transportation	1,972,582	1,427	403,150	93,614	657,104
Interest on Debt	32,487	-	-	-	-
Total Governmental Activities	17,084,761	(3,408)	1,632,567	6,218,836	659,288
Business-Type Activities:					
Higher Education	4,753,306	2,079	3,112,618	1,903,938	20,260
Unemployment Insurance	2,141,728	-	792,951	1,348,832	-
Lottery	470,020	460	527,184	560	-
Wildlife	107,983	442	101,338	22,256	5,172
College Assist	402,565	83	3,859	390,851	-
Other Business-Type Activities	190,779	344	270,209	23,055	-
Total Business-Type Activities	8,066,381	3,408	4,808,159	3,689,492	25,432
Total Primary Government	25,151,142	-	6,440,726	9,908,328	684,720
Component Units:					
University of Colorado Hospital Authority	745,108	-	847,564	3,585	1,568
Colorado Water Resources and Power Development Authority	71,793	-	47,965	69,097	-
University of Colorado Foundation	120,512	-	5,100	200,974	-
Colorado State University Foundation	25,741	-	-	73,146	-
Colorado School of Mines Foundation	26,681	-	-	39,304	-
University of Northern Colorado Foundation	9,341	-	-	18,114	-
Other Component Units	141,072	-	95,215	3,529	2,870
Total Component Units	$ 1,140,248	$ -	$ 995,844	$ 407,749	$ 4,438

General Revenues:
Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings (Losses)
Other General Revenues
Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(Transfers-Out) / Transfers-In
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Fiscal Year Beginning
Prior Period Adjustment (See Note 29)
Net Assets - Fiscal Year Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 185,411	$ -	$ 185,411	
(232,566)	-	(232,566)	
(4,394,092)	-	(4,394,092)	
(229,256)	-	(229,256)	
(1,276,040)	-	(1,276,040)	
76,107	-	76,107	
(1,847,598)	-	(1,847,598)	
(820,141)	-	(820,141)	
(32,487)	-	(32,487)	
(8,570,662)	-	(8,570,662)	
-	281,431	281,431	
-	55	55	
-	57,264	57,264	
-	20,341	20,341	
-	(7,938)	(7,938)	
-	102,141	102,141	
-	453,294	453,294	
(8,570,662)	453,294	(8,117,368)	
-	-	-	107,609
-	-	-	45,269
-	-	-	85,562
-	-	-	47,405
-	-	-	12,623
-	-	-	8,773
-	-	-	(39,458)
-	-	-	267,783
2,280,693	-	2,280,693	12
236,945	-	236,945	-
4,151,119	-	4,151,119	-
441,778	-	441,778	-
466,408	-	466,408	-
340,910	-	340,910	-
29,589	-	29,589	-
557,168	-	557,168	-
593	-	593	-
6,523	-	6,523	180,179
91,608	-	91,608	-
-	-	-	40,718
-	1,493	1,493	-
(110,266)	110,266	-	-
460	-	460	-
8,493,528	111,759	8,605,287	220,909
(77,134)	565,053	487,919	488,692
13,455,272	4,746,480	18,201,752	2,713,010
14,970	(46,850)	(31,880)	-
$ 13,393,108	$ 5,264,683	$ 18,657,791	$ 3,201,702

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 212,360	$ 474,072	$ 30,229
Taxes Receivable, net	1,065,527	19,859	-
Other Receivables, net	44,712	20,171	2,849
Due From Other Governments	468,171	567	61
Due From Other Funds	125,006	1,325	288
Due From Component Units	62	-	-
Inventories	8,742	270	9,390
Prepaids, Advances, and Deferred Charges	33,008	18,066	55
Restricted Cash and Pooled Cash	187,125	-	1,161,810
Restricted Investments	284,059	-	-
Restricted Receivables	184	-	171,134
Investments	6,578	-	-
Other Long-Term Assets	-	427,188	15,813
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,435,534	$ 961,518	$ 1,391,629
LIABILITIES:			
Tax Refunds Payable	$ 615,164	8,396	$ 1,439
Accounts Payable and Accrued Liabilities	533,266	6,765	100,686
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	72,344	60,715	63,190
Due To Other Funds	317,839	895	4,854
Deferred Revenue	285,392	16,247	18,421
Compensated Absences Payable	47	-	-
Claims and Judgments Payable	314	-	-
Other Current Liabilities	7,606	-	26
Deposits Held In Custody For Others	9	-	-
TOTAL LIABILITIES	1,832,687	93,018	188,616
FUND BALANCES:			
Nonspendable:			
Inventories	8,742	270	9,390
Permanent Fund Principal	-	-	-
Prepaids	33,009	18,066	55
Restricted	542,997	13,792	1,160,789
Committed	39,458	836,372	32,779
Assigned	109	-	-
Unassigned	(21,468)	-	-
TOTAL FUND BALANCES	602,847	868,500	1,203,013
TOTAL LIABILITIES AND FUND BALANCES	$ 2,435,534	$ 961,518	$ 1,391,629

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 51,152	$ -	$ 760,278	$ 1,528,091
-	-	39,235	1,124,621
132	861	78,607	147,332
4,091	-	13,256	486,146
13,711	221,372	9,324	371,026
-	-	-	62
-	-	179	18,581
88	-	3,331	54,548
10,222	103,989	172,330	1,635,476
173,053	44,958	595,727	1,097,797
2,029	-	-	173,347
9,214	1,308	80,791	97,891
102	-	23,107	466,210
-	-	17,162	17,162
$ 263,794	$ 372,488	$ 1,793,327	$ 7,218,290
$ -	$ -	$ 146	$ 625,145
41,930	6,656	53,992	743,295
-	-	-	706
-	-	20,707	216,956
573	31	50,333	374,525
1,959	-	82,943	404,962
-	-	-	47
-	-	81	395
-	-	2,641	10,273
-	-	5	14
44,462	6,687	210,848	2,376,318
-	-	179	18,581
-	-	658,883	658,883
88	-	3,331	54,549
185,363	365,801	262,343	2,531,085
33,881	-	657,743	1,600,233
-	-	-	109
-	-	-	(21,468)
219,332	365,801	1,582,479	4,841,972
$ 263,794	$ 372,488	$ 1,793,327	$ 7,218,290

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 1,528,091	$ 20,344	$ -	$ -	$ -	$ -	$ -	$ 1,548,435
Investments	-	-	-	-	-	45,548	-	45,548
Taxes Receivable, net	1,124,621	-	-	-	-	(293,891)	-	830,730
Other Receivables, net	147,332	436	-	-	-	-	-	147,768
Due From Other Governments	486,146	509	-	-	-	-	-	486,655
Due From Other Funds	371,026	2,323	-	-	-	-	(354,729)	18,620
Due From Component Units	62	-	-	-	-	-	-	62
Inventories	18,581	1,256	-	-	-	-	-	19,837
Prepaids, Advances, and Deferred Charges	54,548	1,995	-	-	-	-	-	56,543
Total Current Assets	3,730,407	26,863	-	-	-	(248,343)	(354,729)	3,154,198
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,635,476	-	-	-	-	-	-	1,635,476
Restricted Investments	1,097,797	-	-	-	-	-	-	1,097,797
Restricted Receivables	173,347	-	-	-	-	-	-	173,347
Investments	97,891	-	-	-	-	(45,548)	-	52,343
Other Long-Term Assets	466,210	58	-	-	-	295,230	-	761,498
Depreciable Capital Assets and Infrastructure, net	-	73,721	9,257,574	-	-	-	-	9,331,295
Land and Nondepreciable Infrastructure	17,162	939	1,762,844	-	-	-	-	1,780,945
Total Noncurrent Assets	3,487,883	74,718	11,020,418	-	-	249,682	-	14,832,701
TOTAL ASSETS	7,218,290	101,581	11,020,418	-	-	1,339	(354,729)	17,986,899
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	625,145	-	-	-	-	-	-	625,145
Accounts Payable and Accrued Liabilities	743,295	12,034	-	10,371	-	19,796	-	785,496
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	216,956	-	-	-	-	-	-	216,956
Due To Other Funds	374,525	-	-	-	-	(19,796)	(354,729)	-
Deferred Revenue	404,962	435	-	-	-	(293,891)	-	111,506
Compensated Absences Payable	47	43	-	-	-	9,651	-	9,741
Claims and Judgments Payable	395	-	-	-	33,042	11,204	-	44,641
Leases Payable	-	9,658	-	3,214	-	-	-	12,872
Notes, Bonds, and COPs Payable	-	3,535	-	141,630	-	-	-	145,165
Other Current Liabilities	10,273	258	-	-	-	3,217	-	13,748
Total Current Liabilities	2,376,304	25,963	-	155,215	33,042	(269,819)	(354,729)	1,965,976
Noncurrent Liabilities:								
Deposits Held In Custody For Others	14	-	-	-	-	-	-	14
Accrued Compensated Absences	-	6,870	-	-	-	130,269	-	137,139
Claims and Judgments Payable	-	-	-	-	102,013	237,990	-	340,003
Capital Lease Payable	-	54,066	-	40,650	-	-	-	94,716
Notes, Bonds, and COPs Payable	-	4,749	-	1,617,000	-	-	-	1,621,749
Other Long-Term Liabilities	-	-	-	-	-	434,194	-	434,194
Total Noncurrent Liabilities	14	65,685	-	1,657,650	102,013	802,453	-	2,627,815
TOTAL LIABILITIES	2,376,318	91,648	-	1,812,865	135,055	532,634	(354,729)	4,593,791
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	17,162	2,652	11,020,418	(1,203,854)	-	-	-	9,836,378
Restricted for:								
Construction and Highway Maintenance	1,346,545	-	-	(185,756)	-	-	-	1,160,789
Education	765,914	-	-	(280,743)	-	-	-	485,171
Debt Service	10,127	-	-	-	-	-	-	10,127
Emergencies	85,400	-	-	-	-	-	-	85,400
Permanent Funds and Endowments:								
Expendable	8,017	-	-	-	-	-	-	8,017
Nonexpendable	641,802	-	-	-	-	-	-	641,802
Other Purposes	315,082	-	-	-	-	-	-	315,082
Unrestricted	1,651,923	7,281	-	(142,512)	(135,055)	(531,295)	-	850,342
TOTAL NET ASSETS	$ 4,841,972	$ 9,933	$ 11,020,418	$ (1,812,865)	$ (135,055)	$ (531,295)	$ -	$ 13,393,108

The notes to the financial statements are an integral part of this statement.

Differences Between the *Balance Sheet – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Net Assets*

(A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Assets.* Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology and telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services, and
- Debt collection.

(B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Assets.*

(C) Long-term liabilities such as leases, bonds, notes, mortgages, and Certificates of Participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net assets and are reported in the *Statement of Net Assets.* The portion reported as current in the reconciliation is payable within the following fiscal year. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

(D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.

(E) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
- Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Assets*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
- Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets, and they are therefore reported on the government-wide *Statement of Net Assets*.

(F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,153,913	$ -	$ -
Corporate Income	365,558	-	-
Sales and Use	2,233,521	-	-
Excise	89,544	-	557,168
Other Taxes	190,140	140,047	593
Licenses, Permits, and Fines	21,787	1,945	327,705
Charges for Goods and Services	72,840	6,553	119,879
Rents	409	5	1,485
Investment Income (Loss)	13,652	21,167	16,990
Federal Grants and Contracts	5,838,528	159,631	682,441
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	127,265	998	50,189
TOTAL REVENUES	13,107,157	330,346	1,756,450
EXPENDITURES:			
Current:			
General Government	489,381	-	9,061
Business, Community, and Consumer Affairs	214,732	5,904	-
Education	720,436	-	-
Health and Rehabilitation	492,477	-	9,953
Justice	1,187,343	-	84,869
Natural Resources	61,828	45,414	-
Social Assistance	5,456,134	-	-
Transportation	-	-	1,062,710
Capital Outlay	111,529	239	27,906
Intergovernmental:			
Cities	62,572	51,259	141,283
Counties	1,170,506	47,574	187,075
School Districts	3,906,584	3,398	-
Special Districts	45,929	6,704	44,537
Federal	337	502	-
Other	36,012	2,400	668
Debt Service	9,925	-	-
TOTAL EXPENDITURES	13,965,725	163,394	1,568,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(858,568)	166,952	188,388
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,253,424	298	1,405
Transfers-Out	(3,341,863)	(209,059)	(230,140)
Face Amount of Bond/COP Issuance	217,530	-	-
Bond/COP Premium/Discount	25	-	-
Capital Lease Proceeds	13,698	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	1,165	-	831
TOTAL OTHER FINANCING SOURCES (USES)	1,143,979	(208,761)	(227,904)
NET CHANGE IN FUND BALANCES	285,411	(41,809)	(39,516)
FUND BALANCE, FISCAL YEAR BEGINNING	15,784	519,520	1,242,529
Prior Period Adjustment (See Note 29)	7,953	-	-
Accounting Changes (See Note 29)	293,699	390,789	-
FUND BALANCE, FISCAL YEAR END	$ 602,847	$ 868,500	$ 1,203,013

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 342,173	$ -	$ 4,496,086
-	28,326	-	393,884
-	-	34,237	2,267,758
-	-	147,368	794,080
-	-	147,033	477,813
10	-	393,268	744,715
-	-	531,064	730,336
-	-	126,690	128,589
3,169	2,432	39,173	96,583
33,851	-	202,797	6,917,248
-	-	460	460
-	-	40,446	40,446
2,236	94	39,883	220,665
39,266	373,025	1,702,419	17,308,663
12,163	-	49,223	559,828
1	-	167,008	387,645
7,764	31,012	18,297	777,509
650	-	89,159	592,239
8,095	-	33,454	1,313,761
2,465	-	22,508	132,215
461	-	198,826	5,655,421
-	-	1,442	1,064,152
183,512	-	5,562	328,748
185	-	44,224	299,523
146	-	72,333	1,477,634
-	385,266	8,897	4,304,145
-	-	7,041	104,211
-	-	1,482	2,321
2,011	319	37,100	78,510
-	-	197,897	207,822
217,453	416,597	954,453	17,285,684
(178,187)	(43,572)	747,966	22,979
59,072	221,482	240,055	4,775,736
(49,958)	(6,695)	(1,028,155)	(4,865,870)
-	-	-	217,530
-	-	-	25
2,950	-	-	16,648
-	-	46	46
389	-	65	2,450
12,453	214,787	(787,989)	146,565
(165,734)	171,215	(40,023)	169,544
385,059	194,586	1,728,058	4,085,536
7	-	(11,736)	(3,776)
-	-	(93,820)	590,668
$ 219,332	$ 365,801	$ 1,582,479	$ 4,841,972

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,496,086	$ -	$ -	$ -	$ (2,813)	$ 4,493,273
Corporate Income	393,884	-	-	-	76,220	470,104
Sales and Use	2,267,758	-	-	-	12,938	2,280,696
Excise	794,080	-	-	-	32	794,112
Other Taxes	477,813	-	-	-	8,239	486,052
Licenses, Permits, and Fines	744,715	-	-	-	(24)	744,691
Charges for Goods and Services	730,336	-	-	-	39	730,375
Rents	128,589	-	-	-	-	128,589
Investment Income (Loss)	96,583	189	-	-	86	96,858
Federal Grants and Contracts	6,917,248	-	-	-	1,601	6,918,849
Additions to Permanent Funds	460	-	-	-	-	460
Unclaimed Property Receipts	40,446	-	-	-	-	40,446
Other	220,665	-	38	-	164	220,867
TOTAL REVENUES	17,308,663	189	38	-	96,482	17,405,372
EXPENDITURES:						
Current:						
General Government	559,828	121	5,111	-	10,436	575,496
Business, Community, and Consumer Affairs	387,645	738	4,579	-	(18,890)	374,072
Education	777,509	(11)	1,961	-	46	779,505
Health and Rehabilitation	592,239	465	22,625	-	(1,027)	614,302
Justice	1,313,761	1,933	22,913	-	154	1,338,761
Natural Resources	132,215	430	6,675	-	(507)	138,813
Social Assistance	5,655,421	2,213	10,094	-	(1,740)	5,665,988
Transportation	1,064,152	1,085	449,078	-	(1,083)	1,513,232
Capital Outlay	328,748	-	(304,466)	-	-	24,282
Intergovernmental:						
Cities	299,523	-	-	-	-	299,523
Counties	1,477,634	-	-	-	-	1,477,634
School Districts	4,304,145	-	-	-	-	4,304,145
Special Districts	104,211	-	-	-	-	104,211
Federal	2,321	-	(176)	-	-	2,145
Other	78,510	-	-	-	-	78,510
Debt Service	207,822	3,141	-	(130,310)	-	80,653
TOTAL EXPENDITURES	17,285,684	10,115	218,394	(130,310)	(12,611)	17,371,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,979	(9,926)	(218,356)	130,310	109,093	34,100
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,775,736	7,900	-	-	-	4,783,636
Transfers-Out	(4,865,870)	(9,482)	-	-	-	(4,875,352)
Face Amount of Bond/COP Issuance	217,530	-	-	(217,530)	-	-
Bond/COP Premium/Discount	25	-	-	20	-	45
Capital Lease Proceeds	16,648	-	-	(16,648)	-	-
Sale of Capital Assets	46	-	(21,396)	-	-	(21,350)
Insurance Recoveries	2,450	-	-	-	-	2,450
TOTAL OTHER FINANCING SOURCES (USES)	146,565	(1,582)	(21,396)	(234,158)	-	(110,571)
Internal Service Fund Charges to BTAs	-	(663)	-	-	-	(663)
NET CHANGE FOR THE YEAR	$ 169,544	$ (12,171)	$ (239,752)	$ (103,848)	$ 109,093	$ (77,134)

The notes to the financial statements are an integral part of this statement.

Differences Between the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Activities*

(A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services, and
- Debt collection.

(B) The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net assets and are reported on both the government-wide *Statement of Net Assets* and *Statement of Activities*.
- Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
- Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Assets*. They are not reported as expenses on the government-wide *Statement of Activities*.
- On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.

(C) The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
- Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
- Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.

(D) Other measurement focus adjustments include:

- Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
- Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. However, from a full accrual perspective, these are expenses that are reported on the government-wide Statement of Activities.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,090,730	$ -
Investments	271,367	-
Premiums Receivable, net	-	186,161
Student and Other Receivables, net	247,251	10,548
Due From Other Governments	162,204	7,976
Due From Other Funds	9,785	-
Due From Component Units	19,736	-
Inventories	28,927	-
Prepaids, Advances, and Deferred Charges	12,197	-
Total Current Assets	1,842,197	204,685
Noncurrent Assets:		
Restricted Cash and Pooled Cash	326,854	-
Restricted Investments	98,146	-
Restricted Receivables	-	-
Investments	1,241,150	-
Other Long-Term Assets	118,409	-
Depreciable Capital Assets and Infrastructure, net	4,540,550	-
Land and Nondepreciable Infrastructure	672,134	-
Total Noncurrent Assets	6,997,243	-
TOTAL ASSETS	8,839,440	204,685
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	493,779	9,272
Due To Other Governments	-	302,542
Due To Other Funds	18,115	1,720
Due To Component Units	524	-
Deferred Revenue	202,958	-
Compensated Absences Payable	13,838	-
Leases Payable	4,731	-
Notes, Bonds, and COPs Payable	78,332	-
Other Current Liabilities	90,638	9,059
Total Current Liabilities	902,915	322,593
Noncurrent Liabilities:		
Accrued Compensated Absences	196,081	-
Claims and Judgments Payable	35,373	-
Capital Lease Payable	39,525	-
Derivative Instrument Liability	6,182	-
Notes, Bonds, and COPs Payable	2,807,824	-
Due to Component Units	2,374	-
Other Postemployment Benefits	105,876	-
Other Long-Term Liabilities	18,036	-
Total Noncurrent Liabilities	3,211,271	-
TOTAL LIABILITIES	4,114,186	322,593
DEFERRED INFLOW OF RESOURCES:	2,006	-
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,621,596	-
Restricted for:		
Debt Service	6,753	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	5,936	-
Nonexpendable	73,956	-
Other Purposes	635,191	-
Unrestricted	1,379,816	(117,908)
TOTAL NET ASSETS	$ 4,723,248	$ (117,908)

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 39,200	$ 176,870	$ 1,306,800	$ 20,344
-	2,238	273,605	-
-	-	186,161	-
19,406	24,797	302,002	436
-	7,642	177,822	509
-	4,456	14,241	2,323
-	-	19,736	-
1,232	13,441	43,600	1,256
4,509	1,312	18,018	1,995
64,347	230,756	2,341,985	26,863
-	82,798	409,652	-
-	-	98,146	-
-	24,980	24,980	-
-	382,419	1,623,569	-
-	4,530	122,939	58
3,783	118,013	4,662,346	73,721
-	266,410	938,544	939
3,783	879,150	7,880,176	74,718
68,130	1,109,906	10,222,161	101,581
2,744	32,614	538,409	12,034
22	28,682	331,246	-
25,622	5,249	50,706	-
-	-	524	-
-	31,704	234,662	435
25	716	14,579	43
-	219	4,950	9,658
-	774	79,106	3,535
32,472	9,315	141,484	258
60,885	109,273	1,395,666	25,963
807	8,733	205,621	6,870
-	-	35,373	-
-	3,941	43,466	54,066
-	-	6,182	-
-	309,276	3,117,100	4,749
-	-	2,374	-
-	-	105,876	-
69	25,709	43,814	-
876	347,659	3,559,806	65,685
61,761	456,932	4,955,472	91,648
-	-	2,006	-
3,783	364,715	2,990,094	2,652
-	-	6,753	-
-	12,368	12,368	-
-	-	5,936	-
-	-	73,956	-
-	22,101	657,292	-
2,586	253,790	1,518,284	7,281
$ 6,369	$ 652,974	$ 5,264,683	$ 9,933

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 782,417
License and Permits	-	80
Tuition and Fees	2,073,305	-
Scholarship Allowance for Tuition and Fees	(506,667)	-
Sales of Goods and Services	1,460,118	8,900
Scholarship Allowance for Sales of Goods & Services	(22,839)	-
Investment Income (Loss)	1,189	-
Rental Income	15,908	-
Gifts and Donations	18,669	-
Federal Grants and Contracts	1,038,682	1,345,621
Intergovernmental Revenue	12,773	-
Other	239,358	-
TOTAL OPERATING REVENUES	4,330,496	2,137,018
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,265,941	1,310
Operating and Travel	906,254	2,131,539
Cost of Goods Sold	145,748	-
Depreciation and Amortization	281,242	-
Intergovernmental Distributions	31,919	-
Debt Service	-	-
Prizes and Awards	424	-
TOTAL OPERATING EXPENSES	4,631,528	2,132,849
OPERATING INCOME (LOSS)	(301,032)	4,169
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	21	1,552
Investment Income (Loss)	165,018	3,232
Rental Income	11,115	2
Gifts and Donations	114,173	-
Intergovernmental Distributions	(22,418)	-
Federal Grants and Contracts	335,214	-
Gain/(Loss) on Sale or Impairment of Capital Assets	18,959	-
Insurance Recoveries from Prior Year Impairments	159	-
Debt Service	(118,599)	(8,900)
Other Expenses	(146)	-
Other Revenues	5,650	-
TOTAL NONOPERATING REVENUES (EXPENSES)	509,146	(4,114)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	208,114	55
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	86,826	-
Additions to Permanent Endowments	34	-
Special and/or Extraordinary Item (See Note 35)	1,493	-
Transfers-In	185,579	-
Transfers-Out	(7,601)	(2,205)
TOTAL CONTRIBUTIONS AND TRANSFERS	266,331	(2,205)
CHANGE IN NET ASSETS	474,445	(2,150)
NET ASSETS - FISCAL YEAR BEGINNING	4,294,966	(115,758)
Prior Period Adjustments (See Note 29)	(46,163)	-
Accounting Changes (See Note 29)	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 4,723,248	$ (117,908)

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 782,417	$ -
60	84,037	84,177	-
-	217	2,073,522	-
-	-	(506,667)	-
526,285	180,130	2,175,433	192,326
-	-	(22,839)	-
-	11,110	12,299	-
-	1,521	17,429	11,523
-	-	18,669	-
-	444,942	2,829,245	-
-	22,395	35,168	-
836	18,819	259,013	394
527,181	763,171	7,757,866	204,243
9,169	176,754	3,453,174	111,365
57,968	450,089	3,545,850	71,709
11,818	37,871	195,437	7,597
795	7,752	289,789	16,959
-	8,128	40,047	98
-	16,386	16,386	-
334,104	794	335,322	-
413,854	697,774	7,876,005	207,728
113,327	65,397	(118,139)	(3,485)
-	36,731	36,731	-
-	373	1,946	-
560	4,927	173,737	189
3	958	12,078	-
-	3,515	117,688	-
(56,018)	-	(78,436)	-
-	-	335,214	657
(110)	5,942	24,791	(4,805)
-	64	223	-
-	(9,779)	(137,278)	(3,095)
-	(91)	(237)	(49)
-	-	5,650	-
(55,565)	42,640	492,107	(7,103)
57,762	108,037	373,968	(10,588)
-	10,526	97,352	553
-	-	34	-
-	-	1,493	-
-	3,937	189,516	7,347
(57,871)	(29,633)	(97,310)	(9,482)
(57,871)	(15,170)	191,085	(1,582)
(109)	92,867	565,053	(12,170)
6,478	560,794	4,746,480	22,012
-	(687)	(46,850)	-
-	-	-	91
$ 6,369	$ 652,974	$ 5,264,683	$ 9,933

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,578,124	$ -
Fees for Service	1,387,785	-
Sales of Products	4,011	-
Gifts, Grants, and Contracts	1,554,597	1,346,650
Loan and Note Repayments	384,438	-
Unemployment Insurance Taxes	-	795,132
Income from Property	27,022	-
Other Sources	77,121	-
Cash Payments to or for:		
Employees	(3,104,616)	-
Suppliers	(941,533)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(2,145,452)
Scholarships	(115,391)	-
Others for Student Loans and Loan Losses	(394,083)	-
Other Governments	(31,919)	-
Other	(64,054)	(21)
NET CASH PROVIDED BY OPERATING ACTIVITIES	361,502	(3,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	185,530	-
Transfers-Out	(7,601)	(2,205)
Receipt of Deposits Held in Custody	651,113	-
Release of Deposits Held in Custody	(648,245)	-
Gifts and Grants for Other Than Capital Purposes	106,864	-
Intergovernmental Distributions	(22,418)	-
NonCapital Debt Proceeds	2,867	-
NonCapital Debt Service Payments	(2,897)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	265,213	(2,205)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(678,440)	-
Capital Contributions	14,492	-
Capital Gifts, Grants, and Contracts	65,988	-
Proceeds from Sale of Capital Assets	27,629	-
Capital Debt Proceeds	351,234	-
Capital Debt Service Payments	(306,766)	-
Capital Lease Payments	(44,289)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(570,152)	-

The notes to the financial statements are an integral part of this statement.

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 776	$ 1,578,900	$ 3
-	223,860	1,611,645	189,661
526,390	53,437	583,838	1,157
-	453,997	3,355,244	622
-	16,273	400,711	-
-	-	795,132	-
3	197,279	224,304	11,486
896	41,766	119,783	267
(8,400)	(119,620)	(3,232,636)	(85,037)
(32,443)	(209,567)	(1,183,543)	(95,791)
(370,867)	(5,821)	(376,688)	(706)
-		(2,145,452)	-
-	-	(115,391)	-
-	(553,316)	(947,399)	-
-	(7,767)	(39,686)	(98)
(14)	(10,971)	(75,060)	(180)
115,565	80,326	553,702	21,384
-	3,937	189,467	5,812
(57,871)	(29,633)	(97,310)	(7,947)
-	11	651,124	529
-	(11)	(648,256)	(271)
-	1,619	108,483	-
(60,645)	-	(83,063)	-
-	-	2,867	7
-	(983)	(3,880)	(7)
(118,516)	(25,060)	119,432	(1,877)
(857)	(62,904)	(742,201)	(66,559)
-	-	14,492	-
-	2,748	68,736	-
-	5,436	33,065	55,603
-	260,228	611,462	-
-	(8,585)	(315,351)	(5,548)
-	(822)	(45,111)	(1,861)
(857)	196,101	(374,908)	(18,365)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	69,480	3,232
Proceeds from Sale/Maturity of Investments	4,512,469	-
Purchases of Investments	(4,408,640)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(4,100)	-
NET CASH FROM INVESTING ACTIVITIES	169,209	3,232
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	225,772	(2,664)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,191,812	2,664
Accounting Changes (See Note 29)	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,417,584	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (301,032)	$ 4,169
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	281,242	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	360,203	1,553
(Gain)/Loss on Disposal of Capital and Other Assets	49	-
Compensated Absences	12,804	-
Interest and Other Expense in Operating Income	(11,997)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(33,233)	(98,512)
(Increase) Decrease in Inventories	(73)	-
(Increase) Decrease in Other Operating Assets	2,750	-
Increase (Decrease) in Accounts Payable	2,357	93,782
Increase (Decrease) in Other Operating Liabilities	48,432	(4,683)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 361,502	$ (3,691)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	9,667	-
Capital Assets Acquired by Grants or Donations and Payable Increases	19,530	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	99,637	-
Loss on Disposal of Capital and Other Assets	1,330	-
Disposal of Capital Assets	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	563	8,900
Assumption of Capital Lease Obligation or Mortgage	7,948	-
Financed Debt Issuance Costs	81	-
Fair Value Change in Derivative Instrument	1,596	-
Deferral of Loss on Derivative Instrument	8,499	-

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
806	11,183	84,701	42
-	80,757	4,593,226	34
-	(374,897)	(4,783,537)	-
(246)	(1,163)	(5,509)	114
560	(284,120)	(111,119)	190
(3,248)	(32,753)	187,107	1,332
42,448	292,421	1,529,345	18,913
-	-	-	99
$ 39,200	$ 259,668	$ 1,716,452	$ 20,344
$ 113,327	$ 65,397	$ (118,139)	$ (3,485)
795	7,752	289,789	16,959
-	(11,109)	(11,109)	(54)
3	38,633	400,392	661
-	(228)	(179)	4
(145)	(638)	12,021	4,290
-	(4,129)	(16,126)	162
577	202,187	71,019	(1,745)
38	(784)	(819)	28
(526)	219	2,443	(1,453)
(889)	(209,930)	(114,680)	5,978
2,385	(7,044)	39,090	39
$ 115,565	$ 80,326	$ 553,702	$ 21,384
-	-	9,667	-
-	9,146	28,676	1,929
-	1,403	101,040	-
110	-	1,440	652
-	-	-	1,376
-	-	9,463	-
-	-	7,948	-
-	-	81	-
-	-	1,596	-
-	-	-	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 41,102	$ 112,477	$ 1,173,671
Taxes Receivable, net	-	-	132,480
Other Receivables, net	556	9,515	379
Due From Other Governments	8	-	-
Due From Other Funds	20,770	4,766	12,144
Inventories	-	-	6
Noncurrent Assets:			
Investments:			
Government Securities	-	13,411	-
Repurchase Agreements	-	748	-
Mutual Funds	-	4,015,280	-
Other Investments	-	38,698	-
Other Long-Term Assets	-	-	19,168
TOTAL ASSETS	62,436	4,194,895	$ 1,337,848
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	4,493
Accounts Payable and Accrued Liabilities	14,182	8,147	1,143
Due To Other Governments	-	-	216,831
Due To Other Funds	-	-	39
Deferred Revenue	-	9,191	-
Claims and Judgments Payable	13,904	-	516
Other Current Liabilities	-	-	1,064,991
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,919	40,452
Accrued Compensated Absences	54	-	-
Other Long-Term Liabilities	-	-	9,383
TOTAL LIABILITIES	28,140	20,257	$ 1,337,848
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	33,830	-	
Individuals, Organizations, and Other Entities	-	4,174,638	
Unrestricted	466	-	
TOTAL NET ASSETS	$ 34,296	$ 4,174,638	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 812,330
Member Contributions	79,525	-
Employer Contributions	205,726	-
Investment Income/(Loss)	402	615,230
Employee Participation Fees	1,062	-
Unclaimed Property Receipts	-	24,939
Other Additions	7,175	2,867
Transfers-In	405	-
TOTAL ADDITIONS	294,295	1,455,366
DEDUCTIONS:		
Distributions to Participants	-	267,335
Health Insurance Premiums Paid	129,813	-
Health Insurance Claims Paid	119,300	-
Other Benefits Plan Expense	19,121	-
Payments in Accordance with Trust Agreements	-	419,785
Other Deductions	16,810	-
Transfers-Out	250	92
TOTAL DEDUCTIONS	285,294	687,212
CHANGE IN NET ASSETS	9,001	768,154
NET ASSETS - FISCAL YEAR BEGINNING	25,295	3,406,484
NET ASSETS - FISCAL YEAR ENDING	$ 34,296	$ 4,174,638

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 26,793	$ 104,179	$ 14,348
Investments	-	-	-
Restricted Securities Not Held for Investment	-	7,884	-
Contributions Receivable, net	-	-	29,299
Other Receivables, net	103,308	86,296	84
Due From Other Governments	-	1,719	-
Inventories	17,069	-	-
Prepaids, Advances, and Deferred Charges	10,085	-	85
Other Current Assets	-	-	-
Total Current Assets	157,255	200,078	43,816
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	108,892	-
Restricted Investments	207,202	304,489	-
Restricted Receivables	17,834	4,582	-
Restricted Securities Not Held for Investment	-	40,793	-
Investments	685,357	-	1,159,997
Contributions Receivable, net	-	-	23,368
Net Pension Asset	6,800	-	-
Other Long-Term Assets	11,463	1,221,201	-
Depreciable Capital Assets and Infrastructure, net	556,507	48	2,537
Land and Nondepreciable Infrastructure	29,901	-	-
Total Noncurrent Assets	1,515,064	1,680,005	1,185,902
TOTAL ASSETS	1,672,319	1,880,083	1,229,718
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	76,377	18,009	10,264
Due To Other Governments	-	397	-
Deferred Revenue	-	568	396
Compensated Absences Payable	17,902	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	700
Notes, Bonds, and COPs Payable	13,295	63,795	-
Other Current Liabilities	17,457	109,211	10,795
Total Current Liabilities	125,031	191,980	22,155
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	242,268
Capital Lease Payable	-	-	2,032
Notes, Bonds, and COPs Payable	702,365	1,047,011	-
Other Long-Term Liabilities	22,957	73,937	18,798
Total Noncurrent Liabilities	725,322	1,120,948	263,098
TOTAL LIABILITIES	850,353	1,312,928	285,253
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	74,975	48	(196)
Restricted for:			
Emergencies	-	-	-
Expendable	-	-	549,066
Nonexpendable	-	-	322,524
Other Purposes	18,220	501,647	-
Unrestricted	728,771	65,460	73,071
TOTAL NET ASSETS	$ 821,966	$ 567,155	$ 944,465

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 491	$ 6,050	$ 2,315	$ 69,679	$ 223,855
-	-	-	72,810	72,810
-	-	-	-	7,884
6,331	1,876	640	4,671	42,817
-	2,836	331	4,380	197,235
-	-	-	403	2,122
-	-	-	-	17,069
162	-	-	94	10,426
-	-	-	435	435
6,984	10,762	3,286	152,472	574,653
-	146	-	3,861	112,899
-	-	-	-	511,691
-	-	-	-	22,416
-	-	-	-	40,793
296,900	216,272	95,882	32,090	2,486,498
22,681	9,375	465	910	56,799
-	-	-	-	6,800
513	281	101	21,491	1,255,050
17	216	996	169,141	729,462
-	-	-	49,043	78,944
320,111	226,290	97,444	276,536	5,301,352
327,095	237,052	100,730	429,008	5,876,005
951	1,968	1,294	7,785	116,648
-	-	-	-	397
-	-	-	9,875	10,839
-	-	-	-	17,902
-	-	-	26,910	26,910
-	-	-	-	700
-	-	-	508	77,598
-	-	-	259	137,722
951	1,968	1,294	45,337	388,716
12,245	15,448	686	44	270,691
-	-	-	-	2,032
-	-	-	123,940	1,873,316
885	10,306	203	12,462	139,548
13,130	25,754	889	136,446	2,285,587
14,081	27,722	2,183	181,783	2,674,303
17	216	996	134,791	210,847
-	-	-	24	24
148,167	47,267	18,717	4,981	768,198
133,333	138,287	65,174	-	659,318
-	-	-	56,836	576,703
31,497	23,560	13,660	50,593	986,612
$ 313,014	$ 209,330	$ 98,547	$ 247,225	$ 3,201,702

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 47,869	$ 5,100
Sales of Goods and Services	826,814	-	-
Investment Income (Loss)	-	14,194	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,232
Federal Grants and Contracts	-	6,475	-
Other	20,750	95	943
TOTAL OPERATING REVENUES	847,564	68,633	113,275
OPERATING EXPENSES:			
Salaries and Fringe Benefits	332,597	1,293	-
Operating and Travel	181,457	19,530	22,109
Cost of Goods Sold	162,407	-	-
Depreciation and Amortization	44,228	9	-
Debt Service	-	50,961	-
Foundation Program Distributions	-	-	98,402
TOTAL OPERATING EXPENSES	720,689	71,793	120,511
OPERATING INCOME (LOSS)	126,875	(3,160)	(7,236)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	91,470	-	125,332
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	-	-
Debt Service	(23,519)	-	-
Other Expenses	(900)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	67,023	-	125,332
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	193,898	(3,160)	118,096
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	5,181	62,623	-
TOTAL CONTRIBUTIONS AND TRANSFERS	5,181	62,623	-
CHANGE IN NET ASSETS	199,079	59,463	118,096
NET ASSETS - FISCAL YEAR BEGINNING	622,887	507,692	826,369
NET ASSETS - FISCAL YEAR ENDING	$ 821,966	$ 567,155	$ 944,465

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ -	$ -	$ 86,043	$ 139,012
-	-	-	-	826,814
-	-	-	4,917	19,111
-	-	-	9,172	9,172
44,293	10,290	4,955	1,681	168,451
-	-	-	3,319	9,794
120	198	610	2,540	25,256
44,413	10,488	5,565	107,672	1,197,610
-	-	-	-	333,890
2,056	3,102	2,409	131,322	361,985
-	-	-	-	162,407
-	-	-	6,700	50,937
-	-	-	-	50,961
23,685	23,580	6,933	-	152,600
25,741	26,682	9,342	138,022	1,112,780
18,672	(16,194)	(3,777)	(30,350)	84,830
52,136	36,350	16,456	2,221	323,965
-	-	-	9,243	9,243
-	-	-	-	(28)
-	-	-	-	(23,519)
-	-	-	(3,049)	(3,949)
-	-	-	30,343	30,343
52,136	36,350	16,456	38,758	336,055
70,808	20,156	12,679	8,408	420,885
-	-	-	-	67,804
-	-	-	-	67,804
70,808	20,156	12,679	8,408	488,689
242,206	189,174	85,868	238,817	2,713,013
$ 313,014	$ 209,330	$ 98,547	$ 247,225	$ 3,201,702

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 139,012	Charges for Services	$ 139,012
Sales of Goods and Services	826,814	Charges for Services	826,814
Investment Income (Loss)	19,111	Unrestricted Investment Earnings	19,111
Rental Income	9,172	Charges for Services	9,172
Gifts and Donations	168,451	Operating Grants & Contributions	166,770
Federal Grants and Contracts	9,794	Operating Grants & Contributions	9,794
		Capital Grants & Contributions	1,681
Other	25,256	Charges for Services	20,846
		Operating Grants & Contributions	2,080
		Payment from State	2,330
TOTAL OPERATING REVENUES	1,197,610		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	333,890	Expenses	333,890
Operating and Travel	361,985	Expenses	361,985
Cost of Goods Sold	162,407	Expenses	162,407
Depreciation and Amortization	50,937	Expenses	50,937
Debt Service	50,961	Expenses	50,961
Foundation Program Distributions	152,600	Expenses	152,600
TOTAL OPERATING EXPENSES	1,112,780		
OPERATING INCOME (LOSS)	84,830		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	323,965	Unrestricted Investment Earnings	161,068
		Operating Grants & Contributions	162,897
Gifts and Donations	9,243	Payment from State	9,243
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	Operating Grants & Contributions	(28)
Debt Service	(23,519)	Expenses	(23,519)
Other Expenses	(3,949)	Expenses	(3,949)
Other Revenues	30,343	Payment from State	29,142
		Capital Grants & Contributions	1,189
		Sales and Use Tax	12
TOTAL NONOPERATING REVENUES (EXPENSES)	336,055		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	420,885		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	67,804	Operating Grants & Contributions	66,236
		Capital Grants & Contributions	1,568
TOTAL CONTRIBUTIONS AND TRANSFERS	67,804		
CHANGE IN NET ASSETS	488,689		488,689
NET ASSETS - FISCAL YEAR BEGINNING	2,713,013		2,713,013
NET ASSETS - FISCAL YEAR ENDING	$ 3,201,702		$ 3,201,702

The notes to the financial statements are an integral part of this schedule.

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

During Fiscal Year 2010-11, the State implemented GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions and Statement No. 59 – Financial Instruments Omnibus.

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Assets* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Note 3.)

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the State, its three branches of government, departments, agencies, and state-funded institutions of higher education that make up the State's legal entity. The State's reporting entity also includes those component units that are legally separate entities, for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

For those entities that the State does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources.

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (Nonmajor)
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority
  - Colorado Renewable Energy Authority
  - Higher Education Competitive Research Authority
  - Statewide Internet Portal Authority
  - HLC @ Metro, Inc.
  - University of Colorado Real Estate Foundation

With the exception of the University of Colorado Hospital Authority, HLC @ Metro, Inc., and the five foundations, the majority of each governing board for these entities is appointed by the Governor and confirmed by the Senate. The Board of Regents of the University of Colorado appoints the board of the University of Colorado Hospital Authority.

The University of Colorado Hospital Authority, CoverColorado, the Higher Education Competitive Research Authority, the Renewable Energy Authority, and HLC @ Metro, Inc. are included because they present a financial burden on the State. The Colorado Water Resources and Power Development Authority is included because the State is able to impose its will upon the authority. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the State is able to impose its will upon the entity. The Venture Capital Authority's primary capitalization was insurance premium tax credits contributed by the State's

General Purpose Revenue Fund, and therefore, it qualifies as a component unit because it would be misleading to exclude it. The Statewide Internet Portal Authority is included because it manages a single point of access to electronic State government information, and therefore, it would be misleading to exclude it.

The five foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-417, P.O. Box 6510
Aurora, Colorado 80045

Colorado Water Resources and Power Development Authority
1580 Logan Street, Suite 620
Denver, Colorado 80203

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

Colorado State University Foundation
410 University Services Center
Fort Collins, CO 80523-9100

Colorado School of Mines Foundation, Inc.
P. O. Box 4005
Golden, Colorado 80401-0005

University of Northern Colorado Foundation, Inc.
Judy Farr Center
1620 Reservoir Road
Greeley, Colorado 80639

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street
Denver, Colorado 80205

CoverColorado
425 South Cherry Street, Suite 160
Glendale, Colorado 80246

Venture Capital Authority
1625 Broadway, Suite 2700
Denver, Colorado 80202

Renewable Energy Authority
410 17th Street, Suite 1400
Denver, CO 80202

Higher Education Competitive Research Authority
c/o Colorado Department of Higher Education
1560 Broadway, Suite 1600
Denver, CO 80202

Statewide Internet Portal Authority
633 17th Street, Suite 1610
Denver, CO 80202

HLC @ Metro, Inc.
1512 Larimer St., Suite 800
Denver, CO 80202

University of Colorado Real Estate Foundation
1800 Grant St., Suite 250
Denver, CO 80203

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14 as amended by GASB Statement No. 39:

Pinnacol Assurance
Colorado Educational and Cultural Facilities Authority
Colorado Health Facilities Authority
Colorado Agricultural Development Authority
Colorado Housing and Finance Authority
Colorado Sheep and Wool Authority
Colorado Beef Council Authority
Fire and Police Pension Association
The State Board of the Great Outdoors Colorado Trust Fund

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the State cannot impose its will upon these entities, it does not have a financial benefit or burden relationship with them. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related State institutions of higher education, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

The State has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the State, but it is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The State's contract with the Huerfano County Hospital District states that the district is responsible for funding the operating deficits of the nursing home; however, since the State owns the nursing home, it retains ultimate financial responsibility for the home. Only the State's share of assets, liabilities, revenues, and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the State's on-site contract administrator. The State's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the State.

NOTE 3 – BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements focus on the government as a whole. The *Statement of Net Assets* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the Net Asset line items shown as Restricted. The nature of an asset may also result in a restriction on asset use. The line item Invested in Capital Assets, Net of Related Debt, comprises capital assets (net of depreciation) reduced by the outstanding balance of bonds, mortgages, notes, Certificates of Participation, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The State does not report restrictions of net assets related to enabling legislation because a settled court case determined that crediting money to a special fund does not mean that the General Assembly is prohibited from appropriating the money for another purpose. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Assets* as part of the governmental activities.

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities in State government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or business-type activities. Direct costs are those that can be specifically identified with a program. The State allocates indirect costs based on an approved Statewide Federal Indirect Cost Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants.

Taxes, with the exception of unemployment insurance premiums supporting a business-type activity, are presented as general-purpose revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The State reports only its proprietary funds as business-type activities. The business-type activities follow all current GASB pronouncements. The proprietary statements and government-wide statements also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions, such as federal and State grants moving between State agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or business-type activities, the effects of interfund services provided and used have not been eliminated. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts shown as receivable and payable between the primary government and the component units are primarily with the University of Colorado Hospital Authority and the four foundations, which are reported as component units and have matching fiscal year ends, but also include amounts related to component units not deemed material for discrete reporting.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

The fund-level statements provide additional detail about the primary government and its component units. The information is presented in four types – governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the fiduciary fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. The State's component units are reported as major except for the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, the Renewable Energy Authority, the Higher Education Competitive Research Authority, the Statewide Internet Portal Authority, HLC @ Metro, Inc., and the University of Colorado Real Estate Foundation which are presented as nonmajor component units.

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund
Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. With the implementation of GASB Statement No. 54, the Public School Fund, previously a major fund, the Public School Building Fund, previously a nonmajor special revenue fund, and portions of the Environmental Health and Protection (nonmajor special revenue fund), Resource Management (nonmajor special revenue fund) and Other Special Revenue Funds (a major fund) were moved into the General Fund. As a result of comingling current and cumulative special-purpose revenue into the General Fund, combining statements detailing the components of the General Fund are included as supplementary information. The statements segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which will be referred to as the General Purpose Revenue Fund.

Resource Extraction
This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects. These activities were previously reported as two nonmajor special revenue funds, Water Projects and Resource Extraction.

Highway Users Tax Fund
Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver, and vehicle registration fees, and other related taxes. In prior years this fund has issued revenue bonds to finance construction and maintenance of highway infrastructure. Most of the State's infrastructure is owned by this fund.

Capital Projects Fund
Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. As a result of changes in fund balance categorization due to the implementation of GASB Statement No. 54, a combining statement of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

State Education Fund
The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11 and by inflation thereafter.

PROPRIETARY FUND TYPE:

Higher Education Institutions
This fund reports the activities of all state institutions of higher education. Fees for educational services, tuition payments, and research grants are the primary sources of funding for this activity. Higher Education Institutions have significant capital debt secured solely by pledged revenues.

Unemployment Insurance
This fund accounts for the collection of unemployment insurance premiums from employers, related federal support, and the payment of unemployment benefits to eligible claimants.

Lottery

The State Lottery encompasses the various lottery and lotto games run under Colorado Revised Statutes. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the General Purpose Revenue Fund. The funds are used primarily for open space purchases and recreational facilities throughout the State.

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the State reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report (CAFR).

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

Although the General Fund and its components are classified as a major fund in the basic financial statements, special-purpose revenue activities in the General Fund expanded with the implementation of GASB Statement No. 54. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining statement detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects

Although the Capital Projects Fund and its components are classified as a major fund in the basic financial statements, the implementation of GASB Statement No. 54 resulted in fund balance classifications that did not support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds

Transactions related to resources obtained from specific sources and dedicated to specific purposes are accounted for in special revenue funds. The individual nonmajor funds include Labor, Gaming, Tobacco Impact Mitigation, Resource Management, Environment and Health Protection, Unclaimed Property, and Other Special Revenue Funds.

Debt Service Fund

This fund accounts for the accumulation of resources, primarily transfers from other funds, for the payment of long-term debt principal and interest. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of Certificates of Participation issued by various departments and Transportation Revenue Anticipation Notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds

This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the State's programs. The individual nonmajor funds included in this category are the State Lands Fund and an aggregation of several smaller funds. On the government-wide financial statements the net assets of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts. On the fund-level financial statements the principal portion is reported as Nonspendable.

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

The State uses enterprise funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include CollegeInvest (previously reported as a major fund), Wildlife, College Assist, State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, Transportation Enterprise (previously reported as part of Other Enterprise Funds), and several smaller funds aggregated as Other Enterprise Funds.

Internal Service Funds

The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services (previously reported as the General Government Computer Center and before April 22, 2011, Telecommunications), Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services (previously reported as Debt Collection). In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in fiduciary fund types are not available for use in the State's programs; therefore, none of the fiduciary funds are included in the government-wide financial statements.

Pension and Benefit Trust Funds
In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan.

Private Purpose Trust Funds
Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts, Unclaimed Property, the College Savings Plan operated by CollegeInvest, the College Opportunity Fund, the Multistate Lottery Winners Trust Fund and several smaller funds shown in the aggregate as Other.

Agency Funds
Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Agency funds primarily include local sales tax collections, trustee investments related to State capital projects, and investments of the Colorado Water Resource and Power Development Authority. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

FUNCTIONAL PRESENTATION OF EXPENDITURES

In the governmental fund types, expenditures are presented on a functional basis rather than an individual program basis because of the large number of programs operated by the State. The State's eight functional classifications and the State agencies or departments comprising each are:

General Government
Legislative Branch, Department of Personnel & Administration, most of the Department of Military and Veterans Affairs, part of the Governor's Office, part of the Department of Revenue, and Department of Treasury

Business, Community, and Consumer Affairs
Department of Agriculture, part of the Governor's Office, Department of Labor and Employment, Department of Local Affairs, most of the Department of Regulatory Agencies, Gaming Division of the Department of Revenue, and Department of State

Education
Department of Education and the portion of the Department of Higher Education not reported as a business-type activity

Health and Rehabilitation
Department of Public Health and Environment and part of the Department of Human Services

Justice
Department of Corrections, Division of Youth Corrections in the Department of Human Services, Judicial Branch, Department of Law, Department of Public Safety, and the Civil Rights Division of the Department of Regulatory Agencies

Natural Resources
Department of Natural Resources

Social Assistance
Department of Human Services, Veterans' Affairs, and the Department of Health Care Policy and Financing

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the State's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2011.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2010.

Four of the eight nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority, and the Higher Education Competitive Research Authority use governmental fund accounting. In addition, CoverColorado and the Venture Capital Authority apply applicable GASB pronouncements as well as all Financial Accounting

Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2010, with the exception of the Higher Education Competitive Research Authority, and the Statewide Internet Portal Authority, which are presented as of June 30, 2011.

The five foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the five foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2011.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, deferred inflows, deferred outflows, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction as follows:

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the State has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets are recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due at June 30.
- Income taxes, net of refunds, to be collected from individuals, corporations, and trusts are accrued based on current income earned by taxpayers before June 30. Quarterly filings, withholding statements, and other historical and economic data are used to estimate taxpayers' current income. The related revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized in governmental funds when:

- The related liability is incurred and is due and payable in full (examples include professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the Debt Service Fund and the debt service is payable within thirty days of fiscal year-end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, and termination benefits are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund-level statements are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds

All transactions and balances of the proprietary and fiduciary fund types are reported on the full accrual basis of accounting as described above for the government-wide statements.

Component Units

The University of Colorado Hospital Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. As a governmental entity, the hospital applies all GASB statements and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. The authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET ASSETS

A. CASH AND POOLED CASH

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and warrants payable.

B. RECEIVABLES

Component Units

The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation, the University of Northern Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation recognizes conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

C. INVENTORY

Inventories of the various State agencies primarily comprise finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The State uses various valuation methods (FIFO, average cost, etc.) as selected by individual State agencies. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

D. INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 14). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

Component Units

Marketable equity and debt investments of the University of Colorado Foundation are presented at fair value based on quoted market prices; alternative investment fair values are based on national security exchange closing prices, if marketable, and on prorata share of the net assets of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net assets.

The University of Colorado Foundation has concentrations of financial instruments in cash and investments that potentially subject it to credit risk. The foundation selects credit-worthy high-quality financial institutions, but significant portions of its deposits are not insured by the FDIC. The foundation's concentrations in stocks, bonds, and alternative investments also subject it to credit risk. These investments are selected by professional managers and are monitored by the Investment Committee of the foundation's Board of Directors. Certain investment managers employ techniques such as leverage, futures and forwards contracts, option agreements, and other derivative instruments that create special risks that could adversely affect the foundation's investment portfolio valuation. Foundation management believes the investment policy is prudent for the long-term welfare of the foundation.

The mission of the Venture Capital Authority, a nonmajor component unit, is to make seed and early-stage investments in companies that are not fully established. Because of the inherent uncertainty of investment valuation where a ready market does not exist, as is the case with Venture Capital Authority investments, estimated values may differ from the values that would have been reported had a ready market existed, and the differences could be material.

E. CAPITAL ASSETS

Primary Government

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Assets*. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

The following table lists the range of capitalization thresholds established by the State as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a $75,000 threshold for land and leasehold improvements as well as buildings and software.

(Amounts in Dollars)

Asset Class	Lower Capitalization Thresholds	Established State Thresholds
Land Improvements	$ 5,000	$ 50,000
Buildings	$ 5,000	$ 50,000
Leasehold Improvements	$ 5,000	$ 50,000
Intangible Assets	NA	$ 50,000
Vehicles and Equipment	NA	$ 5,000
Software (purchased)	NA	$ 5,000
Software (internally developed)	NA	$ 50,000
Library Books	NA	$ 0
Collections	NA	$ 5,000
Infrastructure	NA	$ 500,000

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating capital assets. The following table lists the range of lives that State agencies normally use in depreciating capital assets. Certain historical buildings are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	3	127
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	3	22
Infrastructure	20	75

Roads and bridges, except for right-of-way and fiber optic infrastructure, owned by the Department of Transportation and other infrastructure primarily owned by the Department of Natural Resources, are capitalized and depreciated. The Department of Transportation depreciates roadways over 40 years, and bridges over 75 years.

The State capitalizes interest incurred during the construction of capital assets that are reported in enterprise funds.

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings, building improvements, and equipment.

The University of Colorado Real Estate Foundation records land, buildings, and improvements at cost, which includes the acquisition cost plus any subsequent investments in improvements, while donated assets are reported at fair market value as of the date of acquisition. Property and equipment over $3,000 and a useful life of more than 3 years is capitalized and depreciated over a period from 3 to 40 years, or the lease term, if shorter.

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures occur. On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year are deferred. However, taxes receivable are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death.

Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Assets,* all compensated absence liabilities are reported.

Component Units

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability, serious health conditions, or bereavement. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as it is earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base that will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

H. INSURANCE

The State had an agreement with Pinnacol Assurance through June 30, 2011, a related organization, to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed Pinnacol for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The State insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

I. NET ASSETS AND FUND BALANCES

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus used in reporting the fund.

On the government-wide *Statement of Net Assets,* the proprietary funds' *Statement of Net Assets,* and the fiduciary funds' *Statement of Fiduciary Net Assets*, net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

The following paragraphs describe the restrictions reported in the three financial statement types cited above:

<u>Invested in Capital Assets Net of Related Debt</u> – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

<u>Restricted for Construction and Highway Maintenance</u> – Article X Section 18 of the State Constitution restricts the motor fuels tax and fee portion of the Highway Users Tax Fund. The restricted portion of the fund is appropriated for highway construction and maintenance activities.

<u>Restricted for Education</u> – The entire net assets balance of the State Education Fund, a major special revenue fund, is restricted for education purposes based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000. In addition, the net assets of the Public School Fund, a Special Purpose General Fund, are restricted for exclusive use in the maintenance of schools pursuant to Article IX, Section 3 of the State Constitution.

<u>Restricted for Unemployment Insurance</u> – The entire net assets balance of the Unemployment Insurance Fund is normally reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims. However, starting in Fiscal Year 2009-10, the net asset balance went into a deficit due to a significant increase in the unemployment claims paid by the State and a normal lag in the receipt of additional employer unemployment insurance premiums. The current deficit of approximately $117.9 million is reported as unrestricted.

<u>Restricted for Debt Service</u> – The net assets of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The net assets of the governmental activities are held by the Department of Personnel & Administration and by the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program. The Higher Education Institutions Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

Restricted for Emergencies – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve for emergencies three percent or more of fiscal year spending. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. State properties included as part of the required reserve are not represented in this amount. (See Note 8B for more information on the current year amount of the emergency reserve.)

Restricted Permanent Funds and Endowments – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, amounts dedicated to fund capital construction activity, and the endowment portion of the Higher Education Institutions Fund that must be maintained in perpetuity. The restricted balances reported as expendable are primarily the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Other Purposes – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties, as follows:

- Net assets of $127.0 million are of settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Net assets of $58.2 million related to Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution are restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Net assets of $49.6 million consist of federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Net assets of $33.0 million in the Aviation Fund, consists on constitutionally restricted funds under Article X, Section 18 exclusively for aviation purposes.
- Net assets of $25.4 million in Lottery proceeds are directed by Article XXVII of the State Constitution for parks and outdoor projects.
- Net assets of $21.9 million for various purposes including voter approved tobacco taxes for health related programs, grants funds, and others not individually significant.

On the *Balance Sheet – Governmental Funds,* assets in excess of liabilities are reported as fund balances and are segregated between spendable and nonspendable amounts, as follows:

Nonspendable – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The net assets consist primarily of prepaid advances to counties for social assistance programs and to local entities for energy-related grants, and permanent funds related to state lands.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained. The categorization, in part, is a result of the State's spending prioritization policy. When an expenditure is incurred that could be funded from either restricted or unrestricted sources it is the State's general policy that unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers

- to pay indirect costs,
- to fund programs operating in the General Purpose Revenue Fund,
- to support health-related programs funded by tobacco tax, and
- other situations that are not individually significant.

Spendable fund balance classifications include:

Restricted – This classification is the portion of fund balance that is restricted by the State Constitution or external parties, and therefore, the related net assets can only be expended as directed by the State Constitution or the external party.

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net* Assets, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Assets*, the *Balance Sheet-Governmental Funds* includes a restriction in the Highway Users Tax Fund and the Other Special Purpose General Fund for net assets related to Certificates of Participation and other financing arrangements under which the proceeds are restricted to the purpose of the issuance. Fund balance of $10.3 million in the General Fund is held in the General Purpose Revenue Fund by the Department of Corrections for energy efficiency projects and $280.7 million in the

Other Special Purpose General Fund for public school construction under the BEST program. Fund balance of $175.5 million is held in the Capital Projects Fund by the Colorado Historical Society primarily related to the construction of the Colorado History Center and in the Judicial Department related to the construction of the Ralph L. Carr Justice Complex.

Committed – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default classification for the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category would normally represent the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the four percent reserve when revenues were projected to be inadequate to fund appropriations and the reserve. In the 2009 session, the General Assembly passed legislation reducing the required reserve to two percent of General Purpose Revenue Fund appropriations for Fiscal Year 2009-10, and in the 2011 session partially restored the reserve to 2.3 percent for Fiscal Year 2010-11. The reserve is applicable for both GAAP and budget basis purposes.

A Committed fund balance related to the statutory reserve is only presented when the Unassigned fund balance in the General Purpose Revenue Fund is greater than zero. In Fiscal Year 2010-11, on a GAAP basis, the resources available in the General Purpose Revenue Fund (exclusive of other fund balance classifications) were not sufficient to support all appropriated expenditures or to fund any portion of the required 2.3 percent statutory reserve. In addition, expenditures exceeded the available resources of the fund causing a ($21.5) million Unassigned fund balance deficit on the *Balance Sheet - Governmental Funds*. As shown on the *Schedule of Revenues, Expenditures, and Changes in General Fund Surplus – Budget and Actual – Budgetary Basis*, the State exceeded the 2.3 percent reserve requirement on the budget basis by deferring Medicaid, payroll, information technology expenditures, and certain other expenditures to the following fiscal year.

A portion of the Committed fund balance represents the current fiscal year appropriation that the legislature expressly directed to rollfoward for availability in the subsequent fiscal year.

Committed balances also includes earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into General Purpose Revenue Fund fund balance.

In the Capital Projects Fund, the Committed classification represents the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance. These projects are not required to revert excess cash revenue to the Capital Projects Fund.

Assigned – This classification represents the portion of the fund balance related to Fiscal Year 2010-11 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2011-12.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit.

J. RESTATEMENT OF BEGINNING BALANCES

The Governmental Accounting Standards Board issues statements for financial reporting to improve the usefulness of financial information, provide consistency across entities, clarify existing provisions, and in response to changing conditions in the financial environment. When standards impact the presentation of net assets, or components thereof, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. The implementation of GASB Statement No. 54 in Fiscal Year 2010-11 impacted governmental fund types and resulted in an accounting change restating beginning balances. See Note 30 for additional details.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance premiums used to support a business-type activity, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, a nonmajor Other Special Revenue Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions, and
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2010-11.

The Plan uses costs from Fiscal Year 2008-09 that will be incorporated in State agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2012-13. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

Included in the allocation of indirect costs reported on the *Statement of Activities* is $936.6 thousand of central service agency costs for Fiscal Year 2010-11 related to the American Recovery and Reinvestment Act (ARRA). The President's Office of Management and Budget authorized the State to collect a three-year estimate of the ARRA costs from ARRA grants. The State collected the three-year estimate in Fiscal Year 2008-09 in the General Purpose Revenue Fund where the unexpended portion is included as Committed Fund Balance. Based on a three-year appropriation, the moneys not expended at the end of Fiscal Year 2010-11 will be provided to central service agencies in Fiscal Year 2011-12.

C. OPERATING REVENUES AND EXPENSES

The State reports three major enterprise funds, multiple nonmajor enterprise funds, and multiple internal service funds. Because these funds engage in a wide variety of activities, the State's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Assets* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Assets* but are reported as investing activities on the *Statement of Cash Flows.*
- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Assets* but are reported as cash from operations on the *Statement of Cash Flows.*

The State's institutions of higher education have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service, or related support services to an individual or entity separate from the institution.

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 157. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

Within the limitations discussed below, the State Controller with the approval of the Governor may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited over-expenditures are allowed in the Medicaid program. The statute also provides for $250,000 of general-funded overexpenditure authority in the Children's Basic Health Plan. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows over-expenditures up to $3.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year's expenditures.

Per Colorado Revised Statutes 24-75-109(2)(b), neither the Governor nor the State Controller is allowed to approve any overexpenditure in excess of the unencumbered balance of the fund from which the overexpenditure is made.

Total overexpenditures at June 30, 2011, were $171,674,677 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicare Modernization Act of 2003 State Contribution – The Department of Health Care Policy and Financing overexpended this line item by $396,224 of general funds. The Clawback payment under the Act was based on a projected caseload for Fiscal Year 2010-11. The payment results from an entitlement program driven by eligible populations. The actual expenditure exceeded the appropriation by 0.7 percent due to caseload in excess of the estimate upon which the budget was based.
- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing over expended this line item by $2,909,851 of general funds. The department stated that the expenditure increase in this entitlement program was driven by an unanticipated eligible population that increased to 540,599 from an estimate of 536,311.
- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $8,471,270 in general funds and $30,676,423 in cash funds. This program is an entitlement program driven by eligible populations. The department reported that caseloads increased from the estimate of 558,307 to 560,722 clients per month. Other contributing factors include underearnings from cash funds intended to provide General Purpose Revenue Fund relief, actual recoveries that were higher than appropriated, and increases in new populations funded with nursing facility and hospital provider fees. The cash funded overexpenditure is related to a combination of cash sources transferred into the General Purpose Revenue Fund in excess the appropriated amounts. As a result of transfers into the General Purpose Revenue Fund, duplicate cash fund overexpenditures also occurred in the following source cash funds: Hospital Provider Fee Cash Fund - $17,092,220, Nursing Facility Provider Fee Cash Fund - $839,008, and Breast and Cervical Cancer Prevention and Treatment Cash Fund - $230,109.
- Medicaid Mental Health Fee for Service Payments - The Department of Health Care Policy and Financing overexpended this line by $135,964 in general funds. This program provides mental health services on an entitlement basis that are paid on a fee-for-service basis to providers. The department reported increased expenditures due to an unanticipated rise in caseloads.

- Pediatric Specialty Hospital – The Department of Health Care Policy and Financing overexpended this line item by $42,475 in general funds. Payments from this line are eligibility-based Medicaid entitlements. The overexpenditure resulted from timing issues related to the phase out of the enhanced federal funding under the American Recovery and Reinvestment Act of 2009 (ARRA), and the underearning of tobacco tax revenue.

- Various Programs – The Department of Health Care Policy and Financing overexpended four line items by a total of $276 in general funds related to the phase out of enhanced federal ARRA funding.

Approved Department of Human Services Non-Medicaid Overexpenditures Subject to the $1.0 Million Limit:

- Colorado Trails – The Department of Human Services overexpended this line item by $27,867 in general funds. Costs attributable to three programs fund Colorado Trails and costs are allocated based on Random Moment Sampling (RMS) statistics, which measure work effort on federal programs and are beyond the control of program management. The department reported that these statistics drove less federal funding than predicted.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

- Workers' Compensation – The Department of Education overexpended this line item by $844 in cash funds. The department reported a funding mix problem due to reorganizations in the department that resulted in changes in the sources from which employees are funded. Charges are allocated based on how the employees are funded and resulted in the proportion of the line item funded by cash sources to be greater than the estimate used to set the budget.

- Nurse Home Visitor Program – The Department of Health Care Policy and Financing overexpended this line item by $1,080 in general funds. The department reported that this was the result of the return of federal monies related to ARRA billings after the expiration of related ARRA funding.

Overexpenditures Not Allowed to Be Approved (Deficit Fund Balances):

- Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest overexpended this line item by $596,020. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does not anticipate realizing any of these currently recognized unrealized losses.

- Department of Labor and Employment – Unemployment Insurance (UI) Benefit Payments – The Department of Labor and Employment overexpended the Unemployment Insurance Compensation Fund by $128,416,383. The deficit fund balance was due to the payment of benefits exceeding UI Tax Premium funds available, which required borrowing federal funds from the U.S. Treasury to pay regular UI benefits. The economic recession and high unemployment have resulted in a deficit in the fund due to regular UI benefits exceeding UI Tax premium revenues.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2011-12 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2011:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $6,525,390
  Primary Care Fund - $594,125

- Department of Public Health and Environment

  Tobacco Education Fund - $ 440,625
  Prevention, Detection and
  Treatment Fund - $197,704

The General Fund Surplus Schedule (page 165) shows a negative reversion of $6.1 million for the Department of Health Care Policy and Financing. This negative reversion is due to overexpenditures at the Department included in the discussion above.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain State revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The TABOR section of the State Constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the State as a whole, not to individual funds, departments, or agencies of the State. Government run businesses accounted for as enterprise funds that have the authority to issue bonded debt and that receive less than ten percent of annual revenues from the State and its local governments are exempted from the TABOR revenue limits.

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters approved otherwise. The State first exceeded the TABOR revenue growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of $3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-04, but again exceeded the limit resulting in a $41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. During this period the State retained $3.6 billion.

With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2010-11 ESRC of $10.68 billion. TABOR revenue was below the ESRC by $1,260.1 million, and over the TABOR limit by $770.2 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $770.2 million that would have occurred under the TABOR limit are not required.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Assets* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2010-11 that amount was $282,742,919.

At June 30, 2011, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $85,400,000. The $94,000,000 designation by the Legislature has been reduced by $8,600,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Fund's net assets not invested in capital assets (net of related debt) total $12,368,456, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Assets*. The remaining $87,631,544 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $52,613,752 of cash and receivables that are reported as restricted.

The 2010 legislative session Long Appropriations Act designated up to $70,700,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2010 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $18,042,919 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2010-11, under the direction of the Governor's Executive Orders, the State transferred $8.6 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- Reservoir Road Fire - $2.9 million
- Bear Fire - $2.5 million
- Indian Gulch Fire - $1.5 million
- Crystal Fire - $1.7 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all State agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Purpose Revenue Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Purpose Revenue Fund if the General Purpose Revenue Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Purpose Revenue Fund – the payer of last resort for the pool.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The State's cash management policy is to invest all significant financial resources as soon as the moneys are available within the banking system. To enhance availability of funds for investment purposes, the State Treasurer uses electronic funds transfers to move depository account balances into the Treasurer's pooled cash.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $6,141.1 million ($6,146.8 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2011, the treasurer had invested $6,100.3 million (fair value) of the pool and held $46.4 million of demand deposits and certificates of deposit.

At June 30, 2011, the State had an accounting system cash deposit balance of $360.8 million, which includes the $46.4 million held as demand deposits and certificates of deposit in the Treasurer's pool.

Under the GASB Statement No. 40 definitions, $20.6 million of the State's total bank balance of $370.5 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $26.8 million at June 30, 2011, and a related bank balance of $35.5 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of $1,418,530 at December 31, 2010, of which $250,000 was federally insured and $132,012 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $1,036,518 was collateralized with the securities held by the pledging institution's trust, but not in the authority's name. The authority also reported as cash and cash equivalents $64.4 million held by the State Treasurer in a Treasurer's Agency Fund and $147.3 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at $1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. The COLOTRUST investment has a credit quality rating of AAA, and the investment held by the State Treasurer is not rated for credit quality.

At December 31, 2010, the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.3 million held by a major bank paying interest of 0.05 percent at year-end. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of $6.7 million at December 31, 2010 – of that amount $6.3 million was not covered by federal deposit insurance.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Assets*) and be reported outside of the Cash Flows From Operating Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets;* therefore, they are reported as noncash transactions.
- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Assets*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net Assets.* Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Assets* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.
- Deferral of Loss on Derivative Instrument – When a derivative instrument is terminated at a loss, there is a resulting change in the debt on the *Statement of Net Assets*. Since no cash is received or disbursed, the loss deferral is reported as noncash.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,016.9 million shown on the government-wide *Statement of Net Assets* primarily comprises the following:

- $771.6 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $293.9 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Assets.* These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*.
- $19.9 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $39.2 million recorded in nonmajor special revenue funds, of which, approximately $10.7 million is from gaming tax, $12.9 million is insurance premium tax, and $12.4 million is tobacco tax.
- $186.2 million of unemployment insurance premiums recorded in the Unemployment Insurance Fund.

In addition, $54.7 million of Taxes Receivable, $33.3 million of Other Receivables, and $83.2 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $449.8 million shown on the government-wide *Statement of Net Assets* are net of $194.8 million in allowance for doubtful accounts and primarily comprise the following:

- $247.3 million of student and other receivables of Higher Education Institutions.
- $44.7 million of receivables recorded in the General Fund, of which $19.7 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $14.2 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Institutes recorded $2.7 million of patient receivables.
- $78.6 million of receivables recorded by Other Governmental Funds including $44.8 million of tobacco settlement revenues expected within the following year, $5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $8.6 million of rent and royalty receivables recorded by the State Lands Funds.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $826.8 million, which it recorded net of third-party contractual allowances ($1,780.8 million), indigent and charity care ($224.8 million), provision for bad debt ($46.4 million), and self-pay discounts ($51.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the State of $52.3 million for Fiscal Year 2010-11. In 2010, the Colorado Health Care Affordability Act was modified, authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers in order to expand Medicaid coverage. The hospital was charged $16.1 million out of $441.1 million collected by the State in hospital provider fees for Fiscal Year 2010-11.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care (46 percent), other commercial insurance (2 percent), and self-pay and medically indigent (12 percent). However, the hospital's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2010-11 was approximately $251.9 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The hospital reports pledges at their net present value. As of June 30, 2011, the hospital reported $3.3 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.3 billion at December 31, 2010. During 2010, the authority made new loans of $186.4 million and canceled or received repayments for existing loans of $91.3 million.

The University of Colorado Foundation contributions receivable of $29.3 million and $23.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2011, the amount reported as contributions receivable includes $60.2 million of unconditional promises to give which were offset by a $6.5 million allowance for uncollectible contributions and a $1.0 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2011, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.4 million, which were offset by $3.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2011, contributions from two donors represented approximately 61 percent of total contributions receivable for the foundation.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $11.3 million was offset by $0.5 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011, and approximately $3.7 million is due from trusts held by others.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $1.2 million was offset by $0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 27.4 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011.

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the $16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.1 million) and Other Long-Term Assets ($12.5 million) on the *Statement of Net Assets.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $63.4 million shown on the government-wide *Statement of Net Assets* at June 30, 2011, primarily comprise:

- $11.3 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $23.7 million of resale inventories, of which, Higher Education Institutions recorded $20.7 million, and
- $21.6 million of consumable supplies inventories, of which, $8.2 million was recorded by the Higher Education Institutions, $9.4 million was recorded by the Highway Users Tax Fund, $2.3 million by the General Purpose Revenue Fund, and $1.0 million by Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $74.6 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $22.7 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $18.0 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $4.6 million advanced to local entities related to energy-related weatherization grants.
- $4.5 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $3.6 million primarily related to cash payments for library subscriptions at Colorado State University.

NOTE 14 – INVESTMENTS

Primary Government

The State holds investments both for its own benefit and as an agent for certain entities as provided by statute. The State does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of most of the State's investments are determined from quoted market prices except for money market investments that are reported at amortized cost, which approximates market.

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including State agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 18 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to a lease or lease purchase commitment, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, domestic corporate or bank debt securities, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

The statute establishes minimum credit quality ratings at the highest rating by at least two national rating agencies for most investment types. That statute also sets maximum time to maturity limits, but allows the governing body of the public entity to extend those limits. Public entities may also enter securities lending agreements that meet certain collateralization and other requirements. The statute prohibits investment in securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper certain international banks, and certain loans and collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2010-11, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $94,711, for the Unclaimed Property Tourism Trust Fund of $24,414, for the Major Medical Fund of $19,863, and for the Treasurer's pooled cash of $645,307.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2011 and 2010, the treasurer had $30.6 million and $41.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held $6.6 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $11.0 million as of June 30, 2011. See Note 40 for additional details.

The Colorado School of Mines and Colorado State University, which are reported in the Higher Education Institutions Fund, held $3,268,406 and $949,961, respectively, of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized $5,004,977 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2010-11.

The following schedule reconciles deposits and investments to the financial statements for the primary government including fiduciary funds:

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 360,786
Investments:	
Governmental Activities	7,296,027
Business-Type Activities	1,995,129
Fiduciary Activities	4,068,138
Total	$ 13,720,080
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,182,485
Add: Warrants Payable Included in Cash	233,322
Total Cash and Pooled Cash	4,415,807
Add: Restricted Cash	2,045,128
Add: Restricted Investments	1,195,943
Add: Investments	6,063,202
Total	$ 13,720,080

Custodial Credit Risk

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the State's name.

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following table lists the investments of the State Treasurer's pooled cash, major governmental funds, and nonmajor governmental funds in the aggregate, by investment type at fair value.

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $284.1 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

The remaining $9.6 million of the unexpended BEST issuance is reported in the Debt Service Fund, an Other Governmental fund.

The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for the Ralph L. Carr Justice Complex ($143.4 million reported in a Special Capital Projects Fund) and the Colorado History Center ($18.3 million reported in a Special Capital Projects Fund).

The trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities				
	Treasurer's Pool	General Fund	State Education	Other Governmental	Total
INVESTMENT TYPE					
U.S. Government Securities	$ 4,984,681	$ -	$ 20,337	$ 142,769	$ 5,147,787
Commercial Paper	79,999	-	-	-	79,999
Corporate Bonds	614,246	-	25,928	132,029	772,203
Asset Backed Securities	190,451	-	-	54,422	244,873
Mortgages Securities	230,965	6,578	-	334,611	572,154
Mutual Funds	-	-	-	20,627	20,627
Other	-	284,059	-	174,325	458,384
TOTAL INVESTMENTS	$ 6,100,342	$290,637	$ 46,265	$ 858,783	$ 7,296,027

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($40.0 million), Absolute Return Funds ($44.2 million), Real Estate ($17.7 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($26.1 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee's holdings including proceeds from the current year $300.0 million bond issuance, remaining unspent receipts of $40.0 million from the prior year short-term borrowing that were repaid in November 2010 using current resources, and interest earnings related to both balances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($38.7 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

The table below also shows the fair value of securities held by these funds that are subject to custodial credit risk.

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 161,685	$ 7,147	$ 168,832	$ 13,412
Commercial Paper	2,550	-	2,550	-
Corporate Bonds	185,116	17,726	202,842	-
Corporate Securities	140,805	-	140,805	-
Repurchase Agreements	15,878	-	15,878	748
Asset Backed Securities	185	-	185	-
Mortgages Securities	106,715	18,025	124,740	-
Mutual Funds	837,678	563	838,241	4,015,280
Other	159,859	341,197	501,056	38,698
TOTAL INVESTMENTS	$ 1,610,471	$ 384,658	$ 1,995,129	$ 4,068,138

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 144	$ -	$ 144	$ 2,534
Corporate Bonds	4,227	-	4,227	-
Corporate Securities	8,261	-	8,261	-
Repurchase Agreements	-	-	-	748
Mortgages Securities	9	-	9	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 12,641	$ -	$ 12,641	$ 3,282

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the State. This risk is assessed by nationally recognized rating agencies, which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not reported. However, credit quality ratings are reported for obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government.

The State Treasurer's formal investment policy requires that eligible securities have a minimum of two acceptable credit quality ratings – one of which must be from either Moody's or Standard & Poor's rating agency and the other which may be from the Fitch rating agency or another nationally recognized rating agency. The policy sets acceptable credit quality ratings by investment portfolio and investment type.

The fair value amount of rated and unrated debt securities is detailed in the following table, which shows the Treasurer's Pooled Cash Investments, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate.

In addition, to the amounts shown in the following table:

- CollegeInvest held a funding agreement valued at $38.7 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- The trustees for the Higher Education Institutions Lease Purchase Financing Program, Building Excellent Schools Today (BEST) program, Ralph L. Carr Justice Complex, and the Colorado History Center issued Certificates of Participation and selected the State Treasurer's cash and investment pool as their primary investment vehicle. The trustees for the Department of Transportation's Bridge Enterprise bonds also selected the State Treasurer's cash and investment pool as their primary investment vehicle. The pool has not been separately rated. See interest rate risk disclosure section for additional information on the pool.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ 1,480,085	$ -	$ 39,504	$ -	$ 421,416	$ -	$ -	$ -	$ -	$ 1,941,005
High Grade	-	-	272,561	-	-	-	-	-	-	272,561
Upper Medium	-	-	268,782	-	-	-	-	-	-	268,782
Lower Medium	-	-	18,384	-	-	-	-	-	-	18,384
Very Speculative	-	-	15,015	-	-	-	-	-	-	15,015
Short-term Ratings										
Highest	2,690,922	79,999	-	-	-	-	-	-	-	2,770,921
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 36,262	$ -	$ 42,769	$ -	$ 24,633	$ 320,308	$ 102	$ -	$ 967	$ 425,041
High Grade	678	-	18,722	-	3,845	-	374	-	50	23,669
Upper Medium	2,369	499	78,730	-	6,204	-	119	-	209	88,130
Lower Medium	-	-	37,114	-	3,577	-	162	-	133	40,986
Speculative	-	-	3,357	-	796	-	60	-	-	4,213
Very Speculative	-	-	105	-	3,744	-	26	-	-	3,875
High Default Risk	-	-	-	-	7,613	-	9	-	-	7,622
Default	-	-	78	-	1,703	-	-	-	-	1,781
Short-term Ratings										
Highest	-	2,002	-	-	-	-	-	-	-	2,002
Unrated	44,188	-	4,183	15,878	54,784	64,261	127,481	-	70	310,845
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,534	$ -	$ -	$ 748	$ -	$ -	$ -	$ -	$ -	$ 3,282
High Grade	2,168	-	-	-	-	-	-	-	-	2,168
Unrated	1,911	-	-	-	-	4,015,278	-	-	-	4,017,189
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 99,159	$ -	$ 12,776	$ -	$ 378,003	$ 21,190	$ -	$ -	$ -	$ 511,128
High Grade	-	-	85,130	-	-	-	-	3,117	-	88,247
Upper Medium	-	-	65,397	-	-	3,167	-	-	-	68,564
Lower Medium	-	-	12,381	-	-	-	-	-	-	12,381
Unrated	-	-	-	-	17,609	14,857	-	-	-	32,466

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The State manages interest rate risk using either weighted average maturity or duration. Weighted average maturity is a measure of the time to maturity, measured in years, that has been weighted to reflect the dollar size of individual investments within an investment type. Various methods are used to measure duration; in its simplest form duration is a measure, in years, of the time-weighted present value of individual cash flows from an investment divided by the price of the investment.

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to between five and seven years, based on the credit quality rating.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Major Medical Insurance Fund (5 - 8 years), and the Unclaimed Property Tourism Promotion Trust Fund (5 - 10 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $39.2 million that have duration of 8.1 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 14.91-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

(Dollar Amounts in Thousands, Weighted Average Maturity in Years)

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,984,681	1.054	$ 16,586	1.734	$ 10,288	14.907	$ 170,253	3.853
Commercial Paper	79,999	0.015	2,502	0.475	-	-	-	-
Corporate Bonds	614,246	3.133	76,783	2.630	-	-	175,683	4.605
Asset Backed Securities	421,416	1.060	185	1.040	-	-	389,033	3.555
Municipal Bonds	-	-	-	-	-	-	3,117	13.460
Total Investments	$ 6,100,342		$ 96,056		$ 10,288		$ 738,086	

The University of Colorado manages interest rate risk in its Treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado participated in tri-party repurchase agreements of $15,878,202 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the university does not have interest rate risk associated with these agreements. The $15.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 0.4 years.

The University of Colorado has invested $2,396,215 in U.S. Treasury Inflation Protected Securities with duration of 8.3 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program ($26.1 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program ($293.6 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex ($143.4 million reported in a Special Capital Projects Fund), and the Colorado History Center ($18.3 million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of Transportation's Bridge Enterprise trustees' notes and bonds. In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

The table below presents the duration measure and fair value amount for State agencies that manage some or all of their investments using the duration measure.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 57,672	6.330
U.S. Treasury Strips	942	18.900
U.S. Government Agency Notes	64,412	2.980
U.S. Government Agency Strips	16,111	1.160
Municipal Bonds	1,378	17.650
Corporate Bonds	105,436	5.820
Asset Backed Securities	181,471	14.130
Bond Mutual Funds	127,481	2.380
Colorado State University:		
Bond Mutual Funds	$ 851	1.870
Colorado School of Mines:		
Corporate Bonds	$ 2,199	5.000
Colorado Mesa University:		
U.S. Government Securities	$ 796	4.235
Corporate Bonds	639	2.942
Money Market Mutual Funds	41	0.164
Bond Mutual Funds	149	7.864
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 81,411	4.400
Bond Mutual Fund-2	27,835	5.200
Bond Mutual Fund-3	428,227	5.200
Bond Mutual Fund-4	616,142	4.800
Bond Mutual Fund-5	293,422	1.700
Bond Mutual Fund-6	1,250	3.800
Bond Mutual Fund-7	1,111	13.800
Bond Mutual Fund-8	742	8.800

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $30.3, British Pound - $21.4, Japanese Yen - $16.4, Swiss Franc - $7.3, Brazilian Real - $5.3, Chinese Yuan - $4.6, Korean Won - $3.5, Canadian Dollar - $3.0, Australian Dollar - $3.0, Swedish Kroner - $2.7, and Russian Ruble - $1.5, and various other currencies totaling $16.1 most of which are unidentifiable within the investment.

State statute requires the State Treasurer to invest in domestic fixed income securities and does not allow foreign currency investments.

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major special revenue fund.

The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investments in the fund; Colgate Palmolive – 11.3 percent, Eli Lilly – 11.2 percent, Verizon – 11.1 percent, General Electric – 11.2 percent, and Bank of America – 11.2 percent., The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance, which has failed to materialize. New resources of the State Education Fund are being invested through the Treasurer's pooled cash.

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category. Fiscal Year 2009-10 has been recast under the fund structure adopted for GASB Statement No. 54 implementation to provide comparability. Total unrealized gains for Fiscal Year 2009-10 have not been changed.

(Amounts in Thousands)

	Fiscal Year 2010-11	Recast Fiscal Year 2009-10
Governmental Activities:		
Major Funds		
General-General Purpose	$ (5,436)	$ 6,710
General-Special Purpose	(505)	1,465
Resource Extraction	(3,335)	3,866
Highway Users Tax	(6,963)	8,090
Capital Projects-Regular	(2,659)	(2,800)
Capital Projects-Special	(79)	286
State Education	(3,472)	(1,016)
NonMajor Funds:		
State Lands	(5,192)	15,628
Other Permanent Trusts	(44)	61
Labor	(331)	4,829
Gaming	(1,009)	1,042
Tobacco Impact Mitigation	(2,143)	(317)
Resource Management	(85)	236
Environment Health Protection	(1,186)	1,871
Other Special Revenue	(193)	1,052
Unclaimed Property	(1,650)	3,197
Information Technology	140	-
Highways (Internal Service)	(12)	(1)
Administrative Courts	17	-
Other Internal Service	3	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	95,536	75,707
Lottery	(246)	374
NonMajor Funds:		
CollegeInvest	1,834	6,237
Wildlife	(451)	355
College Assist	(619)	659
State Fair Authority	(8)	4
Correctional Industries	(46)	46
State Nursing Homes	(42)	8
Prison Canteens	(86)	24
Petroleum Storage Tank	(22)	(21)
Transportation Enterprise	(272)	948
Other Enterprise Activities	(47)	(24)
Fiduciary:		
Pension/Benefits Trust	(437)	397
Private Purpose Trust	562,745	413,976
	$ 623,705	$ 542,889

Component Units

Component units that are identified as foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board. Therefore, the foundation investment disclosures are presented separately from the other component units.

Component Units – Non-Foundations

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2011:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
Cash Equivalents	$	259,747
U.S. Government Securities		107,721
Corporate Bonds		72,386
Corporate Securities		325,013
Asset Backed Securities		14,316
Mutual Funds		142,396
Guaranteed Investment Contracts		854
Other		(14,498)
TOTAL INVESTMENTS	$	907,935

Except for guaranteed investment contracts which are excluded, the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements were all subject to custodial credit risk because its trustee is considered both the purchaser and the custodian of the investments, which are not held in the authority's name.

The Colorado Water Resources and Power Development Authority's investments at December 31, 2010, were:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
U.S. Government Securities	$	113,190
Repurchase Agreements		191,299
TOTAL INVESTMENTS	$	304,489

The Venture Capital Authority, a nonmajor component unit, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. Because the Authority does not invest in foreign or fixed income securities, credit quality, interest rate, and foreign currency risks are not applicable to the Authority's investments.

Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2011:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 24,606	$ 1,171	$ -	$ -	$ 25,777
High Grade	-	26,580	14,316	854	41,750
Upper Medium	-	36,135	-	-	36,135
Lower Medium	-	6,411	-	-	6,411
Speculative	-	928	-	-	928
Unrated	-	1,161	-	-	1,161

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent, and all of the underlying securities are rated A - AAA.

CoverColorado, a nonmajor component unit, holds only bonds of U.S. Government agencies and corporate bonds guaranteed by U.S. Government agencies. The investments were rated Aaa by Moody's Investors Service at the dates of purchase. The Renewable Energy Authority, also a nonmajor component unit, held a money market fund rated AAA at December 31, 2010.

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2011:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 40,733	4.235
Corporate Bonds	72,386	2.219
Asset Backed Securities	14,316	1.270

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $304.5 million of investments subject to interest rate risk with the following maturities; one year or less – 17 percent, two to five years – 25 percent, six to ten years – 26 percent, eleven to fifteen years – 21 percent, and 16 years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $72.8 million of investments subject to interest rate risk with the following maturities; one year or less – 32 percent, one to two years – 30 percent, and two to three years – 38 percent.

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2011, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $21.7 million, British Pound - $9.7 million, Swiss Franc - $4.5 million, Japanese Yen - $4.3 million, Chinese Yuan - $3.3 million, Canadian Dollar - $2.3 million, South Korean Wan - $1.9 million, Brazilian Real - $1.8 million, Hong Kong Dollar - $1.6 million, Norwegian Kroner - $1.3 million, and Taiwan New Dollar - $1.2 million. An additional $5.9 million was held in various international currencies, none of which exceeded $1.0 million.

Concentration of Credit Risk

At June 30, 2011, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2010, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

Investments Highly Sensitive to Interest Rate Risk

The University of Colorado Hospital Authority also uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2011, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of $71.2 million and a floating-to-fixed rate swap having a notional value of $100.2 million. At June 30, 2011, the agreements had fair values of ($7,597,000) and ($12,182,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

Realized and unrealized gains and losses on the swap agreements are reported as investment income on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. During Fiscal Year 2010-11, the two swaps produced a net cash outflow of approximately $5.3 million. None of the hospital's swaps qualified for hedge accounting.

Component Units – Foundations

The four Higher Education Institution foundations reported as component units on the *Statement of Net Assets – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2011, the University of Colorado Foundation held $250.9 million of domestic equity securities, $191.3 million of international equity securities, $178.3 million of fixed income securities, $436.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment income of $123.2 million is net of $5.5 million of investment fees and comprises $12.2 million of interest and dividends, $19.0 million of realized gains, and $97.5 million of unrealized gains.

At June 30, 2011, the Colorado State University Foundation held $123.8 million of equity securities, $148.3 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $20.6 million of fixed income securities, and $4.2 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2011, the CSMF held bonds and bond mutual funds totaling $29.3 million, stocks and stock mutual funds totaling $71.1 million, and investments in limited partnerships and real estate totaling $81.9 million in its long-term investments pool.

Of the foundation's $216.1 million of investments, $16.6 million, or 7.7 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.9 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty-five percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2011, the University of Northern Colorado Foundation held $38.6 million of equity securities, $31.4 million of fixed income securities, and $25.9 million of cash and other investments. The foundation's investment income of $16.5 million is net of $0.2 million of management fees and comprises $14.1 million of net realized and unrealized gains, and $2.6 million of interest and dividends.

NOTE 15 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all State agencies with the exception of Colorado Mesa University and the University of Colorado and its blended component units; however, Colorado Mesa University does participate in the Treasurer's Pool. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The $884.4 million shown as Other Long-Term Assets on the government-wide Statement of Net Assets is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $293.9 million and $54.7 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The $466.2 million of Other Long-Term Assets shown on the fund-level Balance Sheet – Governmental Funds is primarily related to loans issued by the Highway Users Tax Fund ($15.8 million), a major special revenue fund, and the Resource Extraction Fund ($427.2 million), a major special revenue fund. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest.

The $122.9 million shown as Other Long-term Assets on the Statement of Net Assets – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs.

Component Units

In 2010 the Colorado Water Resources and Power Development Authority purchased securities with Water Revenue Bonds Program 2010 Series A bond proceeds on behalf of a governmental agency that entered into a loan agreement with the Authority. The securities mature in conjunction with the borrower's projected construction cost schedule and the borrower retains the risk of loss related to the value of the securities. The securities are shown as *Securities Not Held for Investment* on the *Statement of Net Assets-Component Units* totaling $48.7 million; $7.9 million is short-term and $40.8 million is long-term.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2010-11 the State capitalized $35.0 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of $34.4 million, while most of the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2010-11.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 144,268	$ 3,235	$ -	$ (3,863)	$ 143,640
Land Improvements	9,638	-	-	(131)	9,507
Collections	8,955	21	-	-	8,976
Construction in Progress (CIP)	613,385	590,846	(450,705)	(15,244)	738,282
Infrastructure	860,978	-	19,562	-	880,540
Total Capital Assets Not Being Depreciated	1,637,224	594,102	(431,143)	(19,238)	1,780,945
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	103,582	1,398	-	(116)	104,864
Buildings	1,558,447	1,998	244,694	(1,888)	1,803,251
Software	173,396	14,033	18,102	3,950	209,481
Vehicles and Equipment	646,074	40,830	2,453	(42,643)	646,714
Library Materials and Collections	6,178	426	-	(168)	6,436
Other Capital Assets	34,707	3,089	-	-	37,796
Infrastructure	9,312,574	179	165,894	(13,006)	9,465,641
Total Capital Assets Being Depreciated	11,834,958	61,953	431,143	(53,871)	12,274,183
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(54,864)	(4,670)	-	71	(59,463)
Buildings	(641,020)	(41,289)	-	785	(681,524)
Software	(77,149)	(20,256)	-	(1,996)	(99,401)
Vehicles and Equipment	(388,023)	(46,465)	-	32,561	(401,927)
Library Materials and Collections	(4,028)	(398)	-	168	(4,258)
Other Capital Assets	(20,914)	(1,832)	-	-	(22,746)
Infrastructure	(959,044)	(717,342)	-	2,817	(1,673,569)
Total Accumulated Depreciation	(2,145,042)	(832,252)	-	34,406	(2,942,888)
Total Capital Assets Being Depreciated, net	9,689,916	(770,299)	431,143	(19,465)	9,331,295
TOTAL GOVERNMENTAL ACTIVITIES	11,327,140	(176,197)	-	(38,703)	11,112,240
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	341,863	26,180	-	(2,379)	365,664
Land Improvements	17,908	707	164	-	18,779
Collections	18,175	797	150	(6)	19,116
Construction in Progress (CIP)	829,076	592,178	(883,946)	(3,371)	533,937
Infrastructure	26	-	1,022	-	1,048
Total Capital Assets Not Being Depreciated	1,207,048	619,862	(882,610)	(5,756)	938,544
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	432,547	7,093	17,529	(21,771)	435,398
Buildings	5,048,924	50,636	837,018	9,937	5,946,515
Software	74,419	5,438	29,641	(653)	108,845
Vehicles and Equipment	815,294	80,617	(4,372)	(39,254)	852,285
Library Materials and Collections	471,228	19,293	-	(11,212)	479,309
Other Capital Assets	10,095	63	-	(29)	10,129
Infrastructure	20,911	1,368	2,794	-	25,073
Total Capital Assets Being Depreciated	6,873,418	164,508	882,610	(62,982)	7,857,554
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(195,854)	(18,279)	-	725	(213,408)
Buildings	(1,805,041)	(173,002)	-	8,709	(1,969,334)
Software	(30,402)	(14,745)	-	649	(44,498)
Vehicles and Equipment	(584,668)	(61,820)	-	33,904	(612,584)
Library Materials and Collections	(333,471)	(21,221)	-	11,212	(343,480)
Other Capital Assets	(441)	(157)	-	29	(569)
Infrastructure	(10,770)	(565)	-	-	(11,335)
Total Accumulated Depreciation	(2,960,647)	(289,789)	-	55,228	(3,195,208)
Total Capital Assets Being Depreciated, net	3,912,771	(125,281)	882,610	(7,754)	4,662,346
TOTAL BUSINESS-TYPE ACTIVITIES	5,119,819	494,581	-	(13,510)	5,600,890
TOTAL CAPITAL ASSETS, NET	$ 16,446,959	$ 318,384	$ -	$ (52,213)	$ 16,713,130

On the government-wide *Statement of Activities*, depreciation was charged to the functional programs and business-type activities as follows:

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 12,707
Business, Community, and Consumer Affairs	4,965
Education	1,917
Health and Rehabilitation	7,192
Justice	33,724
Natural Resources	6,689
Social Assistance	9,476
Transportation	738,622
Internal Service Funds (Charged to programs and BTAs based on useage)	16,960
Total Depreciation Expense Governmental Activities	832,252
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	281,241
State Lottery	795
Other Enterprise Funds	7,753
Total Depreciation Expense Business-Type Activities	289,789
Total Depreciation Expense Primary Government	$ 1,122,041

Component Units

At June 30, 2011, the University of Colorado Hospital Authority reported $29.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $679.6 million and equipment of $244.0 million. Accumulated depreciation related to these capital assets was $367.1 million resulting in net depreciable capital assets of $556.5 million.

In June 2009, the hospital initiated a strategic plan to implement a fully integrated electronic medical record system and to standardize its human resources and financial systems. The project plan has a revised budget of $42.0 million and a five-year time line. Costs incurred as of June 30, 2011, for the project approximated $32.3 million.

In January 2010, the Hospital began plans for a $393.0 million expansion to inpatient and emergency department services, and the construction of two parking structures. To date, the total spent on the expansion is $26.0 million with an expected occupancy date of March 2013.

The Colorado Water Resources and Power Development Authority reported capital assets of $47,703 net of accumulated depreciation of $86,814, at December 31, 2010.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $143.0 million, net of accumulated depreciation of $67.0 million, at December 31, 2010. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of $2.5 million, net of accumulated depreciation of $9.1 million, at June 30, 2011.

The University of Colorado Real Estate Foundation reported land, buildings and improvements, and furniture and equipment of $61.0 million net of accumulated depreciation of $10.8 million, at June 30, 2011.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees, excluding four-year college and university employees, participate in a defined benefit (DB) pension plan; however, all employees, with the exception of certain higher education employees, have the option of participating in a defined contribution (DC) plan instead (see Note 20). The DB plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). The State plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Info line at 1-800-759-7372, or by visiting http://www.copera.org.

<u>Administration of the Plan</u>

In 1931, State statute established PERA and the State Division Trust Fund; subsequent statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, the Denver Public Schools Division Trust Fund, and the Health Care Trust Funds. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which they last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 20C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional retirement plan.

Based on changes in the 2010 legislative session, slightly different plan requirements were in effect during part of Fiscal Year 2010-11. Requirements stated are as of June 30, 2011.

<u>Defined Retirement Benefits</u>

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 3 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

Members with five years of service credit as of January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS was calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current benefit increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009, and moved the payment date for all increases to July.

If PERA's overall funded status is at or above 103 percent, the annual increase cap of 2 percent will increase by 0.25 percentage points per year. If PERA's overall funded status reaches 103 percent then subsequently drops below 90 percent, the adjusted annual increase cap will decrease by 0.25 percentage points per year, but will never drop below 2 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. Retiring members who are age 65 and have less than five years of service credit and less than 60 payroll postings will receive a service retirement benefit under the money purchase formula only.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive employer matching contribution of one-half of their account balance measured at January 1, 2011. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent.

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

If a member has at least one year of earned service and dies before retirement, their qualified survivors are entitled to a single payment or monthly benefits depending on their status as defined in statute. The member's spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate. The earned service requirement is waived if a member's death is job-incurred.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 10.5 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 12.5 percent. Prior to July 1, 2010, the member and State Trooper and Colorado Bureau of Investigation officers rate was 8.0 and 10.5 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2010-11				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100
Fiscal Year 2009-10				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100
Fiscal Year 2008-09				
1-1-09 to 6-30-09	16.46	15.65	12.95	100
7-1-08 to 12-31-08	15.56	14.75	12.05	100

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of 0.4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points.

For State employers, each year's one half percentage point increase in the SAED will be deducted from the amount otherwise available to increase State employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. For the Judicial Division, the AED and SAED are frozen at the 2010 levels. At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

The preceding contribution table reflects the increase required by the AED/SAED legislation.

The Fiscal Year 2010-11 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2010, to December 31, 2010, 10.33 percent was allocated to the defined benefit plan, and
- From January 1, 2011, to June 30, 2011, 11.23 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the State Division of PERA had a funded ratio of 62.8 percent and a 47-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

The State made the following retirement contributions:

- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (*previously restated*)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million
- Fiscal Year 2001-02 - $135.8 million

These amounts do not include the Health Care Trust Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado is the majority, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2010	$452,821	18.93%	62%
2009 (restated)	$426,999	17.91%	69%
2008 (restated)	$437,537	18.45%	61%

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2010-11 and 2009-10, the Department of Local Affairs transferred $4.3 million and $4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. The transfers are not scheduled to resume until Fiscal Year 2011-12.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for State employees. The hospital made contributions of $86,000 to this plan in Fiscal Year 2010-11. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $20.1 million in Fiscal Year 2010-11 to this plan. The amount of the actuarially computed net periodic pension cost was $20.4 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.8 million as of June 30, 2011, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2010, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2008. The Authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development Authority, CoverColorado, and the Statewide Internet Portal Authority are covered under the State Division of PERA discussed above.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-2) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $24.3 million, $24.0 million, $24.6 million, $23.1 million, $24.4 million, and $20.6 million in Fiscal Years 2010-11, 2009-10, 2008-09, 2007-08, and 2006-07, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2010. As of December 31, 2010, there were 48,455 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

In the December 31, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and a four and one-half percent projection of salary increases, both assuming a three and three-quarter percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at three and one-half percent. There are no post-retirement benefit increases, and the UAAL is being amortized as a level dollar amount on an open basis over 30 years.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, dental and life insurance benefits for employees who retire from the University, as well as their spouses and dependents. The University's Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2010-11, the University contributed $13.0 million to the plan. Plan members contributed 0.2 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.8 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-Retirement Health Care & Life Insurance Benefits Plan:

(Amounts In Thousands)

Annual required contribution	$ 40,717
Interest on net OPEB obligation	3,563
Adjustment to annual required contribution	(4,861)
Annual OPEB cost (expense)	39,419
Contributions made	(13,041)
Increase in net OPEB obligation	26,378
Net OPEB obligation - beginning of year	33,022
Prior Period Adjustment (see Note 29)	46,163
Net OPEB obligation - end of year	$ 105,563

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2010-11 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 39,419	33.1%	$105,563

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $343.1 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $343.1 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1,023.5 million, and the ratio of UAAL to covered payroll was 33.5 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return and various rates ranging from five to nine percent for annual increase in medical claims. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the university and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical premiums of up to $317 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 555 S. Howes St., Fort Collins, CO 80523, or by going to: http://busfin.colostate.edu/finstmt.aspx.

The contribution requirements of all plan members and the university are established by the university's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the university in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2010-11, the university contributed $506,311 to the RMPR, $1,246,899 to the RMPS, $82,227 to the URX and $1,030,679 to the LTD. Plan members are not required to contribute to any of the four plans.

The university's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following tables show the components of the university's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the university's net OPEB obligations for all four plans:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2010-11	$ 2,482	20.4%	$ 7,207
RMPS	2010-11	$ 3,980	31.3%	$ 11,016
URX	2010-11	$ 189	43.5%	$ 341
LTD	2010-11	$ 1,177	87.6%	$ 635

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2010-11 were as follows:

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,447	$ 4,137
Interest on net OPEB obligation	211	331
Adjustment to annual required contribution	(176)	(488)
Annual OPEB cost (expense)	2,482	3,980
Contributions made	(506)	(1,247)
Increase in net OPEB obligation	1,976	2,733
Net OPEB obligation - beginning of year	5,231	8,283
Net OPEB obligation - end of year	$ 7,207	$ 11,016

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 194	$ 1,173
Interest on net OPEB obligation	11	20
Adjustment to annual required contribution	(16)	(16)
Annual OPEB cost (expense)	189	1,177
Contributions made	(82)	(1,031)
Increase in net OPEB obligation	107	146
Net OPEB obligation - beginning of year	234	489
Net OPEB obligation - end of year	$ 341	$ 635

As of the most recent actuarial valuation date of January 1, 2011, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $28.9 million, $53.2 million, $2.8 million, and $13.0 million respectively, resulting in unfunded actuarial accrued liabilities of $28.9 million, $53.2 million, $2.8 million and $13.0 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $248.2 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.65 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return and a three percent inflation adjustment. The RMPR plan also used a four percent salary increase assumption, while the RMPS, URX, and LTD plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement, not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-seven years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

The State provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life at no cost to the employee. Through the same company, the State also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

Employees of the Colorado Water Resources and Power Development Authority, CoverColorado, and the Statewide Internet Portal Authority are covered under the PERA Health Care Trust Fund discussed above.

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the State offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded plans were no longer offered, and the State and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the State returned to a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

Effective July 1, 2005, the State terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the State discontinued one of the self-funded medical plan options due to low enrollment. Effective July 1, 2010, the State began offering two state-wide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar years 2009 and 2010, PERA members are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. On December 31, 2010, the plan had net assets of $1,902.3 million and 73,860 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. For Fiscal Years 2010-11 and 2011-12 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2010, the plan had 3,479 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $100.4 million and $95.5 million during Fiscal Years 2010-11 and 2009-10, respectively. In addition, the State paid $80.9 million and $78.0 million in FICA and Medicare taxes on employee wages during Fiscal Years 2010-11 and 2009-10, respectively.

Component Units

Employees of the Colorado Water Resources and Power Development Authority and the Statewide Internet Portal Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the hospital to make matching contributions of $6.6 million in Fiscal Year 2010-11. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2010-11 48 faculty members participated in the program at a present value accrued cost of $9.0 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased property insurance, which includes flood and terrorism coverage. Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University (formerly Mesa State College), and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the short and long-term liabilities of the Risk Management Fund.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State uses the services of Pinnacol Assurance, a related organization, to administer its plan. The State reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $200,000 per individual. In Fiscal Year 2010-11, the State recovered approximately $7.0 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $10.5 million of insurance recoveries during Fiscal Year 2010-11. Of that amount approximately $2.1 million was related to asset impairments that occurred in prior years primarily at the Departments of Corrections and Transportation, in the General Purpose Revenue Fund and Highway Users Tax Fund, respectively. The remaining $8.4 million relates to the current year and was primarily recorded by Group Benefits Plans ($7.0 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education $0.8 million in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2010-11, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $200,000 per person and $10.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2010-11 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected $1,074,189 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2009 through 2011. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2010-11, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. The university is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims up to statutory limits.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $5.0 million and additional insurance purchased for claims up to $10.0 million per occurrence. The university is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The university has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($50,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $500,000 of employee fraud insurance ($1,000 deductible), $500.0 million of commercial property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2010-11	$22,938	$ 6,885	$ 5,090	$24,733
2009-10	17,703	9,941	4,706	22,938
2008-09	17,703	6,435	6,435	17,703
Workers' Compensation				
2010-11	100,787	44,977	35,442	110,322
2009-10	84,147	53,278	36,638	100,787
2008-09	83,203	37,147	36,203	84,147
Group Benefit Plans:				
2010-11	17,873	133,109	137,078	13,904
2009-10	16,621	143,098	141,846	17,873
2008-09	17,254	135,837	136,470	16,621
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2010-11	11,561	4,659	6,243	9,977
2009-10	11,663	5,905	6,007	11,561
2008-09	14,080	4,040	6,457	11,663
University of Colorado Denver:				
Medical Malpractice				
2010-11	4,589	1,864	1,327	5,126
2009-10	5,065	273	749	4,589
2008-09	4,175	2,830	1,940	5,065
Graduate Medical Education Health Benefits Program				
2010-11	1,321	6,319	6,349	1,291
2009-10	1,603	6,280	6,562	1,321
2008-09	1,257	8,693	8,347	1,603
Colorado State University:				
Medical, Dental, and Disability Benefits				
2010-11	21,766	34,865	29,618	27,013
2009-10	18,537	32,285	29,056	21,766
2008-09	17,798	28,919	28,180	18,537
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2010-11	25	92	96	21
2009-10	24	92	91	25
2008-09	75	15	66	24
Fort Lewis College:				
Workers' Compensation				
2010-11	288	124	97	315
Colorado Mesa University:				
Workers' Compensation				
2010-11	282	303	445	140

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust – the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits ($150,000 per individual and $600,000 per occurrence for claims arising within the State). The trust also provides coverage of $1.0 million for claims arising outside the State and contracts with a commercial insurance company for coverage to $6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2010-11, the hospital recorded premium and administrative expenses of $505,000. The trust had a fund balance of $1.1 million, which was net of approximately $5.1 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2011, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 56,875	$ 139,115
Business-Type Activities	5,130	44,369	24,484
Total	$ 5,865	$ 101,244	$ 163,599

At June 30, 2011, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 263	$ 575	$ 838
Business-Type Activities	-	10	10
Total	$ 263	$ 585	$ 848

During the year ended June 30, 2011, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 19	$ 19
Total	$ -	$ 19	$ 19

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2011, the total obligation for the space was $2.9 million, with an average annual lease payment of $136,086, and the total obligation for the vehicles and equipment was $4.1 million, with total annual lease payments of $1.7 million.

Colorado Mesa University has a lease-purchase agreement with the Colorado Mesa University Foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation $1.2 million under this agreement at June 30, 2011.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the college's main campus.

The Colorado Community College System made lease payments of $469,765 to the Colorado Community College System Foundation.

The State is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2010-11, the State recorded building and land rent of $50.2 million and $19.1 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $9.4 million and $31.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

The State recorded $3.3 million of lease interest costs in the governmental activities and $2.0 million in the business-type activities.

The State entered into approximately $5.9 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2011, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2012	$ 45,050	$ 19,098	$ 17,272	$ 7,057
2013	39,293	15,479	15,872	7,031
2014	33,856	13,713	14,214	6,305
2015	28,157	11,801	12,695	5,236
2016	20,056	11,085	10,577	4,812
2017 to 2021	46,350	18,150	37,514	16,434
2022 to 2026	158	3,954	21,794	11,865
2027 to 2031	116	1,875	9,701	6,123
2032 to 2036	124	830	1,740	793
2037 to 2041	126	645	-	-
2042 to 2046	136	645	-	-
2047 to 2051	61	193	-	-
Total Minimum Lease Payments	213,483	97,468	141,379	65,656
Less: Imputed Interest Costs			33,791	17,240
Present Value of Minimum Lease Payments	$ 213,483	$ 97,468	$ 107,588	$ 48,416

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.1 million for Fiscal Year 2010-11. Future minimum lease payments for these leases at June 30, 2011, are:

(Amounts in Thousands)

Fiscal Year	Amount
2012	$ 4,985
2013	3,389
2014	2,841
2015	2,598
2016	1,968
2017-2020	2,862
Total Minimum Obligations	$ 18,643

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2010 was $118,581. The total minimum rental commitment under this lease is $215,557 as of December 31, 2010.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $2.7 million at June 30, 2011. Total minimum lease payments including interest at June 30, 2011, were $3.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2011 was $156,071. The total minimum rental commitment under the leases was $0.5 million at June 30, 2011.

NOTE 23 – SHORT-TERM DEBT

On December 14, 2010**,** the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2010. The notes were due and payable on June 27, 2011, at a coupon rate of 2.0 percent. The total interest related to this issuance was $5.4 million, however, the notes were issued at a premium of $4.6 million resulting in net interest costs of $808,611 and a yield of 0.29 percent. The notes were issued for cash management purposes and were repaid before June 30, 2011, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On December 10, 2010, the State Treasurer issued $325.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2010B. The notes had a coupon rate of 2.0 percent, resulting in net interest costs of $601,361. The notes matured on June 30, 2011 and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2011:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ 515,000	325,000	$ (840,000)	-
Total Governmental Activities Short-Term Financing	515,000	825,000	(1,340,000)	-
Business Type Activities:				
Short-Term External Loans	40,000	-	(40,000)	-
Total Business Type Activities Short-Term Financing	40,000	-	(40,000)	-
Total Short-Term Financing	$ 555,000	$ 825,000	$ (1,380,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, the State Historical Society, the Judicial Branch, and the Departments of Corrections, Transportation, and Personnel & Administration have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

During Fiscal Year 2010-11 the State's governmental activities had $168.0 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $611.6 million of available net revenue after operating expenses to meet the $183.2 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 37.)

The State recorded $244.5 million of interest costs, of which, $90.1 million was recorded by governmental activities and $154.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $50.0 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $16.3 million of interest primarily on Certificates of Participation issued by the Judicial Branch. The business-type activities interest cost primarily comprises $119.1 million of interest on revenue bonds issued by institutions of higher education, and $16.0 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes, bonds, and COPs payable at June 30, 2011, are as follows:

(Amounts in Thousands)

	Governmental Activities					
Fiscal	Revenue Bonds		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 125,265	$ 42,725	$ 19,900	$ 39,803	$ 145,165	$ 82,528
2013	132,105	35,889	24,985	37,768	157,090	73,657
2014	140,545	27,446	25,360	36,853	165,905	64,299
2015	146,575	21,418	25,710	35,649	172,285	57,067
2016	156,565	11,426	33,190	42,345	189,755	53,771
2017 to 2021	127,185	3,180	125,076	152,251	252,261	155,431
2022 to 2026	-	-	183,120	126,399	183,120	126,399
2027 to 2031	-	-	256,965	91,760	256,965	91,760
2032 to 2036	-	-	65,590	57,096	65,590	57,096
2037 to 2041	-	-	74,225	33,181	74,225	33,181
2042 to 2046	-	-	55,440	7,588	55,440	7,588
2047 to 2051	-	-	-	-	-	-
Subtotals	828,240	142,084	889,561	660,693	1,717,801	802,777
Unamortized Prem/Discount	41,042	-	7,954	-	48,996	-
Accrued Capital Appreciation Certificates	-	-	117	-	117	-
Totals	$ 869,282	$ 142,084	$ 897,632	$ 660,693	$ 1,766,914	$ 802,777

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2012	$ 68,115	$ 136,195	$ 477	$ 147	$ 9,964	$ 21,028	$ 78,556	$ 157,370
2013	93,180	133,480	447	129	18,150	20,507	111,777	154,116
2014	76,475	130,284	463	110	18,954	19,715	95,892	150,109
2015	78,670	127,203	483	89	19,834	18,933	98,987	146,225
2016	79,620	123,780	506	65	20,749	18,035	100,875	141,880
2017 to 2021	432,935	564,390	1,098	69	119,895	73,760	553,928	638,219
2022 to 2026	507,950	457,202	60	8	138,715	39,356	646,725	496,566
2027 to 2031	527,140	322,780	-	-	84,960	8,603	612,100	331,383
2032 to 2036	502,195	183,449	-	-	-	-	502,195	183,449
2037 to 2041	324,995	64,553	-	-	-	-	324,995	64,553
2042 to 2046	24,475	3,463	-	-	-	-	24,475	3,463
Subtotals	2,715,750	2,246,779	3,534	617	431,221	219,937	3,150,505	2,467,333
Unamortized Prem/Discount	18,498	-	(31)	-	(684)	-	17,783	-
Unaccreted Interest	(14,592)	-	-	-	-	-	(14,592)	-
Totals	$ 2,719,656	$ 2,246,779	$ 3,503	$ 617	$ 430,537	$ 219,937	$ 3,153,696	$ 2,467,333

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs. See Note 28 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2011, Mine's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2012	$ 550	$ 365	$ 1,435	$ 2,350
2013	575	360	1,415	2,350
2014	600	355	1,395	2,350
2015	625	349	1,373	2,347
2016	625	344	1,352	2,321
2017 to 2021	3,350	1,627	6,396	11,373
2022 to 2026	4,800	1,453	5,711	11,964
2027 to 2031	11,250	1,100	4,323	16,673
2032 to 2036	14,100	508	1,996	16,604
2037 to 2041	6,035	27	105	6,167
Totals	$ 42,510	$ 6,488	$ 25,501	$ 74,499

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,487,565	$ -	$ 912,979	$ 2,400,544
Business Type Activities	3,221,796	6,552	457,759	$ 3,686,107
Total	$ 4,709,361	$ 6,552	$ 1,370,738	$ 6,086,651

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2010, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ 63,795	$ 51,898	$ 115,693
2012	60,025	49,542	109,567
2013	58,425	46,801	105,226
2014	59,275	44,165	103,440
2015	56,155	41,386	97,541
2016 to 2020	281,155	166,709	447,864
2021 to 2025	226,400	103,899	330,299
2026 to 2030	131,745	60,970	192,715
2031 to 2035	131,525	31,844	163,369
2036 to 2040	24,775	8,427	33,202
2041 to 2043	17,065	1,822	18,887
Total Future Payments	$ 1,110,340	$ 607,463	$ 1,717,803

The original principal amount for the outstanding bonds was $1,757.5 million. Total interest paid during 2010 amounted to $51.0 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds (except for the 1996 Series A bonds) are insured as to payment of principal and interest by Nation Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The 1996 Series A bonds as well as the Clean Water Revenue Bonds Series 1989A are insured by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, and 2005D, Series 2008A, Series 2009A, and Series 2010A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2010, it had $59.5 million of these bonds outstanding.

In May 2011, the University of Colorado Hospital Authority issued Series 2011A Revenue Bonds. The net proceeds of $200.0 million will be used to partially fund construction of a new inpatient tower on the Anschutz Medical Campus. The revenue bonds are variable rate, bear interest weekly, and pay principal according to a mandatory sinking fund schedule. The average interest rate in 2011 was 0.14%. To provide liquidity support for the Series 2011A the Authority entered into a letter of credit agreement with Wells Fargo Bank, which will expire May 2016 unless extended by the bank.

Also in May 2011, the hospital converted the replacement Standby Bond Purchase Agreement with Wells Fargo Bank to a letter of credit agreement with JP Morgan Chase to provide liquidity support for the Series 2004A Revenue Bonds. The letter of credit agreement expires May 2016 unless extended by the bank. As a result of the conversion, the hospital terminated the Assured Guaranty investment policy on the Series 2004A.

During Fiscal Year 2010-11, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2010-110 were $23.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2011, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	$ 13,295	$ 27,620	$ 40,915
2013	13,655	27,092	40,747
2014	12,748	26,596	39,344
2015	13,180	26,025	39,205
2016	13,450	25,464	38,914
2017 to 2021	77,330	117,319	194,649
2022 to 2026	97,450	97,119	194,569
2027 to 2031	123,800	70,767	194,567
2032 to 2036	149,485	45,078	194,563
2037 to 2040	175,365	19,202	194,567
2041 to 2042	38,480	436	38,916
Total Long-Term Debt Payments	728,238	$ 482,718	$ 1,210,956
Less: Unamortized Discount	(1,772)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,161)		
Series 2008 B Bonds	(7,414)		
Series 2009 A Bonds	(231)		
Total Carrying Amount of Long-Term Debt	$ 715,660		

In February 2011, the University of Colorado Foundation renewed a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. No amounts were outstanding at June 30, 2011.

In April 2009, the Denver Metropolitan Major League Baseball Stadium District entered into a five-year noninterest bearing Promissory Note for $2.4 million to acquire certain real and personal property relating to maintaining a view plane to preserve mountain views from Coors Field. The note is collateralized by the underlying property and related rentals under a Deed of Trust. The note may be prepaid in whole or in part at any time without penalty.

Metropolitan State College of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the College's Hotel and Hospitality Learning Center. The issuance comprised $49,640,000 of Taxable Revenue Bonds Series 2010A (Build America Bonds – Direct Payment), $4,500,000 Tax-Exempt Revenue Bonds Series 2010B, and $745,000 Taxable Revenue Bonds Series 2010C. The Series bonds have both serial and term components maturing between Fiscal Year 2015-16 and Fiscal Year 2042-43 and interest rates ranging from 2.0 percent to 6.5 percent.

The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ -	$ 1,613	$ 1,613
2012	-	3,226	3,226
2013	-	3,226	3,226
2014	410	3,226	3,636
2015	710	3,218	3,928
2016 to 2020	5,800	15,615	21,415
2021 to 2025	7,395	14,139	21,534
2026 to 2030	8,870	11,880	20,750
2031 to 2035	10,820	8,870	19,690
2036 to 2040	13,285	5,090	18,375
2041 to 2042	7,595	786	8,381
Total Future Payments	$ 54,885	$ 70,889	$ 125,774

The University of Colorado Real Estate Foundation (CUREF) entered into two mortgage notes payable, $10,687,500 and $5,081,690, with an annual interest rate of 6.6 and 6.37 percent, maturing in October and August 2016, respectively. Both notes are secured by the land and buildings held in the limited liability corporations, of which CUREF is the sole member. The foundation also maintains a $7,000,000 line of credit with the University of Colorado that matures on July 3, 2013, with a balance of $350,000 as of June 30, 2011, and carries an annual rate of 2.0 percent.

The University of Colorado Real Estate Foundation and Campus Village Apartments, LLC., of which CUREF is the sole member, entered into a lease vacancy and reimbursement agreement related to the repayment of loaned proceeds from the Colorado Educational Cultural Facilities Authority 2008 Student Housing Revenue Refunding Bonds in the amount of $54,055,000. The Series 2008 bonds are 30-year serial bonds maturing on June 1, 2038, with fixed interest rates ranging from 4.0 to 5.5 percent, and containing certain provisions for early redemption. The debt service requirements to maturity as of June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest Rate
2014	$ 20	4.00%
2015	105	4.25%
2016	195	4.38%
2017	295	4.50%
2018	400	4.50%
2019 to 2023	3,850	4.75% - 5.00%
2024 to 2028	9,335	5.38%
2029 to 2033	15,735	5.50%
2034 to 2038	24,120	5.50%
Total Principal Payments	$ 54,055	
Less: Unamortized Discount	(953)	
Total Carrying Amount of Long-Term Debt	$ 53,102	

Mandatory sinking fund requirements begin on June 1 in 2024, 2029, and 2034.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2010-11:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 2,575	$ 2	$ (1,425)	$ 1,152	$ 1,138
Accrued Compensated Absences	148,511	9,543	(11,174)	146,880	9,741
Claims and Judgments Payable	391,575	10,117	(17,048)	384,644	44,641
Capital Lease Obligations	97,130	22,414	(11,956)	107,588	12,872
Bonds Payable	992,436	4,820	(127,973)	869,283	125,265
Certificates of Participation	689,972	1,038,409	(830,750)	897,631	19,900
Other Long-Term Liabilities	402,599	75,268	(43,673)	434,194	-
Total Governmental Activities Long-Term Liabilities	2,724,798	1,160,573	(1,043,999)	2,841,372	213,557
Business-Type Activities					
Accrued Compensated Absences	209,330	25,988	(15,118)	220,200	14,579
Claims and Judgments Payable	29,461	7,196	(1,284)	35,373	-
Capital Lease Obligations	83,374	10,492	(45,450)	48,416	4,950
Derivative Instrument Liabilities	7,778	410	(2,006)	6,182	-
Bonds Payable	2,306,693	563,630	(108,157)	2,762,166	68,665
Certificates of Participation	432,699	125,358	(127,522)	430,535	9,964
Notes, Anticipation Warrants, Mortgages	3,925	70	(490)	3,505	477
Other Postemployment Benefits	47,259	94,877	(17,375)	124,761	18,885
Other Long-Term Liabilities	43,739	11,988	(4,697)	51,030	4,842
Total Business-Type Activities Long-Term Liabilities	3,164,258	840,009	(322,099)	3,682,168	122,362
Fiduciary Activities					
Deposits Held In Custody For Others	778,744	345,075	(17,207)	1,106,612	1,063,241
Accrued Compensated Absences	41	13	-	54	-
Other Long-Term Liabilities	7,846	1,626	(89)	9,383	-
Total Fiduciary Activities Long-Term Liabilities	786,631	346,714	(17,296)	1,116,049	1,063,241
Total Primary Government Long-Term Liabilities	$ 6,675,687	$2,347,296	$ (1,383,394)	$ 7,639,589	$ 1,399,160

Accrued compensated absences liabilities of both the governmental activities and the business-type activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Derivative Instrument Liabilities, Claims and Judgments Payable in business-type activities, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities. For Fiscal Year 2010-11, the current portion of Other Postemployment Benefits is being reported as Other Current Liabilities on the Statement of Net Assets.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds, which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2011, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $434.2 million shown for governmental activities primarily comprises:

- $269.0 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $148.0 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $17.0 million of unclaimed property liabilities to claimants.

The $46.2 million (including $2.4 million Due to Component Units) shown for business-type activities primarily comprises:

- $25.7 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $23.7 million (including $18.9 million of current Other Postemployment Benefits) will be paid within one year and is reported as an Other Current Liability.
- $18.0 million of deferred revenue that the State does not expect to recognize within the following year. The most significant balances relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($7.6 million and $3.2 million, respectively) and a ground lease at the University of Northern Colorado ($2.1 million).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 527,132	$ 202,119	$ (13,591)	$ 715,660	$ 13,295
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 974,593	$ 145,195	$ (72,777)	$ 1,047,011	$ 63,795
Other Long-Term Liabilities	$ 126,383	$ 196,559	$ (132,914)	$ 190,028	$ 109,211

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water operations and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a minor pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation. After termination of the charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2011, the foundation held $61.9 million of split interest agreement investments with $22.0 million of related liabilities and reported $3.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2011, the University of Colorado Foundation held $247.1 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Assets – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2011, total life income agreement assets of CSUF were $747,310. Life income agreements payable at the same date totaled $885,499. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

At June 30, 2011, the foundation held $12.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2011, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.6 million; related liabilities of $10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Assets – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.1 million mentioned above and total $4.8 million. At June 30, 2011, CSMF reported $15.4 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2010-11, debt was defeased only in business-type activities.

At June 30, 2011, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 210,955
Department of Treasury	26,335
Department of Corrections	18,100
Business-Type Activities:	
University of Colorado	201,410
Mesa State College	28,445
Colorado School of Mines	23,800
Community College System	5,920
Colorado State University	9,595
Western State College	8,395
Adams State College	8,430
Total	$ 541,385

The Board of Regents of the University of Colorado issued $19,060,000 of its Enterprise Refunding Revenue Bonds, Series 2010B to partially defease $18,785,000 of its Enterprise Revenue Bonds, Series 2002A and 2003A. The defeased debt had an interest rate of 5.0 percent, and the new debt has an interest rate of 2.47 percent. The remaining term of the debt varies, and the estimated debt service cash flows decreased by $949,126. The defeasance resulted in an economic gain of $838,666 and a book loss of $2,179,768 that will be amortized as an adjustment of interest expense over the remaining ten years of the new debt.

The Colorado School of Mines issued $42,860,000 of its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2010A to fully defease its Variable Rate Demand Institutional Enterprise Refunding Revenue Bonds, Series 2008A. Both the defeased debt and the new debt had a variable interest rate equal to 67 percent of LIBOR. The remaining term of the debt was 28 years, and the estimated debt service cash flows decreased by $5,157,053. The defeasance did not result in an economic gain or loss, but produced a book loss of $11,633,538 that will be amortized as an adjustment of interest expense over the remaining years of the new debt. The book loss includes $8.2 million related to an ongoing interest rate swap hedge derivative that is deemed terminated for accounting and reporting purposes.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Assets*

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2011 was $152.5 million ($3.8 million of which was a current liability). Superfund sites account for approximately $150.6 million of the State's total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, ground water contamination, and underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $68.0 million related to the operation of a water treatment plant. Currently the department shares the cost of operating the water treatment plant, construction of a new treatment plant in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Estimated construction costs are based on engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. As of June 30, 2011, the State has received $11.0 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $51.1 million related to a number of inactive precious metal mines that have caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.9 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $17.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2015 to 2017. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2028, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds with the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Assets*, and accordingly, the State recognized a Deferred Inflow of Resources of $2.0 million as of June 30, 2011.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $42.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London InterBank Offering Rate (payable by Morgan Stanley), which was 0.18 percent at June 30, 2011. Cash flows between the parties are settled on the net difference. The market value as of June 30, 2011 was $6.2 million as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Assets.*

There are inherent risks associated with interest rate swaps that the Colorado School of Mines monitors and addresses including:

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School. An unanticipated termination and related payment could occur due to management decision to terminate, a counterparty default, or a decrease in the School's credit rating.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the Swap Agreement counterparty's credit quality rating and whether the counterparty can withstand continuing credit market stress. The School does not consider this a significant risk.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices, including, but not limited to, the Securities Industry and Financial Markets Association or the London Interbank Offered Rate.

NOTES 29 Through 32 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Adjustments that are due to corrections of errors or statutory changes are presented in the table below as Prior Period Adjustments. Beginning balances adjusted for accounting changes required by Governmental Accounting Standards Board Statement No. 54 are presented in Section B of this note.

A. PRIOR PERIOD ADJUSTMENTS

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $14,971,609 due to the following adjustments:

- An increase of $32,244,111, when the Department of Transportation identified that construction in progress related to roadway and bridge projects in prior years had not been recorded correctly. This adjustment appears only on the government-wide *Statement of Activities* because the related assets are not reported in the fund level statements.
- A decrease of $3,555,667, when the Department of Health Care Policy and Financing corrected an error in calculating the federal share of amounts recovered to be returned to the federal government since Fiscal Year 2008-09. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balance*.
- A decrease of $428,835, when the Department of Personnel & Administration reduced the beginning fund balance of the Worker's Compensation Risk Management Fund, a Special Purpose General Fund, by $282,037 and $146,798 when it paid Colorado Mesa University and Fort Lewis College respectively, to assume responsibility for claims that would have otherwise been current liabilities of the fund in Fiscal Year 2010-11. These transactions had no effect on the Higher Education Institutions enterprise fund because these institutions received cash equivalent to the newly assumed current liability.
- A decrease of $13,288,000 when the Department of Public Health and Environment identified that expenditures related to pollution remediation obligations for Fiscal Year 2009-10 were erroneously not recorded until Fiscal Year 2010-11. This adjustment appears only on the government-wide *Statement of Activities* because the related liabilities are not reported in the funds.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* decreased by $46,850,329 due to the following adjustments:

- A decrease of $46,163,000, due to an erroneous actuarial valuation for the University of Colorado's post employment benefit plan. It was determined that the healthcare trend rate had been developed but had not been utilized in the calculation of the actuarial accrued liability. The correction of this error also reduced the beginning net assets on the fund-level Statement of Net Assets – Proprietary Funds.
- A decrease of $687,329 in CollegeInvest, a nonmajor enterprise fund, related to CollegeInvest's failure to record their amortized discount income for the Prepaid Tuition Fund at the cost amount in prior years. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Funds.*

Additional changes on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds that did not affect the *Statement of Activities* are as follows:

- The beginning fund balance of the General Purpose Revenue Fund increased by $12,158,021 due to the accrual of the cash funded revenue portion of Medicaid costs that had not been recorded in the prior year by the Department of Health Care Policy and Financing. This correction also decreased the beginning fund balance in the Tobacco Impact Mitigation Fund and the Environment and Health Protection Fund, both nonmajor special revenue funds, in the amounts of $11,607,443 and $550,578, respectively.
- The beginning fund balance of the Capital Projects Fund, a major governmental fund, increased by $6,730. The decrease is related to legislation enacted in Fiscal Year 2009-10 which transferred the fund balance between the Capital Projects Fund and other nonmajor special revenue funds. The beginning fund balances on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in the Gaming Fund, a nonmajor special revenue fund, decreased by $1,474,551 and Other Special Revenue Funds increased in the amount of $1,467,821.
- The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue fund, increased due to the elimination of a liability of $210,000 by the Department of Public Health and Environment, to correct an error in a pollution remediation obligation recorded in a prior year.
- The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue

fund, increased by $504,958. This increase is due to transfer of the Waste Tire Program from the Department of Local Affairs to the Department of Public Health and Environment. This activity also decreases by the same amount the beginning fund balance of Other Special Revenue Funds.

- The beginning fund balance of the Other Special Purpose Fund, a component of the Special Purpose General Funds, decreased by $220,000 when the Department of Public Health and Environment transferred the fund balance of the Advance Technology Fund, to the Process and End Users Waste Tire Fund, a nonmajor Other Special Revenue fund. This transaction also increased the beginning fund balance on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in Other Special Revenue Funds in the same amount.

Additional changes on the *Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds* that did not affect the *Statement of Fiduciary Net Assets* are as follows:

- The beginning asset balance and the beginning liabilities balance for Other Agency Funds decreased by $283,454,328. This is due to the identification of an agency fund with Treasury activity that had previously been included in the Other Agency Fund category. This adjustment appropriately reflects the activity and increases the beginning asset and the beginning liabilities balance of the Department of Treasury agency funds in the same amount.

Amounts shown in this note are actual balances and do not agree to the amounts shown on the financial statements due to rounding on the statements.

B. ACCOUNTING CHANGES

Accounting changes due to fund category reclassifications required by Governmental Accounting Standards Board Statement No. 54 are summarized in the table below. The accounting change in the Internal Service Funds also requires an adjustment of $99,039 to the Other Enterprises Funds on the *Statement of Cash Flows - Proprietary Funds.*

	Major Governmental Funds				
	General	State Public School	Capital Projects	Water Projects	Labor
BEGINNING FUND BALANCE	$ 15,784	$ 32,675	$ 385,059	$ 348,910	$ 193,556
GASB 54 FUND RECLASSIFICATION ADJUSTMENTS					
MAJOR FUNDS:					
General to General - Risk Management[1]	-	-	-	-	-
Resource Management to General - Other Special Purpose	24,505	-	-	-	-
Environment and Health Protection to General - Other Special Purpose	56	-	-	-	-
Other Special Revenue to General - Other Special Purpose	27,289	-	-	-	-
Public School Buildings to General - Other Special Purpose	209,174	-	-	-	-
State Public School to General - State Public School	32,675	(32,675)	-	-	-
Resource Management to Resource Extraction	-	-	-	-	-
Other Special Revenue to Resource Extraction	-	-	-	-	-
Regular Capital Projects to Special Capital Projects[2]	-	-	-	-	-
Water Projects to Resource Extraction	-	-	-	(348,910)	-
NONMAJOR FUNDS:					
Other Special Revenue to Labor	-	-	-	-	5,492
Other Special Revenue to Gaming	-	-	-	-	-
Other Special Revenue to Tobacco Impact Mitigation	-	-	-	-	-
Tobacco Impact Mitigation to Other Special Revenue	-	-	-	-	-
Environment and Health Protection to Tobacco Impact Mitigation	-	-	-	-	-
Resource Extraction to State Lands Trust - Expendable	-	-	-	-	-
Other Special Revenue to Unclaimed Property	-	-	-	-	-
Other Special Revenue to State Lands Trust	-	-	-	-	-
Other Special Revenue to Other Internal Service Activities	-	-	-	-	-
TOTAL GASB 54 FUND RECLASSIFICATION ADJUSTMENTS	$ 293,699	(32,675)	-	(348,910)	5,492
BEGINNING FUND BALANCE, RESTATED	$ 309,483	-	385,059	-	199,048

[1] - $23,589 million was reclassified from the General Fund - General Purpose Revenues to the General Fund - Risk Management. This amount is shown as both a decrease and an increase to the General Fund column, which nets to zero.

[2] - $323,428 million was reclassified from the Regular Capital Projects Fund to the Special Capital Projects Fund. This amount is shown as both a decrease and an increase to the Capital Projects Fund column, which nets to zero.

(Amounts in Thousands)

Nonmajor Governmental Funds									Proprietary Funds
Gaming	Tobacco Impact Mitigation	Resource Extraction	Resource Management	Environment and Health Protection	Public School Buildings	Unclaimed Property	Other Special Revenue	State Lands Trust	Other Internal Service Activities
$ 92,231	$ 178,040	$ 519,520	$ 49,492	$ 110,757	$ 209,174	$ 119,627	$ 305,977	$ 665,995	$ 339
-	-	-	-	-	-	-	-	-	-
-	-	-	(24,505)	-	-	-	-	-	-
-	-	-	-	(56)	-	-	-	-	-
-	-	-	-	-	-	-	(27,289)	-	-
-	-	-	-	-	(209,174)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	6,983	(6,983)	-	-	-	-	-	-
-	-	34,980	-	-	-	-	(34,980)	-	-
-	-	-	-	-	-	-	-	-	-
-	-	348,910	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(5,492)	-	-
29,910	-	-	-	-	-	-	(29,910)	-	-
-	240	-	-	-	-	-	(240)	-	-
-	(193)	-	-	-	-	-	193	-	-
-	949	-	-	(949)	-	-	-	-	-
-	-	(84)	-	-	-	-	-	84	-
-	-	-	-	-	-	1,161	(1,161)	-	-
-	-	-	-	-	-	-	(1,655)	1,655	-
-	-	-	-	-	-	-	(91)	-	91
29,910	996	390,789	(31,488)	(1,005)	(209,174)	1,161	(100,625)	1,739	91
122,141	179,036	910,309	18,004	109,752	-	120,788	205,352	667,734	430

NOTE 30 – FUND EQUITY

On the *Balance Sheet – Governmental Funds*, the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 284,056	$ 32,437	$ 109
Business, Community and Consumer Affairs	-	1,114	-
Education	223,389	1,682	-
Health and Rehabilitation	-	4,225	-
Justice	10,282	-	-
Natural Resources	25,270	-	-
TOTAL	$ 542,997	$ 39,458	$ 109
RESOURCE EXTRACTION:			
General Government	$ -	$ 329,193	$ -
Business, Community and Consumer Affairs	-	83,547	-
Education	-	15,649	-
Natural Resources	13,792	407,983	-
TOTAL	$ 13,792	$ 836,372	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,920	$ 5,684	$ -
Health and Rehabilitation	-	1,307	-
Justice	-	68	-
Transportation	1,151,869	25,720	-
TOTAL	$ 1,160,789	$ 32,779	$ -
CAPITAL PROJECTS:			
General Government	$ 2,042	$ 31,026	$ -
Education	22,129	2,855	-
Justice	161,192	-	-
TOTAL	$ 185,363	$ 33,881	$ -
STATE EDUCATION:			
Education	$ 365,801	$ -	$ -
TOTAL	$ 365,801	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 35,421	$ 206,342	$ -
Business, Community and Consumer Affairs	104,644	131,229	-
Education	63,855	52,686	-
Health and Rehabilitation	7,692	86,500	-
Justice	9,645	109,122	-
Natural Resources	6,371	22,118	-
Social Assistance	-	49,746	-
Transportation	34,715	-	-
TOTAL	$ 262,343	$ 657,743	$ -

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature historically takes action to use the reserve and for Fiscal Year 2010-11 the legislature acted to set the reserve at 2.3 percent of General Purpose Revenue Fund appropriations, thereby allowing the appropriation of 1.7 percent of the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2011, there were no reserves on a GAAP basis; however, on a legal budgetary basis the reserve contained reserves at the 2.3 percent level of $156.6 million. See further detail regarding GAAP versus budget in Note 6I.

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2010-11 the reserve was $5.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

The Department of Local Affairs Impact Advisory Committee recommended that the DOLA Executive Director reserve $3.0 million in both the Severance Tax Fund and the Federal Mineral Lease Fund to meet local community emergencies, such as failure of a water system. The Department adopted a formal policy that governs the use of these reserves. The minimum balance is reported as Committed in the Resource Extraction Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2011, were:
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SELLER'S / LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:					
General Fund					
General Purpose	$ 190	$ -	$ 4,568	$ 1	$ -
Special Purpose	68,135	-	-	-	-
Resource Extraction	1,213	-	-	112	-
Highway Users	143	-	-	145	-
Capital Projects					
Regular Capital Projects	-	-	-	-	-
State Education	221,372	-	-	-	-
Higher Education Institutions	3,275	895	251	-	31
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor	158	-	-	-	-
Tobacco Impact Mitigation	-	-	-	-	-
Resource Management	-	-	-	-	-
Environment and Health Protection	59	-	31	-	-
Other Special Revenue	61	-	-	-	-
PERMANENT FUNDS:					
State Lands Trust Expendable	-	-	-	-	-
ENTERPRISE FUNDS:					
CollegeInvest	24	-	-	-	-
Wildlife	-	-	-	-	-
Correctional Industries	-	-	-	-	-
State Nursing Homes	1,414	-	-	-	-
INTERNAL SERVICE FUNDS:					
Central Services	-	-	-	-	-
Information Technology	1,988	-	-	315	-
Capitol Complex	15	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	19,792	-	4	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 317,839	$ 895	$ 4,854	$ 573	$ 31

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	Unemployment Insurance	State Lottery	All Other Funds	Total
$ 468	$ 1,720	$ 9	$ 32,968	$ 39,924
-	-	13,469	3,478	85,082
-	-	-	-	1,325
-	-	-	-	288
13,711	-	-	-	13,711
-	-	-	-	221,372
-	-	-	5,333	9,785
-	-	-	-	158
-	-	-	3,864	3,864
-	-	-	124	124
-	-	-	-	90
1	-	-	1,548	1,610
-	-	-	3,478	3,478
-	-	-	-	24
-	-	-	62	62
2,956	-	-	-	2,956
-	-	-	-	1,414
5	-	-	-	5
-	-	-	-	2,303
-	-	-	-	15
974	-	-	-	20,770
-	-	-	4,766	4,766
-	-	12,144	-	12,144
$ 18,115	$ 1,720	$ 25,622	$ 55,621	$ 425,270

Except for the transfer of excess General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Special Purpose General Fund receivable of $68.1 million includes $67.5 million for the Public School Fund (Special Purpose General Fund) payable from the General Purpose Revenue Fund. This is a portion of the excess General Fund Surplus transfer for Fiscal Year 2010-11 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Comprehensive Annual Financial Report. The State Education Fund receivable of $221.4 million represents the remainder of the General Fund Surplus transfer referenced in the preceding paragraph, also payable from the General Purpose Revenue Fund.

The Group Benefits Plan Fund receivable of $19.8 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of $13.7 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of $13.5 million was recorded by the Conservation Trust Fund (a Special Purpose General Fund) and the Other Fiduciary Fund receivable of $12.1 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. Both of these are statutory distributions of the Lottery net profits.

The General Purpose Revenue Fund receivable of $33.0 million from All Other Funds includes $20.4 million of receivables from the Limited Gaming Fund and $9.4 million from various cash funds to support incurred Medicaid expenditures.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2011, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund			
General Purpose	$ 2,885,606	$ -	$ -
Special Purpose	53,995	-	-
Resource Extraction	189,499	-	-
Highway Users Tax	58,114	-	-
Capital Projects			
Regular Capital Projects	-	-	500
Special Capital Projects	81	-	-
State Education	1,192	-	-
Higher Education Institutions	7,601	-	-
Unemployment	2,205	-	-
Lottery	56,615	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	38,610	-	-
Gaming	23,926	-	-
Tobacco Impact Mitigation	201,511	-	-
Resource Management	20,760	2	-
Environment and Health Protection	472,375	-	-
Unclaimed Property	2,031	-	-
Other Special Revenue	70,180	-	-
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	137,852	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	15,494	-	-
Wildlife	7,268	296	-
College Assist	115	-	-
State Fair	143	-	-
Correctional Industries	330	-	-
State Nursing Homes	1,765	-	-
Prison Canteens	50	-	-
Petroleum Storage	905	-	-
Transportation Enterprise	-	-	905
Other Enterprise	240	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,567	-	-
Information Technology	1,193	-	-
Telecommunications	363	-	-
Capitol Complex	879	-	-
Public Safety	16	-	-
Administrative Courts	258	-	-
Other Internal Service	343	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	250	-	-
Other Fiduciary	92	-	-
TOTAL	$ 4,253,424	$ 298	$ 1,405

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 11,985	$ 221,372	$ 135,446	$ 21,281	$ 3,275,690
6,193	42	-	5,943	66,173
723	-	12,386	6,451	209,059
2,185	-	-	169,841	230,140
2,870	-	10,093	8,048	21,511
7,293	-	-	21,073	28,447
-	-	5,503	-	6,695
-	-	-	-	7,601
-	-	-	-	2,205
-	-	-	1,256	57,871
1,578	-	-	-	40,188
6,623	-	5,582	3,317	39,448
9,896	-	15,674	2,510	229,591
4,913	-	-	76	25,751
-	-	-	6,117	478,492
-	-	-	-	2,031
713	68	-	219	71,180
1,797	-	792	498	3,087
406	-	103	11	138,372
-	-	-	15	15
-	-	-	-	15,494
-	-	-	225	7,789
-	-	-	-	115
-	-	-	-	143
-	-	-	-	330
-	-	-	-	1,765
1,897	-	-	-	1,947
-	-	-	-	905
-	-	-	-	905
-	-	-	-	240
-	-	-	-	1,567
-	-	-	-	1,193
-	-	-	4,406	4,769
-	-	-	457	1,336
-	-	-	-	16
-	-	-	-	258
-	-	-	-	343
-	-	-	-	250
-	-	-	-	92
$ 59,072	$ 221,482	$ 185,579	$ 251,744	$ 4,973,004

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of $2,797.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of $135.4 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling $158.1 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- $70.0 million from the Severance Tax Fund
- $16.0 million from the Base Account of the Severance Tax Trust Fund
- $15.0 million from the Mineral Leasing Fund
- $7.0 million from the Higher Education Federal Mineral Lease Revenues Fund

Tobacco Mitigation Impact (nonmajor special revenue fund)

- $6.7 million from the Short-Term Innovative Heath Program Grant Fund

Labor (nonmajor special revenue fund)

- $10.0 million from the Major Medical Fund

Nonmajor special revenue funds

- $33.4 million from 23 funds where individual transfer amounts did not exceed $5.0 million

During the 2011 legislative session Senate Bill 11-230 was enacted to provide for the distribution of General Fund Surplus. Of the General Fund Surplus of $288.9 million, $67.5 million was transferred to the Public School Fund, a Special Purpose General Fund, and $221.4 million was transferred to the State Education Fund, a major Governmental Fund.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Transfers-out from the special-purpose funds within the General Fund primarily comprise $43.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $47.4 million transferred to the Department of Revenue and $6.7 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $45.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $25.3 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $173.9 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $65.0 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $461.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($424.2 million) and the Medicaid Nursing Facility Cash Fund ($30.8 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $61.3 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes $137.5 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following:

Fort Lewis State College sold 357 acres of land to the City of Durango for $1,650,000 less closing costs. The net proceeds of $1,492,813 were deposited in a quasi-endowment. The event was considered a special item because it was within the control of management and infrequent in occurrence.

NOTE 36 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of $8.4 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported $12,204 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The President of the university authorizes the expenditure of investment income from endowment earnings, and the university's Board of Governors is notified of those expenditures.

Colorado State University reported $1.56 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported $297,272 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.*

NOTE 37 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2010-11, the following pledges were in place:

The Department of Transportation pledged $168.0 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 14.4 percent of the total revenue stream, and $970.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $74.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $716.4 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $628.3 million. Individually significant Higher Education Institution pledges include:

- $273.6 million pledged by the University of Colorado to secure $87.0 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 50.4 percent of the revenue stream, and $1.78 billion of the pledge (principal and interest) remains outstanding.

- $185.3 million pledged by Colorado State University to secure $25.7 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 100 percent of the total revenue stream, and $800.4 million of the pledge (principal and interest) remains outstanding.

- $35.1 million pledged by the Colorado School of Mines to secure $19.6 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 1998-99 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents approximately 87.4 percent of the total revenue stream, and $340.6 million of the pledge (principal and interest) remains outstanding.

- $24.3 million pledged by Metropolitan State College of Denver to secure $3.6 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $131.4 million of the pledge (principal and interest) remains outstanding.

- $15.9 million pledged by Colorado Mesa University to secure $6.5 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 52.8 percent of the revenue stream, and $286.3 million of the pledge (principal and interest) remains outstanding.

- $15.1 million pledged by the Auraria Higher Education Center to secure $5.5 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and $90.7 million of the pledge (principal and interest) remains outstanding.

- $23.8 million pledged by the University of Northern Colorado to secure $9.3 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.1 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $235.7 million of the pledge (principal and interest) remains outstanding.

- $7.7 million pledged by Colorado State University – Pueblo to secure $3.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2038-39. The pledged revenue represents 47.2 percent of the revenue stream, and $129.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements Principal	Interest	Total
Department of Transportation	$ 1,162,586	$ (994,596)	$ 167,990	$ 119,385	$ 48,605	$ 167,990
Higher Education Institutions	1,025,079	(487,781)	537,298	64,345	110,488	174,833
Statewide Bridge Enterprise	74,280	-	74,280	-	8,408	8,408
	$ 2,261,945	$ (1,482,377)	$ 779,568	$ 183,730	$ 167,501	$ 351,231

NOTE 38 – SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for- profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 129,866	$ 9,058	$ 10,671
Other Assets	82,211	7,188	362
Capital Assets	45,207	35,127	30,839
Total Assets	257,284	51,373	41,872
LIABILITIES:			
Current Liabilities	30,281	3,781	4,549
Noncurrent Liabilities	16,886	30,147	28,111
Total Liabilities	47,167	33,928	32,660
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	27,579	2,214	1,672
Other Restricted Net Assets	-	6,621	401
Unrestricted	182,538	8,610	7,139
Total Net Assets	$ 210,117	$ 17,445	$ 9,212

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,902
Sales of Goods and Services	415,591	8,904	23,792
Other	-	-	58
Total Operating Revenues	415,591	8,904	29,752
OPERATING EXPENSES:			
Depreciation	2,912	1,732	2,040
Other	398,367	4,380	23,583
Total Operating Expenses	401,279	6,112	25,623
OPERATING INCOME (LOSS)	14,312	2,792	4,129
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,979	304	124
Other Nonoperating Revenues	1,542	-	-
Debt Service	(443)	(1,662)	(1,311)
Other Nonoperating Expenses	(8,613)	-	-
Total Nonoperating Revenues(Expenses)	(2,535)	(1,358)	(1,187)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	(723)	(3,079)
Total Contributions, Transfers, and Other	-	(723)	(3,079)
CHANGE IN NET ASSETS	11,777	711	(137)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	198,340	16,734	9,349
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 210,117	$ 17,445	$ 9,212

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 19,058	$ 3,807	$ 7,031
Noncapital Financing Activities	(8,613)	(2,625)	(2,943)
Capital and Related Financing Activities	(12,647)	1,278	(3,041)
Investing Activities	22,471	-	685
NET INCREASE (DECR.) IN CASH AND POOLED CASH	20,269	2,460	1,732
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	46,171	6,419	5,542
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 66,440	$ 8,879	$ 7,274

NOTE 39 – COMPONENT UNITS

The State reports fourteen component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital's mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State $6.9 million during 2010 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2010-11, it received $5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed $98.4 million of gifts and income to or for the benefit of the University of Colorado.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2010-11, the foundation transferred $23.8 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from exempt contributions and investment income. During Fiscal Year 2010-11, the foundation granted $4.5 million to the university.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist until December 31, 2013.

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately $19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately $1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

The Renewable Energy Authority was created during the 2006 legislative session to direct the allocation of State matching funds for energy-related research funding from federal agencies and other public and private entities. The allocation of moneys is directed by the Renewable Energy Collaboratory which comprises the U.S. Department of Energy's National Renewable Energy Laboratory, the Colorado School of Mines, Colorado State University, and the University of Colorado.

The enabling legislation allocated the authority $2.0 million in each of Fiscal Years 2006-07 through 2008-09 for this purpose. Due to the economic downturn however, only $1.2 million was appropriated in 2009. The authority has provided a total of $3.5 million in matching funds to the research centers as of December 31, 2010. The authority has until 2012 to demonstrate that at least $6 million in grants and contracts for renewable energy research in Colorado has been secured through the availability of the matching funds.

The Higher Education Competitive Research Authority was created during the 2007 legislative session to provide matching funds for inclusion in grant proposals made by institutions of higher education for federally sponsored research projects. The authority received all of its funding for Fiscal Year 2010-11 through an appropriation to the Department of Higher Education. As of June 30, 2011, the authority has made commitments to provide matching funds for eleven research proposals, six of which, totaling $6.4 million, are currently funded.

The Statewide Internet Portal Authority was formed in the 2004 legislative session to provide a single point of access to electronic government information. The authority has partnered with Colorado Interactive, a subsidiary of NIC, Inc., to design, implement, and maintain a statewide portal to provide an alternate way to transact business with State and local governments. The agreement with Colorado Interactive provides for fees and charges assessed to the users of the portal to be passed on to the participating governmental agencies, as well as a base fee and percentage of revenue to fund the authority's operations. The agreement expires May 2014. In 2010 the authority entered into a five-year agreement with Tempus Nova, Inc. to provide certain Google applications and licenses to its participating governments on a cost reimbursement basis, as well beginning to license software as a service. For the fiscal year ended June 30, 2011, the authority recognized $2.7 million in fee revenue.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college's Hospitality, Tourism, and Events department. The construction is being financed though $54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college's unconditional guarantee. The hotel is expected to open in August 2012.

The University of Colorado Real Estate Foundation (CUREF), a non-for-profit tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Service Code, was incorporated in 2002 as a nonprofit corporation to receive, hold, invest, and administer real and personal property, borrow money, and make expenditures to, or for the benefit, of the University of Colorado. CUREF carries out its real estate investing activities though direct ownership, management, and operation of certain real estate and through participation with other investors. As of June 30, 2011, CUREF was the sole member of six limited liability corporations with various interests in land, real estate LLCs, student housing, and office and industrial buildings.

NOTE 40 – RELATED PARTIES AND ORGANIZATIONS

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $1.4 million to the university during Fiscal Year 2010-11, owed the university $1.0 million, and was due $50,000 from the university at June 30, 2011.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided $1.0 million in scholarships and grants during Fiscal Year 2010-11.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2010-11, the foundation awarded $511,010 of scholarships directly to Colorado Mesa University students, provided approximately $2.2 million in property. The university has a lease-purchase agreement with the foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation $1.2 million under this agreement at June 30, 2011.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.3 million of funding to the college in Fiscal Year 2010-11. The foundation also reimbursed the college $218,376 for services provided by college employees in Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college $392,651. As of this date, the college also had payables to the foundation of $36,378.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $3.3 million to the college in Fiscal Year 2010-11.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Northeastern Junior College and Colorado Northwestern Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Northeastern Junior College Foundation provided support to Northeastern Junior College in the amount of $1.0 million for scholarships, grants, construction, and administrative costs. The Colorado Northwestern Community College Foundation provided support to Colorado Northwestern Community College in the amount of $1.6 million for scholarships, instruction, athletics, administration, fund raising, and construction.

The University of Colorado Foundation is the sole member of CUF Boulder I, LLC and CUF Boulder II, LLC (the LLCs). The LLCs were formed in September 2009 for the purposes of purchasing specific buildings near the University of Colorado at Boulder. In September 2010, the University of Colorado Boulder purchased the assets of CUF Boulder I, LLC. At June 30, 2011 $22.3 million of net property investments were held by CUF Boulder II.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the university equal to its net available cash flow as defined in a ground lease with the university that terminates in 2047. Title to the student housing facility transfers to the university at the end of the ground lease or upon earlier retirement of the bond issue. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility, however the university has guaranteed payment on these bonds. The bonds include provisions whereby the guarantee can be terminated. Management of the university believes provisions for termination of the guarantee have been met. At June 30, 2011, the LLC had capital assets of $13.1 million, other assets of $6.8 million, long-term debt of $22.8 million, and current liabilities of $1.1 million. The total liabilities of the foundation exceeded its total assets by $4.0 million. The LLC owed the University of Northern Colorado $481,233 for a working capital loan at June 30, 2011.

The Auraria Foundation, a legally separate tax-exempt component of the Auraria Higher Education Center (AHEC), was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the AHEC. At June 30, 2011, the foundation provided support to AHEC in the amount of $1.8 million for construction, administrative and other expenses.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided $3.3 million in support during Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college $345,387.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2010-11, the board funded $33.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2011, GOCO owed the Department of Natural Resources $16.3 million in unreimbursed expenditures.

The Colorado Housing Finance Authority (CHFA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. The CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of $11.0 as of June 30, 2011, and a total original face value of $24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On the bond maturity dates ranging from 2023 through 2027, the Department of Treasury will receive any unpaid principal balance of the bond, plus all accrued and unpaid interest.

CHFA also acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. As of June 30, 2011, CHFA held cash of $8.0 million for administration of the grant program.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $32.9 million for these services in Fiscal Year 2010-11. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately $2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital $10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through $5.0 million of government external funds and paid UPI an additional $51.0 million for services in Fiscal Year 2010-11.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was $0.4 million at June 30, 2011.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately $18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately $0.6 million in July 2011.

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust called Colorado Health and Welfare Trust (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of $22.0 million and on June 30, 2011 recorded a liability of $2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest were originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and $600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.1 million and $1.4 million, respectively.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $58.8 million and $854.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund ($6.7 million), Resource Extraction Fund ($0.7 million), Regular Capital Projects Fund ($3.3 million), and Other Special Revenue Funds ($3.8 million) encumbrances include approved rollfowards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 42 – CONTINGENCIES

The Colorado Governmental Immunity Act sets upper limits on State liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds $122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.9 billion, of the $11.4 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net assets of the College Assist program of $55.6 million.

At June 30, 2011, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $400.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated $30 million and the total amount at issue is estimated at $220 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.87 billion are outstanding. Of this amount, $4.56 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent. The Department may also be required to repay CMS $7.9 million because CMS rejected a State Plan Amendment designed to reduce rates for Non-Emergent Medical Transportation due to inadequate notification to clients.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately $1.35 billion to $4.15 billion annually for operations funding and $5.7 billion to $17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to District Court for trial, which concluded on September 2, 2011. On December 9, 2011, the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The plaintiffs' action for declaratory and injunctive relief was stayed until final action by the Colorado Supreme Court upon appeal of the District Court's decision; provided that if appeal is not perfected to the Colorado Supreme Court, the District Court will review the stay upon application of either party submitted no earlier than the conclusion of the 2012 legislative session. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time. The State will appeal the ruling to the State Supreme Court. Estimates of plaintiff attorney fees and costs currently exceed $1.0 million.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of $25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 43 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

The High Performance Transportation Enterprise in the Department of Transportation received approval for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund the costs of building a managed lane on US 36. The maximum amount of the loan is $54.0 million and carries an interest rate of 3.58%. The loan is to be used to fund up to 33 percent of the costs of the project, with other funds provided by the Regional Transportation District, the Bridge Enterprise, DRCOG, and grant funds.

On July 1, 2011, the University of Northern Colorado refinanced its 3.0 to 5.5 percent, Auxiliary Revenue

Refunding and Improvement bonds, issued July 31, 2001, in the original amount of $50,000,000, and maturing in varying amounts through June 1, 2031. The refunding Institutional Enterprise Revenue Refunding Bonds, Series 2011A bonds were issued at fixed rate of 2.0 to 5.0 percent, in the amount of $41,690,000, and mature in varying amounts through June 1, 2031.

On July 1, 2011, the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds (Series 2011B) to purchase the Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. These bonds were issued at a variable rate projected at 3.5 percent, in the original amount of $21,130,000, and maturing in variable amounts through June 1, 2036. This resulted in the termination of the ground lease between the LLC and the University.

On July 14, 2011, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2011A. The notes mature on June 29, 2012. The total due on that date includes $100 million in principal and $1,916,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $1,692,000, a coupon rate of 2.00 percent, and a true interest cost of 0.24 percent.

On July 19, 2011, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2011A. The notes mature on June 27, 2012. The total due on that date includes $500 million in principal and $9,388,889 in interest. The GTRAN was issued with a premium of $8,620,000, a coupon rate of 2.00 percent, and a true interest cost of 0.18 percent.

On August 9, 2011, Colorado Mesa University issued Auxiliary Facilities System Enterprise Revenue Bond Series 2011 for $8,000,000. The bond matures in August 2021 with variable interest calculated as the product of the Bank Qualified factor times the sum of the Five Year Treasury (Constant Maturity) plus 210 basis points. The initial rate is 2.49 percent and shall remain in effect for a five-year period. Bond interest will be recalculated in 2016 and each successive year using the above formula. Colorado Mesa University may accept the recalculated rate for a period of five years or through the maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate.

On September 7, 2011, the Department of Transportation issued $104,650,000 in Series 2011 Refunding Transportation Revenue Anticipation Notes (TRANS), to partially refund $106,070,000 of the Series 2004A TRANS. The tax-exempt notes were issued with a premium of $18,617,111, an average coupon rate of 4.92 percent, and a true interest cost of 1.43 percent. Interest payments are due semiannually starting on December 15, 2011, with the entire principal due at maturity on December 15, 2016.

On October 6, 2011, in a related party transaction, the State's Public School Permanent Fund invested $4,875,000 in Treasury's Colorado Housing and Finance Authority Bond Program. The bond has a coupon rate of 2.92 percent and matures on October 6, 2031. Principal and interest received on December 1, 2011 for the period ending November 2011 was $197,000 and $22,143, respectively.

On December 8, 2011, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2011G in the amount of $146,635,000. BEST was issued as tax-exempt certificates with a premium of $12,777,838, an average coupon rate of 4.89 percent, and a true interest cost of 4.00 percent. Base Rents are due semiannually beginning on March 15, 2012, with a final maturity date of March 15, 2032.

On December 13, 2011, the Board of Trustees of Western State College issued tax-exempt Institutional Enterprise Refunding Bonds Series 2011A in the amount of $6,180,000, and tax-exempt Institutional Enterprise Refunding Bonds Series 2011B in the amount of $6,550,000, to fully refund the Series 2003A and Series 2003B issuance. Interest rates range from 1.280 percent to 3.625 percent with principal due in varying amounts from May 15, 2012 through May 15, 2025.

B. OTHER

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver for $34,800,000. A nonrefundable amount of $325,000 is on deposit from the purchase and sale agreement that was not terminated during a 150-day Investigation Period, which ended September 16, 2011. Another 120-day Rezoning Period began under which the buyer placed an additional $300,000 in escrow that becomes nonrefundable unless the buyer terminates the contract within the next 120 days. In the event the agreement is completed, the amounts placed in escrow will be applied against the purchase price. As part of the agreement, the buyer is purchasing the property in "as-is" condition and will be responsible for all remaining site remediation.

College Assist submitted a Voluntary Flexible Agreement proposal in accordance with *Federal Register, Vol. 72, No. 104* issued May 31, 2011, in partnership with the Nebraska Student Loan Program. If accepted, College Assist will operate under the requirements of the agreement in lieu of the current guaranty agency agreement. It is anticipated that the proposal will improve College Assist's long-term financial position.

Colorado State University received an in-kind gift of software in August 2011 with a commercial value of $44.5 million. The software will be used in the University's EcoCAR program.

The long-term sovereign credit of the United States of America was placed on negative CreditWatch by Standard & Poor's, effective July 14, 2011. On August 5, 2011, Standard & Poor's reduced that credit rating from AAA to AA+ with a negative outlook. The related sovereign short-term credit rating, A-1+, remained unchanged and was removed from the CreditWatch negative status. The State Treasury and the University of Colorado Treasury hold US Government Securities that are affected by the sovereign credit rating of the United States of America. The investment policies and guidelines of the State Treasury and University of Colorado Treasury required no actions as a result of this downgrade. No changes have been made to the investment disclosures as of June 30, 2011.

Component Units

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling $5.3 million with approximately $5.2 million of that amount representing the authority's share of the capital contribution.

On March 30, 2011, the Colorado Water Resources and Power Development Authority issued Drinking Water Revenue Bonds 2011 Series A for $24,795,000. The bond issuance consists of serial bonds that mature annually through September 1, 2032. Interest on the bonds is payable semi-annually with rates ranging from 2.0 to 4.375 percent. The bonds maturing on or after September 1, 2022, are subject to optional redemption on or after September 1, 2021, at a redemption price equal to principal plus interest accrued to the redemption date.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,323,065	
Income Taxes			4,519,468	
Other Taxes			190,090	
Sales and Services			289	
Interest Earnings			8,993	
Other Revenues			21,556	
Transfers-In			201,072	
TOTAL REVENUES AND TRANSFERS-IN			7,264,533	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 4,957	$ 4,925	4,798	$ 127
Corrections	647,180	658,803	656,582	2,221
Education	3,176,664	2,963,614	2,963,105	509
Governor	11,291	11,930	10,912	1,018
Health Care Policy and Financing	1,290,651	1,265,225	1,271,497	(6,272)
Higher Education	660,271	705,315	705,065	250
Human Services	639,803	624,111	623,564	547
Judicial Branch	332,424	327,055	324,697	2,358
Law	9,615	9,510	9,400	110
Legislative Branch	34,797	34,797	31,746	3,051
Local Affairs	10,785	10,754	10,580	174
Military and Veterans Affairs	5,320	5,286	5,052	234
Natural Resources	26,419	26,201	25,983	218
Personnel & Administration	5,521	5,149	4,819	330
Public Health and Environment	27,541	27,460	27,385	75
Public Safety	82,654	82,315	80,403	1,912
Regulatory Agencies	1,510	1,510	1,503	7
Revenue	178,552	178,678	169,236	9,442
Treasury	6,161	5,974	5,715	259
Transfers Not Appropriated by Department	288,872	288,872	288,872	-
SUB-TOTAL OPERATING BUDGETS	7,440,988	7,237,484	7,220,914	16,570
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	952	488	464
Corrections	18,952	12,682	8,795	3,887
Education	-	272	148	124
Governor	876	876	12	864
Higher Education	8,709	26,467	13,425	13,042
Human Services	1,496	4,661	3,076	1,585
Military and Veterans Affairs	4,210	4,470	3,000	1,470
Personnel & Administration	3,018	7,374	3,417	3,957
Public Health and Environment	-	184	109	75
Public Safety	-	1,356	1,316	40
Revenue	7,064	14,378	8,036	6,342
Transportation	500	500	500	-
Treasury	4,067	-	-	-
Budgets/Transfers Not Recorded by Department	14,844	14,844	14,844	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	63,736	89,016	57,166	31,850
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,504,724	$ 7,326,500	7,278,080	$ 48,420
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (13,547)	

The notes to the required supplementary information are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 738,774	
Income Taxes			370,499	
Other Taxes			1,176,965	
Tuition and Fees			2,150,904	
Sales and Services			1,939,533	
Interest Earnings			195,808	
Other Revenues			2,534,133	
Transfers-In			6,259,730	
TOTAL REVENUES AND TRANSFERS-IN			15,366,346	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 31,274	$ 31,253	27,122	$ 4,131
Corrections	96,402	96,944	79,677	17,267
Education	3,581,239	3,591,303	3,534,486	56,817
Governor	225,077	239,266	182,396	56,870
Health Care Policy and Financing	1,231,959	1,420,994	1,434,718	(13,724)
Higher Education	3,186,432	3,254,667	3,001,446	253,221
Human Services	719,829	321,547	289,197	32,350
Judicial Branch	198,780	190,063	178,169	11,894
Labor and Employment	968,208	981,053	877,214	103,839
Law	41,889	51,280	40,860	10,420
Legislative Branch	8,167	8,167	3,202	4,965
Local Affairs	423,398	423,398	267,795	155,603
Military and Veterans Affairs	9,105	9,060	6,475	2,585
Natural Resources	730,540	715,379	392,035	323,344
Personnel & Administration	464,776	455,443	429,312	26,131
Public Health and Environment	195,272	227,123	191,228	35,895
Public Safety	149,693	149,378	132,639	16,739
Regulatory Agencies	78,365	77,499	71,607	5,892
Revenue	902,657	925,924	750,888	175,036
State	21,827	25,281	19,108	6,173
Transportation	2,249,707	2,249,793	769,050	1,480,743
Treasury	1,897,630	1,898,206	1,660,077	238,129
Budgets/Transfers Not Recorded by Department	-	3,337	937	2,400
SUB-TOTAL OPERATING BUDGETS	17,412,226	17,346,358	14,339,638	3,006,720
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1	-	1
Corrections	9,923	18,411	13,746	4,665
Education	-	622	39	583
Governor	1,138	1,939	427	1,512
Higher Education	183,465	429,833	206,295	223,538
Human Services	1,510	5,778	1,870	3,908
Judicial Branch	221,299	221,299	91,668	129,631
Labor and Employment	33,332	36,742	33,002	3,740
Military and Veterans Affairs	-	6,130	4,044	2,086
Natural Resources	52,962	84,625	27,819	56,806
Personnel & Administration	3,821	4,654	865	3,789
Public Health and Environment	14,921	23,126	2,215	20,911
Public Safety	-	1,150	-	1,150
Revenue	-	5,279	1,276	4,003
Transportation	500	500	500	-
Treasury	8,380	8,878	8,860	18
Budgets/Transfers Not Recorded by Department	15,223	15,223	14,215	1,008
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	546,474	864,190	406,841	457,349
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 17,958,700	$ 18,210,548	14,746,479	$ 3,464,069
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 619,867	

The notes to the required supplementary information are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 8,844,332	
TOTAL REVENUES AND TRANSFERS-IN			8,844,332	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,020	$ 12,605	5,659	$ 6,946
Corrections	2,003	5,135	3,486	1,649
Education	569,851	1,247,776	887,537	360,239
Governor	34,529	556,326	360,234	196,092
Health Care Policy and Financing	2,750,370	2,845,656	2,804,488	41,168
Higher Education	124,482	567,476	498,851	68,625
Human Services	758,401	1,808,534	1,537,204	271,330
Judicial Branch	9,451	19,358	10,304	9,054
Labor and Employment	138,956	1,690,238	1,464,384	225,854
Law	1,469	2,559	1,869	690
Local Affairs	96,977	149,317	85,571	63,746
Military and Veterans Affairs	222,410	41,629	28,385	13,244
Natural Resources	27,366	70,746	40,924	29,822
Personnel & Administration	-	4,648	463	4,185
Public Health and Environment	274,732	384,304	260,328	123,976
Public Safety	27,918	74,890	38,125	36,765
Regulatory Agencies	1,231	5,621	2,470	3,151
Revenue	815	5,406	2,342	3,064
State	-	2,048	1,050	998
Transportation	369,101	865,046	694,732	170,314
Treasury	-	164,307	164,307	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,414,082	10,523,625	8,892,713	1,630,912
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,414,082	$ 10,523,625	8,892,713	$ 1,630,912
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (48,381)	

The notes to the required supplementary information are an integral part of this schedule.

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,243,906	$ -	$ -	$ 20,627	$ -	$ -
Cash	4,838,429	313,760	1,696,660	194,997	598,177	2,245,161
Federal	5,951,388	159,631	682,441	40,956	-	201,025
Sub-Total Revenues and Transfers-In	18,033,723	473,391	2,379,101	256,580	598,177	2,446,186
Expenditures/Expenses and Transfers-Out						
General Funded	7,232,899	-	-	45,181	-	-
Cash Funded	4,574,303	376,857	1,826,459	336,382	423,490	2,101,545
Federally Funded	5,951,042	159,631	682,408	40,963	-	204,142
Expenditures/Expenses and Transfers-Out	17,758,244	536,488	2,508,867	422,526	423,490	2,305,687
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	275,479	(63,097)	(129,766)	(165,946)	174,687	140,499
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(5,940)	(3,335)	(6,963)	(2,738)	(3,472)	(11,832)
Increase for Budgeted Non-GAAP Expenditures	-	25,858	-	-	-	343
Increase/(Decrease) for GAAP Expenditures Not Budgeted	209,490	(37)	97,213	155,102	-	(69,880)
Increase/(Decrease) for GAAP Revenue Adjustments	(193,618)	(1,198)	-	(152,152)	-	(99,153)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	285,411	(41,809)	(39,516)	(165,734)	171,215	(40,023)
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	15,784	519,520	1,242,529	385,059	194,586	1,728,058
Prior Period Adjustments (See Note 29)	7,953	-	-	7	-	(11,736)
Accounting Changes (See Note 29)	293,699	390,789	-	-	-	(93,820)
FUND BALANCE/NET ASSETS, FISCAL YEAR END	$ 602,847	$ 868,500	$ 1,203,013	$ 219,332	$ 365,801	$ 1,582,479

The notes to the required supplementary information are an integral part of this schedule.

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 7,264,533
2,320,566	796,182	527,880	435,131	209,973	1,189,430	15,366,346
17,670	1,345,621	-	444,943	657	-	8,844,332
2,338,236	2,141,803	527,880	880,074	210,630	1,189,430	31,475,211
-	-	-	-	-	-	7,278,080
2,286,002	770,622	527,952	333,298	214,998	974,571	14,746,479
39,202	1,345,642	-	469,026	657	-	8,892,713
2,325,204	2,116,264	527,952	802,324	215,655	974,571	30,917,272
13,032	25,539	(72)	77,750	(5,025)	214,859	557,939
(69)	-	(246)	240	147	562,309	528,101
-	-	860	24,417	869	-	52,347
73,994	(27,689)	(651)	(8,847)	(9,449)	(13)	419,233
-	-	-	(693)	1,288	-	(445,526)
387,488	-	-	-	-	-	387,488
474,445	(2,150)	(109)	92,867	(12,170)	777,155	1,499,582
4,294,966	(115,758)	6,478	560,794	22,012	3,431,779	12,285,807
(46,163)	-	-	(687)	-	-	(50,626)
-	-	-	-	91	-	590,759
$ 4,723,248	$ (117,908)	$ 6,369	$ 652,974	$ 9,933	$ 4,208,934	$ 14,325,522

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $32.4 million of the GAAP General Fund balance of $602.8 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications indicating the relative enforceability of constrains on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the combining *Balance Sheet – General Fund Components*, rather than the Unassigned fund balance on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 84 for information regarding the negative reversion at the Department of Health Care Policy & Financing.)*

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

Due to declining general-purpose revenues throughout the Fiscal Year 2009-10, in June 2010, the Director of the Office of State Planning and Budgeting and the State Controller, under the authority of Colorado Revised Statutes 25.5-4-401(1)(c), authorized the Department of Health Care Policy and Financing to interrupt the normal Medicaid provider payment schedule. As a result, approximately $28.1 million of payments that otherwise would have occurred in the last two weeks of June were delayed until July 1, 2010. Consequently, these payments are included as departmental expenditures for purpose of budget compliance on the General Fund Surplus Schedule in Fiscal Year 2010-11. This treatment is similar to the recognition for budget purposes of the other amounts shown as deferred into Fiscal Year 2010-11 on the Fiscal Year 2009-10 General Fund Surplus Schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,217,600	$ 2,192,400	$ 2,233,521		
Other Excise Taxes	91,500	89,800	89,544		
Individual Income Tax, net	4,103,700	4,270,800	4,153,910		
Corporate Income Tax, net	405,800	347,200	365,558		
Estate Tax	-	-	(50)		
Insurance Tax	192,200	191,600	189,648		
Parimutuel, Courts, and Other	31,600	21,300	25,380		
Investment Income	16,800	6,600	7,907		
Gaming	33,500	20,400	20,400		
TOTAL GENERAL PURPOSE REVENUES	7,092,700	7,140,100	7,085,818		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,956	4,924	4,798	$ 126	$ 122
Corrections	653,358	658,794	656,452	2,342	1
Education	3,540,055	2,963,614	2,963,107	507	1,191
Governor	11,291	11,930	11,528	402	6
Health Care Policy and Financing	1,343,025	1,265,814	1,271,909	(6,095)	122
Higher Education	660,271	705,108	705,085	23	99
Human Services	637,144	624,138	620,208	3,930	2,612
Judicial Branch	329,936	327,054	324,697	2,357	329
Labor and Employment	-	-	-	-	43
Law	9,546	9,510	9,400	110	410
Legislative Branch	35,185	34,796	31,764	3,032	99
Local Affairs	10,704	10,754	10,579	175	212
Military and Veterans Affairs	5,320	5,286	5,051	235	-
Natural Resources	26,419	26,201	25,983	218	422
Personnel & Administration	5,619	5,149	4,819	330	288
Public Health and Environment	27,541	27,461	27,385	76	63
Public Safety	80,878	82,315	80,403	1,912	78
Regulatory Agencies	1,510	1,510	1,502	8	-
Revenue	190,008	170,661	161,218	9,443	594
State	-	-	-	-	50
Treasury	2,550	5,974	5,715	259	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,575,316	6,940,993	6,921,603	$ 19,390	$ 6,741
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
TOTAL ESTIMATED BUDGET	7,116,000	6,935,100	6,921,603		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(23,300)	205,000	164,215		
EXCESS AUGMENTING REVENUES			6,741		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	44,900	159,300	158,087		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(8,600)	(12,000)	(11,985)		
Transfer to State Education Fund Per C.R.S. 24-75-201.1	-	(257,500)	(221,372)		
Transfer to Public School Fund Per C.R.S. 24-75-201.1	-	(67,500)	(67,500)		
TOTAL TRANSFERS	28,300	(185,700)	(150,770)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	5,000	19,300	20,186		
BEGINNING GENERAL FUND SURPLUS	(74,500)	4,800	4,793		
Release of Prior Year Statutory Reserve (2%)	132,600	132,600	132,628		
Establish Current Year Statutory Reserve (4.0% reduced to 2.3%)	(277,600)	(156,700)	(156,648)		
GAAP Revenues/(Expenditures) Not Budgeted			12,878		
Contractually Restricted Energy Performance Leases			(10,281)		
Prior Period Adjustment (see Note 29)			(3,556)		
ENDING GENERAL FUND SURPLUS	$ (214,500)	$ -	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2011-12 for Budget			(166,667)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2011-12 for Budget			(86,363)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2011-12 for Budget			(1,288)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			101,264		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			11,860		
Restricted			10,282		
Committed			6,590		
Assigned			109		
Shortfall in GAAP Basis Statutory Reserve			156,648		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 32,435		

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 157 to 160). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed. However, in the prior year, as allowed in Colorado Revised Statutes 25.5-4-401(1)(c), the Director of the Office of State Planning and Budgeting and the State Controller authorized the Department to interrupt the normal provider payment schedule for the last two weeks of June. For purposes of the budget, delaying the payments until July 1, 2010 resulted in those expenditures being recognized for budget purposes in Fiscal Year 2010-11. The Department estimated the expenditures at $28.1 million.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2010-11, the Department of Transportation capitalized a project expenditures of $327.1 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 162) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 157 to 160) relate to the change in fund balances/net assets for the funds presented in the fund-level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations.

In Fiscal Year 2010-11 the University of Colorado had several factors impacting its funding progress. Deductibles of $250/$750 were implemented for some individual/family coverage, certain lifetime maximums were extended to unlimited, and some preventative service copays were eliminated. Termination and participation rates were updated, and the discount rate was reduced to 4.5 percent. In addition the Fiscal Year 2010-11 increase in the Unfunded Actuarial Accrued Liability reflects a $46.2 million correction of the prior years' actuarial valuation.

See Note 19 on page 109 for additional information regarding the plans listed in the schedule.

	Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:								
	2010-11	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
	2009-10	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
	2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
	2007-08	7/1/2007		$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:								
RMPR								
	2010-11	1/1/2011	-	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
Restated	2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
	2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
	2007-08	1/1/2007		$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS								
	2010-11	1/1/2011	-	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
	2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX								
	2010-11	1/1/2011	-	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
Restated	2009-10	1/1/2011	-	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD								
	2010-11	1/1/2011	-	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
Restated	2009-10	1/1/2011	-	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 12,218,851	$ 12,218,851	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 10,209,899	$ 10,209,899	0.0%	N/A	N/A

[1] –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE

This fund is the general operating fund for State operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

SPECIAL PURPOSE REVENUE

The State Public School fund is a statutory fund that distributes substantially all of its revenue to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

COMBINING BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOL	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 173,588	$ 1,562	$ 16,849	$ 20,361	$ 212,360
Taxes Receivable, net	1,065,527	-	-	-	1,065,527
Other Receivables, net	44,312	-	49	351	44,712
Due From Other Governments	463,517	4,645	-	9	468,171
Due From Other Funds	39,924	68,244	-	16,838	125,006
Due From Component Units	62	-	-	-	62
Inventories	4,318	-	-	4,424	8,742
Prepaids, Advances, and Deferred Charges	32,604	-	270	134	33,008
Restricted Assets:					
Restricted Cash and Pooled Cash	-	49,943	-	137,182	187,125
Restricted Investments	-	-	-	284,059	284,059
Restricted Receivables	-	-	-	184	184
Investments	6,578	-	-	-	6,578
TOTAL ASSETS	$ 1,830,430	$ 124,394	$ 17,168	$ 463,542	$ 2,435,534
LIABILITIES:					
Tax Refunds Payable	$ 615,164	$ -	$ -	$ -	$ 615,164
Accounts Payable and Accrued Liabilities	519,499	19	3,746	10,002	533,266
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	56,451	-	-	15,893	72,344
Due To Other Funds	316,277	-	158	1,404	317,839
Deferred Revenue	281,924	3,463	-	5	285,392
Compensated Absences Payable	47	-	-	-	47
Claims and Judgments Payable	314	-	-	-	314
Other Current Liabilities	7,604	-	-	2	7,606
Deposits Held In Custody For Others	9	-	-	-	9
TOTAL LIABILITIES	1,797,995	3,482	3,904	27,306	1,832,687
TOTAL NET ASSETS	$ 32,435	$ 120,912	$ 13,264	$ 436,236	$ 602,847
FUND BALANCES:					
Nonspendable:					
Inventories	4,318	-	-	4,424	8,742
Prepaids	32,604	1	270	134	33,009
Restricted	10,282	119,370	-	413,345	542,997
Committed	6,590	1,541	12,994	18,333	39,458
Assigned	109	-	-	-	109
Unassigned	(21,468)	-	-	-	(21,468)
TOTAL FUND BALANCES	32,435	120,912	13,264	436,236	602,847
TOTAL LIABILITIES AND FUND BALANCES	$ 1,830,430	$ 124,394	$ 17,168	$ 463,542	$ 2,435,534

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 4,153,913	$ -	$ -	$ -	$ 4,153,913
Corporate Income	365,558	-	-	-	365,558
Sales and Use	2,233,521	-	-	-	2,233,521
Excise	89,544	-	-	-	89,544
Other Taxes	190,140	-	-	-	190,140
Licenses, Permits, and Fines	20,339	-	-	1,448	21,787
Charges for Goods and Services	30,911	-	41,929	-	72,840
Rents	393	-	-	16	409
Investment Income (Loss)	6,500	16	373	6,763	13,652
Federal Grants and Contracts	5,833,725	-	-	4,803	5,838,528
Other	115,358	7,164	690	4,053	127,265
TOTAL REVENUES	13,039,902	7,180	42,992	17,083	13,107,157
EXPENDITURES:					
Current:					
General Government	433,627	-	51,722	4,032	489,381
Business, Community, and Consumer Affairs	211,876	-	-	2,856	214,732
Education	717,552	138	-	2,746	720,436
Health and Rehabilitation	491,707	-	-	770	492,477
Justice	1,187,343	-	-	-	1,187,343
Natural Resources	57,976	-	-	3,852	61,828
Social Assistance	5,456,068	-	-	66	5,456,134
Capital Outlay	30,748	-	-	80,781	111,529
Intergovernmental:					
Cities	31,253	-	-	31,319	62,572
Counties	1,159,964	-	-	10,542	1,170,506
School Districts	961,349	2,881,165	-	64,070	3,906,584
Special Districts	32,506	-	-	13,423	45,929
Federal	337	-	-	-	337
Other	35,679	-	-	333	36,012
Debt Service	4,021	-	-	5,904	9,925
TOTAL EXPENDITURES	10,812,006	2,881,303	51,722	220,694	13,965,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,227,896	(2,874,123)	(8,730)	(203,611)	(858,568)
OTHER FINANCING SOURCES (USES):					
Transfers-In	1,064,569	3,010,486	-	178,369	4,253,424
Transfers-Out	(3,275,690)	(48,126)	(1,166)	(16,881)	(3,341,863)
Face Amount of Bond/COP Issuance	-	-	-	217,530	217,530
Bond/COP Premium/Discount	-	-	-	25	25
Capital Lease Proceeds	13,698	-	-	-	13,698
Insurance Recoveries	1,165	-	-	-	1,165
TOTAL OTHER FINANCING SOURCES (USES)	(2,196,258)	2,962,360	(1,166)	379,043	1,143,979
NET CHANGE IN FUND BALANCES	31,638	88,237	(9,896)	175,432	285,411
FUND BALANCE, FISCAL YEAR BEGINNING	15,784	-	-	-	15,784
Prior Period Adjustment (See Note 29)	8,602	-	(429)	(220)	7,953
Accounting Changes (See Note 29)	(23,589)	32,675	23,589	261,024	293,699
FUND BALANCE, FISCAL YEAR END	$ 32,435	$ 120,912	$ 13,264	$ 436,236	$ 602,847

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects transferred from the General Fund that are either fully or partially funded with general-purpose revenue, and may also include cash-funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Complex, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 33,518	$ 17,634	$ 51,152
Other Receivables, net	131	1	132
Due From Other Governments	3,873	218	4,091
Due From Other Funds	13,711	-	13,711
Prepaids, Advances, and Deferred Charges	10	78	88
Restricted Cash and Pooled Cash	2,042	8,180	10,222
Restricted Investments	-	173,053	173,053
Restricted Receivables	-	2,029	2,029
Investments	-	9,214	9,214
Other Long-Term Assets	102	-	102
TOTAL ASSETS	$ 53,387	$ 210,407	$ 263,794
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 24,851	$ 17,079	$ 41,930
Due To Other Funds	573	-	573
Deferred Revenue	-	1,959	1,959
TOTAL LIABILITIES	25,424	19,038	44,462
FUND BALANCES:			
Nonspendable:			
Prepaids	10	78	88
Restricted	2,042	183,321	185,363
Committed	25,911	7,970	33,881
TOTAL FUND BALANCES	27,963	191,369	219,332
TOTAL LIABILITIES AND FUND BALANCES	$ 53,387	$ 210,407	$ 263,794

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	10	-	10
Investment Income (Loss)	(1,573)	4,742	3,169
Federal Grants and Contracts	24,614	9,237	33,851
Other	208	2,028	2,236
TOTAL REVENUES	23,259	16,007	39,266
EXPENDITURES:			
Current:			
General Government	10,311	1,852	12,163
Business, Community, and Consumer Affairs	1	-	1
Education	6,590	1,174	7,764
Health and Rehabilitation	650	-	650
Justice	4,838	3,257	8,095
Natural Resources	701	1,764	2,465
Social Assistance	461	-	461
Capital Outlay	50,909	132,603	183,512
Intergovernmental:			
Cities	6	179	185
Counties	10	136	146
Other	1,532	479	2,011
TOTAL EXPENDITURES	76,009	141,444	217,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,750)	(125,437)	(178,187)
OTHER FINANCING SOURCES (USES):			
Transfers-In	40,204	18,868	59,072
Transfers-Out	(21,511)	(28,447)	(49,958)
Capital Lease Proceeds	-	2,950	2,950
Insurance Recoveries	389	-	389
TOTAL OTHER FINANCING SOURCES (USES)	19,082	(6,629)	12,453
NET CHANGE IN FUND BALANCES	(33,668)	(132,066)	(165,734)
FUND BALANCE, FISCAL YEAR BEGINNING	385,059	-	385,059
Prior Period Adjustment (See Note 29)	-	7	7
Accounting Changes (See Note 29)	(323,428)	323,428	-
FUND BALANCE, FISCAL YEAR END	$ 27,963	$ 191,369	$ 219,332

OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 760,278	$ -	$ -	$ 760,278
Taxes Receivable, net	39,235	-	-	39,235
Other Receivables, net	70,019	-	8,588	78,607
Due From Other Governments	12,907	341	8	13,256
Due From Other Funds	5,846	-	3,478	9,324
Inventories	179	-	-	179
Prepaids, Advances, and Deferred Charges	3,328	-	3	3,331
Restricted Cash and Pooled Cash	44,395	218	127,717	172,330
Restricted Investments	76,655	-	519,072	595,727
Restricted Receivables	-	-	-	-
Investments	71,223	9,568	-	80,791
Other Long-Term Assets	17,547	-	5,560	23,107
Land and Nondepreciable Infrastructure	81	-	17,081	17,162
TOTAL ASSETS	$ 1,101,693	$ 10,127	$ 681,507	$ 1,793,327
LIABILITIES:				
Tax Refunds Payable	$ 146	$ -	$ -	$ 146
Accounts Payable and Accrued Liabilities	53,262	-	730	53,992
Due To Other Governments	20,702	-	5	20,707
Due To Other Funds	43,170	-	7,163	50,333
Deferred Revenue	77,744	-	5,199	82,943
Claims and Judgments Payable	81	-	-	81
Other Current Liabilities	2,641	-	-	2,641
Deposits Held In Custody For Others	5	-	-	5
TOTAL LIABILITIES	197,751	-	13,097	210,848
FUND BALANCES:				
Nonspendable:				
Inventories	179	-	-	179
Permanent Fund Principal	-	-	658,883	658,883
Prepaids	3,328	-	3	3,331
Restricted	244,199	10,127	8,017	262,343
Committed	656,236	-	1,507	657,743
TOTAL FUND BALANCES	903,942	10,127	668,410	1,582,479
TOTAL LIABILITIES AND FUND BALANCES	$ 1,101,693	$ 10,127	$ 681,507	$ 1,793,327

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 34,237	$ -	$ -	$ 34,237
Excise	147,368	-	-	147,368
Other Taxes	147,033	-	-	147,033
Licenses, Permits, and Fines	393,268	-	-	393,268
Charges for Goods and Services	531,064	-	-	531,064
Rents	8,522	-	118,168	126,690
Investment Income (Loss)	16,949	121	22,103	39,173
Federal Grants and Contracts	202,789	-	8	202,797
Additions to Permanent Funds	-	-	460	460
Unclaimed Property Receipts	40,446	-	-	40,446
Other	39,870	-	13	39,883
TOTAL REVENUES	1,561,546	121	140,752	1,702,419
EXPENDITURES:				
Current:				
General Government	48,936	-	287	49,223
Business, Community, and Consumer Affairs	167,008	-	-	167,008
Education	18,295	-	2	18,297
Health and Rehabilitation	89,159	-	-	89,159
Justice	33,454	-	-	33,454
Natural Resources	15,658	-	6,850	22,508
Social Assistance	198,826	-	-	198,826
Transportation	1,442	-	-	1,442
Capital Outlay	5,557	-	5	5,562
Intergovernmental:				
Cities	44,224	-	-	44,224
Counties	72,234	-	99	72,333
School Districts	8,897	-	-	8,897
Special Districts	7,041	-	-	7,041
Federal	1,482	-	-	1,482
Other	37,100	-	-	37,100
Debt Service	106	197,791	-	197,897
TOTAL EXPENDITURES	749,419	197,791	7,243	954,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	812,127	(197,670)	133,509	747,966
OTHER FINANCING SOURCES (USES):				
Transfers-In	36,051	203,704	300	240,055
Transfers-Out	(886,681)	-	(141,474)	(1,028,155)
Sale of Capital Assets	-	-	46	46
Insurance Recoveries	60	-	5	65
TOTAL OTHER FINANCING SOURCES (USES)	(850,570)	203,704	(141,123)	(787,989)
NET CHANGE IN FUND BALANCES	(38,443)	6,034	(7,614)	(40,023)
FUND BALANCE, FISCAL YEAR BEGINNING	1,049,680	4,093	674,285	1,728,058
Prior Period Adjustment (See Note 29)	(11,736)	-	-	(11,736)
Accounting Changes (See Note 29)	(95,559)	-	1,739	(93,820)
FUND BALANCE, FISCAL YEAR END	$ 903,942	$ 10,127	$ 668,410	$ 1,582,479

SPECIAL REVENUE FUNDS

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Assets Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 217 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 234 for a detail listing of these funds that have net assets in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 62,580	$ 113,359	$ 39,051	$ 18,211
Taxes Receivable, net	12,946	10,679	12,435	-
Other Receivables, net	1,565	519	44,751	5,871
Due From Other Governments	166	-	9,214	875
Due From Other Funds	158	-	3,864	124
Inventories	-	-	-	165
Prepaids, Advances, and Deferred Charges	-	16	2	1,639
Restricted Cash and Pooled Cash	17,345	23,915	-	3,135
Restricted Investments	76,655	-	-	-
Investments	18,258	-	-	-
Other Long-Term Assets	-	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 189,673	$ 148,488	$ 109,317	$ 30,020
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	1,270	3,687	20,622	2,951
Due To Other Governments	-	19,614	293	212
Due To Other Funds	3,209	22,744	11,853	84
Deferred Revenue	-	564	-	2,291
Claims and Judgments Payable	70	-	-	-
Other Current Liabilities	148	11	-	11
Deposits Held In Custody For Others	-	4	-	-
TOTAL LIABILITIES	4,697	46,624	32,768	5,549
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	165
Prepaids	-	16	2	1,639
Restricted	85,400	58,150	7,030	2,084
Committed	99,576	43,698	69,517	20,583
TOTAL FUND BALANCES	184,976	101,864	76,549	24,471
TOTAL LIABILITIES AND FUND BALANCES	$ 189,673	$ 148,488	$ 109,317	$ 30,020

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 129,936	$ 77,457	$ 319,684	$ 760,278
-	-	3,175	39,235
7,213	374	9,726	70,019
1	-	2,651	12,907
90	-	1,610	5,846
-	-	14	179
-	-	1,671	3,328
-	-	-	44,395
-	-	-	76,655
-	52,965	-	71,223
-	-	17,547	17,547
-	-	81	81
$ 137,240	$ 130,796	$ 356,159	$ 1,101,693
$ -	$ -	$ 146	$ 146
4,437	1,666	18,629	53,262
-	-	583	20,702
4,153	10	1,117	43,170
1,781	6	73,102	77,744
-	-	11	81
-	-	2,471	2,641
-	-	1	5
10,371	1,682	96,060	197,751
-	-	14	179
-	-	1,671	3,328
11,270	-	80,265	244,199
115,599	129,114	178,149	656,236
126,869	129,114	260,099	903,942
$ 137,240	$ 130,796	$ 356,159	$ 1,101,693

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	145,104	-
Other Taxes	39,642	104,808	-	-
Licenses, Permits, and Fines	430	1,070	87,677	21,342
Charges for Goods and Services	200	365	428	3,106
Rents	-	345	-	8,153
Investment Income (Loss)	5,567	1,199	335	305
Federal Grants and Contracts	-	135	119,288	1,678
Unclaimed Property Receipts	-	-	-	-
Other	450	1,368	796	11,684
TOTAL REVENUES	46,289	109,290	353,628	46,268
EXPENDITURES:				
Current:				
General Government	235	-	47	-
Business, Community, and Consumer Affairs	20,276	36,172	-	120
Education	-	14,137	191	-
Health and Rehabilitation	-	75	23,774	-
Justice	-	-	-	-
Natural Resources	-	-	-	15,658
Social Assistance	-	-	185,375	-
Transportation	-	-	-	-
Capital Outlay	-	25	64	1,815
Intergovernmental:				
Cities	-	17,261	1,190	286
Counties	562	16,655	14,075	385
School Districts	-	285	5,333	-
Special Districts	-	2,811	-	-
Federal	-	-	-	-
Other	-	1,231	5,305	1,836
Debt Service	-	-	-	-
TOTAL EXPENDITURES	21,073	88,652	235,354	20,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,216	20,638	118,274	26,168
OTHER FINANCING SOURCES (USES):				
Transfers-In	900	-	20,437	5,998
Transfers-Out	(40,188)	(39,448)	(229,591)	(25,751)
Insurance Recoveries	-	8	-	52
TOTAL OTHER FINANCING SOURCES (USES)	(39,288)	(39,440)	(209,154)	(19,701)
NET CHANGE IN FUND BALANCES	(14,072)	(18,802)	(90,880)	6,467
FUND BALANCE, FISCAL YEAR BEGINNING	193,556	92,231	178,040	49,492
Prior Period Adjustment (See Note 29)	-	(1,475)	(11,607)	-
Accounting Changes (See Note 29)	5,492	29,910	996	(31,488)
FUND BALANCE, FISCAL YEAR END	$ 184,976	$ 101,864	$ 76,549	$ 24,471

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 34,237	$ 34,237
-	-	2,264	147,368
-	-	2,583	147,033
39,982	-	242,767	393,268
490,256	-	36,709	531,064
-	-	24	8,522
2,497	2,989	4,057	16,949
277	-	81,411	202,789
-	40,446	-	40,446
309	3	25,260	39,870
533,321	43,438	429,312	1,561,546
-	31,916	16,738	48,936
-	634	109,806	167,008
-	-	3,967	18,295
37,138	-	28,172	89,159
172	-	33,282	33,454
-	-	-	15,658
21	-	13,430	198,826
-	-	1,442	1,442
346	90	3,217	5,557
630	10	24,847	44,224
2,050	223	38,284	72,234
130	-	3,149	8,897
111	208	3,911	7,041
28	-	1,454	1,482
899	-	27,829	37,100
-	-	106	106
41,525	33,081	309,634	749,419
491,796	10,357	119,678	812,127
3,650	-	5,066	36,051
(478,492)	(2,031)	(71,180)	(886,681)
-	-	-	60
(474,842)	(2,031)	(66,114)	(850,570)
16,954	8,326	53,564	(38,443)
110,757	119,627	305,977	1,049,680
163	-	1,183	(11,736)
(1,005)	1,161	(100,625)	(95,559)
$ 126,869	$ 129,114	$ 260,099	$ 903,942

PERMANENT FUNDS

STATE LANDS	This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 8,588	$ -	$ 8,588
Due From Other Governments	-	8	8
Due From Other Funds	3,478	-	3,478
Prepaids, Advances, and Deferred Charges	3	-	3
Restricted Cash and Pooled Cash	119,339	8,378	127,717
Restricted Investments	519,072	-	519,072
Other Long-Term Assets	5,560	-	5,560
Capital Assets Held as Investments	17,081	-	17,081
TOTAL ASSETS	$ 673,121	$ 8,386	$ 681,507
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 720	$ 10	$ 730
Due To Other Governments	5	-	5
Due To Other Funds	7,163	-	7,163
Deferred Revenue	5,199	-	5,199
TOTAL LIABILITIES	13,087	10	13,097
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	651,949	6,934	658,883
Prepaids	3	-	3
Restricted	8,014	3	8,017
Committed	68	1,439	1,507
TOTAL FUND BALANCES	660,034	8,376	668,410
TOTAL LIABILITIES AND FUND BALANCES	$ 673,121	$ 8,386	$ 681,507

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 118,168	$ -	$ 118,168
Investment Income (Loss)	21,987	116	22,103
Federal Grants and Contracts	-	8	8
Additions to Permanent Funds	460	-	460
Other	9	4	13
TOTAL REVENUES	140,624	128	140,752
EXPENDITURES:			
Current:			
General Government	285	2	287
Education	-	2	2
Natural Resources	6,827	23	6,850
Capital Outlay	5	-	5
Intergovernmental:			
Counties	99	-	99
TOTAL EXPENDITURES	7,216	27	7,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	133,408	101	133,509
OTHER FINANCING SOURCES (USES):			
Transfers-In	300	-	300
Transfers-Out	(141,459)	(15)	(141,474)
Sale of Capital Assets	46	-	46
Insurance Recoveries	5	-	5
TOTAL OTHER FINANCING SOURCES (USES)	(141,108)	(15)	(141,123)
NET CHANGE IN FUND BALANCES	(7,700)	86	(7,614)
FUND BALANCE, FISCAL YEAR BEGINNING	665,995	8,290	674,285
Accounting Changes (See Note 29)	1,739	-	1,739
FUND BALANCE, FISCAL YEAR END	$ 660,034	$ 8,376	$ 668,410

OTHER ENTERPRISE FUNDS

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

COLLEGEINVEST	CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States.
WILDLIFE	Expenses of this fund are to preserve the State's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the State include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 64,945	$ -	$ 36,165	$ 2,003
Investments	1,675	-	-	-
Student and Other Receivables, net	502	10,411	155	22
Due From Other Governments	-	-	1,718	46
Due From Other Funds	24	62	-	-
Inventories	-	995	-	24
Prepaids, Advances, and Deferred Charges	57	527	348	166
Total Current Assets	67,203	11,995	38,386	2,261
Noncurrent Assets:				
Restricted Cash and Pooled Cash	3,275	49,427	30,096	-
Restricted Receivables	1,576	3,186	20,218	-
Investments	41,222	-	-	-
Other Long-Term Assets	485	-	-	-
Depreciable Capital Assets and Infrastructure, net	11	56,475	-	11,232
Land and Nondepreciable Infrastructure	-	214,461	-	1,676
Total Noncurrent Assets	46,569	323,549	50,314	12,908
TOTAL ASSETS	113,772	335,544	88,700	15,169
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	349	10,341	380	532
Due To Other Governments	-	-	28,102	-
Due To Other Funds	4,846	403	-	-
Deferred Revenue	-	29,316	-	819
Compensated Absences Payable	-	308	-	9
Leases Payable	-	-	-	11
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	4,842	-	4,455	10
Total Current Liabilities	10,037	40,368	32,937	1,381
Noncurrent Liabilities:				
Accrued Compensated Absences	130	4,738	140	128
Capital Lease Payable	-	-	-	1,743
Notes, Bonds, and COPs Payable	-	-	-	-
Other Long-Term Liabilities	25,709	-	-	-
Total Noncurrent Liabilities	25,839	4,738	140	1,871
TOTAL LIABILITIES	35,876	45,106	33,077	3,252
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11	270,936	-	11,154
Restricted for:				
Emergencies	-	12,368	-	-
Other Purposes	-	-	22,101	-
Unrestricted	77,885	7,134	33,522	763
TOTAL NET ASSETS	$ 77,896	$ 290,438	$ 55,623	$ 11,917

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 5,717	$ 6,540	$ 1,433	$ 8,508	$ 44,475	$ 7,084	$ 176,870
-	563	-	-	-	-	2,238
1,187	806	296	3,944	6,769	705	24,797
204	3,578	-	49	2,004	43	7,642
2,956	1,414	-	-	-	-	4,456
11,552	200	488	-	-	182	13,441
38	5	-	-	-	171	1,312
21,654	13,106	2,217	12,501	53,248	8,185	230,756
-	-	-	-	-	-	82,798
-	-	-	-	-	-	24,980
-	-	-	-	341,197	-	382,419
1,796	280	-	-	1,820	149	4,530
3,404	27,815	2,022	387	4,113	12,554	118,013
980	10,256	-	-	35,034	4,003	266,410
6,180	38,351	2,022	387	382,164	16,706	879,150
27,834	51,457	4,239	12,888	435,412	24,891	1,109,906
4,133	3,833	552	3,622	7,500	1,372	32,614
-	580	-	-	-	-	28,682
-	-	-	-	-	-	5,249
-	759	-	10	-	800	31,704
26	172	-	-	-	201	716
-	208	-	-	-	-	219
-	410	-	-	-	364	774
4	1	-	-	-	3	9,315
4,163	5,963	552	3,632	7,500	2,740	109,273
1,026	1,683	200	333	19	336	8,733
-	2,198	-	-	-	-	3,941
-	2,844	-	-	300,000	6,432	309,276
-	-	-	-	-	-	25,709
1,026	6,725	200	333	300,019	6,768	347,659
5,189	12,688	752	3,965	307,519	9,508	456,932
4,384	32,380	2,022	387	33,680	9,761	364,715
-	-	-	-	-	-	12,368
-	-	-	-	-	-	22,101
18,261	6,389	1,465	8,536	94,213	5,622	253,790
$ 22,645	$ 38,769	$ 3,487	$ 8,923	$ 127,893	$ 15,383	$ 652,974

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 75,992	$ -	$ -
Tuition and Fees	-	2	-	-
Sales of Goods and Services	3	2,160	-	6,208
Investment Income (Loss)	7,985	-	3,125	-
Rental Income	-	-	-	566
Federal Grants and Contracts	1,180	21,575	387,725	-
Intergovernmental Revenue	-	22,053	-	-
Other	13,969	557	3,859	28
TOTAL OPERATING REVENUES	23,137	122,339	394,709	6,802
OPERATING EXPENSES:				
Salaries and Fringe Benefits	455	56,482	45,326	3,721
Operating and Travel	3,157	45,829	341,274	4,014
Cost of Goods Sold	1,730	-	-	-
Depreciation and Amortization	24	4,161	2	526
Intergovernmental Distributions	2,243	1,943	-	-
Debt Service	431	-	15,955	-
Prizes and Awards	-	9	-	785
TOTAL OPERATING EXPENSES	8,040	108,424	402,557	9,046
OPERATING INCOME (LOSS)	15,097	13,915	(7,848)	(2,244)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	213	-	-
Investment Income (Loss)	-	263	-	876
Rental Income	-	516	-	-
Gifts and Donations	-	1,118	-	528
Federal Grants and Contracts	-			
Gain/(Loss) on Sale or Impairment of Capital Assets	-	26	-	-
Insurance Recoveries from Prior Year Impairments	-	64	-	-
Debt Service	-	(63)	-	(4)
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	2,137	-	1,400
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	15,097	16,052	(7,848)	(844)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	5,109	-	479
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
TOTAL CONTRIBUTIONS AND TRANSFERS	(15,332)	109	(115)	336
CHANGE IN NET ASSETS	(235)	16,161	(7,963)	(508)
NET ASSETS - FISCAL YEAR BEGINNING	78,818	274,277	63,586	12,425
Prior Period Adjustments (See Note 29)	(687)	-	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 77,896	$ 290,438	$ 55,623	$ 11,917

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 537	$ -	$ 7,508	$ 84,037
-	-	-	-	-	215	217
45,299	35,549	17,214	4	69,450	4,243	180,130
-	-	-	-	-	-	11,110
-	-	-	-	-	955	1,521
-	16,688	-	1,822	15,264	688	444,942
-	342	-	-	-	-	22,395
157	40	37	15	113	44	18,819
45,456	52,619	17,251	2,378	84,827	13,653	763,171
10,645	35,693	6,629	9,993	2,777	5,033	176,754
8,741	9,345	2,368	25,773	1,725	7,863	450,089
25,315	-	10,695	-	-	131	37,871
502	1,606	110	127	48	646	7,752
-	3,942	-	-	-	-	8,128
-	-	-	-	-	-	16,386
-	-	-	-	-	-	794
45,203	50,586	19,802	35,893	4,550	13,673	697,774
253	2,033	(2,551)	(33,515)	80,277	(20)	65,397
-	-	-	36,731	-	-	36,731
-	-	-	116	19	25	373
32	(20)	24	109	3,614	29	4,927
440	2	-	-	-	-	958
1	10	-	-	1,368	490	3,515
16	5,426	-	-	-	474	5,942
-	-	-	-	-	-	64
-	(300)	-	-	(9,528)	116	(9,779)
-	(42)	-	-	(38)	(11)	(91)
489	5,076	24	36,956	(4,565)	1,123	42,640
742	7,109	(2,527)	3,441	75,712	1,103	108,037
-	2,190	-	-	-	2,748	10,526
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
(330)	1,411	(1,947)	(905)	(905)	2,508	(15,170)
412	8,520	(4,474)	2,536	74,807	3,611	92,867
22,233	30,249	7,961	6,387	53,086	11,772	560,794
-	-	-	-	-	-	(687)
$ 22,645	$ 38,769	$ 3,487	$ 8,923	$ 127,893	$ 15,383	$ 652,974

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ 2	$ -	$ -
Fees for Service	1,255	64,857	678	4,763
Sales of Products	-	733	587	158
Gifts, Grants, and Contracts	1,180	22,203	398,522	28
Loan and Note Repayments	16,273	-	-	-
Income from Property	194,800	516	-	566
Other Sources	-	28,702	3,272	2,091
Cash Payments to or for:				
Employees	(464)	(53,312)	(1,873)	(2,225)
Suppliers	(21,215)	(32,970)	(50,382)	(5,413)
Sales Commissions and Lottery Prizes	-	(5,820)	-	-
Others for Student Loans and Loan Losses	(197,962)	-	(355,354)	-
Other Governments	(2,243)	(1,943)	-	-
Other	(1,185)	(8,478)	-	(910)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(9,561)	14,490	(4,550)	(942)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
Receipt of Deposits Held in Custody	-	-	8	2
Release of Deposits Held in Custody	-	(1)	(8)	(2)
Gifts and Grants for Other Than Capital Purposes	-	1,118	-	-
NonCapital Debt Service Payments	(431)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(15,763)	(3,883)	(115)	(143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	-	(23,283)	(4)	(737)
Capital Gifts, Grants, and Contracts	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	1,754
Capital Debt Service Payments	-	(1)	-	(4)
Capital Lease Payments	-	-	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(23,284)	(4)	1,013

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 559	$ -	$ -	$ -	$ 215	$ 776
9,953	35,400	-	35,787	67,711	3,456	223,860
34,078	33	17,227	-	-	621	53,437
-	15,040	-	2,080	14,018	926	453,997
-	-	-	-	-	-	16,273
440	2	-	-	-	955	197,279
173	787	37	658	18	6,028	41,766
						-
(9,256)	(34,605)	(6,556)	(3,426)	(2,975)	(4,928)	(119,620)
(34,960)	(10,467)	(13,080)	(32,729)	(647)	(7,704)	(209,567)
-	-	-	-	-	(1)	(5,821)
-	-	-	-	-	-	(553,316)
-	(3,581)	-	-	-	-	(7,767)
(112)	(10)	(22)	(1)	(182)	(71)	(10,971)
316	3,158	(2,394)	2,369	77,943	(503)	80,326
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
-	1	-	-	-	-	11
-	-	-	-	-	-	(11)
1	10	-	-	-	490	1,619
-	(552)	-	-	-	-	(983)
(329)	(1,320)	(1,947)	(905)	(905)	250	(25,060)
(384)	(4,575)	-	(23)	(30,934)	(2,964)	(62,904)
-	-	-	-	-	2,748	2,748
14	5,422	-	-	-	-	5,436
-	-	-	-	258,144	330	260,228
-	-	-	-	(8,013)	(567)	(8,585)
-	(822)	-	-	-	-	(822)
(370)	25	-	(23)	219,197	(453)	196,101

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,977	714	3,744	884
Proceeds from Sale/Maturity of Investments	66,891	-	-	-
Purchases of Investments	(19,836)	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	431	(451)	(619)	(8)
NET CASH FROM INVESTING ACTIVITIES	49,463	263	3,125	876
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	24,139	(12,414)	(1,544)	804
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	44,081	61,841	67,805	1,199
CASH AND POOLED CASH, FISCAL YEAR END	$ 68,220	$ 49,427	$ 66,261	$ 2,003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 15,097	$ 13,915	$ (7,848)	$ (2,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	24	4,161	2	526
Investment/Rental Income and Other Revenue in Operating Income	(7,984)	-	(3,125)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	757	-	528
(Gain)/Loss on Disposal of Capital and Other Assets	-	(253)	-	-
Compensated Absences	(29)	(421)	10	13
Interest and Other Expense in Operating Income	463	6	4	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	199,718	(5,751)	14,043	(49)
(Increase) Decrease in Inventories	-	50	-	5
(Increase) Decrease in Other Operating Assets	369	(98)	(18)	(57)
Increase (Decrease) in Accounts Payable	(215,154)	2,037	(3,013)	7
Increase (Decrease) in Other Operating Liabilities	(2,065)	87	(4,605)	329
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (9,561)	$ 14,490	$ (4,550)	$ (942)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Acquired by Grants or Donations and Payable Increases	-	5,109	-	479
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	1,403	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
78	22	110	131	3,446	77	11,183
-	621	-	-	13,244	1	80,757
-	(621)	-	-	(354,440)	-	(374,897)
(46)	(42)	(86)	(22)	(272)	(48)	(1,163)
32	(20)	24	109	(338,022)	30	(284,120)
(351)	1,843	(4,317)	1,550	(41,787)	(676)	(32,753)
6,068	4,697	5,750	6,958	86,262	7,760	292,421
$ 5,717	$ 6,540	$ 1,433	$ 8,508	$ 44,475	$ 7,084	$ 259,668
$ 253	$ 2,033	$ (2,551)	$ (33,515)	$ 80,277	$ (20)	$ 65,397
502	1,606	110	127	48	646	7,752
-	-	-	-	-	-	(11,109)
456	3	-	36,847	17	25	38,633
-	-	-	-	-	25	(228)
70	(291)	13	2	19	(24)	(638)
-	-	-	-	(4,635)	33	(4,129)
(1,268)	(834)	12	(703)	(3,098)	117	202,187
(820)	24	(15)	-	-	(28)	(784)
(54)	16	-	-	-	61	219
1,178	(155)	37	(394)	5,315	212	(209,930)
(1)	756	-	5	-	(1,550)	(7,044)
$ 316	$ 3,158	$ (2,394)	$ 2,369	$ 77,943	$ (503)	$ 80,326
-	2,190	-	-	1,368	-	9,146
-	-	-	-	-	-	1,403

INTERNAL SERVICE FUNDS

These funds account for operations of State agencies that provide a majority of their services to other State agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
INFORMATION TECHNOLOGY	This fund accounts for computer services sold to other State agencies formerly General Government Computer Center (GGCC). In April 2011 the GGCC and Telecommunications were merged into one fund, the Information Technology Fund.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily to other State agencies. In April 2011 this fund was consolidated into the Information Technology Fund.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining State office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to State agencies by the Department of Public Safety.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 6,909	$ 8,501	$ -
Other Receivables, net	263	83	-
Due From Other Governments	318	191	-
Due From Other Funds	5	2,303	-
Inventories	644	37	-
Prepaids, Advances, and Deferred Charges	19	1,966	-
Total Current Assets	8,158	13,081	-
Noncurrent Assets:			
Other Long-Term Assets	58	-	-
Depreciable Capital Assets and Infrastructure, net	52,061	2,402	-
Land and Nondepreciable Infrastructure	-	-	-
Total Noncurrent Assets	52,119	2,402	-
TOTAL ASSETS	60,277	15,483	-
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,593	7,440	-
Deferred Revenue	169	254	-
Compensated Absences Payable	22	21	-
Leases Payable	8,971	-	-
Notes, Bonds, and COPs Payable	3,535	-	-
Other Current Liabilities	258	-	-
Total Current Liabilities	15,548	7,715	-
Noncurrent Liabilities:			
Accrued Compensated Absences	506	5,743	-
Capital Lease Payable	36,841	-	-
Notes, Bonds, and COPs Payable	4,749	-	-
Total Noncurrent Liabilities	42,096	5,743	-
TOTAL LIABILITIES	57,644	13,458	-
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(2,035)	2,402	-
Unrestricted	4,668	(377)	-
TOTAL NET ASSETS	$ 2,633	$ 2,025	$ -

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 1,829	$ 645	$ 483	$ 1,126	$ 851	$ 20,344
69	4	11	2	4	436
-	-	-	-	-	509
15	-	-	-	-	2,323
278	297	-	-	-	1,256
-	-	-	-	10	1,995
2,191	946	494	1,128	865	26,863
-	-	-	-	-	58
18,105	99	1,031	13	10	73,721
939	-	-	-	-	939
19,044	99	1,031	13	10	74,718
21,235	1,045	1,525	1,141	875	101,581
1,326	143	49	300	183	12,034
4	-	-	-	8	435
-	-	-	-	-	43
687	-	-	-	-	9,658
-	-	-	-	-	3,535
-	-	-	-	-	258
2,017	143	49	300	191	25,963
291	-	-	300	30	6,870
17,225	-	-	-	-	54,066
-	-	-	-	-	4,749
17,516	-	-	300	30	65,685
19,533	143	49	600	221	91,648
1,132	99	1,031	13	10	2,652
570	803	445	528	644	7,281
$ 1,702	$ 902	$ 1,476	$ 541	$ 654	$ 9,933

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 57,763	$ 98,358	$ 26,291
Rental Income	-	-	-
Other	375	2	2
TOTAL OPERATING REVENUES	58,138	98,360	26,293
OPERATING EXPENSES:			
Salaries and Fringe Benefits	8,465	82,514	11,038
Operating and Travel	27,021	20,746	15,099
Cost of Goods Sold	7,597	-	-
Depreciation and Amortization	14,544	439	265
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	57,627	103,699	26,402
OPERATING INCOME (LOSS)	511	(5,339)	(109)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	26	140	-
Federal Grants and Contracts	-	53	154
Gain/(Loss) on Sale or Impairment of Capital Assets	(4,156)	(4)	-
Debt Service	(2,200)	(77)	-
Other Expenses	(49)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,379)	112	154
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,868)	(5,227)	45
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	553	-	-
Transfers-In	472	6,405	55
Transfers-Out	(1,567)	(1,193)	(4,769)
TOTAL CONTRIBUTIONS AND TRANSFERS	(542)	5,212	(4,714)
CHANGE IN NET ASSETS	(6,410)	(15)	(4,669)
NET ASSETS - FISCAL YEAR BEGINNING	9,043	2,040	4,669
Accounting Changes (See Note 29)	-	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 2,633	$ 2,025	$ -

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ 2,013	$ 152	$ 4,443	$ 3,306	$ 192,326
11,523	-	-	-	-	11,523
11	-	-	-	4	394
11,534	2,013	152	4,443	3,310	204,243
3,264	1,099	186	3,500	1,299	111,365
4,984	1,321	310	787	1,441	71,709
-	-	-	-	-	7,597
1,270	14	412	7	8	16,959
98	-	-	-	-	98
9,616	2,434	908	4,294	2,748	207,728
1,918	(421)	(756)	149	562	(3,485)
-	(12)	-	30	5	189
450	-	-	-	-	657
(643)	-	-	(2)	-	(4,805)
(818)	-	-	-	-	(3,095)
-	-	-	-	-	(49)
(1,011)	(12)	-	28	5	(7,103)
907	(433)	(756)	177	567	(10,588)
-	-	-	-	-	553
27	-	388	-	-	7,347
(1,336)	-	(16)	(258)	(343)	(9,482)
(1,309)	-	372	(258)	(343)	(1,582)
(402)	(433)	(384)	(81)	224	(12,170)
2,104	1,335	1,860	622	339	22,012
-	-	-	-	91	91
$ 1,702	$ 902	$ 1,476	$ 541	$ 654	$ 9,933

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ -	$ -	$ -
Fees for Service	57,355	97,455	26,060
Sales of Products	42	-	-
Gifts, Grants, and Contracts	-	105	67
Income from Property	-	-	-
Other Sources	242	2	2
Cash Payments to or for:			
Employees	(6,818)	(58,442)	(10,988)
Suppliers	(35,983)	(36,089)	(15,737)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(23)	(51)	(3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,815	2,980	(599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	472	4,870	55
Transfers-Out	(1,567)	(1,193)	(3,234)
Receipt of Deposits Held in Custody	529	-	-
Release of Deposits Held in Custody	(271)	-	-
NonCapital Debt Proceeds	-	7	-
NonCapital Debt Service Payments	-	(7)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(837)	3,677	(3,179)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(16,795)	(23,107)	(23,881)
Proceeds from Sale of Capital Assets	8,929	22,643	23,881
Capital Debt Service Payments	(4,653)	(77)	-
Capital Lease Payments	(1,861)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(14,380)	(541)	-

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ -	$ 3	$ -	$ -	$ 3
-	900	142	4,441	3,308	189,661
-	1,112	-	-	3	1,157
450	-	-	-	-	622
11,486	-	-	-	-	11,486
18	-	-	-	3	267
(3,100)	(1,048)	(187)	(3,338)	(1,116)	(85,037)
(4,632)	(1,374)	(311)	(882)	(783)	(95,791)
-	-	-	-	(706)	(706)
(98)	-	-	-	-	(98)
-	-	-	-	(103)	(180)
4,124	(410)	(353)	221	606	21,384
27	-	388	-	-	5,812
(1,336)	-	(16)	(258)	(343)	(7,947)
-	-	-	-	-	529
-	-	-	-	-	(271)
-	-	-	-	-	7
-	-	-	-	-	(7)
(1,309)	-	372	(258)	(343)	(1,877)
(2,776)	-	-	-	-	(66,559)
150	-	-	-	-	55,603
(818)	-	-	-	-	(5,548)
-	-	-	-	-	(1,861)
(3,444)	-	-	-	-	(18,365)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM- MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	26	-	-
Proceeds from Sale/Maturity of Investments	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	140	-
NET CASH FROM INVESTING ACTIVITIES	26	140	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(376)	6,256	(3,778)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	7,285	2,245	3,778
Accounting Changes (See Note 29)	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 6,909	$ 8,501	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 511	$ (5,339)	$ (109)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,544	439	265
Investment/Rental Income and Other Revenue in Operating Income	(54)	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	53	154
(Gain)/Loss on Disposal of Capital and Other Assets	4	-	-
Compensated Absences	62	4,164	-
Interest and Other Expense in Operating Income	3	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(281)	(1,107)	(316)
(Increase) Decrease in Inventories	94	8	-
(Increase) Decrease in Other Operating Assets	(11)	(1,494)	62
Increase (Decrease) in Accounts Payable	161	6,002	(655)
Increase (Decrease) in Other Operating Liabilities	(218)	254	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,815	$ 2,980	$ (599)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Acquired by Grants or Donations and Payable Increases	553	1,376	-
Loss on Disposal of Capital and Other Assets	-	3	
Disposal of Capital Assets	-	-	1,376

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	-	14	2	42
-	-	-	34	-	34
-	(12)	-	(17)	3	114
-	(12)	-	31	5	190
(629)	(422)	19	(6)	268	1,332
2,458	1,067	464	1,132	484	18,913
-	-	-	-	99	99
$ 1,829	$ 645	$ 483	$ 1,126	$ 851	$ 20,344
$ 1,918	$ (421)	$ (756)	$ 149	$ 562	$ (3,485)
1,270	14	412	7	8	16,959
-	-	-	-	-	(54)
454	-	-	-	-	661
-	-	-	-	-	4
14	-	-	55	(5)	4,290
159	-	-	-	-	162
(40)	(1)	(5)	(1)	6	(1,745)
(44)	(30)	-	-	-	28
-	-	-	-	(10)	(1,453)
389	28	(4)	11	46	5,978
4	-	-	-	(1)	39
$ 4,124	$ (410)	$ (353)	$ 221	$ 606	$ 21,384
-	-	-	-	-	1,929
647	-	-	2	-	652
-	-	-	-	-	1,376

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S	This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.
UNCLAIMED PROPERTY	This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net Assets Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.
COLLEGE SAVINGS PLAN	The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State.
COLLEGE OPPORTUNITY FUND	The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. The COF administrator only distributes the stipend to the higher education institution as directed by the student. Any unused stipends remain in the COF and do not revert to the State.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts; contractor's performance escrow accounts; sales taxes collected for cities and counties; deposits held to ensure land restoration by mining and oil exploration companies; amounts held for the trustee related to the most recent issuance of Certificates of Participation for Higher Education Institutions, Building Excellent Schools Today (BEST), the Ralph L. Carr Justice Complex, and the Colorado History Center; the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,512	$ 92,712	$ 9,860
Other Receivables, net	7	-	6,946
Due From Other Funds	-	-	4,766
Noncurrent Assets:			
Investments:			
Government Securities	-	-	2,534
Repurchase Agreements	-	-	748
Mutual Funds	-	-	4,015,280
Other Investments	-	-	38,698
TOTAL ASSETS	3,519	92,712	4,078,832
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	7,386
Deferred Revenue	-	-	1,737
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,919
TOTAL LIABILITIES	-	-	12,042
NET ASSETS:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	3,519	92,712	4,066,790
TOTAL NET ASSETS	$ 3,519	$ 92,712	$ 4,066,790

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ -	$ -	$ 6,393	$ 112,477
-	-	2,562	9,515
-	-	-	4,766
-	10,288	589	13,411
-	-	-	748
-	-	-	4,015,280
-	-	-	38,698
-	10,288	9,544	4,194,895
-	-	761	8,147
-	-	7,454	9,191
-	-	-	2,919
-	-	8,215	20,257
-	10,288	1,329	4,174,638
$ -	$ 10,288	$ 1,329	$ 4,174,638

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 539,436
Investment Income/(Loss)	31	1,056	614,031
Unclaimed Property Receipts	-	24,939	-
Other Additions	608	-	684
TOTAL ADDITIONS	639	25,995	1,154,151
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	213	23,027	389,095
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	213	23,027	389,095
CHANGE IN NET ASSETS	426	2,968	765,056
NET ASSETS - FISCAL YEAR BEGINNING	3,093	89,744	3,301,734
NET ASSETS - FISCAL YEAR ENDING	$ 3,519	$ 92,712	$ 4,066,790

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 266,934	$ -	$ 5,960	$ 812,330
-	10	102	615,230
-	-	-	24,939
-	-	1,575	2,867
266,934	10	7,637	1,455,366
266,934	401	-	267,335
-	-	7,450	419,785
-	-	92	92
266,934	401	7,542	687,212
-	(391)	95	768,154
-	10,679	1,234	3,406,484
$ -	$ 10,288	$ 1,329	$ 4,174,638

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 92,707	$ 2,227,341	$ 2,224,728	$ 95,320
Taxes Receivable, net	135,716	27,319	35,224	127,811
TOTAL ASSETS	$ 228,423	$ 2,254,660	$ 2,259,952	$ 223,131
LIABILITIES:				
Tax Refunds Payable	$ 5,524	$ 1,793	$ 2,903	$ 4,414
Accounts Payable and Accrued Liabilities	-	5	5	-
Due To Other Governments	215,512	2,654,222	2,659,812	209,922
Claims and Judgments Payable	241	3,112	3,224	129
Other Long-Term Liabilities	7,146	1,609	89	8,666
TOTAL LIABILITIES	$ 228,423	$ 2,660,741	$ 2,666,033	$ 223,131

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 91,406	$ 194,110	$ 189,575	$ 95,941
Taxes Receivable, net	4,189	1,357	877	4,669
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	-	-	-	-
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
TOTAL ASSETS	$ 115,496	$ 199,662	$ 194,995	$ 120,163
LIABILITIES:				
Tax Refunds Payable	$ 350	$ -	$ 271	$ 79
Accounts Payable and Accrued Liabilities	2,040	16,333	17,235	1,138
Due To Other Governments	6,654	96,480	95,484	7,650
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	381	94	88	387
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	101,634	89,519	83,427	107,726
Deposits Held In Custody For Others	3,690	933	2,196	2,427
Other Long-Term Liabilities	700	17	-	717
TOTAL LIABILITIES	$ 115,496	$ 221,746	$ 217,079	$ 120,163

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 655,432	$ 776,042	$ 449,064	$ 982,410
Due From Other Funds	15,039	12,144	15,039	12,144
TOTAL ASSETS	$ 670,471	$ 788,186	$ 464,103	$ 994,554
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 1	$ 159	$ 155	$ 5
Other Current Liabilities	622,874	786,878	453,228	956,524
Deposits Held In Custody For Others	47,596	4,149	13,720	38,025
TOTAL LIABILITIES	$ 670,471	$ 791,186	$ 467,103	$ 994,554

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 839,545	$ 3,197,493	$ 2,863,367	$ 1,173,671
Taxes Receivable, net	139,905	28,676	36,101	132,480
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	15,039	12,144	15,039	12,144
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
TOTAL ASSETS	$ 1,014,390	$ 3,242,508	$ 2,919,050	$ 1,337,848
LIABILITIES:				
Tax Refunds Payable	$ 5,874	$ 1,793	$ 3,174	$ 4,493
Accounts Payable and Accrued Liabilities	2,041	16,497	17,395	1,143
Due To Other Governments	222,166	2,750,702	2,755,296	217,572
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	622	3,206	3,312	516
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	724,508	876,397	536,655	1,064,250
Deposits Held In Custody For Others	51,286	5,082	15,916	40,452
Other Long-Term Liabilities	7,846	1,626	89	9,383
TOTAL LIABILITIES	$ 1,014,390	$ 3,673,673	$ 3,350,215	$ 1,337,848

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 39 on page 149.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,262	$ 9,291	$ 6,725
Investments	-	72,810	-
Contributions Receivable, net	-	-	4,150
Other Receivables, net	73	1,604	31
Due From Other Governments	-	-	-
Prepaids, Advances, and Deferred Charges	6	-	-
Other Current Assets	-	-	-
Total Current Assets	2,341	83,705	10,906
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	-	-
Investments	-	-	24,538
Contributions Receivable, net	-	-	-
Other Long-Term Assets	624	-	12,450
Depreciable Capital Assets and Infrastructure, net	122,767	11	-
Land and Nondepreciable Infrastructure	20,256	-	-
Total Noncurrent Assets	143,647	11	36,988
TOTAL ASSETS	145,988	83,716	47,894
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	67	118	-
Deferred Revenue	-	4,953	4,150
Claims and Judgments Payable	-	26,910	-
Notes, Bonds, and COPs Payable	291	-	-
Other Current Liabilities	89	-	-
Total Current Liabilities	447	31,981	4,150
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Notes, Bonds, and COPs Payable	627	-	-
Other Long-Term Liabilities	12	-	12,450
Total Noncurrent Liabilities	639	-	12,450
TOTAL LIABILITIES	1,086	31,981	16,600
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	142,066	11	-
Restricted for:			
Emergencies	24	-	-
Expendable	-	-	-
Other Purposes	-	51,724	-
Unrestricted	2,812	-	31,294
TOTAL NET ASSETS	$ 144,902	$ 51,735	$ 31,294

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
$ 10	$ 1,687	$ 1,072	$ 44,110	$ 4,522	$ 69,679
-	-	-	-	-	72,810
-	-	-	-	521	4,671
2,000	-	453	-	219	4,380
-	-	-	403	-	403
-	-	27	-	61	94
-	-	-	-	435	435
2,010	1,687	1,552	44,513	5,758	152,472
-	-	-	-	3,861	3,861
1,416	-	-	-	6,136	32,090
-	-	-	-	910	910
-	-	-	1,783	6,634	21,491
-	-	11	-	46,352	169,141
-	-	-	14,112	14,675	49,043
1,416	-	11	15,895	78,568	276,536
3,426	1,687	1,563	60,408	84,326	429,008
-	-	415	6,425	760	7,785
-	-	-	-	772	9,875
-	-	-	-	-	26,910
-	-	-	-	217	508
-	-	-	170	-	259
-	-	415	6,595	1,749	45,337
-	-	-	-	44	44
-	-	-	54,640	68,673	123,940
-	-	-	-	-	12,462
-	-	-	54,640	68,717	136,446
-	-	415	61,235	70,466	181,783
-	-	11	-	(7,297)	134,791
-	-	-	-	-	24
-	-	-	-	4,981	4,981
3,426	1,686	-	-	-	56,836
-	1	1,137	(827)	16,176	50,593
$ 3,426	$ 1,687	$ 1,148	$ (827)	$ 13,860	$ 247,225

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
OPERATING REVENUES:			
Fees	$ -	$ 82,491	$ -
Investment Income (Loss)	-	-	4,824
Rental Income	777	-	-
Gifts and Donations	-	-	-
Federal Grants and Contracts	-	1,319	-
Other	-	-	-
TOTAL OPERATING REVENUES	777	83,810	4,824
OPERATING EXPENSES:			
Operating and Travel	108	116,837	69
Depreciation and Amortization	4,055	11	-
TOTAL OPERATING EXPENSES	4,163	116,848	69
OPERATING INCOME (LOSS)	(3,386)	(33,038)	4,755
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	1	1,130	179
Gifts and Donations	-	5,000	4,243
Other Expenses	-	-	-
Other Revenues	482	29,142	-
TOTAL NONOPERATING REVENUES (EXPENSES)	483	35,272	4,422
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,903)	2,234	9,177
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Transfers-Out	-	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	-
CHANGE IN NET ASSETS	(2,903)	2,234	9,177
NET ASSETS - FISCAL YEAR BEGINNING	147,805	49,501	22,117
NET ASSETS - FISCAL YEAR ENDING	$ 144,902	$ 51,735	$ 31,294

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
$ -	$ -	$ 2,693	$ -	$ 859	$ 86,043
1	1	-	-	91	4,917
-	-	-	-	8,395	9,172
-	-	-	-	1,681	1,681
2,000	-	-	-	-	3,319
-	2,331	63	-	146	2,540
2,001	2,332	2,756	-	11,172	107,672
1,567	1,204	2,421	123	8,993	131,322
-	-	27	157	2,450	6,700
1,567	1,204	2,448	280	11,443	138,022
434	1,128	308	(280)	(271)	(30,350)
-	-	-	911	-	2,221
-	-	-	-	-	9,243
-	-	-	(2,177)	(872)	(3,049)
-	-	-	719	-	30,343
-	-	-	(547)	(872)	38,758
434	1,128	308	(827)	(1,143)	8,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
434	1,128	308	(827)	(1,143)	8,408
2,992	559	840	-	15,003	238,817
$ 3,426	$ 1,687	$ 1,148	$ (827)	$ 13,860	$ 247,225

CAPITAL ASSETS

The following schedule presents the capital assets net of accumulated depreciation used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES INCLUDING INTERNAL SERVICE FUNDS BY FUNCTION AND DEPARTMENT JUNE 30, 2011

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 56	$ -	$ -
Legislature	-	4	-	-
Military Affairs	3,155	1,614	31,165	-
Personnel & Administration	5,739	2,404	74,333	-
Revenue	-	1,608	1,878	-
Subtotal	8,894	5,686	107,376	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	1,852	-
[1]GOV, GEO, OEDIT	-	-	-	48
Labor and Employment	543	242	7,031	-
Local Affairs	-	87	1,247	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	1,030	-
State	-	-	-	-
Subtotal	1,181	329	11,160	48
EDUCATION				
Education	152	60	10,180	1,549
Higher Education	1,842	1,095	4,675	8,929
Subtotal	1,994	1,155	14,855	10,478
HEALTH AND REHABILITATION				
Public Health and Environment	188	10	5,692	-
Human Services	3,068	4,198	92,990	-
Subtotal	3,256	4,208	98,682	-
JUSTICE				
Corrections	3,872	3,806	633,092	-
DHS, Division of Youth Services	1,675	634	95,742	-
Judicial	1,605	279	-	628
Law	-	-	-	-
Public Safety	1,399	335	21,621	-
Subtotal	8,551	5,054	750,455	628
NATURAL RESOURCES				
Natural Resources	104,433	35,987	33,321	-
SOCIAL ASSISTANCE				
Human Services	-	464	2,753	-
Military Affairs	36	1,863	2,211	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,327	4,964	-
TRANSPORTATION				
Transportation	15,295	162	100,914	-
TOTAL CAPITAL ASSETS	$ 143,640	$ 54,908	$ 1,121,727	$ 11,154

[1]Governor's Office, Governor's Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 24,526	$ 3,953	$ 420	$ -	$ -	$ 28,955
429	106	-	-	-	539
519	(14)	-	28,371	-	64,810
49,177	85	-	2,087	-	133,825
2,748	19,655	-	4,086	-	29,975
77,399	23,785	420	34,544	-	258,104
1,588	69	-	478	-	4,089
75	-	-	-	-	123
1,865	1,560	1,989	4,597	-	17,827
238	276	-	-	-	1,848
137	72	-	-	-	209
45	-	-	-	-	1,611
924	1,126	-	-	-	2,050
4,872	3,103	1,989	5,075	-	27,757
1,086	1,558	-	125,793	-	140,378
1,642	8	-	79,130	56	97,377
2,728	1,566	-	204,923	56	237,755
3,493	1,316	3,882	1,118	-	15,699
2,094	-	61	7,525	-	109,936
5,587	1,316	3,943	8,643	-	125,635
10,529	674	727	4,133	-	656,833
406	-	-	507	-	98,964
4,132	565	798	93,752	-	101,759
184	-	-	-	-	184
6,733	7,418	124	671	-	38,301
21,984	8,657	1,649	99,063	-	896,041
6,082	88	7,049	16,568	31,795	235,323
2,527	64,359	-	19,688	-	89,791
7	-	-	-	-	4,117
30	11	-	-	-	41
2,564	64,370	-	19,688	-	93,949
123,571	7,195	-	349,778	8,640,761	9,237,676
$ 244,787	$ 110,080	$ 15,050	$ 738,282	$ 8,672,612	$ 11,112,240

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provide a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,107	-	6,107
Wildlife for Future Generations (Expendable)	33-1-112	1,447	7	1,440
Other Permanent-Nonexpendable	Various	755	-	755
Veterans Monument Preservation	24-80-1401	70	3	67
Hall Historical Marker-Nonexpendable	24-80-209	$ 7	$ -	$ 7
Total Other Permanent Funds		$ 8,386	$ 10	$ 8,376
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	589	-	589
Early Intervention Services	27-10.5-706	8,513	8,191	322
Brand Estray Fund	35-41-102	219	1	218
Americans with Disabilities Act Contractor Settlement	24-34-301	155	-	155
Colorado Combined Campaign Administration	Restricted	68	23	45
Total Other Private Purpose Funds		$ 9,544	$ 8,215	$ 1,329
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	15,303	6,921	8,382
Grounds Cash Fund	26-1-133.5(2)	4,060	89	3,971
Brand Inspection Fund	35-41-102	3,597	1,738	1,859
Business Enterprise Program	26-8.5-107	798	133	665
Enterprise Services	24-80-209	383	85	298
Clean Screen Authority	42-3-304(19)	637	522	115
Work Therapy	None	76	20	56
Other Enterprise Funds	Various	24	-	24
Conference & Training	None	13	-	13
Total Other Enterprise Funds		$ 24,891	$ 9,508	$ 15,383
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	358,972	5,603	353,369
School Capital Construction Assistance	22-43.7-104	40,653	6,938	33,715
Department of Natrual Resources Lottery Distribution	33-60-103(1)	27,012	1,626	25,386
Economic Development Fund	24-46-105	5,492	51	5,441
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Ballot Information Publication & District Fund	1-40-124.5	3,575	-	3,575
State Supplemental Security Income Stabilizaton	26-2-210(1)	1,523	-	1,523
Persistent Drunk Driver	42-3-130.5	1,684	393	1,291
Housing Development Grant Fund	24-32-721	1,372	113	1,259
Legislative Department Cash Fund	2-2-1601(1)	1,067	37	1,030
Charter School Institute Fund	22-30.5-506	1,169	620	549
Diseased Livestock Fund	35-50-140.5	469	-	469
Charter School Capital Construction Assistance	22-30.5-515	452	-	452
Colorado Family Support Loan	27-10.5-502	405	-	405
Legislative Expenses Fund	2-3-1002(1)	385	-	385
Older Coloradans Cash Fund	26-11-205.5	841	546	295
Start Smart Nutrition Program	22-82.7-105	332	42	290
Advance Technology Fund	25-16.5-105	550	264	286
Conservation Trust Fund	24-35-210(10)	10,532	10,256	276
Drug Offender Treatment Fund	18-19-103	237	-	237
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	226	-	226
Real Estate Proceeds	28-3-106	211	1	210
Highway Crossing	43-4-201	173	-	173
Colorado Heritage Communities Fund	24-32-3207	177	18	159
Child Protection Ombudsman Program	19-3.3-107(1)	173	60	113
Colorado National Guard Tuition Fund	23-5-111.4	152	88	64

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011

(Dollars in Thousands)

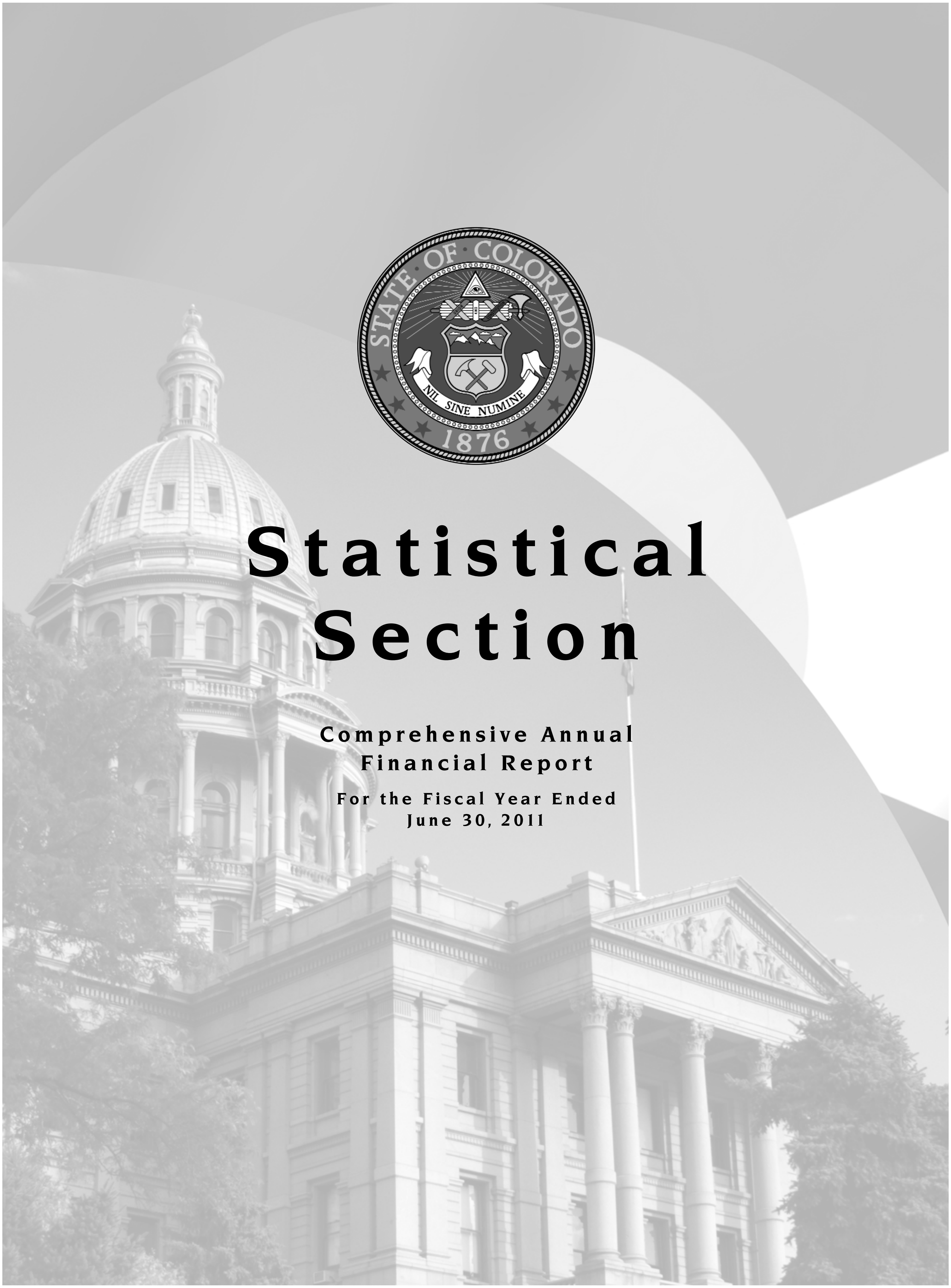
FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Health Care Services	25.5-3-112	57	-	57
Youth Advisory Council	2-2-1306	1	-	1
Prepaid Wireless Trust Cash Fund	29-11-102.5	1	1	-
School District Tax Revenue Anticipation Notes Repayment	29-15-112(4)	7	7	-
COFRS Warehouse Inventory	NONE	642	642	-
		$ 463,542	$ 27,306	$ 436,236
OTHER SPECIAL REVENUE FUNDS				
Aviation Fund	43-10-109	34,190	1,137	33,053
Justice Center Cash Fund	13-32-101(7)	24,122	-	24,122
Judicial Stabilization Cash Fund	13-32-101	18,447	-	18,447
Gear Up Scholarship Trust Fund	Restricted	17,902	-	17,902
Supreme Court Committee	Court Rule 227	17,354	4,757	12,597
Victims and Witnesses Assistance and Law Enforcement	24-4.2-104	11,363	32	11,331
Fed Tax Relief Act - 2003	Restricted	9,286	192	9,094
Victims Compensation	24-4.1-117	8,392	15	8,377
Consumer Protection Custodial Funds	6-1-103	7,632	53	7,579
Offender Services	16-11-214	7,143	-	7,143
Secretary Of State Fees	24-21-104	7,967	1,737	6,230
Auto Theft Prevention Cash Fund	42-5-112(4a)	6,924	801	6,123
Help America Vote Fund	HAVA 2002	5,711	253	5,458
Creative Industries Cash Fund	24-48.5-301	4,725	91	4,634
Division Of Registrations Cash Fund	24-34-105	17,147	12,515	4,632
Medical Marijuana License Fund	12-43.3-501	5,803	1,861	3,942
Other Expendable Trusts	Various	22,472	18,625	3,847
Conveyance Safety Fund	9-5.5-111(2)	3,811	-	3,811
Electronic Procurement Program	24-102-202.5	2,986	5	2,981
Travel and Tourism Additional	None	2,468	120	2,348
Housing Rehabilitation Revolving Loans	29-4-728	2,296	-	2,296
Court Security Cash Fund	13-1-204(1)	3,002	748	2,254
Public School Construction & Inspection	24-33.5-1207	2,066	75	1,991
Motor Carrier	40-2-110.5	2,157	180	1,977
Patient Benefit	None	1,946	2	1,944
Victims Assistance	24-33.5-506	2,121	229	1,892
CBI Identification Unit	24-33.5-426	2,264	431	1,833
Fixed Utilities	40-2-114	2,631	809	1,822
Operating Vouchers	None	4,416	2,709	1,707
Texaco Oil Overcharge Fund	None	1,691	-	1,691
HUD Section 8 Vouchers Family Unification Program	29-4-708(k)	1,689	10	1,679
Transportation Renovation	43-1-210 6(b)	1,665	-	1,665
Inspection & Consumer Service Cash Fund	35-1-106.5	2,494	933	1,561
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1)	3,176	1,776	1,400
Criminal Alien Assistance Cash	17-1-107.5	1,394	-	1,394
Law Examiners Board Fund Balance	Court Rule 201	1,386	-	1,386
Violent Offender Identification Fund	24-33.5-415	1,556	186	1,370
Process & End Users Waste Tire	25-17-202.5	1,580	276	1,304
Donations	Various	11,128	9,848	1,280
Disabled Telephone Users Fund	40-17-104	1,454	191	1,263
HUD Section 8 Vouchers-Administration	29-4-708(k)	1,243	51	1,192
Judicial Information Technology Cash Fund	13-32-114	1,162	-	1,162
Traumatic Brain Injury Fund	26-1-210(1)	1,344	231	1,113
Collaborative Management Incentive	24-1.9-104(1)	1,232	140	1,092
Mortgage Broker Registration	12-61-908(2)	1,731	659	1,072
Section 8 Pre Federal Fiscal Year 04	None	1,057	-	1,057
Public School Transportation	22-51-103(1)	1,352	376	976

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Alcohol/Drug Driving Safety	42-4-1301.3	914	-	914
Liquor Law Enforcement	24-35-401	1,000	141	859
Library Trust Fund	24-90-105	841	16	825
Continuing Legal Education Fund Balance	Court Rule 260	802	-	802
Colorado Dealer License Board	12-6-123	971	195	776
Uniform Consumer Credit Code Custodial Funds	Restricted	755	39	716
Real Estate Cash Fund	12-61-111.5	3,998	3,305	693
Attorney's Fees And Costs	24-31-108(2)	690	-	690
Home Grant Revolving Loan Fund	None	8,987	8,305	682
Howard Fund	26-8-104(1)(c)	674	-	674
State Patrol Contraband	24-33.5-225	680	8	672
Policie Officers Standards Training Board	24-31-303(2)	712	66	646
Judicial Performance Cash Fund	13-5.5-107	641	21	620
Drug Offender Surcharge Fund	18-19-103(4)	1,130	520	610
Historical Society Unrestricted	24-80-209	546	-	546
Domestic Abuse Program	39-22-802	711	180	531
Low Income Telephone Assist	40-3.4-108(2)	525	-	525
Uniform Consumer Credit Code	Various	598	90	508
Public Deposit Administration	11-10.5-112	797	304	493
Educator Licensure Cash Fund	22-60.5-112	607	116	491
Division Of Securities Cash Fund	Ex. Order 56-87	1,617	1,140	477
Building Regulation Fund	24-32-3309	471	34	437
Racing Cash Fund	12-60-205	540	112	428
Exxon Oil Overcharge Funds	None	420	-	420
Financial Services Cash Fund	11-40-106(2)	668	250	418
Waste Tire Fire Prevent Fund	25-17-202.8	383	-	383
Property Tax Exemption Fund	39-2-117(3)	440	58	382
Commercial Vehicle Enterprise	42-1-225(1)	362	-	362
HUD Section 8 Veteran's Affairs Supportive Housing	29-4-708(k)	340	-	340
Agricultural Products Inspection	35-23-114(3)	639	330	309
Patient Benefit Fund	26-12-108(2)	279	-	279
Public Safety Inspection	8-1-151	279	-	279
Food Distribution Program Service	26-1-121(4b)	297	27	270
Western Slope Military Veteran's Cemetary	28-5-708	271	11	260
Diamond Shamrock Settlement	None	245	-	245
Vickers Oil Overcharge Funds	Executive Order 56-87	222	-	222
Notary Administration Cash Fund	12-55-102.5	233	18	215
133 Funds with Net Assets Below $200,000		24,797	18,720	6,077
Total Other Special Revenue Funds		$ 356,160	$ 96,060	$ 260,100



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

STATISTICAL SECTION

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS	These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.
REVENUE CAPACITY	These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.
DEBT CAPACITY	These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.
DEMOGRAPHIC AND ECONOMIC INFORMATION	These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.
OPERATING INFORMATION	These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,548,435	$ 1,962,934	$ 2,217,711	$ 2,632,601
Investments	45,548	15,224	1,498	565
Taxes Receivable, net	830,730	857,246	920,086	946,077
Other Receivables, net	147,768	158,060	182,540	188,347
Due From Other Governments	486,655	516,248	475,997	355,519
Internal Balances	18,620	14,153	14,617	14,545
Due From Component Units	62	84	66	63
Inventories	19,837	16,468	16,183	16,703
Prepaids, Advances, and Deferred Charges	56,543	38,591	33,244	23,790
Total Current Assets	3,154,198	3,579,008	3,861,942	4,178,210
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,635,476	1,572,925	1,813,365	2,061,543
Restricted Investments	1,097,797	687,314	694,311	620,325
Restricted Receivables	173,347	195,753	184,120	187,018
Investments	52,343	529,059	98,815	96,743
Other Long-Term Assets	761,498	644,867	600,020	442,911
Depreciable Capital Assets and Infrastructure, net	9,331,295	9,689,916	2,360,036	2,282,645
Land and Nondepreciable Infrastructure	1,780,945	1,637,224	10,480,438	10,291,250
Total Noncurrent Assets	14,832,701	14,957,058	16,231,105	15,982,435
TOTAL ASSETS	17,986,899	18,536,066	20,093,047	20,160,645
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	785,496	847,550	779,008	837,311
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	216,956	181,684	223,415	183,696
Due To Component Units	-	-	-	-
Deferred Revenue	111,506	128,404	150,632	97,174
Accrued Compensated Absences	9,741	10,287	8,930	9,776
Claims and Judgments Payable	44,641	44,181	36,936	37,775
Leases Payable	12,872	11,384	8,227	6,002
Notes, Bonds, and COPs Payable	145,165	642,445	637,066	574,150
Other Current Liabilities	13,748	20,432	9,818	11,794
Total Current Liabilities	1,965,976	2,551,854	2,488,460	2,319,501
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	137,139	138,224	140,675	128,760
Claims and Judgments Payable	340,003	347,394	358,371	335,636
Capital Lease Payable	94,716	85,746	83,586	54,029
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,621,749	1,554,964	1,146,960	1,274,720
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	434,194	402,599	397,774	217,793
Total Noncurrent Liabilities	2,627,815	2,528,940	2,127,382	2,010,954
TOTAL LIABILITIES	4,593,791	5,080,794	4,615,842	4,330,455
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	9,836,378	10,118,621	11,631,061	11,348,995
Restricted for:				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	-	-
Debt Service	10,127	4,093	558	558
Emergencies	85,400	94,000	93,550	93,000
Permanent Funds and Endowments:				
Expendable	8,017	11,130	8,588	2,333
Nonexpendable	641,802	643,148	623,619	587,733
Other Purposes	315,082	138,826	197,918	231,532
Unrestricted	850,342	1,052,019	1,363,022	1,862,405
TOTAL NET ASSETS	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
998	12,637	10,440	10,209	-	-
956,149	845,241	731,647	738,769	758,887	809,839
153,218	153,916	146,906	143,717	104,475	125,181
280,637	264,688	307,704	282,252	515,860	378,906
13,756	26,313	18,122	22,070	(98,203)	20,287
65	56	110	-	-	-
14,053	14,906	18,266	16,696	17,580	16,895
28,527	28,735	23,700	29,628	27,413	99,893
3,902,828	3,681,440	3,201,646	2,630,810	2,038,268	2,022,294
1,689,703	1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
552,211	491,780	465,819	408,790	571,970	-
279,140	335,774	311,462	347,245	-	-
80,695	48,173	24,162	4,055	152,495	1,142,818
425,886	395,612	356,325	325,376	332,964	244,499
1,288,308	1,322,945	1,348,957	1,208,235	1,191,785	1,138,996
11,799,975	11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
16,115,918	15,593,260	15,319,092	15,236,941	14,518,929	14,659,967
20,018,746	19,274,700	18,520,738	17,867,751	16,557,197	16,682,261
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
694,602	633,685	679,425	687,136	684,956	569,102
727	2,917	41,064	-	-	48,920
176,864	247,548	192,611	172,239	151,989	172,691
-	-	-	-	-	-
65,389	66,290	73,609	84,431	114,149	84,906
9,533	9,437	7,900	7,992	7,394	6,123
40,948	49,415	38,738	12,084	14,743	35,576
2,807	1,461	3,403	2,821	3,492	1,298
457,250	526,235	628,395	419,778	21,125	19,530
9,615	10,318	25,092	37,152	33,987	37,050
1,944,311	2,004,430	2,166,682	1,849,243	1,462,967	1,359,236
17	17	16	10	8	12
116,262	112,860	111,418	112,104	113,548	112,027
295,874	343,452	430,978	29,200	29,200	-
27,649	16,021	18,905	13,219	5,054	2,175
-	-	-	-	-	-
-	-	-	-	-	-
1,390,671	1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-	-	-
-	-	-	-	-	-
206,972	210,369	198,520	516,756	501,390	263,034
2,037,445	2,186,405	2,227,761	2,211,342	1,958,353	1,705,320
3,981,756	4,190,835	4,394,443	4,060,585	3,421,320	3,064,556
-	-	-	-	-	-
11,804,908	11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
-	-	-	-	-	-
558	580	3,298	7,965	5,241	6,495
85,760	79,800	71,000	172,202	150,762	81,917
1,782	1,642	1,953	1,297	986	810
515,997	460,473	433,538	392,542	378,369	356,004
299,777	198,996	141,933	134,658	95,135	16,006
1,905,487	1,702,104	899,389	644,490	333,043	843,080
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,306,800	$ 1,176,181	$ 1,220,190	$ 1,555,782
Investments	273,605	253,270	386,948	272,804
Taxes Receivable, net	186,161	90,005	73,326	82,431
Other Receivables, net	302,042	282,053	245,768	239,790
Due From Other Governments	177,822	158,787	142,961	125,894
Internal Balances	(18,620)	(14,153)	(14,617)	(14,545)
Due From Component Units	19,736	14,474	12,630	16,348
Inventories	43,600	42,779	42,467	42,271
Prepaids, Advances, and Deferred Charges	18,018	19,244	20,091	17,055
Total Current Assets	2,309,164	2,022,640	2,129,764	2,337,830
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	409,652	353,164	368,308	446,681
Restricted Investments	98,146	239,719	201,025	259,115
Restricted Receivables	24,980	239,041	1,916,974	1,716,722
Investments	1,623,569	1,206,671	1,154,901	1,008,382
Other Long-Term Assets	122,939	119,387	123,599	119,650
Depreciable Capital Assets and Infrastructure, net	4,662,346	3,912,771	3,594,383	3,464,979
Land and Nondepreciable Infrastructure	938,544	1,207,048	928,243	576,755
Total Noncurrent Assets	7,880,176	7,277,801	8,287,433	7,592,284
TOTAL ASSETS	10,189,340	9,300,441	10,417,197	9,930,114
DEFERRED OUTFLOW OF RESOURCES:	-	7,778	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	556,294	596,926	506,318	467,741
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	331,246	406,275	182,922	26,885
Due To Component Units	524	466	930	1,112
Deferred Revenue	234,662	232,371	207,551	190,528
Accrued Compensated Absences	14,579	13,035	12,753	12,745
Claims and Judgments Payable	-	-	-	7,398
Leases Payable	4,950	6,672	6,282	5,976
Notes, Bonds, and COPs Payable	79,106	100,329	85,456	75,567
Other Current Liabilities	141,484	126,232	241,129	208,542
Total Current Liabilities	1,362,845	1,482,306	1,243,341	996,494
Noncurrent Liabilities:				
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	205,621	196,295	185,420	166,402
Claims and Judgments Payable	35,373	29,461	27,541	28,482
Capital Lease Payable	43,466	76,702	83,206	83,113
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	3,117,100	2,682,987	3,917,559	3,466,484
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	43,814	36,450	43,321	40,756
Total Noncurrent Liabilities	3,559,806	3,079,433	4,293,744	3,806,530
TOTAL LIABILITIES	4,922,651	4,561,739	5,537,085	4,803,024
DEFERRED INFLOW OF RESOURCES:	2,006	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	2,990,094	2,854,803	2,665,270	2,411,662
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	-	-	392,984	765,533
Debt Service	6,753	6,100	111,778	180,409
Emergencies	12,368	16,257	21,282	33,716
Permanent Funds and Endowments:				
Expendable	5,936	6,825	6,935	9,592
Nonexpendable	73,956	71,738	70,420	74,479
Other Purposes	657,292	630,890	582,006	491,492
Unrestricted	1,518,284	1,159,867	1,029,437	1,160,207
TOTAL NET ASSETS	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

BUSINESS-TYPE ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 1,430,836	$ 1,188,953	$ 872,618	$ 678,233	$ 754,879	$ 1,193,338
326,087	328,466	670,346	182,572	-	-
81,745	105,973	103,598	92,485	46,597	36,237
219,488	209,497	206,946	180,707	219,048	884,919
126,391	99,040	95,170	86,355	98,017	74,061
(13,756)	(26,313)	(18,122)	(22,070)	98,203	(20,287)
15,334	11,141	9,294	5,406	-	
38,000	35,747	34,797	33,065	33,861	35,315
15,751	13,148	13,723	18,396	19,138	22,441
2,239,876	1,965,652	1,988,370	1,255,149	1,269,743	2,226,024
149,811	187,895	160,283	121,764	114,642	40,136
555,310	424,826	453,876	243,390	114,292	140,074
1,408,588	1,173,312	1,015,134	889,108	-	-
972,922	887,302	225,329	577,619	888,232	663,412
112,693	108,606	119,359	99,358	832,622	74,237
2,851,692	2,718,135	2,719,778	2,623,814	2,259,846	1,899,066
835,182	561,525	403,037	371,552	520,085	651,292
6,886,198	6,061,601	5,096,796	4,926,605	4,729,719	3,468,217
9,126,074	8,027,253	7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-	-	-
-	-	-	-	-	-
413,788	380,194	350,347	334,136	332,990	188,839
-	-	-	-	-	-
38,501	30,749	38,472	37,120	26,570	45,626
273	1,067	1,607	703	-	-
183,805	171,411	145,432	131,496	138,313	138,382
12,578	14,284	14,103	9,719	10,582	8,526
11,717	7,430	8,233	-	-	-
4,950	4,851	6,039	5,537	5,283	3,840
62,998	83,271	85,672	80,127	60,105	97,064
126,574	94,214	107,228	107,611	92,272	89,335
855,184	787,471	757,133	706,449	666,115	571,612
-	-	-	-	-	-
153,320	136,837	131,883	128,635	124,853	121,127
28,220	48,396	20,019	-	-	-
63,671	55,873	84,101	80,994	80,636	43,382
-	-	-	-	-	-
-	-	-	-	-	-
3,100,764	2,488,738	2,062,837	1,578,762	1,546,903	1,199,426
-	-	-	-	-	-
-	-	-	-	-	-
54,097	53,138	52,022	70,174	76,251	144,027
3,400,072	2,782,982	2,350,862	1,858,565	1,828,643	1,507,962
4,255,256	3,570,453	3,107,995	2,565,014	2,494,758	2,079,574
-	-	-	-	-	-
2,256,929	2,256,602	2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-	-	-
-	-	-	-	-	-
675,574	548,780	321,725	200,311	322,423	653,690
125,656	105,348	122,290	103,602	2,048	2,295
37,472	29,883	27,247	39,277	32,881	38,813
5,313	4,757	16,483	17,449	17,746	47,015
97,821	82,698	76,460	49,659	46,851	49,200
411,112	364,310	303,714	297,765	189,466	198,696
1,260,941	1,064,422	871,184	712,840	750,349	579,756
$ 4,870,818	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,855,235	$ 3,139,115	$ 3,437,901	$ 4,188,383
Investments	319,153	268,494	388,446	273,369
Taxes Receivable, net	1,016,891	947,251	993,412	1,028,508
Other Receivables, net	449,810	440,113	428,308	428,137
Due From Other Governments	664,477	675,035	618,958	481,413
Internal Balances	-	-	-	-
Due From Component Units	19,798	14,558	12,696	16,411
Inventories	63,437	59,247	58,650	58,974
Prepaids, Advances, and Deferred Charges	74,561	57,835	53,335	40,845
Total Current Assets	5,463,362	5,601,648	5,991,706	6,516,040
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,045,128	1,926,089	2,181,673	2,508,224
Restricted Investments	1,195,943	927,033	895,336	879,440
Restricted Receivables	198,327	434,794	2,101,094	1,903,740
Investments	1,675,912	1,735,730	1,253,716	1,105,125
Other Long-Term Assets	884,437	764,254	723,619	562,561
Depreciable Capital Assets and Infrastructure, net	13,993,641	13,602,687	5,954,419	5,747,624
Land and Nondepreciable Infrastructure	2,719,489	2,844,272	11,408,681	10,868,005
Total Noncurrent Assets	22,712,877	22,234,859	24,518,538	23,574,719
TOTAL ASSETS	28,176,239	27,836,507	30,510,244	30,090,759
DEFERRED OUTFLOW OF RESOURCES:	-	7,778	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	1,341,790	1,444,476	1,285,326	1,305,052
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	548,202	587,959	406,337	210,581
Due To Component Units	524	466	930	1,112
Deferred Revenue	346,168	360,775	358,183	287,702
Accrued Compensated Absences	24,320	23,322	21,683	22,521
Claims and Judgments Payable	44,641	44,181	36,936	45,173
Leases Payable	17,822	18,056	14,509	11,978
Notes, Bonds, and COPs Payable	224,271	742,774	722,522	649,717
Other Current Liabilities	155,232	146,664	250,947	220,336
Total Current Liabilities	3,328,821	4,034,160	3,731,801	3,315,995
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	342,760	334,519	326,095	295,162
Claims and Judgments Payable	375,376	376,855	385,912	364,118
Capital Lease Payable	138,182	162,448	166,792	137,142
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	4,738,849	4,237,951	5,064,519	4,741,204
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	478,008	439,049	441,095	258,549
Total Noncurrent Liabilities	6,187,621	5,608,373	6,421,126	5,817,484
TOTAL LIABILITIES	9,516,442	9,642,533	10,152,927	9,133,479
DEFERRED INFLOW OF RESOURCES:	2,006	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	12,826,472	12,973,424	14,296,331	13,760,657
Restricted for:				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	392,984	765,533
Debt Service	16,880	10,193	112,336	180,967
Emergencies	97,768	110,257	114,832	126,716
Permanent Funds and Endowments:				
Expendable	13,953	17,955	15,523	11,925
Nonexpendable	715,758	714,886	694,039	662,212
Other Purposes	972,374	769,716	779,924	723,024
Unrestricted	2,368,626	2,211,886	2,392,459	3,022,612
TOTAL NET ASSETS	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
327,085	341,103	680,786	192,781	-	-
1,037,894	951,214	835,245	831,254	805,484	846,076
372,706	363,413	353,852	324,424	323,523	1,010,100
407,028	363,728	402,874	368,607	613,877	452,967
-	-	-	-	-	-
15,399	11,197	9,404	5,406	-	-
52,053	50,653	53,063	49,761	51,441	52,210
44,278	41,883	37,423	48,024	46,551	122,334
6,142,704	5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
1,839,514	1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
1,107,521	916,606	919,695	652,180	686,262	140,074
1,687,728	1,509,086	1,326,596	1,236,353	-	-
1,053,617	935,475	249,491	581,674	1,040,727	1,806,230
538,579	504,218	475,684	424,734	1,165,586	318,736
4,140,000	4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
12,635,157	12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
23,002,116	21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
29,144,820	27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
1,108,390	1,013,879	1,029,772	1,021,272	1,017,946	757,941
727	2,917	41,064	-	-	48,920
215,365	278,297	231,083	209,359	178,559	218,317
273	1,067	1,607	703	-	-
249,194	237,701	219,041	215,927	252,462	223,288
22,111	23,721	22,003	17,711	17,976	14,649
52,665	56,845	46,971	12,084	14,743	35,576
7,757	6,312	9,442	8,358	8,775	5,138
520,248	609,506	714,067	499,905	81,230	116,594
136,189	104,532	132,320	144,763	126,259	126,385
2,799,495	2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
17	17	16	10	8	12
269,582	249,697	243,301	240,739	238,401	233,154
324,094	391,848	450,997	29,200	29,200	-
91,320	71,894	103,006	94,213	85,690	45,557
-	-	-	-	-	-
-	-	-	-	-	-
4,491,435	3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-	-	-
-	-	-	-	-	-
261,069	263,507	250,542	586,930	577,641	407,061
5,437,517	4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
8,237,012	7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
-	-	-	-	-	-
14,061,837	13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
675,574	548,780	321,725	200,311	322,423	653,690
126,214	105,928	125,588	111,567	7,289	8,790
123,232	109,683	98,247	211,479	183,643	120,730
7,095	6,399	18,436	18,746	18,732	47,825
613,818	543,171	509,998	442,201	425,220	405,204
710,889	563,306	445,647	432,423	284,601	214,702
3,166,428	2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 454,633	$ 419,866	$ 386,311	$ 374,521
Service Fees	735,820	589,795	184,327	132,822
Education - Tuition, Fees, and Sales	-	-	53	-
Fines and Forfeits	200,432	218,892	203,259	155,692
Rents and Royalties	128,588	79,518	85,811	78,889
Sales of Products	4,974	3,854	5,040	4,592
Unemployment Surcharge	18,611	19,329	19,369	21,512
Other	89,509	67,460	61,168	57,622
Operating Grants and Contributions	6,218,836	5,885,657	5,065,429	4,222,670
Capital Grants and Contributions	659,288	607,383	485,711	439,693
TOTAL PROGRAM REVENUES	8,510,691	7,891,754	6,496,478	5,488,013
EXPENSES:				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	17,081,353	16,511,089	15,164,223	14,230,983
NET (EXPENSE) REVENUE	(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	510,442
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	-	-	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	(110,266)	(94,993)	(114,685)	(77,732)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,493,528	7,640,761	8,249,251	9,236,808
TOTAL CHANGES IN NET ASSETS	(77,134)	(978,574)	(418,494)	493,838
NET ASSETS - BEGINNING	13,455,272	15,477,205	15,830,190	16,036,990
Prior Period Adjustment	14,970	(594,624)	(118,647)	(393,912)
Accounting Changes	-	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

[1] – In Fiscal Year 2005-06, the State began to report Payments to School Districts and Other Governments in the functional area that made the payment.

[2] – In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 352,819	$ 339,779	$ 357,241	$ 353,628	$ 327,134	$ 310,343
129,980	123,392	128,101	132,644	117,253	105,932
-	-	-	-	-	-
126,612	121,859	117,666	109,341	99,654	87,994
68,270	68,920	61,524	45,340	32,314	31,673
3,703	3,100	2,841	3,164	2,296	3,001
22,346	22,399	21,524	20,112	19,500	19,630
64,964	79,810	54,254	55,216	47,264	72,996
4,122,360	3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
414,602	447,283	409,458	487,442	410,070	352,125
5,305,656	5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	- [1]	3,283,590	3,131,486	2,946,679	2,689,452
-	- [1]	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,264,879	12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
484,408	568,184	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(13,534)	(1,112)	-	-	(21,000)
(98,926)	(80,894) [2]	(545,175)	(546,580)	(634,674)	(662,141)
-	-	(431)	(20)	(22,855)	25
-	-	-	-	-	-
8,919,699	8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
960,476	1,086,487	317,792	496,316	(353,487)	178,446
15,083,865	14,126,295	13,807,166	13,135,877	13,617,705	5,457,647
(7,351)	(128,917)	1,337	174,973	(128,341)	(172,615)
-	-	-	-	-	8,154,227
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 120,910	$ 106,946	$ 119,611	$ 84,395
Service Fees	874,990	607,485	681,807	667,504
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,505	1,867,806
Fines and Forfeits	1,945	2,836	1,118	999
Rents and Royalties	29,507	24,648	29,908	32,399
Sales of Products	592,794	590,758	560,364	579,935
Unemployment Surcharge	791,317	491,716	363,241	398,046
Other	153,321	167,930	173,354	165,804
Operating Grants and Contributions	3,689,492	3,957,310	2,214,186	1,728,669
Capital Grants and Contributions	25,432	24,619	20,220	9,426
TOTAL PROGRAM REVENUES	8,523,083	7,973,606	6,121,314	5,534,983
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest[3]	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,080
Other Business-Type Activities	191,123	170,410	171,635	173,928
TOTAL EXPENSES	8,069,789	8,158,205	6,489,286	5,393,406
NET (EXPENSE) REVENUE	453,294	(184,599)	(367,972)	141,577
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	-	36,963
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	-	-
(Transfers-Out) / Transfers-In	110,266	94,993	114,685	77,732
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	111,759	15,418	114,685	114,695
TOTAL CHANGES IN NET ASSETS	565,053	(169,181)	(253,287)	256,272
NET ASSETS - BEGINNING	4,746,480	4,880,112	5,127,090	4,870,818
Prior Period Adjustment	(46,850)	35,549	6,309	-
Accounting Changes	-	-	-	-
NET ASSETS - ENDING	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

[1] – In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.
[2] – In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.

BUSINESS-TYPE ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 84,302	$ 75,388	$ 64,864	$ 66,196	$ 59,426	$ 57,546
575,555	536,261 [1]	273,541	242,809	188,614	153,983
1,734,996	1,622,045 [1]	1,294,488	1,227,187	1,143,890	1,062,083
1,174	729	596	554	1,025	1,379
26,271	28,765	21,527	44,783	16,576	21,084
520,838	522,715	467,088	449,910	440,902	459,317
403,641	504,039	462,416	338,063	190,461	153,024
140,376	162,045	120,145	117,682	130,239	255,970
1,685,417	1,466,045	1,403,928	1,344,191	1,398,401	1,176,005
22,263	16,856	16,667	73,952	28,662	47,202
5,194,833	4,934,888	4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221 [2]				
199,677	115,200 [2]	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
4,936,455	4,573,493	4,336,201	4,358,417	4,491,991	4,147,363
258,378	361,395	(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,446	34,728	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(707)	-	-	-	-
98,926	80,894 [1]	545,175	546,580	634,674	662,141
-	-	10,303	15,330	76,210	151,465
-	-	-	-	-	-
138,372	114,915	555,478	561,910	710,884	813,606
396,750	476,310	344,537	108,820	(182,911)	53,836
4,456,800	3,977,171	3,616,740	3,504,704	3,614,667	4,887,925
17,267	3,319	15,894	3,216	72,948	95,811
-	-	-	-	-	(1,422,905)
$ 4,870,817	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

[3] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 575,543	$ 526,812	$ 505,922	$ 458,916
Service Fees	1,610,810	1,197,280	866,134	800,326
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,558	1,867,806
Fines and Forfeits	202,377	221,728	204,377	156,691
Rents and Royalties	158,095	104,166	115,719	111,288
Sales of Products	597,768	594,612	565,404	584,527
Unemployment Surcharge	809,928	511,045	382,610	419,558
Other	242,830	235,390	234,522	223,426
Operating Grants and Contributions	9,908,328	9,842,967	7,279,615	5,951,339
Capital Grants and Contributions	684,720	632,002	505,931	449,119
TOTAL PROGRAM REVENUES	17,033,774	15,865,360	12,617,792	11,022,996
EXPENSES:				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest[3]	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,080
Other Business-Type Activities	191,123	170,410	171,635	173,928
TOTAL EXPENSES	25,151,142	24,669,294	21,653,509	19,624,389
NET (EXPENSE) REVENUE	(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	547,405
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,605,287	7,656,179	8,363,936	9,351,503
TOTAL CHANGES IN NET ASSETS	487,919	(1,147,755)	(671,781)	750,110
NET ASSETS - BEGINNING	18,201,752	20,357,317	20,957,280	20,907,808
Prior Period Adjustment	(31,880)	(559,075)	(112,338)	(393,912)
Accounting Changes	-	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 437,121	$ 415,167	$ 422,105	$ 419,824	$ 386,560	$ 367,889
705,535	659,653	401,642	375,453	305,867	259,915
1,734,997	1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
127,786	122,588	118,262	109,895	100,679	89,373
94,541	97,685	83,051	90,123	48,890	52,757
524,541	525,815	469,929	453,074	443,198	462,318
425,987	526,438	483,940	358,175	209,961	172,654
205,340	241,855	174,399	172,898	177,503	328,966
5,807,777	5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
436,865	464,139	426,125	561,394	438,732	399,327
10,500,490	10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	-	3,283,590	3,131,486	2,946,679	2,689,452
-	-	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221				
199,677	115,200	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
18,201,334	17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
523,854	602,912	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(14,241)	(1,112)	-	-	(21,000)
-	-	-	-	-	-
-	-	9,872	15,310	53,355	151,490
-	-	-	-	-	-
9,058,071	8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
1,357,227	1,562,797	662,329	605,136	(536,398)	232,282
19,540,665	18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
9,916	(125,598)	17,231	178,189	(55,393)	(76,804)
-	-	-	-	-	6,731,322
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES

Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2010-11[3]	2009-10	2008-09[2]	2007-08
REVENUES:				
Taxes	$ 8,430	$ 7,640	$ 8,231	$ 9,203
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	745	734	701	643
Charges for Goods and Services	730	552	150	104
Rents (reported in 'Other' prior to FY05)	129	80	86	79
Investment Income	97	199	258	316
Federal Grants and Contracts	6,917	7,023	5,480	4,308
Unclaimed Property Receipts	40	42	58	-
Other	221	192	195	179
TOTAL REVENUES	17,309	16,462	15,159	14,832
EXPENDITURES:				
Current:				
General Government	560	775	511	123
Business, Community and Consumer Affairs	388	369	332	311
Education	778	855	879	802
Health and Rehabilitation	592	583	608	561
Justice	1,314	1,315	1,285	1,195
Natural Resources	132	126	121	112
Social Assistance	5,656	4,454	3,836	3,669
Transportation	1,064	1,017	1,074	1,055
Capital Outlay	329	240	308	243
Intergovernmental:				
Cities	300	281	294	289
Counties	1,478	2,253	2,043	1,799
School Districts	4,303	4,364	4,143	3,814
Other	185	219	185	258
Debt Service[1]	208	194	189	208
TOTAL EXPENDITURES	17,286	17,045	15,808	14,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23	(583)	(649)	393
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,776	5,333	5,179	4,298
Transfers-Out:				
Higher Education	-	-	(121)	(131)
Other	(4,866)	(5,389)	(5,162)	(4,237)
Face Amount of Debt Issued	218	559	-	-
Bond Premium/Discount	-	8	-	-
Capital Lease Debt Issuance	17	-	11	18
Sale of Capital Assets	-	-	-	1
Insurance Recoveries	2	4	2	2
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	147	515	(91)	(49)
NET CHANGE IN FUND BALANCE	170	(68)	(740)	344
FUND BALANCE - BEGINNING	4,086	4,785	5,312	5,012
Prior Period Adjustments	(4)	(41)	(1)	(44)
Accounting Changes	591	-	214	-
FUND BALANCE - ENDING	$ 4,842	$ 4,676	$ 4,785	$ 5,312

1 – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 264.

2 – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

3 – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 8,936	$ 8,396	$ 7,323	$ 6,794	$ 6,261	$ 6,499
-	-	(41)	-	-	-
575	541	565	551	517	504
99	99	99	108	108	99
68	69	62	-	-	-
272	117	126	54	259	240
4,073	4,054	3,831	3,880	3,471	3,104
-	-	-	-	-	-
320	341	321	358	351	299
14,343	13,617	12,286	11,745	10,967	10,745
251	256	278	267	229	238
303	274	277	296	317	277
713	673	129	119	116	122
530	486	443	450	450	453
1,088	998	978	897	933	924
107	97	90	85	82	82
3,400	3,263	3,026	2,969	2,851	2,619
950	962	983	1,098	1,105	1,127
124	82	92	74	136	276
239	251	218	211	198	209
1,721	1,616	1,474	1,319	1,328	1,229
3,719	3,455	3,284	3,131	2,947	2,689
242	197	157	144	160	158
213	204	114	92	99	85
13,600	12,814	11,543	11,152	10,951	10,488
743	803	743	593	16	257
4,202	3,645	3,198	2,819	3,507	3,987
(120)	(128)	(597)	(605)	(695)	(742)
(4,137)	(3,580)	(3,136)	(2,750)	(3,406)	(3,880)
-	-	-	235	-	208
-	-	-	53	-	12
4	132	27	2	12	5
-	4	10	12	3	3
1	1	-	-	-	-
-	-	-	280	443	10
-	-	-	(311)	(436)	(10)
(50)	74	(498)	(265)	(572)	(407)
693	877	245	328	(556)	(150)
4,319	3,441	3,196	2,827	3,383	4,043
-	1	-	41	-	(510)
-	-	-	-	-	-
$ 5,012	$ 4,319	$ 3,441	$ 3,196	$ 2,827	$ 3,383

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2010-11	2009-10	2008-09	2007-08
Income Tax:				
Individual	$ 4,154	$ 3,777	$ 4,021	$ 4,600
Corporate	366	350	265	474
Net Income Tax	4,520	4,127	4,286	5,074
Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Estate Taxes	-	-	-	-
Insurance Tax	190	187	192	188
Gaming and Other Taxes	20	16	-	-
Investment Income	8	10	9	18
Medicaid Provider Revenues	-	-	-	-
Other	25	44	56	52
TOTAL GENERAL REVENUES	$ 7,086	$ 6,456	$ 6,525	$ 7,505
Percent Change From Previous Year	9.8%	-1.1%	-13.1%	2.6%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	63.8%	63.9%	65.7%	67.6%
Sales, Use, and Excise Taxes	32.7	32.1	30.4	29.0
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.7	2.9	2.9	2.5
Other Taxes	0.3	0.2	0.0	0.0
Interest	0.1	0.2	0.1	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.4	0.7	0.9	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 4,510	$ 4,044	$ 3,421	$ 3,189	$ 2,945	$ 3,086
464	422	293	218	214	165
4,974	4,466	3,714	3,407	3,159	3,251
2,076	1,995	2,146	2,005	1,915	1,962
-	-	(41)	-	-	-
2,076	1,995	2,105	2,005	1,915	1,962
1	7	26	47	53	73
179	175	189	176	171	155
7	18	40	40	38	34
28	33	28	20	51	25
-	-	-	-	16	11
48	52	59	72	74	61
$ 7,313	$ 6,746	$ 6,161	$ 5,767	$ 5,477	$ 5,572
8.4%	9.5%	6.8%	5.3%	-1.7%	2.7%
68.0%	66.2%	60.3%	59.1%	57.7%	58.3%
28.4	29.5	34.1	34.8	34.9	35.3
0.0	0.1	0.4	0.8	1.0	1.3
2.4	2.6	3.1	3.1	3.1	2.8
0.1	0.3	0.6	0.7	0.7	0.6
0.4	0.5	0.5	0.3	0.9	0.4
0.0	0.0	0.0	0.0	0.3	0.2
0.7	0.8	1.0	1.2	1.4	1.1
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT[1] AND TRANSFERS
FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
Department:[1]				
Agriculture	$ 4,761	$ 5,915	$ 6,809	$ 7,124
Corrections	656,184	563,570	637,292	626,246
Education	2,963,080	3,238,879	3,214,951	3,023,255
Governor	11,481	13,781	13,342	17,346
Health Care Policy and Financing	1,303,820	1,152,245	1,311,702	1,482,803
Higher Education	705,085	428,784	661,974	747,717
Human Services	724,121	751,149	776,394	749,974
Judicial Branch	324,079	323,146	328,056	300,674
Labor and Employment	-	-	-	-
Law	9,406	9,133	8,705	8,474
Legislative Branch	31,858	32,504	34,944	31,139
Local Affairs	10,532	10,854	12,276	10,895
Military and Veterans Affairs	5,062	5,263	5,637	5,407
Natural Resources	25,617	25,515	30,558	30,086
Personnel & Administration	4,886	5,139	5,337	10,934
Public Health and Environment	27,291	26,548	26,634	23,596
Public Safety	80,366	79,459	78,874	72,806
Regulatory Agencies	1,490	1,429	1,451	1,400
Revenue	35,674	54,187	67,092	73,593
Treasury	4,378	7,784	10,643	13,902
Transfer to Capital Construction Fund	11,985	169	39,396	183,443
Transfer to Various Cash Funds	8,000	8,000	10,281	327
Transfer to the Highway Users Tax Fund	-	-	28,965	166,182
Other Transfers and Nonoperating Disbursements	20,555	20,555	102,966	137,747
	$ 6,969,711	$ 6,764,008	$ 7,414,279	$ 7,725,070
TOTALS				
Percent Change	3.0%	-8.8%	-4.0%	3.0%
(AS PERCENT OF TOTAL)				
Education	42.5%	47.9%	43.4%	39.1%
Health Care Policy and Financing	18.7	17.0	17.7	19.2
Higher Education	10.1	6.3	8.9	9.7
Human Services	10.4	11.1	10.5	9.7
Corrections	9.4	8.3	8.6	8.1
Transfer to Capital Construction Fund	0.2	0.0	0.5	2.4
Transfer to Various Cash Funds	0.1	0.1	0.1	0.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.4	2.2
Judicial	4.6	4.8	4.4	3.9
Revenue	0.5	0.8	0.9	1.0
All Others	3.5	3.7	4.6	4.7
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 5,197	$ 4,038	$ 4,107	$ 3,716	$ 8,700	$ 10,118
577,482	534,233	495,234	467,207	476,972	443,334
2,882,876	2,718,667	2,514,427	2,417,490	2,313,588	2,268,794
11,991	15,862	15,808	13,317	31,465	19,566
1,369,321	1,362,893	1,247,254	1,142,620	1,132,643	1,076,838
693,999	636,341	587,958	591,221	685,686	739,556
718,366	590,071	568,461	534,759	551,299	560,716
265,161	237,673	219,612	207,432	213,939	214,619
108	-	-	-	-	-
8,975	7,143	6,738	6,266	8,141	9,677
29,880	27,633	26,745	26,818	28,100	27,224
9,973	8,500	8,573	4,565	7,419	10,361
5,050	4,324	3,883	3,739	4,273	3,973
28,550	22,806	22,481	19,337	23,599	24,434
9,385	8,181	7,805	7,457	12,282	14,028
23,081	20,586	13,061	12,359	16,573	31,790
67,169	58,785	56,315	53,895	54,465	56,597
1,273	1,390	1,047	1,028	1,582	1,914
65,398	57,928	57,702	57,066	66,898	69,297
12,403	18,443	15,027	690	62,171	4,198
291,467	104,841	40,759	12,270	9,489	25,564
3,748	67,100	185,628	-	-	-
291,179	65,345	81,212	5,559	-	35,179
130,598	49,190	20,264	34,257	58,746	68,325
$ 7,502,630	$ 6,621,973	$ 6,200,101	$ 5,623,068	$ 5,768,030	$ 5,716,102
13.3%	6.8%	10.3%	-2.5%	0.9%	-0.4%
38.4%	41.1%	40.6%	43.0%	40.1%	39.7%
18.3	20.6	20.1	20.3	19.6	18.8
9.3	9.6	9.5	10.5	11.9	12.9
9.6	8.9	9.2	9.5	9.6	9.8
7.7	8.1	8.0	8.3	8.3	7.8
3.9	1.6	0.7	0.2	0.2	0.4
0.0	1.0	3.0	0.0	-	-
3.9	1.0	-	-	-	-
3.5	3.6	3.5	3.7	3.7	3.8
0.9	0.9	0.9	1.0	1.2	1.2
4.5	3.6	4.5	3.5	5.4	5.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11[2]	2009-10	2008-09	2007-08
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ 5,721	$ 2,195	$ 16,487
Noncurrent Assets	-	-	1	7
Statutory Purposes	-	-	148,212	151,721
Risk Management	-	23,031	18,650	35,559
Unreserved Undesignated:				
General Fund	-	(30,822)	155,436 [1]	-
Unreserved:				
Designated for Unrealized Investment Gains:				
General Fund	-	17,854	10,939	3,639
Nonspendable:				
Inventories	8,742			
Prepaids	33,009			
Restricted	542,997			
Committed	39,458			
Assigned	109			
Unassigned	(21,468)			
TOTAL RESERVED	-	28,752	169,058	203,774
TOTAL UNRESERVED	-	(12,968)	166,375	3,639
TOTAL FUND BALANCE	602,847	15,784	335,433	207,413
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ 1,052,572	$ 1,043,396	$ 966,477
Noncurrent Assets	-	584,828	515,062	425,830
Debt Service	-	4,093	558	558
Statutory Purposes	-	325,463	40,921	109,322
Risk Management	-	-	-	-
Emergencies	-	94,000	93,550	93,000
Funds Reported as Restricted	-	1,151,448	1,445,739	1,902,755
Unreserved, Reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	57,148	53,498	54,676
Capital Projects Funds	-	(35,611)	54,687	134,470
Permanent Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	1,302,178	1,117,248	1,391,483
Nonmajor Permanent Funds	-	10,586	8,500	2,326
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	34,487	30,327	13,385
Reported in Nonmajor Special Revenue Funds	-	40,778	23,719	8,751
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	38,541	22,875	1,571
Nonspendable:				
Inventories	9,839			
Permanent Fund Principal	658,883			
Prepaids	21,540			
Restricted	1,988,088			
Committed	1,560,775			
TOTAL RESERVED	-	3,212,404	3,179,226	3,497,942
TOTAL UNRESERVED	-	1,448,107	1,310,454	1,606,662
TOTAL FUND BALANCE	4,239,125	4,660,511	4,449,680	5,104,604
TOTAL RESERVED	-	3,241,156	3,308,284	3,701,716
TOTAL UNRESERVED	-	1,435,139	1,476,829	1,610,301
TOTAL FUND BALANCE	$ 4,841,972	$ 4,676,295	$ 4,785,113	$ 5,312,017

[1] – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance

[2] – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 11,912	$ 12,233	$ 3,497	$ 2,106	$ 3,684	$ 2,093
13	91	192	300	231	320
267,020	251,704	198,751	207,003	60,731	39,622
38,593	32,851	36,473	33,301	39,412	-
95,779	295,882	-	-	-	137,595
-	-	-	4,272	30,657	26,697
317,538	296,879	238,913	242,710	104,058	42,035
95,779	295,882	-	4,272	30,657	164,292
413,317	592,761	238,913	246,982	134,715	206,327
$ 821,112	$ 814,811	$ 629,430	$ 795,414	$ 916,053	$ 994,758
385,248	342,341	292,336	278,843	278,006	245,051
558	580	3,298	7,965	5,137	6,495
130,000	137,530	10,263	11,565	10,929	14,328
-	-	-	-	-	-
85,760	79,800	71,000	172,202	150,762	81,917
1,669,326	1,233,272	1,104,061	998,428	770,874	1,118,886
	-	-	-	-	-
72,870	872,212	812,706	41,589	27,692	29,918
199,126	(47,740)	(12,545)	(39,986)	4,555	43,029
-	-	-	-	-	-
1,233,276	291,488	274,941	664,258	448,766	591,846
1,782	1,642	1,954	1,291	961	810
-	-	4,484	6,964	30,944	14,847
-	-	347	5,491	20,380	15,662
-	-	-	-	-	-
-	-	9,926	4,718	27,429	18,644
3,092,004	2,608,334	2,110,388	2,264,417	2,131,761	2,461,435
1,507,014	1,117,602	1,091,813	684,325	560,727	714,756
4,599,018	3,725,936	3,202,201	2,948,742	2,692,488	3,176,191
3,409,542	2,905,213	2,349,301	2,507,127	2,235,819	2,503,470
1,602,873	1,413,484	1,091,813	688,597	591,384	879,048
$ 5,012,335	$ 4,318,697	$ 3,441,114	$ 3,195,724	$ 2,827,203	$ 3,382,518

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Eleven Fiscal Years

(DOLLARS IN THOUSANDS)

	Unaudited 2010-11	2009-10	2008-09
DISTRICT REVENUES:			
Exempt District Revenues	$ 15,532,332	$ 16,056,039	$ 14,496,192
Nonexempt District Revenues	9,424,764	8,567,941	9,102,354
TOTAL DISTRICT REVENUES	24,957,096	24,623,980	23,598,546
Percent Change In Nonexempt District Revenues	10.0%	-5.9%	-9.0%
DISTRICT EXPENDITURES:			
Exempt District Expenditures	15,532,332	16,056,039	14,496,192
Nonexempt District Expenditures	9,330,892	8,638,571	10,168,409
TOTAL DISTRICT EXPENDITURES	24,863,224	24,694,610	24,664,601
Percent Change In Nonexempt District Expenditures	8.0%	-15.0%	6.7%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (676,291)	$ (70,630)	$ (1,066,055)
FISCAL YEAR SPENDING LIMIT			
Prior Fiscal Year Spending Limitation	$ 8,567,941	$ 9,102,354	$ 8,829,131
Adjustments To Prior Year Limit[2]	(15,963)	(422,016)	(10,365)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,551,978	8,680,338	8,818,766
Allowable Growth Rate (Population Plus Inflation)	1.2%	5.8%	4.1%
Current Fiscal Year Spending Limitation	8,654,602	9,183,797	9,180,336
Adjustments To Current Year Limit	-	-	23,505
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,654,602	9,183,797	9,203,841
EXCESS STATE REVENUE CAP (ESRC)[3]	10,684,856		
NONEXEMPT DISTRICT REVENUES	9,424,764	8,567,941	9,102,354
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	770,162	(615,856)	(101,488)
Amount Over(Under) Excess State Revenue Cap	(1,260,092)		
Correction Of Prior Years' Refunds	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-
FISCAL YEAR REFUND	$ -	$ -	$ -

1 – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the State's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

2 – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

3 – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2007-08	2006-07	2005-06	Restated 2004-05	2003-04	2002-03	2001-02	Restated 2000-01
$ 12,126,729	$ 11,759,914	$ 10,899,936	$ 11,015,958	$ 11,650,100	$ 12,059,372	$ 11,702,980	$ 8,213,400
9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
22,125,288	21,401,781	20,061,327	19,498,921	19,982,091	19,771,884	19,455,191	17,090,505
3.7%	5.2%	8.0%	1.8%	8.0%	-0.5%	-12.7%	4.4%
12,126,729	11,759,914	10,899,936	11,015,958	11,650,100	12,059,372	11,702,980 [1]	8,213,399
9,533,890	8,847,334	8,029,686	9,473,642	7,799,832	8,198,724	7,729,239	6,945,742
21,660,619	20,607,248	18,929,622	20,489,600	19,449,932	20,258,096	19,432,219	15,159,141
7.8%	10.2%	-15.2%	21.5%	-4.9%	6.1%	11.3%	7.3%
$ 464,670	$ 794,533	$ 1,131,705	$ (990,679)	$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364
$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991	$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710
(1,054)	(173)	(372,471)	(383,103)	(31,732)	(12,865)	(53,497)	-
8,332,773	8,045,083	7,941,903	7,948,888	7,680,780	7,739,346	7,895,053	7,563,710
5.5%	3.5%	1.3%	2.2%	3.6%	6.9%	4.0%	5.1%
8,791,075	8,326,662	8,045,148	8,123,764	7,957,288	8,273,361	8,210,855	7,949,459
38,056	7,165	109	190,610	374,703	23,426	(84,666)	(909)
8,829,131	8,333,827	8,045,257	8,314,374	8,331,991	8,296,787	8,126,189	7,948,550
9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
1,169,428	1,308,040	1,116,134	168,589	-	(584,275)	(373,978)	928,555
-	-	-	284	-	-	8,284	(1,354)
1,169,428	1,308,040	1,116,134	127,810	-	-	-	-
$ -	$ -	$ -	$ 41,063	$ -	$ -	$ -	$ 927,201

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
1999 to 2008

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2008[2]		2007		2006		2005		2004	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS										
Negative Income	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%
$0 to $5,000	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%
$5,001 to $10,000	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%
$10,001 to $15,000	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%
$15,001 to $20,000	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%
$20,001 to $25,000	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%
$25,001 to $35,000	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%
$35,001 to $50,000	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%
$50,001 to $75,000	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%
$75,001 to $100,000	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%
$100,000 and Over	317,476	57.8%	330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%
TOTAL	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%

Source: Colorado Department of Revenue

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.
[2] – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2010[1]

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2010		2009		2008		2007	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%
Mining	5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%
Public Utilities	10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%
Construction Trades	33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%
Manufacturing	96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%
Wholesale Trade	72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%
Retail Trade	385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%
Transportation & Warehousing	3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%
Information Producers/Distributors	167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%
Finance & Insurance	35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%
Real Estate, Rental, & Leasing Services	84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%
Professional, Scientific, & Technical Services	64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%
Bus. Admin., Support, Waste/Remediation Services	24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%
Educational Services	5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%
Health Care & Social Assistance Services	16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%
Arts, Entertainment, & Recreation Services	17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%
Hotel & Other Accommodation Services	21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%
Food & Drinking Services	130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%
Other Personal Services	86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%
Government Services	6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%
TOTAL	1,270,483	100%	1,261,708	100%	1,261,895	100%	1,254,100	100%

Source: Colorado Department of Revenue

[1] – Data is not available in this format prior to calendar year 2003.

2003		2002		2001		2000		1999	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
24,632	0.0%	22,477	0.0%	16,539	0.0%	13,946	0.0%	13,043	0.0%
74,854	0.0%	73,714	0.0%	75,710	0.0%	73,929	0.0%	75,022	0.1%
114,615	0.1%	115,045	0.1%	113,237	0.1%	116,422	0.1%	122,123	0.2%
132,540	0.5%	134,152	0.5%	131,411	0.5%	134,898	0.5%	142,185	0.8%
137,195	1.1%	139,267	1.2%	139,013	1.2%	144,220	1.2%	151,091	1.4%
133,960	1.8%	136,897	1.9%	136,429	1.9%	140,010	1.9%	143,324	2.1%
239,657	5.3%	243,253	5.6%	244,586	5.5%	243,715	5.2%	239,847	5.6%
268,253	9.6%	271,283	9.9%	269,802	9.3%	263,657	8.7%	255,652	9.4%
286,609	16.5%	291,227	17.1%	290,662	15.9%	283,693	14.9%	270,042	16.2%
163,572	14.7%	161,047	14.7%	159,483	13.5%	150,626	12.2%	135,419	12.6%
202,886	50.4%	196,065	49.0%	203,312	52.1%	203,040	55.3%	170,546	51.6%
1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%

COLORADO TAX RATES[1]
2002 to 2011

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2006		2005		2004		2003	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,267,071	100%	1,212,288	100%	1,192,073	100%	1,132,170	100%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	RESTATED 2008-09	2007-08
DEBT SERVICE EXPENDITURES:				
Principal	$ 124,993	$ 116,083	$ 109,801	$ 104,924
Interest	82,829	77,919	78,719	102,652
TOTAL DEBT SERVICE EXPENDITURES	$ 207,822	$ 194,002	$ 188,520	$ 207,576
Percent Change Over Previous Year	7.1%	2.9%	-9.2%	-2.5%
TOTAL NONCAPITAL EXPENDITURES[1]	16,654,138	16,566,769	15,448,232	14,196,496
TOTAL CAPITAL EXPENDITURES[1]	631,546	478,179	359,518	242,572
TOTAL GOVERNMENTAL EXPENDITURES	17,285,684	17,044,948	15,807,750	14,439,068
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.7%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.7%
Total Debt Service Expenditures	1.2%	1.2%	1.2%	1.4%

[1] – For fiscal years prior to 2002-03 capitalizable expenditures for infrastructure are not individually identifiable and are therefore included in Noncapital Expenditures.

TOTAL OUTSTANDING DEBT[1 2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
Governmental Activities:				
Revenue Backed Debt	$ 869,282	$ 992,436	$ 1,106,973	$ 1,216,006
Certificates of Participation	897,632	689,973	162,053	172,864
Capital Leases	107,588	97,130	91,813	60,031
Notes and Mortgages	-	515,000	515,000	460,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,874,502	2,294,539	1,875,839	1,908,901
Business-Type Activities:				
Revenue Backed Debt	2,762,166	2,306,693	3,551,588	3,325,690
Certificates of Participation	430,537	432,698	446,656	210,150
Capital Leases	48,416	83,374	93,773	93,374
Notes and Mortgages	3,503	43,925	4,771	6,211
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	3,244,622	2,866,690	4,096,788	3,635,425
Total Primary Government:				
Revenue Backed Debt	3,631,448	3,299,129	4,658,561	4,541,696
Certificates of Participation	1,328,169	1,122,671	608,709	383,014
Capital Leases	156,004	180,504	185,586	153,405
Notes and Mortgages	3,503	558,925	519,771	466,211
TOTAL OUTSTANDING DEBT[1]	$ 5,119,124	$ 5,161,229	$ 5,972,627	$ 5,544,326
Percent Change Over Previous Year	-0.8%	-13.6% [3]	7.7%	8.5%
Colorado Population (In Thousands) Restated for Censu	4,874	5,049	4,972	4,890
Per Capita Debt (Dollars Per Person) Restated for Censu	$1,050	$1,022	$1,201	$1,134
Per Capita Income (Thousands Per Person)	$46.0	$42.2	$41.3	$44.2
Per Capita Debt as a Percent of Per Capita Income	2.3%	2.4%	2.9%	2.6%

[1] – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.
[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04	RESTATED 2002-03	2001-02
$ 100,681	$ 97,583	$ 15,574	$ 11,932	$ 16,581	$ 9,245
112,145	106,322	98,829	80,281	82,116	76,096
$ 212,826	$ 203,905	$ 114,403	$ 92,213	$ 98,697	$ 85,341
4.4%	78.2%	24.1%	-6.6%	15.7%	58.5%
13,365,782	12,586,379	11,298,334	10,664,540	10,541,507	10,212,475
233,914	228,077	244,178	488,140	409,971	275,873
13,599,696	12,814,456	11,542,512	11,152,680	10,951,478	10,488,348
0.8%	0.8%	0.1%	0.1%	0.2%	0.1%
0.8%	0.8%	0.9%	0.8%	0.7%	0.7%
1.6%	1.6%	1.0%	0.9%	0.9%	0.8%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 1,319,718	$ 1,418,446	$ 1,512,987	$ 1,518,564	$ 1,273,146	$ 1,293,196
183,203	196,475	63,332	44,244	57,132	54,406
30,456	17,482	22,308	16,040	8,546	3,473
345,000	415,000	520,000	397,023	-	-
1,878,377	2,047,403	2,118,627	1,975,871	1,338,824	1,351,075
2,935,383	2,304,485	2,063,378	1,578,903	1,553,595	1,240,946
218,916	260,578	75,729	73,724	46,811	54,545
68,621	60,724	90,140	86,531	85,919	47,222
9,463	6,946	9,402	6,262	6,602	1,444
3,232,383	2,632,733	2,238,649	1,745,420	1,692,927	1,344,157
4,255,101	3,722,931	3,576,365	3,097,467	2,826,741	2,534,142
402,119	457,053	139,061	117,968	103,943	108,951
99,077	78,206	112,448	102,571	94,465	50,695
354,463	421,946	529,402	403,285	6,602	1,444
$ 5,110,760	$ 4,680,136	$ 4,357,276	$ 3,721,291	$ 3,031,751	$ 2,695,232
9.2%	7.4%	17.1%	22.7%	12.5%	20.7%
4,804	4,720	4,632	4,575	4,529	4,490
$1,064	$992	$941	$813	$669	$600
$42.7	$41.2	$38.8	$36.9	$35.3	$35.1
2.5%	2.4%	2.4%	2.2%	1.9%	1.7%

3 – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

REVENUE BOND COVERAGE[1]

Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2010-11	$ 1,162,586	$ 994,596	$ 167,990	$ 119,385	$ 48,605	$ 167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991		167,991	92,835	75,156	167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest[2]							
2008-09	$ 200,753	$ 34,107	$ 166,646	$ 24,000	$ 17,126	$ 41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
Higher Education Institutions							
2010-11	$ 1,025,079	$ 487,781	$ 537,298	$ 64,345	$ 110,488	$ 174,833	3.07
2009-10	947,626	477,126	470,499	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60
2005-06	649,238	376,431	272,807	29,365	45,699	75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported.

COLORADO DEMOGRAPHIC DATA
2002 to 2011

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2011 est	4,874	1.56%	$ 224.3	$ 46,020	110.5%	*	8.8%
2010	5,049	1.63	213.2	42,226	105.7	2,448	8.9
2009	4,972	1.62	205.4	41,311	107.3	2,502	8.3
2008	4,890	1.61	216.0	44,172	107.9	2,606	4.8
2007	4,804	1.59	205.2	42,714	108.1	2,598	3.7
2006	4,720	1.58	194.4	41,186	109.2	2,542	4.3
2005	4,632	1.57	179.7	38,795	109.4	2,456	5.1
2004	4,575	1.56	168.6	36,852	108.7	2,393	5.6
2003	4,529	1.56	159.9	35,306	109.3	2,340	6.1
2002	4,490	1.56	157.8	35,145	111.6	2,304	5.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

* – Data is not available.

COLORADO EMPLOYMENT[1]
BY INDUSTRY
2002 to 2011
(AMOUNTS IN THOUSANDS)

Industry[2]	2011 est	2010 est	2009	2008	2007	2006	2005	2004	2003	2002
Natural Resources and Mining	26.0	24.0	24.2	28.5	25.2	21.1	17.2	14.4	13.2	12.9
Construction	106.5	113.5	131.3	161.8	167.8	167.8	160.0	151.3	149.9	160.4
Manufacturing	123.9	124.5	129.6	144.1	147.0	149.1	150.4	151.8	153.9	163.8
Transportation, Trade, and Utilities	400.0	396.5	403.8	429.3	429.2	419.3	413.0	406.6	404.5	412.1
Information	69.9	71.3	74.7	76.8	76.4	75.4	76.9	81.2	84.6	92.9
Financial Activities	144.7	144.0	148.0	155.6	159.5	160.4	158.5	154.6	154.1	149.5
Professional and Business Services	335.1	328.1	330.2	351.9	347.9	331.8	316.8	304.1	292.0	296.2
Educational and Health Services	267.8	264.5	257.2	250.5	240.4	231.2	224.6	218.5	213.0	208.5
Leisure and Hospitality	262.6	259.6	262.4	272.9	270.4	264.9	257.5	251.3	245.6	247.0
Other Services	93.8	92.4	93.7	94.8	92.9	90.8	88.5	87.4	85.9	85.6
Government	390.7	392.5	390.5	384.1	374.7	367.2	362.6	358.5	356.2	355.4
Total	2,221.0	2,210.9	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7	2,152.9	2,184.3

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

1 – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

2 – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
Last Ten Years

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2011 est	$ 2,770	$ 2,100	$ 1,700	$ 6,570
2010 est	2,460	2,100	1,700	6,260
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681
2006	8,708	4,641	3,446	16,795
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,096
2003	6,258	2,713	1,732	10,703
2002	6,357	2,787	2,162	11,306

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2011 est	$ 63.8	$ 7.03
2010 est	61.1	6.92
2009	58.5	6.83
2008	66.7	7.41
2007	67.3	7.41
2006	61.8	6.70
2005	58.7	6.59
2004	55.8	6.34
2003	52.8	5.92
2002	52.9	5.67

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]
BY FUNCTIONS/PROGRAMS
Last Ten Years [2]

	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	616	601	593	556
Employees (calculated Average Employment)	66,691	65,325	64,535	61,915
Balance in Treasury Pool (in millions)	$6,076.2	$5,902.0	$5,663.2	$6,159.4
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	703,695	702,498	679,836	640,332
Unemployment Rate (percent) [4]	8.8	7.9	7.7	4.9
Employment Level [4]	*	2,447,712	2,492,540	2,596,309
Education:				
Public Schools	1,786	1,817	1,769	1,771
Primary School Students	843,316	832,368	818,443	802,639
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	511	554	569	548
Average Daily Population of Regional Centers [3,5]	*	329	378	403
Justice:				
District Court Cases Filed [3]	190,531	188,822	191,749	199,681
County Court Cases Filed [3]	562,185	562,570	554,165	579,069
Inmate Admissions	10,704	10,992	10,992	11,038
Inmate Releases	11,033	10,803	10,803	10,565
Average Daily Inmate Population	22,814	22,980	23,210	22,887
Citations Issued by the State Patrol	125,755 [6]	170,988	170,570	221,544
Crashes Covered by the State Patrol	19,028 [6]	24,123	26,159	27,260
Natural Resources:				
Active Oil and Gas Wells [3]	45,500	45,000	36,000	35,000
Oil and Gas Drilling Permits [3]	5,250	5,000	7,400	6,780
Annual State Park Visitors [3]	12,463,495	11,666,912	13,680,012	11,272,418
Water Loans	288	278	269	258
Social Assistance:				
Medicaid Recipients [3]	553,407	476,632	381,390	383,784
Average Cash Assistance Payments per Month [3]	63,742	58,119	57,200	62,647
Transportation:				
Lane Miles	*	22,982,320	23,060,630	23,036,480
Bridges	*	3,447	3,429	3,406
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	156,210	146,531	136,900	135,275
Nonresident Students [3]	12,405	24,869	23,166	22,069
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	615,548	652,570	350,000	300,000
Initial Unemployment Claims [3]	389,769	408,644	120,074	119,561
CollegeInvest:[8]				
Loans Issued or Purchased			268,745 [7]	239,060
Average Balance per Loan			$6,326 [7]	$6,328
Lottery:				
Scratch Tickets Sold	98,545,733	99,657,606	104,217,790	101,604,127
Lotto Tickets Sold	39,257,585	41,620,408	43,552,521	41,071,837
Powerball Tickets Sold	70,047,258	101,568,085	100,733,520	109,565,516
Other Lottery Tickets Sold	50,464,834	26,833,674	20,831,732	19,148,564
Wildlife:				
Hunting & Fishing Licenses Sold [3]	1,380,000	1,630,000	2,300,000	1,545,659
College Assist:				
Guaranteed Loans - In State	61,076 [8]	107,402	115,486	140,232
Guaranteed Loans - Out of State	4,961 [8]	41,616	47,892	18,859

Source: JBC Budget in Brief and various State departments.

* – Data is not available.
[1] – All amounts are counts, except where dollars or percentages are indicated.
[2] – Data is presented by either fiscal year or calendar year based on availability of information.
[3] – Data represents estimates from budgetary documents and is not adjusted to actual.

2007	2006	2005	2004	2003	2002
515	492	484	465	444	434
59,873	58,468	58,046	57,643	58,239	57,974
$5,250.7	$4,615.3	$3,951.1	$3,174.6	$2,241.4	$2,068.5
575,124	576,982	517,597	*	*	*
3.8	4.3	5.1	5.6	6.1	5.7
2,602,015	2,537,037	2,436,795	2,384,562	2,323,554	2,304,109
1,771	1,731	1,667	1,728	1,613	1,658
794,026	780,708	766,657	757,021	751,862	742,145
528	539	539	570	688	699
403	403	403	411	400	397
189,884	187,498	*	*	165,467	160,245
552,592	547,143	*	*	461,847	457,246
10,625	10,168	9,433	8,165	7,799	7,802
10,110	8,954	8,249	7,504	6,977	6,554
22,424	21,438	20,228	19,478	18,636	17,367
226,324	234,052	246,918	206,052	176,869	160,919
28,277	28,648	30,645	33,635	34,133	37,102
34,000	30,000	25,300	24,000	23,423	*
4,200	3,800	2,200	*	*	*
11,475,000	11,869,897	11,190,201	11,565,810	11,170,000	11,400,000
255	244	241	227	213	206
429,233	446,341	375,410	362,654	326,058	304,508
66,728	68,822	68,150	85,339	*	*
22,999,470	23,105,769	23,029,858	23,138,578	23,061,021	22,851,000
3,775	3,757	3,754	3,714	3,698	3,698
136,108	140,601	141,692	135,392	127,632	123,383
20,670	21,380	22,729	22,809	22,824	22,152
270,000	270,000	240,000	200,000	194,000	*
120,290	132,337	176,270	156,594	132,657	*
218,518	200,332	189,522	174,724	168,453	*
$6,057	$5,546	$5,098	$4,871	$4,486	*
99,199,686	111,883,645	119,441,166	114,543,013	111,793,347	129,775,201
39,835,761	38,332,996	38,266,176	40,818,461	48,272,866	57,651,698
101,570,695	119,757,642	80,912,792	85,041,776	75,705,463	79,893,821
17,407,163	16,858,542	15,052,291	14,508,537	13,245,564	13,222,846
1,399,978	1,409,064	1,450,000	1,235,551	1,525,679	1,423,377
146,616	*	*	*	*	*
5,080	*	*	*	*	*

4 – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

5 – Prior to 2009, this represented Regional Center Residential Beds.

6 – Calendar data through October 24, 2011

7 – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program.

8 – College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY

Last Ten Fiscal Years

	2010-11	2009-10	2008-09	2007-08
General Government	2,991	2,399	2,454	2,392
Business, Community, and Consumer Affairs	2,458	2,564	2,437	2,372
Education	38,038	37,093	36,042	34,469
Health and Rehabilitation	3,965	4,019	3,944	3,865
Justice	13,093	12,848	13,000	12,467
Natural Resources	1,579	1,607	1,587	1,583
Social Assistance	1,579	1,704	1,671	1,656
Transportation	2,988	3,091	3,400	3,111
TOTAL AVERAGE EMPLOYMENT	66,691	65,325	64,535	61,915
TOTAL CLASSIFIED	32,927	32,799	32,820	31,995
AVERAGE MONTHLY SALARY	$ 4,324	$ 4,367	$ 4,390	$ 4,278
TOTAL NON-CLASSIFIED	33,764	32,526	31,715	29,920
AVERAGE MONTHLY SALARY	$ 5,786	$ 5,735	$ 5,723	$ 5,467

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
2,322	2,255	2,219	2,180	2,300	2,422
2,335	2,342	2,367	2,343	2,344	2,334
33,464	32,680	32,664	32,595	32,435	31,887
3,774	3,729	3,681	3,717	3,803	3,766
11,791	11,372	11,083	10,767	11,257	11,437
1,522	1,485	1,472	1,446	1,453	1,453
1,593	1,520	1,462	1,482	1,567	1,610
3,072	3,085	3,098	3,113	3,080	3,065
59,873	58,468	58,046	57,643	58,239	57,974
31,075	30,677	30,967	30,770	31,857	32,092
$ 4,108	$ 4,036	$ 3,955	$ 3,867	$ 3,913	$ 3,700
28,798	27,791	27,079	26,873	26,382	25,882
$ 5,214	$ 5,066	$ 4,926	$ 4,759	$ 4,788	$ 4,563

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
2001 TO 2010

Mileage Type	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
CenterLine Miles[1]:										
Urban	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421	1,038	1,033
Rural	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736	8,105	8,104
TOTAL CENTERLINE MILES	9,109	9,146	9,144	9,134	9,161	9,148	9,157	9,157	9,143	9,137
Percent Change	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%
Lane Miles[2]:										
Urban	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236	4,058	4,031
Rural	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825	18,792	18,782
TOTAL LANE MILES	22,981	23,061	23,036	22,999	23,106	23,031	23,137	23,061	22,850	22,813
Percent Change	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%

Source: Colorado Department of Transportation

1 – Centerline miles measure roadway miles without accounting for the number of lanes.
2 – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2002 to 2010[3]

Functional Classification	2010	2009	2008	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,376	1,368	1,341	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	801	794	795	911	884	943	894	321	322
Minor Arterial	759	761	773	802	798	787	798	818	817
Collector	431	426	404	350	368	319	326	403	405
Local	80	80	93	26	29	25	20	207	209
TOTAL BRIDGES	3,447	3,429	3,406	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%	0.0%	NA

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.
2 – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.
3 – Data is not available in this format prior to calendar year 2002.

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS

Last Four Years[2]

	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:				
General Government	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	980,198	980,198	981,809	937,389
Education	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:				
Higher Education	47,701,898	46,277,915	44,026,204	41,437,896
Wildlife	1,109,004	1,109,004	1,065,240	901,526
TOTAL	69,841,252	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

BUILDING SQUARE FOOTAGE LEASED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS

Last Four Years[2]

	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:				
General Government	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	585,944	517,447	515,708	508,439
Education	31,999	28,531	19,440	9,396
Health and Rehabilitation	458,959	455,218	420,272	434,469
Justice	463,506	857,026	868,060	850,185
Natural Resources	81,926	65,735	73,546	49,495
Social Assistance	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:				
Higher Education	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	8,544	18,983	15,318	15,318
Lottery	66,684	59,915	61,682	61,682
Wildlife	73,064	73,064	15,267	75,944
College Assist	10,139	12,807	12,807	12,807
TOTAL	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38th state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy's permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine – Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State Songs – "Where the Columbine Grow" and "Rocky Mountain High"

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

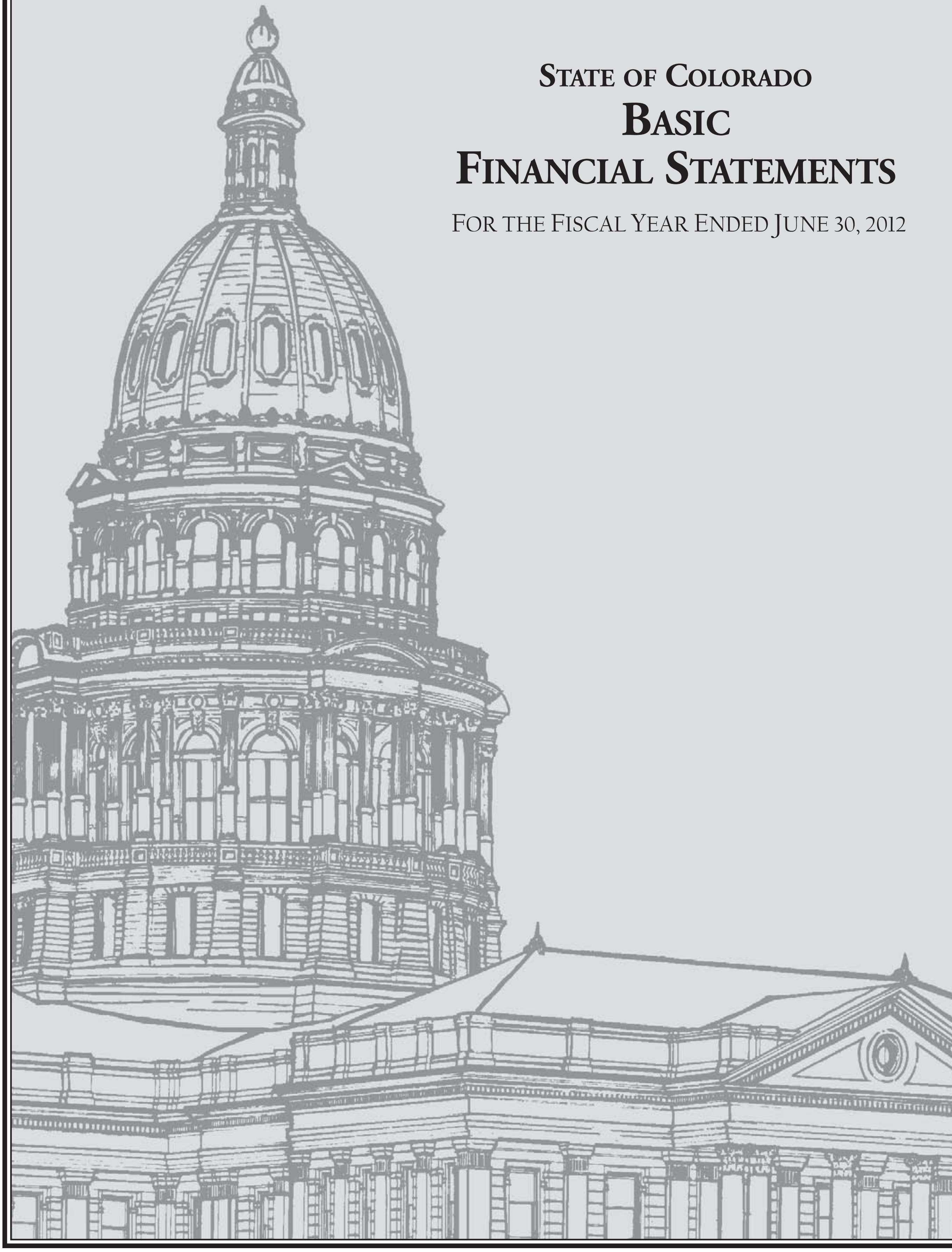
State Reptile – Western Painted Turtle

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State of Colorado
Basic Financial Statements

For the Fiscal Year Ended June 30, 2012



State of Colorado

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA

Department of Personnel & Administration

Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado 80202
(303) 866-6200
Fax (303) 866-4233
www.colorado.gov/dpa

September 20, 2012

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Frank McNulty
Speaker of the House
Colorado General Assembly

The Honorable Brandon C. Shaffer
President of the Senate
Colorado General Assembly

Dear Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with CRS 24-30-204. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased service from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by mid-December 2012 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2012.

In accordance with the filing requirements contained in the Information Coordination Act enacted in Senate Bill 12-152, we will also distribute the report to the State and Legislative Libraries.

If you have questions please contact me.

Sincerely,

David J. McDermott

David J. McDermott, CPA
Colorado State Controller

Attachment

cc: Kathy Nesbitt, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CONTENTS

STATEMENT OF NET POSITION
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,969,331	$ 2,011,437	$ 3,980,768	$ 236,458
Investments	1,726	160,099	161,825	81,495
Restricted Securities Not Held for Investment	-	-	-	27,492
Taxes Receivable, net	1,012,147	159,303	1,171,450	-
Contributions Receivable, net	-	-	-	41,656
Other Receivables, net	155,599	333,928	489,527	194,991
Due From Other Governments	318,185	218,667	536,852	2,070
Internal Balances	20,031	(20,031)	-	-
Due From Component Units	137	18,715	18,852	-
Inventories	17,057	53,318	70,375	17,069
Prepaids, Advances, and Deferred Charges	53,961	24,160	78,121	10,332
Total Current Assets	3,548,174	2,959,596	6,507,770	611,563
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,779,414	370,939	2,150,353	131,491
Restricted Investments	591,083	295,228	886,311	496,726
Restricted Receivables	181,932	80,975	262,907	22,337
Restricted Securities Not Held for Investment	-	-	-	18,996
Investments	416,674	1,768,347	2,185,021	2,383,064
Contributions Receivable, net	-	-	-	55,424
Net Pension Asset	-	-	-	6,800
Other Long-Term Assets	712,736	122,338	835,074	1,255,574
Depreciable Capital Assets and Infrastructure, net	9,589,172	5,251,191	14,840,363	678,575
Land and Nondepreciable Infrastructure	1,917,257	1,019,556	2,936,813	63,756
Total Noncurrent Assets	15,188,268	8,908,574	24,096,842	5,112,743
TOTAL ASSETS	18,736,442	11,868,170	30,604,612	5,724,306
DEFERRED OUTFLOW OF RESOURCES:	-	5,005	5,005	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	661,829	-	661,829	-
Accounts Payable and Accrued Liabilities	677,041	623,195	1,300,236	114,703
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	228,229	53,622	281,851	1,335
Due To Component Units	-	123	123	-
Deferred Revenue	118,411	237,530	355,941	11,291
Accrued Compensated Absences	9,859	14,942	24,801	17,902
Claims and Judgments Payable	44,858	122	44,980	23,309
Leases Payable	14,387	5,853	20,240	700
Notes, Bonds, and COPs Payable	162,705	243,588	406,293	73,806
Other Postemployment Benefits	-	15,721	15,721	-
Other Current Liabilities	16,531	110,545	127,076	182,936
Total Current Liabilities	1,934,556	1,305,241	3,239,797	425,982
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	16	-	16	269,961
Accrued Compensated Absences	132,394	219,026	351,420	-
Claims and Judgments Payable	330,516	36,472	366,988	-
Capital Lease Payable	107,042	33,185	140,227	2,032
Derivative Instrument Liability	-	12,994	12,994	-
Notes, Bonds, and COPs Payable	1,614,258	3,946,554	5,560,812	1,797,695
Due to Component Units	-	1,758	1,758	-
Other Postemployment Benefits	-	139,653	139,653	-
Other Long-Term Liabilities	427,828	39,015	466,843	110,537
Total Noncurrent Liabilities	2,612,054	4,428,657	7,040,711	2,180,225
TOTAL LIABILITIES	4,546,610	5,733,898	10,280,508	2,606,207
NET POSITION:				
Net investment in Capital Assets:	10,107,776	3,254,165	13,361,941	213,396
Restricted for:				
Construction and Highway Maintenance	1,176,269	-	1,176,269	-
Education	280,270	-	280,270	-
Unemployment Insurance	-	189,393	189,393	-
Debt Service	21,453	7,464	28,917	-
Emergencies	72,850	10,005	82,855	29
Permanent Funds and Endowments:				
Expendable	6,024	6,975	12,999	744,500
Nonexpendable	684,953	79,675	764,628	594,144
Other Purposes	337,991	610,900	948,891	607,829
Unrestricted	1,502,246	1,980,700	3,482,946	958,201
TOTAL NET POSITION	$ 14,189,832	$ 6,139,277	$ 20,329,109	$ 3,118,099

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS) Functions/Programs	Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 245,390	$ (21,049)	$ 120,790	$ 283,736	$ 272
Business, Community, and Consumer Affairs	598,020	2,012	127,748	276,687	3
Education	5,203,409	1,692	22,352	805,018	13
Health and Rehabilitation	702,513	1,159	79,516	411,000	-
Justice	1,549,569	5,716	191,439	76,155	366
Natural Resources	92,724	1,161	155,445	55,189	-
Social Assistance	6,743,634	3,034	683,229	3,867,790	-
Transportation	1,775,153	2,335	405,275	113,102	599,646
Interest on Debt	40,935	-	-	-	-
Total Governmental Activities	16,951,347	(3,940)	1,785,794	5,888,677	600,300
Business-Type Activities:					
Higher Education	5,061,407	2,312	3,263,206	1,789,434	128,777
Unemployment Insurance	1,571,321	-	831,765	924,039	-
Lottery	495,216	607	560,375	344	-
Wildlife	160,028	439	133,564	28,908	3,290
College Assist	402,860	156	5,431	402,575	-
Other Business-Type Activities	196,091	426	289,633	18,206	-
Total Business-Type Activities	7,886,923	3,940	5,083,974	3,163,506	132,067
Total Primary Government	24,838,270	-	6,869,768	9,052,183	732,367
Component Units:					
University of Colorado Hospital Authority	745,108	-	847,564	3,585	1,568
Colorado Water Resources and Power Development Authority	73,467	-	50,956	31,070	-
University of Colorado Foundation	120,512	-	5,100	200,974	-
Colorado State University Foundation	25,738	-	-	73,146	-
Colorado School of Mines Foundation	26,681	-	-	39,304	-
Other Component Units	136,246	-	102,693	2,931	1,299
Total Component Units	$ 1,127,752	$ -	$ 1,006,313	$ 351,010	$ 2,867

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
    - Other Taxes
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings (Losses)
- Other General Revenues

Payment from State of Colorado
(Transfers-Out) / Transfers-In
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Fiscal Year Beginning
Prior Period Adjustment (See Note 29)

Net Position - Fiscal Year Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 180,457	$ -	$ 180,457	
(195,594)	-	(195,594)	
(4,377,718)	-	(4,377,718)	
(213,156)	-	(213,156)	
(1,287,325)	-	(1,287,325)	
116,749	-	116,749	
(2,195,649)	-	(2,195,649)	
(659,465)	-	(659,465)	
(40,935)	-	(40,935)	
(8,672,636)	-	(8,672,636)	
-	117,698	117,698	
-	184,483	184,483	
-	64,896	64,896	
-	5,295	5,295	
-	4,990	4,990	
-	111,322	111,322	
-	488,684	488,684	
(8,672,636)	488,684	(8,183,952)	
-	-	-	107,609
-	-	-	8,559
-	-	-	85,562
-	-	-	47,408
-	-	-	12,623
-	-	-	(29,323)
-	-	-	232,438
2,330,030	-	2,330,030	23
244,618	-	244,618	-
4,651,746	-	4,651,746	-
431,976	-	431,976	-
519,870	-	519,870	-
378,082	-	378,082	-
35,404	-	35,404	-
3,617	-	3,617	-
557,755	-	557,755	-
529	-	529	-
15,893	-	15,893	175,156
95,325	-	95,325	-
-	-	-	43,937
(131,340)	131,340	-	-
595	-	595	-
9,134,100	131,340	9,265,440	219,116
461,464	620,024	1,081,488	451,554
13,393,108	5,264,683	18,657,791	2,666,545
335,260	254,570	589,830	
$ 14,189,832	$ 6,139,277	$ 20,329,109	$ 3,118,099

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 596,411	$ 512,884	$ 35,731
Taxes Receivable, net	1,195,898	41,113	-
Other Receivables, net	56,867	21,680	3,069
Due From Other Governments	296,752	614	14
Due From Other Funds	62,792	1,375	1,409
Due From Component Units	137	-	-
Inventories	6,942	270	8,406
Prepaids, Advances, and Deferred Charges	24,175	21,003	64
Restricted Cash and Pooled Cash	242,543	-	1,161,468
Restricted Investments	-	-	-
Restricted Receivables	216	-	181,592
Investments	290,203	-	-
Other Long-Term Assets	8,880	397,624	13,162
Depreciable Capital Assets and Infrastructure, net	-	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,781,816	$ 996,563	$ 1,404,915
LIABILITIES:			
Tax Refunds Payable	$ 656,124	5,438	$ 131
Accounts Payable and Accrued Liabilities	430,807	6,383	99,993
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	81,213	63,766	61,213
Due To Other Funds	98,137	285	721
Deferred Revenue	273,976	16,094	19,839
Compensated Absences Payable	112	-	-
Claims and Judgments Payable	317	-	-
Other Current Liabilities	8,943	-	25
Deposits Held In Custody For Others	9	-	-
TOTAL LIABILITIES	1,550,344	91,966	181,922
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	-	-
Inventories	6,942	270	8,406
Permanent Fund Principal	-	-	-
Prepaids	24,175	21,003	64
Restricted	508,658	13,675	1,176,269
Committed	330,895	869,649	38,254
Assigned	20	-	-
Unassigned	360,782	-	-
TOTAL FUND BALANCES	1,231,472	904,597	1,222,993
TOTAL LIABILITIES AND FUND BALANCES	$ 2,781,816	$ 996,563	$ 1,404,915

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 39,549	$ -	$ 758,571	$ 1,943,146
-	-	37,849	1,274,860
1,941	2	71,310	154,869
2,749	-	17,465	317,594
7,465	59,000	18,138	150,179
-	-	-	137
-	-	14	15,632
-	-	7,598	52,840
3,815	139,703	231,885	1,779,414
32,407	-	558,676	591,083
124	-	-	181,932
-	-	128,197	418,400
92	-	19,257	439,015
-	-	-	-
-	-	52,367	52,367
$ 88,142	$ 198,705	$ 1,901,327	$ 7,371,468
$ -	$ -	$ 136	$ 661,829
34,999	3,867	54,311	630,360
-	-	-	706
-	-	22,037	228,229
102	85	52,804	152,134
289	-	70,848	381,046
-	-	-	112
-	-	84	401
-	-	4,302	13,270
-	-	7	16
35,390	3,952	204,529	2,068,103
-	-	-	-
-	-	14	15,632
-	-	737,239	737,239
-	-	7,598	52,840
19,957	194,753	260,801	2,174,113
32,795	-	691,146	1,962,739
-	-	-	20
-	-	-	360,782
52,752	194,753	1,696,798	5,303,365
$ 88,142	$ 198,705	$ 1,901,327	$ 7,371,468

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 1,943,146	$ 26,185	$ -	$ -	$ -	$ -	$ -	$ 1,969,331
Investments	-	-	-	-	-	1,726	-	1,726
Taxes Receivable, net	1,274,860	-	-	-	-	(262,713)	-	1,012,147
Other Receivables, net	154,869	446	-	-	-	284	-	155,599
Due From Other Governments	317,594	591	-	-	-	-	-	318,185
Due From Other Funds	150,179	1,626	-	-	-	-	(131,774)	20,031
Due From Component Units	137	-	-	-	-	-	-	137
Inventories	15,632	1,425	-	-	-	-	-	17,057
Prepaids, Advances, and Deferred Charges	52,840	1,121	-	-	-	-	-	53,961
Total Current Assets	3,909,257	31,394	-	-	-	(260,703)	(131,774)	3,548,174
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,779,414	-	-	-	-	-	-	1,779,414
Restricted Investments	591,083	-	-	-	-	-	-	591,083
Restricted Receivables	181,932	-	-	-	-	-	-	181,932
Investments	418,400	-	-	-	-	(1,726)	-	416,674
Other Long-Term Assets	439,015	6	-	-	-	273,715	-	712,736
Depreciable Capital Assets and Infrastructure, net	-	68,994	9,520,178	-	-	-	-	9,589,172
Land and Nondepreciable Infrastructure	52,367	1,040	1,863,850	-	-	-	-	1,917,257
Total Noncurrent Assets	3,462,211	70,040	11,384,028	-	-	271,989	-	15,188,268
TOTAL ASSETS	7,371,468	101,434	11,384,028	-	-	11,286	(131,774)	18,736,442
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	661,829	-	-	-	-	-	-	661,829
Accounts Payable and Accrued Liabilities	630,360	14,697	-	11,574	-	20,410	-	677,041
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	228,229	-	-	-	-	-	-	228,229
Due To Other Funds	152,134	50	-	-	-	(20,410)	(131,774)	-
Due To Component Units	-	-	-	-		-		-
Deferred Revenue	381,046	78	-	-	-	(262,713)	-	118,411
Obligations Under Securities Lending	-	-	-	-		-		-
Compensated Absences Payable	112	103	-	-	-	9,644	-	9,859
Claims and Judgments Payable	401	-	-	-	33,253	11,204	-	44,858
Leases Payable	-	10,669	-	3,718	-	-	-	14,387
Notes, Bonds, and COPs Payable	-	2,070	-	160,635	-	-	-	162,705
Other Current Liabilities	13,270	203	-	-	-	3,058	-	16,531
Total Current Liabilities	2,068,087	27,870	-	175,927	33,253	(238,807)	(131,774)	1,934,556
Noncurrent Liabilities:								
Deposits Held In Custody For Others	16	-	-	-	-	-	-	16
Accrued Compensated Absences	-	6,819	-	-	-	125,575	-	132,394
Claims and Judgments Payable	-	-	-	-	106,239	224,277	-	330,516
Capital Lease Payable	-	52,776	-	54,266	-	-	-	107,042
Notes, Bonds, and COPs Payable	-	2,626	-	1,611,632	-	-	-	1,614,258
Other Long-Term Liabilities	-	-	-	-	-	427,828	-	427,828
Total Noncurrent Liabilities	16	62,221	-	1,665,898	106,239	777,680	-	2,612,054
TOTAL LIABILITIES	2,068,103	90,091	-	1,841,825	139,492	538,873	(131,774)	4,546,610
NET POSITION:								
Net investment in Capital Assets:	52,367	1,893	11,384,028	(1,330,512)	-	-	-	10,107,776
Restricted for:								
Construction and Highway Maintenance	1,192,848	-	-	(16,579)	-	-	-	1,176,269
Education	542,947	-	-	(262,677)	-	-	-	280,270
Debt Service	21,453	-	-	-	-	-	-	21,453
Emergencies	72,850	-	-	-	-	-	-	72,850
Permanent Funds and Endowments:								
Expendable	6,024	-	-	-	-	-	-	6,024
Nonexpendable	684,953	-	-	-	-	-	-	684,953
Other Purposes	337,991	-	-	-	-	-	-	337,991
Unrestricted	2,391,932	9,450	-	(232,057)	(139,492)	(527,587)	-	1,502,246
TOTAL NET POSITION	$ 5,303,365	$ 11,343	$ 11,384,028	$ (1,841,825)	$ (139,492)	$ (527,587)	$ -	$ 14,189,832

The notes to the financial statements are an integral part of this statement.

Differences Between the *Balance Sheet – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Net Position*

(A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Position*. Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology and telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services, and
- Debt collection.

(B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Position.*

(C) Long-term liabilities such as leases, bonds, notes, mortgages, and Certificates of Participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net position and are reported in the *Statement of Net Position.* The portion reported as current in the reconciliation is payable within the following fiscal year. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

(D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.

(E) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Position,* these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Position* when the revenue is recognized on the government-wide *Statement of Activities*.
- Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Position*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
- Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net position, and they are therefore reported on the government-wide *Statement of Net Position*.

(F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Position* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,634,798	$ -	$ -
Corporate Income	459,175	-	-
Sales and Use	2,293,837	-	-
Excise	93,897	-	557,754
Other Taxes	198,135	199,437	529
Licenses, Permits, and Fines	20,949	1,692	337,346
Charges for Goods and Services	75,480	7,148	120,766
Rents	418	13	1,486
Investment Income (Loss)	29,456	21,371	15,472
Federal Grants and Contracts	5,209,047	174,564	615,172
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	137,618	4,534	77,882
TOTAL REVENUES	13,152,810	408,759	1,726,407
EXPENDITURES:			
Current:			
General Government	275,590	-	10,219
Business, Community, and Consumer Affairs	175,814	3,907	-
Education	600,654	-	-
Health and Rehabilitation	544,105	-	10,158
Justice	1,194,324	-	87,466
Natural Resources	39,065	41,920	-
Social Assistance	5,862,232	-	-
Transportation	-	-	979,697
Capital Outlay	217,358	12,128	37,564
Intergovernmental:			
Cities	61,098	36,309	139,811
Counties	1,090,109	27,458	189,076
School Districts	3,575,697	3,480	-
Special Districts	45,619	15,470	27,390
Federal	17	774	-
Other	40,476	2,452	638
Debt Service	29,224	-	-
TOTAL EXPENDITURES	13,751,382	143,898	1,482,019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(598,572)	264,861	244,388
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,152,046	298	2,165
Transfers-Out	(3,075,668)	(226,392)	(231,299)
Face Amount of Bond/COP Issuance	146,635	-	-
Bond/COP Premium/Discount	12,778	-	-
Capital Lease Proceeds	17,043	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	636	-	4,362
Bond/COP Refunding Issuance	-	-	144,342
Bond/COP Refunding Payments	-	-	(143,978)
TOTAL OTHER FINANCING SOURCES (USES)	1,253,470	(226,094)	(224,408)
NET CHANGE IN FUND BALANCES	654,898	38,767	19,980
FUND BALANCE, FISCAL YEAR BEGINNING	602,847	868,500	1,203,013
Prior Period Adjustment (See Note 29)	(26,273)	(2,670)	-
FUND BALANCE, FISCAL YEAR END	$ 1,231,472	$ 904,597	$ 1,222,993

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 379,549	$ -	$ 5,014,347
-	33,938	-	493,113
-	3,617	39,012	2,336,466
-	-	149,701	801,352
-	-	139,941	538,042
5	-	364,485	724,477
405	-	687,994	891,793
1	-	146,029	147,947
2,483	3,971	48,340	121,093
23,630	-	205,134	6,227,547
-	-	595	595
-	-	42,948	42,948
4,924	259	27,836	253,053
31,448	421,334	1,852,015	17,592,773
12,018	-	61,548	359,375
17	-	182,951	362,689
7,853	31,831	20,684	661,022
328	-	71,545	626,136
2,749	-	37,177	1,321,716
-	-	9,258	90,243
1,413	-	199,200	6,062,845
-	-	2,259	981,956
188,416	-	3,556	459,022
-	-	49,982	287,200
-	-	63,863	1,370,506
-	613,588	7,514	4,200,279
-	-	7,429	95,908
-	-	1,703	2,494
268	348	34,754	78,936
-	-	207,052	236,276
213,062	645,767	960,475	17,196,603
(181,614)	(224,433)	891,540	396,170
73,515	59,002	323,336	4,610,362
(59,348)	(6,102)	(1,130,906)	(4,729,715)
-	-	9,300	155,935
-	-	-	12,778
-	-	48	17,091
-	-	14,311	14,311
867	-	-	5,865
-	-	-	144,342
-	-	-	(143,978)
15,034	52,900	(783,911)	86,991
(166,580)	(171,533)	107,629	483,161
219,332	365,801	1,582,479	4,841,972
-	485	6,690	(21,768)
$ 52,752	$ 194,753	$ 1,696,798	$ 5,303,365

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 5,014,347	$ -	$ -	$ -	$ 17,265	$ 5,031,612
Corporate Income	493,113	-	-	-	(27,200)	465,913
Sales and Use	2,336,466	-	-	-	(2,821)	2,333,645
Excise	801,352	-	-	-	1,020	802,372
Other Taxes	538,042	-	-	-	1,348	539,390
Licenses, Permits, and Fines	724,477	-	-	-	(22)	724,455
Charges for Goods and Services	891,793	-	-	-	(6)	891,787
Rents	147,947	-	-	-	-	147,947
Investment Income (Loss)	121,093	93	-	-	1,276	122,462
Federal Grants and Contracts	6,227,547	-	-	-	(116)	6,227,431
Additions to Permanent Funds	595	-	-	-	-	595
Unclaimed Property Receipts	42,948	-	-	-	-	42,948
Other	253,053	-	3	-	(18)	253,038
TOTAL REVENUES	17,592,773	93	3	-	(9,274)	17,583,595
EXPENDITURES:						
Current:						
General Government	359,375	(2,043)	15,952	-	4,498	377,782
Business, Community, and Consumer Affairs	362,689	(499)	3,888	-	(16,539)	349,539
Education	661,022	(132)	5,614	-	191	666,695
Health and Rehabilitation	626,136	(130)	11,580	-	(5)	637,581
Justice	1,321,716	(367)	33,365	-	(382)	1,354,332
Natural Resources	90,243	(352)	2,404	-	71	92,366
Social Assistance	6,062,845	(691)	4,058	-	(43)	6,066,169
Transportation	981,956	52	371,050	-	(95)	1,352,963
Capital Outlay	459,022	-	(456,130)	-	-	2,892
Intergovernmental:						
Cities	287,200	-	-	-	-	287,200
Counties	1,370,506	-	-	-	-	1,370,506
School Districts	4,200,279	-	-	-	-	4,200,279
Special Districts	95,908	-	-	-	-	95,908
Federal	2,494	-	213	-	-	2,707
Other	78,936	-	-	-	-	78,936
Debt Service	236,276	2,735	-	(157,044)	-	81,967
TOTAL EXPENDITURES	17,196,603	(1,427)	(8,006)	(157,044)	(12,304)	17,017,822
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	396,170	1,520	8,009	157,044	3,030	565,773
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,610,362	4,430	-	-	-	4,614,792
Transfers-Out	(4,729,715)	(4,895)	-	-	-	(4,734,610)
Face Amount of Bond/COP Issuance	155,935	-	-	(155,935)	-	-
Bond/COP Premium/Discount	12,778	-	-	(12,378)	-	400
Capital Lease Proceeds	17,091	-	-	(17,091)	-	-
Sale of Capital Assets	14,311	-	(5,422)	-	-	8,889
Insurance Recoveries	5,865	-	-	-	-	5,865
Bond/COP Refunding Issuance	144,342	-	-	(144,342)	-	-
Bond/COP Refunding Payments	(143,978)	-	-	143,978	-	-
TOTAL OTHER FINANCING SOURCES (USES)	86,991	(465)	(5,422)	(185,768)	-	(104,664)
Internal Service Fund Charges to BTAs	-	355	-	-	-	355
NET CHANGE FOR THE YEAR	483,161	1,410	2,587	(28,724)	3,030	461,464
Prior Period Adjustment (Note 29)	(21,768)	-	357,028	-	-	335,260
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 461,393	$ 1,410	$ 359,615	$ (28,724)	$ 3,030	$ 796,724

The notes to the financial statements are an integral part of this statement.

Differences Between the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Activities*

(A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services, and
- Debt collection.

(B) The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net position and are reported on both the government-wide *Statement of Net Position* and *Statement of Activities*.
- Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
- Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Position*. They are not reported as expenses on the government-wide *Statement of Activities*.
- On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.

(C) The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.
- Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
- Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.

(D) Other measurement focus adjustments include:

- Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
- Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. However, from a full accrual perspective, these are expenses that are reported on the government-wide Statement of Activities.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,156,788	$ 523,036
Investments	158,009	-
Premiums Receivable, net	-	159,303
Student and Other Receivables, net	279,720	12,019
Due From Other Governments	200,149	10,484
Due From Other Funds	5,150	-
Due From Component Units	18,715	-
Inventories	37,654	-
Prepaids, Advances, and Deferred Charges	13,059	-
Total Current Assets	1,869,244	704,842
Noncurrent Assets:		
Restricted Cash and Pooled Cash	311,957	-
Restricted Investments	295,228	-
Restricted Receivables	-	-
Investments	1,444,321	-
Other Long-Term Assets	115,832	2,328
Depreciable Capital Assets and Infrastructure, net	4,998,163	-
Land and Nondepreciable Infrastructure	549,766	-
Total Noncurrent Assets	7,715,267	2,328
TOTAL ASSETS	9,584,511	707,170
DEFERRED OUTFLOW OF RESOURCES:	5,005	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	558,531	275
Due To Other Governments	-	2
Due To Other Funds	11,861	-
Due To Component Units	123	-
Deferred Revenue	197,004	-
Compensated Absences Payable	14,221	-
Claims and Judgments Payable	-	-
Leases Payable	5,632	-
Notes, Bonds, and COPs Payable	117,833	124,960
Other Postemployment Benefits	15,721	-
Other Current Liabilities	69,101	8,444
Total Current Liabilities	990,027	133,681
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	207,543	-
Claims and Judgments Payable	36,472	-
Capital Lease Payable	27,762	-
Derivative Instrument Liability	12,994	-
Notes, Bonds, and COPs Payable	3,128,982	509,056
Due to Component Units	1,758	-
Other Postemployment Benefits	139,653	-
Other Long-Term Liabilities	15,698	-
Total Noncurrent Liabilities	3,570,862	509,056
TOTAL LIABILITIES	4,560,889	642,737
NET POSITION:		
Net investment in Capital Assets:	2,734,668	(124,960)
Restricted for:		
Unemployment Insurance	-	189,393
Debt Service	7,464	-
Emergencies	-	-
Expendable	6,975	-
Nonexpendable	79,675	-
Other Purposes	556,705	-
Unrestricted	1,643,141	-
TOTAL NET POSITION	$ 5,028,627	$ 64,433

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 33,995	$ 297,618	$ 2,011,437	$ 26,185
-	2,090	160,099	-
-	-	159,303	-
19,719	22,416	333,874	446
-	8,034	218,667	591
-	7,263	12,413	1,626
-	-	18,715	-
1,027	14,637	53,318	1,425
5,067	6,034	24,160	1,121
59,808	358,092	2,991,986	31,394
-	58,982	370,939	-
-	-	295,228	-
-	80,975	80,975	-
-	324,026	1,768,347	-
-	4,178	122,338	6
2,832	250,196	5,251,191	68,994
-	469,790	1,019,556	1,040
2,832	1,188,147	8,908,574	70,040
62,640	1,546,239	11,900,560	101,434
-	-	5,005	-
4,734	43,958	607,498	14,697
25	53,595	53,622	-
28,984	5,166	46,011	50
-	-	123	-
-	40,526	237,530	78
-	721	14,942	103
-	122	122	-
-	221	5,853	10,669
-	795	243,588	2,070
-	-	15,721	-
22,825	10,175	110,545	203
56,568	155,279	1,335,555	27,870
-	2,077	2,077	-
836	10,647	219,026	6,819
-	-	36,472	-
-	5,423	33,185	52,776
-	-	12,994	-
-	308,516	3,946,554	2,626
-	-	1,758	-
-	-	139,653	-
61	23,256	39,015	-
897	349,919	4,430,734	62,221
57,465	505,198	5,766,289	90,091
2,832	641,625	3,254,165	1,893
-	-	189,393	-
-	-	7,464	-
-	10,005	10,005	-
-	-	6,975	-
-	-	79,675	-
-	54,195	610,900	-
2,343	335,216	1,980,700	9,450
$ 5,175	$ 1,041,041	$ 6,139,276	$ 11,343

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 828,530
License and Permits	-	95
Tuition and Fees	2,242,109	-
Scholarship Allowance for Tuition and Fees	(535,538)	-
Sales of Goods and Services	1,446,896	-
Scholarship Allowance for Sales of Goods & Services	(21,874)	-
Investment Income (Loss)	1,449	-
Rental Income	14,610	-
Gifts and Donations	24,038	-
Federal Grants and Contracts	1,077,393	922,611
Intergovernmental Revenue	10,093	-
Other	248,734	1,230
TOTAL OPERATING REVENUES	4,507,910	1,752,466
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,208,747	522
Operating and Travel	1,220,177	1,559,539
Cost of Goods Sold	145,634	-
Depreciation and Amortization	315,584	-
Intergovernmental Distributions	29,695	-
Debt Service	-	-
Prizes and Awards	356	-
TOTAL OPERATING EXPENSES	4,920,193	1,560,061
OPERATING INCOME (LOSS)	(412,283)	192,405
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	975	1,908
Investment Income (Loss)	57,235	1,428
Rental Income	39,643	1
Gifts and Donations	133,666	-
Intergovernmental Distributions	(19,575)	-
Federal Grants and Contracts	308,873	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(1,367)	-
Insurance Recoveries from Prior Year Impairments	171	-
Debt Service	(119,308)	(11,260)
Other Expenses	(1,415)	-
Other Revenues	4,323	-
TOTAL NONOPERATING REVENUES (EXPENSES)	403,221	(7,923)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(9,062)	184,482
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	134,279	-
Additions to Permanent Endowments	377	-
Transfers-In	188,735	-
Transfers-Out	(4,949)	(2,141)
TOTAL CONTRIBUTIONS AND TRANSFERS	318,442	(2,141)
CHANGE IN NET POSITION	309,380	182,341
NET POSITION - FISCAL YEAR BEGINNING	4,723,248	(117,908)
Prior Period Adjustments (See Note 29)	(4,001)	-
NET POSITION - FISCAL YEAR ENDING	$ 5,028,627	$ 64,433

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 828,530	$ -
65	104,017	104,177	-
-	539	2,242,648	-
-	-	(535,538)	-
559,342	205,861	2,212,099	201,087
-	-	(21,874)	-
-	8,518	9,967	-
-	1,778	16,388	11,650
-	-	24,038	-
-	472,001	2,472,005	-
-	24,970	35,063	-
967	7,277	258,208	380
560,374	824,961	7,645,711	213,117
9,452	209,715	3,428,436	105,124
58,995	455,661	3,294,372	80,165
11,958	40,340	197,932	7,812
1,049	14,521	331,154	16,138
-	8,737	38,432	3
-	14,871	14,871	-
356,679	872	357,907	-
438,133	744,717	7,663,104	209,242
122,241	80,244	(17,393)	3,875
-	27,318	27,318	-
-	6,678	9,561	-
344	8,168	67,175	92
-	9,205	48,849	-
-	2,702	136,368	-
(57,066)	-	(76,641)	-
-	-	308,873	250
(34)	155	(1,246)	394
-	(7)	164	-
-	(14,725)	(145,293)	(2,683)
-	(120)	(1,535)	(53)
-	3	4,326	-
(56,756)	39,377	377,919	(2,000)
65,485	119,621	360,526	1,875
-	3,670	137,949	2,167
-	-	377	-
-	20,966	209,701	2,263
(66,679)	(14,761)	(88,530)	(4,895)
(66,679)	9,875	259,497	(465)
(1,194)	129,496	620,023	1,410
6,369	652,974	5,264,683	9,933
-	258,571	254,570	-
$ 5,175	$ 1,041,041	$ 6,139,276	$ 11,343

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,723,530	$ -
Fees for Service	1,362,068	-
Sales of Products	6,508	-
Gifts, Grants, and Contracts	1,568,403	920,104
Loan and Note Repayments	403,396	-
Unemployment Insurance Premiums	-	535,435
Income from Property	54,253	-
Other Sources	64,561	-
Cash Payments to or for:		
Employees	(3,052,233)	-
Suppliers	(1,218,845)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,544,638)
Scholarships	(115,501)	-
Others for Student Loans and Loan Losses	(401,886)	-
Other Governments	(30,980)	-
Other	(78,275)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	284,999	(89,099)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	189,084	-
Transfers-Out	(4,949)	(2,141)
Receipt of Deposits Held in Custody	620,308	-
Release of Deposits Held in Custody	(619,369)	-
Gifts and Grants for Other Than Capital Purposes	134,024	-
Intergovernmental Distributions	(19,575)	-
NonCapital Debt Proceeds	3,186	632,886
NonCapital Debt Service Payments	(7,906)	(20,038)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	294,803	610,707
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(579,632)	-
Capital Contributions	398	-
Capital Gifts, Grants, and Contracts	72,173	-
Proceeds from Sale of Capital Assets	5,730	-
Capital Debt Proceeds	677,885	-
Capital Debt Service Payments	(454,908)	-
Capital Lease Payments	(23,386)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(301,740)	-

The notes to the financial statements are an integral part of this statement.

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 827	$ 1,724,357	$ -
-	240,539	1,602,607	200,381
559,006	57,130	622,644	982
-	446,369	2,934,876	248
-	-	403,396	-
-	-	535,435	-
-	10,983	65,236	11,673
1,032	87,939	153,532	562
(8,876)	(139,764)	(3,200,873)	(88,944)
(28,503)	(229,540)	(1,476,888)	(99,754)
(407,672)	(4,261)	(411,933)	(608)
-		(1,544,638)	-
-	-	(115,501)	-
-	(343,260)	(745,146)	-
-	(8,772)	(39,752)	(3)
(17)	(13,937)	(92,229)	(125)
114,970	104,253	415,123	24,412
-	20,966	210,050	2,263
(66,679)	(14,761)	(88,530)	(4,895)
-	13	620,321	433
-	(1)	(619,370)	(488)
-	2,111	136,135	-
(53,708)	-	(73,283)	-
-	-	636,072	-
-	(611)	(28,555)	-
(120,387)	7,717	792,840	(2,687)
(132)	(116,092)	(695,856)	(2,334)
-	-	398	-
-	-	72,173	-
-	17	5,747	4,234
-	-	677,885	-
-	(14,493)	(469,401)	(4,628)
-	(2,672)	(26,058)	(13,249)
(132)	(133,240)	(435,112)	(15,977)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	77,464	1,428
Proceeds from Sale/Maturity of Investments	3,960,492	-
Purchases of Investments	(4,267,900)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(626)	-
NET CASH FROM INVESTING ACTIVITIES	(230,570)	1,428
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	47,492	523,036
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,417,584	-
Prior Period Adjustment (See Note 29)	3,669	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,468,745	$ 523,036
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (412,283)	$ 192,405
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	315,584	-
Investment/Rental Income and Other Revenue in Operating Income	-	(1,230)
Rents, Fines, Donations, and Grants and Contracts in NonOperating	355,270	1,910
(Gain)/Loss on Disposal of Capital and Other Assets	34	-
Compensated Absences	11,845	-
Interest and Other Expense in Operating Income	(12,326)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(63,995)	22,878
(Increase) Decrease in Inventories	(8,727)	-
(Increase) Decrease in Other Operating Assets	6,139	-
Increase (Decrease) in Accounts Payable	72,284	(304,448)
Increase (Decrease) in Other Operating Liabilities	21,174	(614)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 284,999	$ (89,099)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	4,965	-
Capital Assets Acquired by Grants or Donations and Payable Increases	98,960	-
Realized/Unrealized Gain/Loss on Investments and Interest Receivable Accrua	24,245	-
Loss on Disposal of Capital and Other Assets	12,134	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	34,017	-
Assumption of Capital Lease Obligation or Mortgage	9,680	-
Financed Debt Issuance Costs	1,148	-
Fair Value Change in Derivative Instrument	6,812	-

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
493	15,260	94,645	41
-	61,970	4,022,462	-
-	(2,347)	(4,270,247)	-
(149)	505	(270)	52
344	75,388	(153,410)	93
(5,205)	54,118	619,441	5,841
39,200	259,668	1,716,452	20,344
-	42,814	46,483	-
$ 33,995	$ 356,600	$ 2,382,376	$ 26,185
$ 122,241	$ 80,244	$ (17,393)	$ 3,875
1,049	14,521	331,154	16,138
-	(8,518)	(9,748)	-
-	43,540	400,720	477
-	2,260	2,294	11
30	250	12,125	7
-	(13,917)	(26,243)	161
(313)	(47,571)	(89,001)	610
205	383	(8,139)	(168)
(558)	(4,482)	1,099	874
1,984	31,676	(198,504)	2,786
(9,668)	5,867	16,759	(359)
$ 114,970	$ 104,253	$ 415,123	$ 24,412
-	372	5,337	2,167
-	-	98,960	-
-	-	24,245	-
35	-	12,169	-
-	-	34,017	-
-	4,062	13,742	10,208
-	-	1,148	-
-	-	6,812	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 47,784	$ 120,785	$ 946,969
Investments	-	-	1,906
Taxes Receivable, net	-	-	125,025
Other Receivables, net	426	8,589	384
Due From Other Governments	1	-	-
Due From Other Funds	21,628	4,546	9,933
Inventories	-	-	3
Noncurrent Assets:			
Government Securities	-	16,859	-
Repurchase Agreements	-	899	-
Mutual Funds	-	4,262,002	-
Other Investments	-	45,646	-
Other Long-Term Assets	-	-	13,736
TOTAL ASSETS	69,839	4,459,326	$ 1,097,956
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	4,238
Accounts Payable and Accrued Liabilities	15,298	8,113	1,063
Due To Other Governments	-	-	221,676
Due To Other Funds	-	17	37
Deferred Revenue	-	6,080	-
Claims and Judgments Payable	13,695	-	631
Other Current Liabilities	-	-	826,089
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,534	38,493
Accrued Compensated Absences	37	-	-
Other Long-Term Liabilities	-	-	5,729
TOTAL LIABILITIES	29,030	16,744	$ 1,097,956
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	33,830	-	
Individuals, Organizations, and Other Entities	-	4,442,582	
Unrestricted	6,979	-	
TOTAL NET POSITION	$ 40,809	$ 4,442,582	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 825,131
Member Contributions	86,426	-
Employer Contributions	212,903	-
Investment Income/(Loss)	1,051	135,522
Employee Participation Fees	1,515	-
Unclaimed Property Receipts	-	32,510
Other Additions	7,768	2,981
Transfers-In	1,128	-
TOTAL ADDITIONS	310,791	996,144
DEDUCTIONS:		
Distributions to Participants	-	263,069
Health Insurance Premiums Paid	136,010	-
Health Insurance Claims Paid	130,402	-
Other Benefits Plan Expense	20,215	-
Payments in Accordance with Trust Agreements	-	465,027
Other Deductions	17,441	-
Transfers-Out	210	104
TOTAL DEDUCTIONS	304,278	728,200
CHANGE IN NET POSITION	6,513	267,944
NET POSITION - FISCAL YEAR BEGINNING	34,296	4,174,638
NET POSITION - FISCAL YEAR ENDING	$ 40,809	$ 4,442,582

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 26,793	$ 122,103	$ 14,348
Investments	-	-	-
Restricted Securities Not Held for Investment	-	27,492	-
Contributions Receivable, net	-	-	29,299
Other Receivables, net	103,308	86,912	84
Due From Other Governments	-	1,667	-
Inventories	17,069	-	-
Prepaids, Advances, and Deferred Charges	10,085	-	85
Total Current Assets	157,255	238,174	43,816
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	115,981	-
Restricted Investments	207,202	289,524	-
Restricted Receivables	17,834	4,503	-
Restricted Securities Not Held for Investment	-	18,996	-
Investments	685,357	-	1,159,997
Contributions Receivable, net	-	-	23,368
Net Pension Asset	6,800	-	-
Other Long-Term Assets	11,463	1,227,819	-
Depreciable Capital Assets and Infrastructure, net	556,507	43	2,537
Land and Nondepreciable Infrastructure	29,901	-	-
Total Noncurrent Assets	1,515,064	1,656,866	1,185,902
TOTAL ASSETS	1,672,319	1,895,040	1,229,718
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	76,377	18,397	10,264
Due To Other Governments	-	1,335	-
Deferred Revenue	-	515	396
Compensated Absences Payable	17,902	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	700
Notes, Bonds, and COPs Payable	13,295	60,205	-
Other Current Liabilities	17,457	154,514	10,795
Total Current Liabilities	125,031	234,966	22,155
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	242,268
Capital Lease Payable	-	-	2,032
Notes, Bonds, and COPs Payable	702,365	1,040,369	-
Other Long-Term Liabilities	22,957	30,367	18,798
Total Noncurrent Liabilities	725,322	1,070,736	263,098
TOTAL LIABILITIES	850,353	1,305,702	285,253
NET POSITION:			
Net investment in Capital Assets:	74,975	43	(196)
Restricted for:			
Emergencies	-	-	-
Expendable	-	-	549,066
Nonexpendable	-	-	322,524
Other Purposes	18,220	521,058	-
Unrestricted	728,771	68,237	73,071
TOTAL NET POSITION	$ 821,966	$ 589,338	$ 944,465

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 491	$ 6,050	$ 66,673	$ 236,458
-	-	81,495	81,495
-	-	-	27,492
6,331	1,876	4,150	41,656
-	2,836	1,851	194,991
-	-	403	2,070
-	-	-	17,069
162	-	-	10,332
6,984	10,762	154,572	611,563
-	146	15,364	131,491
-	-	-	496,726
-	-	-	22,337
-	-	-	18,996
296,900	216,272	24,538	2,383,064
22,681	9,375	-	55,424
-	-	-	6,800
513	281	15,498	1,255,574
17	216	119,255	678,575
-	-	33,855	63,756
320,111	226,290	208,510	5,112,743
327,095	237,052	363,082	5,724,306
951	1,968	6,746	114,703
-	-	-	1,335
-	-	10,380	11,291
-	-	-	17,902
-	-	23,309	23,309
-	-	-	700
-	-	306	73,806
-	-	170	182,936
951	1,968	40,911	425,982
12,245	15,448	-	269,961
-	-	-	2,032
-	-	54,961	1,797,695
885	10,306	27,224	110,537
13,130	25,754	82,185	2,180,225
14,081	27,722	123,096	2,606,207
17	216	138,341	213,396
-	-	29	29
148,167	47,267	-	744,500
133,333	138,287	-	594,144
-	-	68,551	607,829
31,497	23,560	33,065	958,201
$ 313,014	$ 209,330	$ 239,986	$ 3,118,099

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 50,891	$ 5,100
Sales of Goods and Services	826,814	-	-
Investment Income (Loss)	-	13,623	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,232
Federal Grants and Contracts	-	6,509	-
Other	20,750	65	943
TOTAL OPERATING REVENUES	847,564	71,088	113,275
OPERATING EXPENSES:			
Salaries and Fringe Benefits	332,597	1,264	-
Operating and Travel	181,457	18,012	22,109
Cost of Goods Sold	162,407	-	-
Depreciation and Amortization	44,228	14	-
Debt Service	-	54,176	-
Foundation Program Distributions	-	-	98,402
TOTAL OPERATING EXPENSES	720,689	73,466	120,511
OPERATING INCOME (LOSS)	126,875	(2,378)	(7,236)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	91,470	-	125,332
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	-	-
Debt Service	(23,519)	-	-
Other Expenses	(900)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	67,023	-	125,332
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	193,898	(2,378)	118,096
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	5,181	24,561	-
TOTAL CONTRIBUTIONS AND TRANSFERS	5,181	24,561	-
CHANGE IN NET POSITION	199,079	22,183	118,096
NET POSITION - FISCAL YEAR BEGINNING	622,887	567,155	826,369
NET POSITION - FISCAL YEAR ENDING	$ 821,966	$ 589,338	$ 944,465

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ -	$ 101,746	$ 157,737
-	-	-	826,814
-	-	4,824	18,447
-	-	948	948
44,293	10,290	-	161,815
-	-	2,931	9,440
120	198	-	22,076
44,413	10,488	110,449	1,197,277
-	-	-	333,861
2,056	3,102	129,861	356,597
-	-	-	162,407
-	-	4,207	48,449
-	-	-	54,176
23,685	23,580	-	145,667
25,741	26,682	134,068	1,101,157
18,672	(16,194)	(23,619)	96,120
52,136	36,350	1,768	307,056
-	-	9,243	9,243
-	-	-	(28)
-	-	-	(23,519)
-	-	(2,177)	(3,077)
-	-	36,016	36,016
52,136	36,350	44,850	325,691
70,808	20,156	21,231	421,811
-	-	-	29,742
-	-	-	29,742
70,808	20,156	21,231	451,553
242,206	189,174	218,754	2,666,545
$ 313,014	$ 209,330	$ 239,986	$ 3,118,099

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 157,738	Charges for Services	$ 157,738
Sales of Goods and Services	826,814	Charges for Services	826,814
Investment Income (Loss)	18,447	Unrestricted Investment Earnings	18,447
Rental Income	948	Charges for Services	948
Gifts and Donations	161,815	Operating Grants & Contributions	161,815
Federal Grants and Contracts	9,440	Operating Grants & Contributions	9,440
Other	22,076	Charges for Services	20,815
		Operating Grants & Contributions	1,261
TOTAL OPERATING REVENUES	1,197,278		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	333,861	Expenses	333,861
Operating and Travel	356,597	Expenses	356,597
Cost of Goods Sold	162,407	Expenses	162,407
Depreciation and Amortization	48,449	Expenses	48,449
Debt Service	54,176	Expenses	54,176
Foundation Program Distributions	145,667	Expenses	145,667
TOTAL OPERATING EXPENSES	1,101,157		
OPERATING INCOME (LOSS)	96,121		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	307,056	Unrestricted Investment Earnings	156,709
		Operating Grants & Contributions	150,347
Gifts and Donations	9,243	Payment from State	9,243
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	Operating Grants & Contributions	(28)
Debt Service	(23,519)	Expenses	(23,519)
Other Expenses	(3,077)	Expenses	(3,077)
Other Revenues	36,016	Payment from State	34,694
		Capital Grants & Contributions	1,299
		Sales and Use Tax	23
TOTAL NONOPERATING REVENUES (EXPENSES)	325,691		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	421,812		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	29,742	Operating Grants & Contributions	28,174
		Capital Grants & Contributions	1,568
TOTAL CONTRIBUTIONS AND TRANSFERS	29,742		
CHANGE IN NET POSITION	451,554		451,554
NET POSITION - FISCAL YEAR BEGINNING	2,666,545		2,666,545
NET POSITION - FISCAL YEAR ENDING	$ 3,118,099		$ 3,118,099

The notes to the financial statements are an integral part of this schedule.

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

During Fiscal Year 2011-12, the State implemented GASB Statement No. 61 – The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, Statement No. 63 – Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB Statement No. 53.

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Position* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Note 3.)

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the State, its three branches of government, departments, agencies, and state-funded institutions of higher education that make up the State's legal entity. The State's reporting entity also includes those component units that are legally separate entities, for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity, as amended by GASB Statement No. 61. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

For those entities that the State does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources.

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- Other Component Units (Nonmajor)
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority
  - HLC @ Metro, Inc.

The table on the following page contains the primary factors for the inclusion of the non-foundation component units in the State's reporting entity:

Component Unit (Non Foundation)	Board Appointment	Ability to Impose Will	Finanical Benefit/Burden Relationship
University of Colorado Hospital Authority	Appointment by the State through the Board of Regents of the University of Colorado, with consent of the Senate.	The level of indigent care services and the delivery of mental health serivces through the University of Colorado's physchiatric hospital is dictated by the State.	Asset transfer and cost-based services provisions exist between the Authority and the University of Colorado.
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds inorder for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the the Senate.	Board members serve at the pleasure of the Governor.	None.
CoverColorado	Appointment by the Governor, with consent of the the Senate.	None.	The State provides annual funding CoverColorado through the Unclaimed Property program.
Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based general-purpose revenue tax credits.
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Meto, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

The three foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-417, P.O. Box 6510
Aurora, Colorado 80045

Colorado Water Resources and Power Development Authority
1580 Logan Street, Suite 620
Denver, Colorado 80203

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

Colorado State University Foundation
410 University Services Center
Fort Collins, CO 80523-9100

Colorado School of Mines Foundation, Inc.
P. O. Box 4005
Golden, Colorado 80402-4005

Denver Metropolitan Major League Baseball Stadium District
2001 Blake Street
Denver, Colorado 80205

CoverColorado
425 South Cherry Street, Suite 160
Glendale, Colorado 80246

Venture Capital Authority
1625 Broadway, Suite 2700
Denver, Colorado 80202

HLC @ Metro, Inc.
1512 Larimer St., Suite 800
Denver, CO 80202

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

- Pinnacol Assurance
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Facilities Authority
- Colorado Agricultural Development Authority
- Colorado Housing and Finance Authority
- Colorado Sheep and Wool Authority
- Colorado Beef Council Authority
- Fire and Police Pension Association
- The State Board of the Great Outdoors Colorado Trust Fund

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the State cannot impose its will upon these entities or it does not have a financial benefit or burden relationship with them. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related State institutions of higher education, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

The State has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the State, but it is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The State's contract with the Huerfano County Hospital District states that the district is responsible for funding the operating deficits of the nursing home; however, since the State owns the nursing home, it retains ultimate financial responsibility for the home. Only the State's share of assets, liabilities, revenues, and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the State's on-site contract administrator. The State's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the State.

NOTE 3 – BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements focus on the government as a whole. The *Statement of Net Position* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the financial position of the government. The net position section of the statement focuses on whether assets, and deferred outflows of resources net of related liabilities, have been restricted as to the purpose for which they may be used. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the Net Position line items shown as Restricted. The nature of an asset may also result in a restriction on asset use. The line item Net Investment in Capital Assets, comprises capital assets (net of depreciation) reduced by the outstanding balance of bonds, mortgages, notes, Certificates of Participation, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The State does not report restrictions of net position related to enabling legislation because a settled court case determined that crediting money to a special fund does not mean that the General Assembly is prohibited from appropriating the money for another purpose. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Position* as part of the governmental activities.

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities in State government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or business-type activities. Direct costs are those that can be specifically identified with a program. The State allocates indirect costs based on the Statewide Appropriations/Cash Fees Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants.

Taxes, with the exception of unemployment insurance premiums supporting a business-type activity, are presented as general-purpose revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The State reports only its proprietary funds as business-type activities. The business-type activities follow all current GASB pronouncements. The proprietary statements and government-wide statements also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions, such as federal and State grants moving between State agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or business-type activities, the effects of interfund services provided and used have not been eliminated.

Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts shown as receivable and payable between the primary government and the component units are primarily with the University of Colorado Hospital Authority and the four foundations, which are reported as component units and have matching fiscal year ends, but also include amounts related to component units not deemed material for discrete reporting.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

The fund-level statements provide additional detail about the primary government and its component units. The information is presented in four types – governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the fiduciary fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. The State's component units are reported as major except for the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, and HLC @ Metro, Inc. which are presented as nonmajor component units.

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

<u>General Fund</u>
Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. The General Fund contains Special Purpose Funds that include the State Public School, Risk Management, and Other Special Purpose Funds. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. As a result of comingled current and cumulative general-purpose and special-purpose revenue in the General Fund, combining statements detailing the components of the General Fund are included as supplementary information. The statements segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which is referred to as the General Purpose Revenue Fund.

<u>Resource Extraction</u>
This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects.

<u>Highway Users Tax Fund</u>
Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver, and vehicle registration fees, and other related taxes. In prior years this fund has issued revenue bonds to finance construction and maintenance of highway infrastructure. Most of the State's infrastructure is owned by this fund.

<u>Capital Projects Fund</u>
Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. A combining statement of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

<u>State Education Fund</u>
The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11 and by inflation thereafter.

PROPRIETARY FUND TYPE:

<u>Higher Education Institutions</u>
This fund reports the activities of all state institutions of higher education. Fees for educational services, tuition payments, and research grants are the primary sources of

funding for this activity. Higher Education Institutions have significant capital debt secured solely by pledged revenues.

Unemployment Insurance
This fund accounts for the collection of unemployment insurance premiums from employers, related federal support, and the payment of unemployment benefits to eligible claimants.

Lottery
The State Lottery encompasses the various lottery and lotto games run under Colorado Revised Statutes. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the General Purpose Revenue Fund. The funds are used primarily for open space purchases and recreational facilities throughout the State.

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the State reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report (CAFR).

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund
The General Fund and its components are classified as a major fund in the basic financial statements. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining statement detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects
The Capital Projects Fund and its components are classified as a major fund in the basic financial statements. The components are necessary to support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds
Transactions related to resources obtained from specific sources and dedicated to specific purposes are accounted for in special revenue funds. The individual nonmajor funds include Labor, Gaming, Tobacco Impact Mitigation, Resource Management, Environment and Health Protection, Unclaimed Property, and Other Special Revenue Funds.

Debt Service Fund
This fund accounts for the accumulation of resources, primarily transfers from other funds, for the payment of long-term debt principal and interest. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of Certificates of Participation issued by various departments and Transportation Revenue Anticipation Notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds
This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the State's programs. The individual nonmajor funds included in this category are the State Lands Fund and an aggregation of several smaller funds. On the government-wide financial statements the net position of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts. On the fund-level financial statements the principal portion is reported as Nonspendable.

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds
The State uses enterprise funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include CollegeInvest, Wildlife, College Assist, State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, Transportation Enterprise, and several smaller funds aggregated as Other Enterprise Funds.

Internal Service Funds
The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services, Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Position*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in fiduciary fund types are not available for use in the State's programs; therefore, none of the fiduciary funds are included in the government-wide financial statements.

Pension and Benefit Trust Funds
In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan.

Private Purpose Trust Funds
Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts, Unclaimed Property, the College Savings Plan operated by CollegeInvest, the College Opportunity Fund, the Multistate Lottery Winners Trust Fund and several smaller funds shown in the aggregate as Other.

Agency Funds
Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Agency funds primarily include local sales tax collections, trustee investments related to State capital projects, and investments of the Colorado Water Resource and Power Development Authority. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the statements of changes in net position.

FUNCTIONAL PRESENTATION OF EXPENDITURES

In the governmental fund types, expenditures are presented on a functional basis rather than an individual program basis because of the large number of programs operated by the State. The State's eight functional classifications and the State agencies or departments comprising each are:

General Government
Legislative Branch, Department of Personnel & Administration, most of the Department of Military and Veterans Affairs, part of the Governor's Office, part of the Department of Revenue, and Department of Treasury

Business, Community, and Consumer Affairs
Department of Agriculture, part of the Governor's Office, Department of Labor and Employment, Department of Local Affairs, most of the Department of Regulatory Agencies, Gaming Division of the Department of Revenue, and Department of State

Education
Department of Education and the portion of the Department of Higher Education not reported as a business-type activity

Health and Rehabilitation
Department of Public Health and Environment and part of the Department of Human Services

Justice
Department of Corrections, Division of Youth Corrections in the Department of Human Services, Judicial Branch, Department of Law, Department of Public Safety, and the Civil Rights Division of the Department of Regulatory Agencies

Natural Resources
Department of Natural Resources

Social Assistance
Department of Human Services, Veterans' Affairs, and the Department of Health Care Policy and Financing

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the State's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2011.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2011.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of June 30, 2011.

The three foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the three foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2011.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, deferred inflows, deferred outflows, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction as follows:

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the State has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets are recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due at June 30.
- Income taxes, net of refunds, to be collected from individuals, corporations, and trusts are accrued based on current income earned by taxpayers before June 30. Quarterly filings, withholding statements, and other historical and economic data are used to estimate taxpayers' current income. The related revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized in governmental funds when:

- The related liability is incurred and is due and payable in full (examples include professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the Debt Service Fund and the debt service is payable within thirty days of fiscal year-end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, and termination benefits are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund-level statements are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds

All transactions and balances of the proprietary and fiduciary fund types are reported on the full accrual basis of accounting as described above for the government-wide statements.

Component Units

The University of Colorado Hospital Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. As a governmental entity, the hospital applies all GASB statements and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. The authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET POSITION

A. CASH AND POOLED CASH

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and warrants payable.

B. RECEIVABLES

Component Units

The University of Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation recognizes conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

C. INVENTORY

Inventories of the various State agencies primarily comprise finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The State uses various valuation methods (FIFO, average cost, etc.) as selected by individual State agencies. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

D. INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 14). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

Component Units

Marketable equity and debt investments of the University of Colorado Foundation are presented at fair value based on quoted market prices; alternative investment fair values are based on national security exchange closing prices, if marketable, and on prorata share of the net assets of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net assets.

The University of Colorado Foundation has concentrations of financial instruments in cash and investments that potentially subject it to credit risk. The foundation selects credit-worthy high-quality financial institutions, but significant portions of its deposits are not insured by the FDIC. The foundation's concentrations in stocks, bonds, and alternative investments also subject it to credit risk. These investments are selected by professional managers and are monitored by the Investment Committee of the foundation's Board of Directors. Certain investment managers employ techniques such as leverage, futures and forwards contracts, option agreements, and other derivative instruments that create special risks that could adversely affect the foundation's investment portfolio valuation. Foundation management believes the investment policy is prudent for the long-term welfare of the foundation.

The mission of the Venture Capital Authority, a nonmajor component unit, is to make seed and early-stage investments in companies that are not fully established. Because of the inherent uncertainty of investment valuation where a ready market does not exist, as is the case with Venture Capital Authority investments, estimated values may differ from the values that would have been reported had a ready market existed, and the differences could be material.

E. CAPITAL ASSETS

Primary Government

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Position*. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

The following table lists the range of capitalization thresholds established by the State as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a $75,000 threshold for land and leasehold improvements as well as buildings and software.

(Amounts in Dollars)

Asset Class	Lower Capitalization Thresholds	Established State Thresholds
Land Improvements	$ 5,000	$ 50,000
Buildings	$ 5,000	$ 50,000
Leasehold Improvements	$ 5,000	$ 50,000
Intangible Assets	NA	$ 50,000
Vehicles and Equipment	NA	$ 5,000
Software (purchased)	NA	$ 5,000
Software (internally developed)	NA	$ 50,000
Library Books	NA	$ 0
Collections	NA	$ 5,000
Infrastructure	NA	$ 500,000

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating capital assets. The following table lists the range of lives that State agencies normally use in depreciating capital assets. Certain historical buildings are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	127
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	1.5	50
Library Books	5	20
Other Capital Assets	3	22
Infrastructure	20	75

Roads and bridges, except for right-of-way and fiber optic infrastructure, owned by the Department of Transportation and other infrastructure primarily owned by the Department of Natural Resources, are capitalized and depreciated. The Department of Transportation depreciates roadways over 40 years, and bridges over 75 years.

The State capitalizes interest incurred during the construction of capital assets that are reported in enterprise funds.

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings, building improvements, and equipment.

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures occur. On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year are deferred. However, taxes receivable are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death.

Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Position*, all compensated absence liabilities are reported.

Component Units

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability, serious health conditions, or bereavement. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as it is earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base that will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

H. INSURANCE

The State has an agreement with Broadspire to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed Broadspire for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The State insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

I. NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflow of resources in excess of liabilities are presented in one of two ways depending on the measurement focus used in reporting the fund.

On the government-wide *Statement of Net Position,* the proprietary funds' *Statement of Net Position,* and the fiduciary funds' *Statement of Fiduciary Net Position*, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

The following paragraphs describe the restrictions reported in the three financial statement types cited above:

<u>Net Investment in Capital Assets</u> – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

<u>Restricted for Construction and Highway Maintenance</u> – Article X Section 18 of the State Constitution restricts the motor fuels tax and fee portion of the Highway Users Tax Fund. The restricted portion of the fund is appropriated for highway construction and maintenance activities.

<u>Restricted for Education</u> – The entire net assets balance of the State Education Fund, a major special revenue fund, is restricted for education purposes based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000. In addition, the net position of the Public School Fund, a Special Purpose General Fund, are restricted for exclusive use in the maintenance of schools pursuant to Article IX, Section 3 of the State Constitution.

<u>Restricted for Unemployment Insurance</u> – The entire net position balance of the Unemployment Insurance Fund is reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims.

<u>Restricted for Debt Service</u> – The net position of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The net position of the governmental activities are held by the Department of Personnel & Administration and by the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program. The Higher Education Institutions Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

Restricted for Emergencies – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve for emergencies three percent or more of fiscal year spending. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. State properties included as part of the required reserve are not represented in this amount. (See Note 8B for more information on the current year amount of the emergency reserve.)

Restricted Permanent Funds and Endowments – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, amounts dedicated to fund capital construction activity, and the endowment portion of the Higher Education Institutions Fund that must be maintained in perpetuity. The restricted balances reported as expendable are primarily the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Other Purposes – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties. The most significant purposes include:

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between spendable and nonspendable amounts, as follows:

Nonspendable – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The fund balance consist primarily of prepaid advances to counties for social assistance programs and to local entities for species conservation, and permanent funds related to state lands.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained. The categorization, in part, is a result of the State's spending prioritization policy. When an expenditure is incurred that could be funded from either restricted or unrestricted sources it is the State's general policy that unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers

- to pay indirect costs,
- to fund programs operating in the General Purpose Revenue Fund,
- to support health-related programs funded by tobacco tax,
- to support programs partially funded by Highway Users' Tax funds, and
- other situations that are not individually significant.

Spendable fund balance classifications include:

Restricted – This classification is the portion of fund balance that is restricted by the State Constitution or external parties, and therefore, the related net position can only be expended as directed by the State Constitution or the external party.

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet-Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. There are unspent proceeds related to:

- energy efficiency projects in the Department of Corrections, in the General Purpose Revenue Fund,
- public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund,
- the Ralph L. Carr Justice Complex, in the Special Capital Projects Fund, and
- the Colorado History Center, in the Special Capital Projects Fund.

Committed – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default classification for the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the four percent reserve when revenues were projected to be inadequate to fund appropriations and the reserve. In the 2009 session, the General Assembly passed legislation reducing the required reserve to two percent of General Purpose Revenue Fund appropriations for Fiscal Year 2009-10, and in the 2011 session partially restored the reserve to 2.3 percent for Fiscal Year 2010-11. In Fiscal Year 2011-12, the reserve was restored to four percent. The reserve is applicable for both GAAP and budget basis purposes. The 4.0 percent statutory reserve of $281.1 million is reported as committed fund balance.

A portion of the Committed fund balance represents the current fiscal year appropriation that the legislature expressly encumbered by directing a rollforward to allow for availability in the subsequent fiscal year.

Committed balances also includes earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into General Purpose Revenue Fund fund balance.

In the Capital Projects Fund, the Committed classification represents the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance. These projects are not required to revert excess cash revenue to the Capital Projects Fund.

Assigned – This classification represents the portion of the fund balance related to certain Fiscal Year 2011-12 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2012-13.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit.

J. RESTATEMENT OF BEGINNING BALANCES

The Governmental Accounting Standards Board issues statements for financial reporting to improve the usefulness of financial information, provide consistency across entities, clarify existing provisions, and in response to changing conditions in the financial environment. When standards impact the presentation of net position, or components thereof, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. The implementation of GASB Statement No. 61 in Fiscal Year 2011-12 impacted legally separate entities that comprise the State's reporting entity. As a result the following entities are no longer presented as part of the reporting entity of the State of Colorado:

- University of Northern Colorado Foundation
- University of Colorado Real Estate Foundation
- Renewable Energy Authority
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance premiums used to support a business-type activity, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, a nonmajor Other Special Revenue Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions, and
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan the federal government that was approved during Fiscal Year 2011-12. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2008-09 that were incorporated in State agency budgets in Fiscal Year 11-12. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

Included in the allocation of indirect costs reported on the *Statement of Activities* is $269.6 thousand of central service agency costs for Fiscal Year 2011-12 related to the American Recovery and Reinvestment Act (ARRA). The President's Office of Management and Budget authorized the State to collect a three-year estimate of the ARRA costs from ARRA grants. The State collected the three-year estimate in Fiscal Year 2008-09 in the General Purpose Revenue Fund where the unexpended portion is included as Committed Fund Balance. Based on a three-year appropriation, the moneys not expended at the end of Fiscal Year 2011-12 will be returned to the State agency from which it was collected for use in a similar non-ARRA federal program, pending approval of the Division of Cost Allocation.

C. OPERATING REVENUES AND EXPENSES

The State reports three major enterprise funds, multiple nonmajor enterprise funds, and multiple internal service funds. Because these funds engage in a wide variety of activities, the State's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Position* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as investing activities on the *Statement of Cash Flows.*
- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as cash from operations on the *Statement of Cash Flows.*

The State's institutions of higher education have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service, or related support services to an individual or entity separate from the institution.

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 117. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

Within the limitations discussed below, the State Controller with the approval of the Governor may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The statute also provides for $250,000 of general-funded overexpenditure authority in the Children's Basic Health Plan. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $3.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year's expenditures.

Per Colorado Revised Statutes 24-75-109(2)(b), neither the Governor nor the State Controller is allowed to approve any overexpenditure in excess of the unencumbered balance of the fund from which the overexpenditure is made.

Total overexpenditures at June 30, 2012, were $2,661,534 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $20,159 of cash funds. The costs related to the 'Adults Without Dependent Children' population, and the 'Expansion Adults to 100% Federal Poverty Level' population increased due to unanticipated caseloads. Increased per capita costs for Breast & Cervical Cancer Prevention cash-funded clients added to the overexpenditure in this line item. Statute prohibits using General Purpose Revenue Fund resources for these populations.
- Health Care Expansion Fund – The Department of Health Care Policy and Financing overexpended its annotated cash fund spending authority from this fund by $1,161,741. Revenues from the Health Care Expansion Fund earned in excess of estimated amounts were transferred to support cash-funded appropriations for Medical Services Premiums recorded in the General Purpose Revenue Fund. The spending authority in the cash fund is not appropriated, but rather it is based on the source of funds annotated in the cash-funded appropriation in the General Purpose Revenue Fund. As a result of this transfer in excess of the annotation, the general-funded appropriation in General Purpose Revenue Fund was not overexpended.
- Nursing Facility Provider Fee Cash Fund – The Department of Public Health and Environment overexpended this line item by $812,370 of cash funds. The forecast for expenditure from this cash fund is based on a model using the nursing facility provider fees of the prior fiscal year. Actual receipts varied from the estimate and several facilities required additional adjustments to expenditures related to Administrative Law Judge rulings and audit findings. In adjusting those facilities' expenditures, the Department's expenditure exceeded the forecast from which the appropriation was derived.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

Charter School Institute (CSI) – The Department of Education overexpended this line item by $230,200 of cash funds. In Fiscal Year 2011-12, CSI's enrollment increased by 33.3 percent with the addition of four schools. CSI's categorical funding increased significantly due to student counts for the Exceptional Child Education Act, Gifted and Talented, and English Language Proficiency Act. In addition, CSI schools have been awarded some competitive grants and have carry-over amounts from the previous fiscal year. Resulting revenues were sufficient to cover the overexpenditure.

Overexpenditures Not Allowed to Be Approved (Deficit Fund Balances):

- Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest overexpended this line item by $437,064. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does not anticipate realizing any of these currently recognized unrealized losses.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2012-13 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2012:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $2,369,921
  Medicaid Buy-In Cash Fund - $5,167

The General Fund Surplus Schedule (page 125) shows a negative reversion of $6.1 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to $8.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain State revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The TABOR section of the State Constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the State as a whole, not to individual funds, departments, or agencies of the State. Government run businesses accounted for as enterprise funds that have the authority to issue bonded debt and that receive less than ten percent of annual revenues from the State and its local governments are exempted from the TABOR revenue limits.

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters approved otherwise. The State first exceeded the TABOR revenue growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of $3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-04, but again exceeded the limit resulting in a $41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2011-12 ESRC of $10.87 billion. TABOR revenue was below the ESRC by $602.4 million, and over the TABOR limit by $$1,469.1 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $$1,469.1 million that would have occurred related to Fiscal Year 2011-12 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $5.8 billion, $3.6 billion during the initial five year revenue retention period, and an additional $2.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 and 2011-12.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2011-12 that amount was $308,073,100.

At June 30, 2012, the financial net position of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $72,850,000. The $92,500,000 designation by the Legislature has been reduced by $19,650,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Fund's net position not invested in capital assets (net of related debt) totals $10,004,375, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Position*. The remaining $89,995,625 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $50,292,833 of cash and receivables that are reported as restricted.
- The Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $1,500,000
- The 2011 legislative session Long Appropriations Act designated up to $100,000,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2011 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $14,073,100 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2011-12, under the direction of the Governor's Executive Orders, the State transferred $19.7 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- High Park Fire- $12.0 million
- Hewlett Fire - $3.0 million
- Duckett Fire - $1.9 million
- Track Fire - $1.5 million
- Shell Fire Complex - $1.1 million
- Navajo Fire - $0.2 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all State agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Purpose Revenue Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Purpose Revenue Fund if the General Purpose Revenue Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Purpose Revenue Fund – the payer of last resort for the pool.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The State's cash management policy is to invest all significant financial resources as soon as the moneys are available within the banking system. To enhance availability of funds for investment purposes, the State Treasurer uses electronic funds transfers to move depository account balances into the Treasurer's pooled cash.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $6,595.6 million ($6,602.5 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2012, the treasurer had invested $6,541.7 million (fair value) of the pool and held $40.8 million of demand deposits and certificates of deposit.

At June 30, 2012, the State had an accounting system cash deposit balance of $882.3 million, which includes the $40.8 million held as demand deposits and certificates of deposit in the Treasurer's pool.

Under the GASB Statement No. 40 definitions, $22.3 million of the State's total bank balance of $898.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $26.8 million at June 30, 2011, and a related bank balance of $35.5 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of $541,485 at December 31, 2011, of which $250,000 was federally insured and $8,900 was collateralized with securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $282,585 was collateralized with securities held by the pledging institution's trust department or agent, but not in the authority's name. The authority also reported as cash and cash equivalents $58.4 million held by the State Treasurer in a Treasurer's Agency Fund, $172.8 million held in the COLOTRUST and $6.3 million held in the Colorado Surplus Asset Fund Trust (CSAFE). Both trusts are investment pools for local government that qualify as 2a7-like investment pools, where each share is maintained at $1.00. These trusts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. Both the COLOTRUST and CSAFE have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

At December 31, 2011, the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.2 million held by two banks paying interest at varying rates. All of the district's cash and cash equivalents are maintained with two Denver banks resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of $6.7 million at December 31, 2010 – of that amount $6.3 million was not covered by federal deposit insurance.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Position*) and be reported outside of the Cash Flows From Operating Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.
- Realized/Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains rolled into other investments.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Position,* but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net Position.* Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,171.5 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $933.2 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $262.7 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*.
- $159.3 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $41.1 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $37.8 million recorded in nonmajor special revenue funds, of which, approximately $10.9 million is from gaming tax, $11.1 million is insurance premium tax, and $11.9 million is tobacco tax.

In addition, $55.5 million of Taxes Receivable, $34.2 million of Other Receivables, and $91.9 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $489.5 million shown on the government-wide *Statement of Net Position* are net of $219.0 million in allowance for doubtful accounts and primarily comprise the following:

- $279.7 million of student and other receivables of Higher Education Institutions.
- $56.9 million of receivables recorded in the General Fund, of which $18.4 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $27.3 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.3 million of patient receivables.
- $21.7 million recorded by the Resource Extraction Fund.
- $71.3 million of receivables recorded by Other Governmental Funds including $44.4 million of tobacco settlement revenues expected within the following year, $5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $7.1 million of rent and royalty receivables recorded by the State Lands Funds.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $826.8 million, which it recorded net of third-party contractual allowances ($1,780.8 million), indigent and charity care ($224.8 million), provision for bad debt ($46.4 million), and self-pay discounts ($51.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the State of $52.3 million for Fiscal Year 2010-11. In 2010, the Colorado Health Care Affordability Act was modified, authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers in order to expand Medicaid coverage. The hospital was charged $16.1 million out of $441.1 million collected by the State in hospital provider fees for Fiscal Year 2010-11.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care (46 percent), other commercial insurance (2 percent), and self-pay and medically indigent (12 percent). However, the hospital's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2010-11 was approximately $251.9 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The hospital reports pledges at their net present value. As of June 30, 2011, the hospital reported $3.3 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.3 billion at December 31, 2011. During 2011, the authority made new loans of $101.1 million and canceled or received repayments for existing loans of $94.9 million.

The University of Colorado Foundation contributions receivable of $29.3 million and $23.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2011, the amount reported as contributions receivable includes $60.2 million of unconditional promises to give which were offset by a $6.5 million allowance for uncollectible contributions and a $1.0 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2011, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.4 million, which were offset by $3.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2011, contributions from two donors represented approximately 61 percent of total contributions receivable for the foundation.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $11.3 million was offset by $0.5 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011, and approximately $3.7 million is due from trusts held by others.

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the $16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.1 million) and Other Long-Term Assets ($12.5 million) on the *Statement of Net Position*. However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $70.4 million shown on the government-wide *Statement of Net Position* at June 30, 2012, primarily comprise:

- $9.6 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $32.0 million of resale inventories, of which, Higher Education Institutions recorded $28.9 million, and
- $20.6 million of consumable supplies inventories, of which, $8.7 million was recorded by the Higher Education Institutions, $8.4 million was recorded by the Highway Users Tax Fund, $1.9 million by the General Purpose Revenue Fund, and $1.0 million by Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $78.1 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses except for the following individually significant items:

- $17.4 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $21.0 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $8.3 million primarily in Higher Educational Institutions related to cash payments for library subscriptions at Colorado State University.
- $5.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $4.2 million of security deposits in the Department of Labor and Employment.

NOTE 14 – INVESTMENTS

Primary Government

The State holds investments both for its own benefit and as an agent for certain entities as provided by statute. The State does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of most of the State's investments are determined from quoted market prices except for money market investments that are reported at amortized cost, which approximates market.

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including State agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 18 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to a lease or lease purchase commitment, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, corporate or bank debt securities denominated in US dollars, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

The statute establishes minimum credit quality ratings at the highest rating by at least two national rating agencies for most investment types. That statute also sets maximum time to maturity limits, but allows the governing body of the public entity to extend those limits. Public entities may also enter securities lending agreements that meet certain collateralization and other requirements. The statute prohibits investment in subordinated securities and securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper certain international banks, and certain loans and collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2011-12, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $183,036, for the Unclaimed Property Tourism Trust Fund of $12,037, for the Major Medical Fund of $23,951, and for the Treasurer's pooled cash of $368,098.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2012 and 2011, the treasurer had $22.9 million and $30.6 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held $6.9 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $8.6 million as of June 30, 2012. See Note 40 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,012,981 of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized $605,164 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2011-12.

The following schedule reconciles deposits and investments to the financial statements for the primary government including fiduciary funds:

(Amounts in Thousands)

Footnote Amounts		Carrying Amount
Deposits (Note 9)	$	882,286
Investments:		
Governmental Activities		7,553,095
Business-Type Activities		2,223,675
Fiduciary Activities		4,325,406
Pooled Cash Investments Sold But Not Settled		20,000
Total	$	15,004,462
Financial Statement Amounts		
Net Cash and Pooled Cash	$	5,096,306
Add: Warrants Payable Included in Cash		197,334
Total Cash and Pooled Cash		5,293,640
Add: Restricted Cash		2,150,353
Add: Restricted Investments		886,311
Add: Investments		6,674,158
Total	$	15,004,462

Custodial Credit Risk

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the State's name.

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following table lists the investments of the State Treasurer's pooled cash, major governmental funds, and nonmajor governmental funds in the aggregate, by investment type at fair value.

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $283.3 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for the Ralph L. Carr Justice Complex ($27.3 million reported in a Special Capital Projects Fund) and the Colorado History Center ($1.6 million reported in a Special Capital Projects Fund). This category also includes the remaining $20.9 million of unexpended BEST issuances reported in the Debt Service Fund, an Other Governmental fund.

None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 4,921,944	$ -	$ 143,691	$ 5,065,635
Commercial Paper	134,983	-	-	134,983
Corporate Bonds	1,055,964	-	205,857	1,261,821
Asset Backed Securities	323,118	-	25,228	348,346
Mortgages Securities	105,698	6,864	289,712	402,274
Mutual Funds	-	-	5,131	5,131
Other	-	283,339	51,566	334,905
TOTAL INVESTMENTS	$ 6,541,707	$290,203	$ 721,185	$ 7,553,095

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($36.3 million), Absolute Return Funds ($42.2 million), Real Estate ($21.3 million), Venture Capital ($14.9 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($9.5 million), and Municipal Bonds ($8.6 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior year $284.1 million bond issuance.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($45.6 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

The table below also shows the fair value of securities held by these funds that are subject to custodial credit risk.

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 290,832	$ 8,081	$ 298,913	$ 16,859
Bank Acceptances	4,050	-	4,050	-
Commercial Paper	2,001	-	2,001	-
Corporate Bonds	170,356	15,711	186,067	-
Corporate Securities	133,588	-	133,588	-
Repurchase Agreements	199,539	-	199,539	899
Asset Backed Securities	18,235	-	18,235	-
Mortgages Securities	109,780	-	109,780	-
Mutual Funds	811,692	18,235	829,927	4,262,002
Guaranteed Investment Contracts	3,342	-	3,342	-
Other	154,144	284,089	438,233	45,646
TOTAL INVESTMENTS	$ 1,897,559	$ 326,116	$ 2,223,675	$ 4,325,406
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 353	$ -	$ 353	$ 3,559
Corporate Bonds	2,075	-	2,075	-
Corporate Securities	10,063	-	10,063	-
Repurchase Agreements	-	-	-	899
Mortgages Securities	2	-	2	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 12,493	$ -	$ 12,493	$ 4,458

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the State. This risk is assessed by nationally recognized rating agencies, which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not reported. However, credit quality ratings are reported for obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government.

The State Treasurer's formal investment policy requires that eligible securities have a minimum of two acceptable credit quality ratings – one of which must be from either Moody's or Standard & Poor's rating agency and the other which may be from the Fitch rating agency or another nationally recognized rating agency. The policy sets acceptable credit quality ratings by investment portfolio and investment type.

The fair value amount of rated and unrated debt securities is detailed in the following table, which shows the Treasurer's Pooled Cash Investments, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate.

In addition, to the amounts shown in the following table:

- CollegeInvest held a funding agreement valued at $45.6 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- The trustees for the Higher Education Institutions Lease Purchase Financing Program, Building Excellent Schools Today (BEST) program, Ralph L. Carr Justice Complex, and the Colorado History Center issued Certificates of Participation and selected the State Treasurer's cash and investment pool as their primary investment vehicle. The trustees for the Department of Transportation's Bridge Enterprise bonds also selected the State Treasurer's cash and investment pool as their primary investment vehicle. The pool has not been separately rated and includes $342.6 million from these sources. See interest rate risk disclosure section for additional information on the pool.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 40,857	$ -	$ 323,118	$ -	$ -	$ -	$ -	$ 363,975
High Grade	1,251,070	-	440,459	-	105,698	-	-	-	-	1,797,227
Upper Medium	-	-	562,561	-	-	-	-	-	-	562,561
Lower Medium	-	-	12,086	-	-	-	-	-	-	12,086
Very Speculative	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Highest	2,951,329	134,983	-	-	-	-	-	-	-	3,086,312
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 2,146	$ -	$ 4,139	$ -	$ 16,893	$ 220,153	$ 442	$ -	$ 8,153	$ 251,926
High Grade	92,016	-	32,690	-	6,277	-	70	-	-	131,053
Upper Medium	3,628	-	90,528	-	6,299	-	51	-	375	100,881
Lower Medium	-	-	37,152	-	2,319	-	38	-	-	39,509
Speculative	-	-	1,659	-	795	-	19	-	-	2,473
Very Speculative	-	-	85	-	2,101	-	6	-	-	2,192
High Default Risk	-	-	-	-	5,107	-	13	-	-	5,120
Default	-	-	-	-	1,252	-	-	-	-	1,252
Short-term Ratings										
Highest	-	2,001	49	-	-	-	-	-	-	6,100
Unrated	32,814	-	2,217	199,539	86,093	44,142	138,421	-	1,019	504,245
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ -	$ 899	$ -	$ -	$ -	$ -	$ -	$ 899
High Grade	6,419	-	-	-	-	-	-	-	-	6,419
Unrated	-	-	-	-	-	4,262,002	-	-	-	4,262,002
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 13,328	$ -	$ 25,228	$ 2,195	$ -	$ -	$ -	$ 40,751
High Grade	80,111	-	105,362	-	281,100	-	3,520	3,383	-	473,476
Upper Medium	-	-	83,555	-	-	-	-	-	-	83,555
Lower Medium	-	-	16,489	-	-	-	-	-	-	16,489
Unrated	-	-	-	-	15,476	14,152	-	-	-	29,628

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The State manages interest rate risk using either weighted average maturity or duration. Weighted average maturity is a measure of the time to maturity, measured in years, that has been weighted to reflect the dollar size of individual investments within an investment type. Various methods are used to measure duration; in its simplest form duration is a measure, in years, of the time-weighted present value of individual cash flows from an investment divided by the price of the investment.

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no more than ten years, based on the credit quality rating.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Major Medical Insurance Fund (5 - 8 years), and the Unclaimed Property Tourism Promotion Trust Fund (5 - 10 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $39.2 million that have duration of 8.1 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.961-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

(Dollar Amounts in Thousands, Weighted Average Maturity in Years)

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,921,944	0.803	$ 63,612	4.892	$ 12,674,943	12.961	$ 151,772	3.961
Bank Acceptances	-	-	4,050	-	-	-	-	-
Commercial Paper	134,983	0.090	2,001	0.497	-	-	-	-
Corporate Bonds	1,055,964	3.252	52,860	2.860	-	-	219,768	6.179
Asset Backed Securities	428,816	2.379	3,576	4.160	-	-	314,941	3.561
Municipal Bonds	-	-	-	-	-	-	3,383	12.460
Total Investments	$ 6,541,707		$ 126,099		$ 12,674,943		$ 689,864	

The University of Colorado manages interest rate risk in its Treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado participated in tri-party repurchase agreements of $199,539,173 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the university does not have interest rate risk associated with these agreements. The $199.5 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.5 years.

The University of Colorado has invested $24,076,495 in U.S. Treasury Inflation Protected Securities with duration of 1.9 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program ($9.5 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program ($283.3 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex ($27.3 million reported in a Special Capital Projects Fund), and the Colorado History Center ($1.6 million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of Transportation's Bridge Enterprise trustees' notes and bonds ($284.1 million reported in the Transportation Enterprise, a nonmajor enterprise fund). In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

The table below presents the fair value amount and duration measure for State agencies that manage some or all of their investments using the duration measure.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 69,465	6.330
U.S. Treasury Strips	979	2.100
U.S. Government Agency Notes	127,329	5.440
U.S. Government Agency Strips	2,420	1.520
U.S. Government Saving Bonds	54	9.990
Municipal Bonds	85,835	8.270
Corporate Bonds	114,854	6.200
Certificates of Deposit	963	4.640
Asset Backed Securities	123,558	14.370
Bond Mutual Funds	138,421	2.100
Colorado State University:		
Bond Mutual Funds	$ 640	2.800
Colorado School of Mines:		
Corporate Bonds	$ 1,872	4.740
Colorado Mesa University:		
U.S. Government Securities	$ 880	3.990
Corporate Bonds	770	5.391
Bond Mutual Funds	156	4.300
Taxable Municipal Bonds	$ 117	10.870
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 85,109	3.900
Bond Mutual Fund-2	36,988	5.100
Bond Mutual Fund-3	501,595	5.100
Bond Mutual Fund-4	520,779	4.800
Bond Mutual Fund-5	266,688	1.700
Bond Mutual Fund-6	1,641	2.750
Bond Mutual Fund-7	2,016	12.750
Bond Mutual Fund-8	362	7.750

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $26.6, British Pound - $25.5, Japanese Yen - $14.8, Swiss Franc - $10.5, Brazilian Real - $5.2, Chinese Yuan - $6.4, Korean Won - $3.9, Canadian Dollar - $4.0, Australian Dollar - $.3.9, Swedish Kroner - $2.8, and Russian Ruble - $1.3, Denmark Kroner - $2.8, Honk-Kong Dollar - $2.9, Indian Rupee - $1.1, Mexican Peso - $2.0, Singapore Dollar - $1.1, South African Rand - $3.4, Taiwan Dollar - $1.6 and various other currencies totaling $4.3 million within the investment.

State statute requires the State Treasurer to invest in domestic fixed income securities and does not allow foreign currency investments.

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types. As of June 30, 2012, the holding percentages for each investment type for each pool were less than five percent of total investments. As a result the State is not subject to a concentration of credit risk.

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2011-12	Recast Fiscal Year 2010-11
Governmental Activities:		
Major Funds		
General-General Purpose	$ 3,739	$ (5,437)
General-Special Purpose	268	(385)
Resource Extraction	(140)	(3,335)
Highway Users Tax	(1,450)	(6,963)
Capital Projects-Regular	633	(2,659)
Capital Projects-Special	(165)	(79)
State Education	(924)	(3,472)
NonMajor Funds:		
State Lands	4,095	(5,192)
Other Permanent Trusts	(12)	(44)
Labor	(569)	(331)
Gaming	(303)	(1,009)
Tobacco Impact Mitigation	(30)	(2,143)
Resource Management	(10)	(42)
Environment Health Protection	224	(1,186)
Other Special Revenue	(253)	(193)
Unclaimed Property	3,214	(1,650)
Information Technology	63	140
Highways (Internal Service)	(7)	(12)
Administrative Courts	(4)	17
Other Internal Service	-	3
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(21,407)	95,536
Lottery	(149)	(246)
NonMajor Funds:		
CollegeInvest	1,154	1,834
Parks and Wildlife	(116)	(613)
College Assist	(254)	(619)
State Fair Authority	(7)	(8)
Correctional Industries	(17)	(46)
State Nursing Homes	75	(42)
Prison Canteens	(2)	(86)
Petroleum Storage Tank	(41)	(22)
Transportation Enterprise	749	(272)
Other Enterprise Activities	57	(47)
Fiduciary:		
Pension/Benefits Trust	323	(437)
Private Purpose Trust	26,199	562,745
	$ 14,934	$ 623,705

Component Units

Component units that are identified as foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board. Therefore, the foundation investment disclosures are presented separately from the other component units.

Component Units – Non-Foundations

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2011:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
Cash Equivalents	$ 259,747
U.S. Government Securities	107,721
Corporate Bonds	72,386
Corporate Securities	325,013
Asset Backed Securities	14,316
Mutual Funds	142,396
Guaranteed Investment Contracts	854
Other	(14,498)
TOTAL INVESTMENTS	$ 907,935

Except for guaranteed investment contracts which are excluded, the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements were all subject to custodial credit risk because its trustee is considered both the purchaser and the custodian of the investments, which are not held in the authority's name.

The Colorado Water Resources and Power Development Authority's investments at December 31, 2011, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 110,351
Repurchase Agreements	179,173
TOTAL INVESTMENTS	$ 289,524

The Venture Capital Authority, a nonmajor component unit, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. Because the Authority does not invest in foreign or fixed income securities, credit quality, interest rate, and foreign currency risks are not applicable to the Authority's investments.

Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2011:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 24,606	$ 1,171	$ -	$ -	$ 25,777
High Grade	-	26,580	14,316	854	41,750
Upper Medium	-	36,135	-	-	36,135
Lower Medium	-	6,411	-	-	6,411
Speculative	-	928	-	-	928
Unrated	-	1,161	-	-	1,161

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. Government agency securities collateralizing the repurchase agreements are all rated AAA. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment.

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2011:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 40,733	4.235
Corporate Bonds	72,386	2.219
Asset Backed Securities	14,316	1.270

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $289.5 million of investments subject to interest rate risk with the following maturities; one year or less – 12 percent, two to five years – 25 percent, six to ten years – 29 percent, eleven to fifteen years – 21 percent, and 16 years or more – 13 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $81.5 million of investments subject to interest rate risk with the following maturities; one year or less – 37 percent, one to two years – 58 percent, and two to three years – 5 percent.

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2011, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $21.7 million, British Pound - $9.7 million, Swiss Franc - $4.5 million, Japanese Yen - $4.3 million, Chinese Yuan - $3.3 million, Canadian Dollar - $2.3 million, South Korean Wan - $1.9 million, Brazilian Real - $1.8 million, Hong Kong Dollar - $1.6 million, Norwegian Kroner - $1.3 million, and Taiwan New Dollar - $1.2 million. An additional $5.9 million was held in various international currencies, none of which exceeded $1.0 million.

Concentration of Credit Risk

At June 30, 2011, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2011, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

Investments Highly Sensitive to Interest Rate Risk

The University of Colorado Hospital Authority also uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2011, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of $71.2 million and a floating-to-fixed rate swap having a notional value of $100.2 million. At June 30, 2011, the agreements had fair values of ($7,597,000) and ($12,182,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

Realized and unrealized gains and losses on the swap agreements are reported as investment income on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. During Fiscal Year 2010-11, the two swaps produced a net cash outflow of approximately $5.3 million. None of the hospital's swaps qualified for hedge accounting.

Component Units – Foundations

The three Higher Education Institution foundations reported as component units on the *Statement of Net Position – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2011, the University of Colorado Foundation held $250.9 million of domestic equity securities, $191.3 million of international equity securities, $178.3 million of fixed income securities, $436.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment income of $123.2 million is net of $5.5 million of investment fees and comprises $12.2 million of interest and dividends, $19.0 million of realized gains, and $97.5 million of unrealized gains.

At June 30, 2011, the Colorado State University Foundation held $123.8 million of equity securities, $148.3 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $20.6 million of fixed income securities, and $4.2 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2011, the CSMF held bonds and bond mutual funds totaling $29.3 million, stocks and stock mutual funds totaling $71.1 million, and investments in limited partnerships and real estate totaling $81.9 million in its long-term investments pool.

Of the foundation's $216.1 million of investments, $16.6 million, or 7.7 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.9 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-five percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

NOTE 15 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all State agencies with the exception of Colorado Mesa University and the University of Colorado and its blended component units; however, Colorado Mesa University does participate in the Treasurer's Pool. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The $835.1 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $262.7 million and $55.5 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The $439.0 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($13.2 million), a major special revenue fund, and the Resource Extraction Fund ($397.6 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years. Interest rates range from 2 to 6 percent for most projects, and they require the local entities or districts to make a yearly payment of principal and interest.

The $122.3 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs and livestock.

Component Units

In 2011 the Colorado Water Resources and Power Development Authority reported $46.5 million in Securities Not Held for Investment, of which $27.5 million was short-term and $19.0 million was long-term. The securities were purchased with Water Revenue Bonds Program 2010 Series A and 2011 Series C bond proceeds, on behalf of governmental agencies that entered into loan agreements with the Authority. The securities mature in alignment with the borrowers' projected construction cost schedule and the borrowers retain the risk of loss related to the value of the securities.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2011-12 the State capitalized $35.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of $31.6 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2011-12. The restatement of beginning balances was a result of error corrections in the Department of Transportation and the merger of the Division of Parks and Wildlife (See Note 29).

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 72,895	$ 21,215	$ -	$ 181	$ 94,291
Land Improvements	2,381	-	2,436	-	4,817
Collections	8,976	-	-	3	8,979
Construction in Progress (CIP)	797,818	669,248	(548,006)	(7,650)	911,410
Infrastructure	880,540	5	17,215	-	897,760
Total Capital Assets Not Being Depreciated	1,762,610	690,468	(528,355)	(7,466)	1,917,257
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	41,557	551	1,785	-	43,893
Buildings	1,755,575	16,221	255,224	(877)	2,026,143
Software	209,760	7,592	19,075	(27)	236,400
Vehicles and Equipment	635,644	53,996	359	(11,493)	678,506
Library Materials and Collections	6,436	328	-	(97)	6,667
Other Capital Assets	31,047	17,040	-	(988)	47,099
Infrastructure	9,913,249	-	251,912	(371)	10,164,790
Total Capital Assets Being Depreciated	12,593,268	95,728	528,355	(13,853)	13,203,498
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(24,828)	(1,723)	-	-	(26,551)
Buildings	(681,674)	(45,783)	-	162	(727,295)
Software	(99,405)	(26,178)	-	17	(125,566)
Vehicles and Equipment	(395,458)	(45,607)	-	11,284	(429,781)
Library Materials and Collections	(4,258)	(411)	-	95	(4,574)
Other Capital Assets	(22,746)	(2,357)	-	-	(25,103)
Infrastructure	(1,659,912)	(615,877)	-	333	(2,275,456)
Total Accumulated Depreciation	(2,888,281)	(737,936)	-	11,891	(3,614,326)
Total Capital Assets Being Depreciated, net	9,704,987	(642,208)	528,355	(1,962)	9,589,172
TOTAL GOVERNMENTAL ACTIVITIES	11,467,597	48,260	-	(9,428)	11,506,429
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	450,907	17,845	5,030	9,561	483,343
Land Improvements	25,905	-	-	(9,388)	16,517
Collections	19,116	1,077	-	(10)	20,183
Construction in Progress (CIP)	549,945	579,388	(629,977)	(2,740)	496,616
Infrastructure	1,048	-	1,849	-	2,897
Total Capital Assets Not Being Depreciated	1,046,921	598,310	(623,098)	(2,577)	1,019,556
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	498,705	3,445	33,602	(1,573)	534,179
Buildings	5,994,190	48,180	549,836	(8,317)	6,583,889
Software	108,855	48,866	259	(1,568)	156,412
Vehicles and Equipment	863,355	84,692	11,031	(38,531)	920,547
Library Materials and Collections	479,309	18,100	-	(3,953)	493,456
Other Capital Assets	16,878	1,973	-	-	18,851
Infrastructure	70,524	-	28,370	-	98,894
Total Capital Assets Being Depreciated	8,031,816	205,256	623,098	(53,942)	8,806,228
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(248,043)	(21,472)	-	596	(268,919)
Buildings	(1,983,689)	(196,837)	-	3,388	(2,177,138)
Software	(44,508)	(18,082)	-	1,018	(61,572)
Vehicles and Equipment	(619,052)	(71,213)	-	31,500	(658,765)
Library Materials and Collections	(343,480)	(21,135)	-	3,948	(360,667)
Other Capital Assets	(569)	(142)	-	-	(711)
Infrastructure	(24,992)	(2,273)	-	-	(27,265)
Total Accumulated Depreciation	(3,264,333)	(331,154)	-	40,450	(3,555,037)
Total Capital Assets Being Depreciated, net	4,767,483	(125,898)	623,098	(13,492)	5,251,191
TOTAL BUSINESS-TYPE ACTIVITIES	5,814,404	472,412	-	(16,069)	6,270,747
TOTAL CAPITAL ASSETS, NET	$ 17,282,001	$ 520,672	$ -	$ (25,497)	$ 17,777,176

On the government-wide *Statement of Activities*, depreciation was charged to the functional programs and business-type activities as follows:

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 20,052
Business, Community, and Consumer Affairs	3,916
Education	5,592
Health and Rehabilitation	8,944
Justice	33,581
Natural Resources	2,400
Social Assistance	11,843
Transportation	635,470
Internal Service Funds (Charged to programs and BTAs based on useage)	16,139
Total Depreciation Expense Governmental Activities	737,937
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	315,583
State Lottery	1,049
Other Enterprise Funds	14,522
Total Depreciation Expense Business-Type Activities	331,154
Total Depreciation Expense Primary Government	$ 1,069,091

Component Units

At June 30, 2011, the University of Colorado Hospital Authority reported $29.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $679.6 million and equipment of $244.0 million. Accumulated depreciation related to these capital assets was $367.1 million resulting in net depreciable capital assets of $556.5 million.

In June 2009, the hospital initiated a strategic plan to implement a fully integrated electronic medical record system and to standardize its human resources and financial systems. The project plan has a revised budget of $42.0 million and a five-year time line. Costs incurred as of June 30, 2011, for the project approximated $32.3 million.

In January 2010, the Hospital began plans for a $393.0 million expansion to inpatient and emergency department services, and the construction of two parking structures. To date, the total spent on the expansion is $26.0 million with an expected occupancy date of March 2013.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $139.0 million, net of accumulated depreciation of $70.9 million, at December 31, 2011. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

On November 23, 2011, the Denver Metropolitan Major League Baseball Stadium District (the District) entered into an Intergovernmental Agreement with the Regional Transportation District (RTD) for the transfer of certain land from the District to RTD for construction of a light rail line connecting Union Station to Denver International Airport. In December 2011 the District received $15.0 million of deferred revenue from RTD in the form of minimum fee compensation. The final amount of the fee compensation is in dispute. The District believes it is entitled to an additional $3.2 million plus other costs and professional and legal fees. If a settlement is not reached within 180 days, RTD will proceed with acquiring the land under eminent domain.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of $2.5 million, net of accumulated depreciation of $9.1 million, at June 30, 2011.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees, excluding four-year college and university employees, participate in a defined benefit (DB) pension plan; however, all employees, with the exception of certain higher education employees, have the option of participating in a defined contribution (DC) plan instead (see Note 20). The DB plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). The State plan and the other divisions' plans described below are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Info line at 1-800-759-7372, or by visiting http://www.copera.org.

Administration of the Plan

In 1931, State statute established PERA and the State Division Trust Fund; subsequent statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, the Denver Public Schools Division Trust Fund, and the Health Care Trust Funds. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which they last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 20C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional retirement plan.

Defined Retirement Benefits

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

Members with five years of service credit as of January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS was calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current benefit increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year preceding the year in which the benefits is paid, and moved the payment date for all increases to July.

If PERA's overall funded status is at or above 103 percent, the annual increase cap of 2 percent will increase by 0.25 percentage points per year. If PERA's overall funded status reaches 103 percent then subsequently drops below 90 percent, the adjusted annual increase cap will decrease by 0.25 percentage points per year, but will never drop below 2 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. Retiring members who are age 65 and have less than five years of service credit and less than 60 payroll postings will receive a service retirement benefit under the money purchase formula only.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer a matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30,2012.

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

If a member has at least one year of earned service and dies before retirement, their qualified survivors are entitled to a single payment or monthly benefits depending on their status as defined in statute. The member's spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate. The earned service requirement is waived if a member's death is job-incurred.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 10.5 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 12.5 percent. Prior to July 1, 2010, and beginning July 1, 2012, the member and State Trooper and Colorado Bureau of Investigation officers rate was and will be 8.0 and 10.0 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2011-12				
1-1-12 to 6-30-12	14.86	15.85	13.15	100
7-1-11 to 12-31-11	14.86	14.95	12.25	100
Fiscal Year 2010-11				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100
Fiscal Year 2009-10				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

The preceding contribution table reflects the increase required by the AED/SAED legislation. It does not reflect a State increase of 2.5 percent at July 1, 2012 related to the restoration of the 8.0 percent member (employee) contribution.

The Fiscal Year 2011-12 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2011, to December 31, 2011, 11.23 percent was allocated to the defined benefit plan, and
- From January 1, 2012, to June 30, 2012, 12.13 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2011, the State Division of PERA had a funded ratio of 57.7 percent and a 56-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

The State made the following retirement contributions:

- Fiscal Year 2011-12 - $276.3 million
- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (*previously restated*)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million

These amounts do not include the Health Care Trust Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado represents most, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2011	$326,274	13.63%	85%
2010	$452,821	18.93%	62%
2009	$426,999	17.91%	69%

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA contribution swap with employees from July 1, 2010 to December 31, 2011, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2011-12 and 2010-11, the Department of Local Affairs transferred $4.4 and $4.3 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. In Fiscal Year 2011-12, the State Treasurer distributed $5.3 million in supplemental contributions.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for State employees. The hospital made contributions of $86,000 to this plan in Fiscal Year 2010-11. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $20.1 million in Fiscal Year 2010-11 to this plan. The amount of the actuarially computed net periodic pension cost was $20.4 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.8 million as of June 30, 2011, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2010, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2008. The Authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development Authority and CoverColorado are covered under the State Division of PERA discussed above.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-2) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $24.1, million, $24.3 million, $24.0 million, $24.6 million, $23.1 million, and $24.4 million in Fiscal Years 2011-12, 2010-11, 2009-10, 2008-09, and 2007-08, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2011. As of December 31, 2011, there were 50,217 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

In the December 31, 2011, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and a four and one-half percent projection of salary increases, both assuming a three and three-quarter percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at various rates up to 7.73 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, dental and life insurance benefits for employees who retire from the University, as well as their spouses and dependents. The University's Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2011-12, the University contributed $13.0 million to the plan. Plan members contributed 0.3 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.1 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-retirement Health Care & Life Insurance Benefits Plan:

(Amounts In Thousands)

Annual required contribution	$ 40,717
Interest on net OPEB obligation	4,750
Adjustment to annual required contribution	(6,481)
Annual OPEB cost (expense)	38,986
Contributions made	(13,041)
Increase/(Decrease) in net OPEB obligation	25,945
Net OPEB obligation - beginning of year	105,563
Net OPEB obligation - end of year	$ 131,508

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 38,986	33.5%	$131,508

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $343.1 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $343.1 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $855.0 million, and the ratio of UAAL to covered payroll was 33.5 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return and various rates ranging from five to nine percent for annual increase in medical claims. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

<u>Colorado State University – Other Postemployment Benefits Plans</u>

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the university and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical premiums of up to $317 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 555 S. Howes St., Fort Collins, CO 80523, or by going to: http://busfin.colostate.edu/finstmt.aspx.

The contribution requirements of all plan members and the university are established by the university's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the university in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2011-12, the university contributed $576,084 to the RMPR, $1,258,130 to the RMPS, $111,165 to the URX and $1,137,211 to the LTD. Plan members are not required to contribute to any of the four plans.

The university's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following tables show the components of the university's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the university's net OPEB obligations for all four plans:

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,418	$ 4,191
Interest on net OPEB obligation	288	441
Adjustment to annual required contribution	(240)	(663)
Annual OPEB cost (expense)	2,466	3,969
Contributions made	(576)	(1,258)
Increase/(Decrease) in net OPEB obligation	1,890	2,711
Net OPEB obligation - beginning of year	7,207	11,016
Net OPEB obligation - end of year	$ 9,097	$ 13,727

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 188	$ 1,130
Interest on net OPEB obligation	14	25
Adjustment to annual required contribution	(21)	(21)
Annual OPEB cost (expense)	181	1,134
Contributions made	(111)	(1,137)
Increase/(Decrease) in net OPEB obligation	70	(3)
Net OPEB obligation - beginning of year	341	634
Net OPEB obligation - end of year	$ 411	$ 631

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2011-12	$ 2,466	23.4%	$ 9,097
RMPS	2011-12	$ 3,969	31.7%	$ 13,727
URX	2011-12	$ 181	61.5%	$ 411
LTD	2011-12	$ 1,134	100.2%	$ 631

As of the most recent actuarial valuation date of January 1, 2011, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $28.9 million, $54.7 million, $2.8 million, and $13.1 million respectively, resulting in unfunded actuarial accrued liabilities of $28.9 million, $54.7 million, $2.8 million and $13.1 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $246.6 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.7 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return and a three percent inflation adjustment. The RMPR plan also used a four percent salary increase assumption, while the RMPS, URX, and LTD plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-six years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

The State provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life at no cost to the employee. Through the same company, the State also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

Employees of the Colorado Water Resources and Power Development Authority, and CoverColorado are covered under the PERA Health Care Trust Fund discussed above.

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the State offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded plans were no longer offered, and the State and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the State returned to a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

Effective July 1, 2005, the State terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the State discontinued one of the self-funded medical plan options due to low enrollment. Effective July 1, 2010, the State began offering two state-wide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2011, participants were allowed to make contributions of upto 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution which temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2011, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar years 2010 and 2011, PERA members are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2011, for total contributions of $22,000. Contributions and earnings are tax deferred. On December 31, 2011, the plan had net assets of $1,891.3 million and 71,620 accounts.

<u>PERA Defined Contribution Retirement Plan</u>

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. For Fiscal Years 2010-11 and 2011-12 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $106.2 million and $100.4 million during Fiscal Years 2011-12 and 2010-11, respectively. In addition, the State paid $83.4 million and $80.9 million in FICA and Medicare taxes on employee wages during Fiscal Years 2011-12 and 2010-11, respectively.

Component Units

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the hospital to make matching contributions of $6.6 million in Fiscal Year 2010-11. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2011-12 48 faculty members participated in the program at a present value accrued cost of $8.0 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased $50.0 million of excess insurance ($10.0 million deductible), $450.0 million of property loss insurance ($500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State College, Adams State College and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the current and long-term liabilities of the Risk Management Fund.

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $200,000 per individual. In Fiscal Year 2011-12, the State recovered approximately $7.2 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $14.7 million of insurance recoveries during Fiscal Year 2011-12. Of that amount approximately $5.1 million was related to asset impairments that occurred in prior years primarily at the Departments of Transportation, in the Highway Users Tax Fund. The remaining $9.6 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $7.2 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education ($1.3 million) in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.0 million per worker's compensation claim, and $1.0 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2011-12, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $225,000 per person and $9.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2011-12 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected $268,513 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2010 through 2012. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2011-12, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. The university is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $5.0 million and additional insurance purchased for claims up to $10.0 million per occurrence. The university is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The university has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($1,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The college retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $400.0 million ($10,000 deductible), $2.0 million of general liability ($5,000 deductible), $5.0 million of fine arts insurance ($2,500 deductible, with a $25,000 deductible for flood and earthquake). The College has also purchased $1 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($25,000 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Western State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages general liability risks primarily through the purchase of insurance. The College has purchased general liability for auto, fidelity, liability and fire insurance of $2.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2011-12	24,733	9,981	4,831	29,883
2010-11	22,938	6,885	5,090	24,733
2009-10	17,703	9,941	4,706	22,938
Workers' Compensation				
2011-12	110,322	32,853	33,566	109,609
2010-11	100,787	44,977	35,442	110,322
2009-10	84,147	53,278	36,638	100,787
Group Benefit Plans:				
2011-12	13,904	146,285	146,494	13,695
2010-11	17,873	133,109	137,078	13,904
2009-10	16,621	143,098	141,846	17,873
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2011-12	9,977	4,722	4,684	10,015
2010-11	11,561	4,659	6,243	9,977
2009-10	11,663	5,905	6,007	11,561
University of Colorado Denver:				
Medical Malpractice				
2011-12	5,126	2,472	1,943	5,655
2010-11	4,589	1,864	1,327	5,126
2009-10	5,065	273	749	4,589
Graduate Medical Education Health Benefits Program				
2011-12	1,291	7,121	7,004	1,408
2010-11	1,321	6,319	6,349	1,291
2009-10	1,603	6,280	6,562	1,321
Colorado State University:				
Medical, Dental, and Disability Benefits				
2011-12	27,013	37,372	32,223	32,162
2010-11	21,766	34,865	29,618	27,013
2009-10	18,537	32,285	29,056	21,766
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2011-12	21	108	72	57
2010-11	25	92	96	21
2009-10	24	92	91	25
Fort Lewis College:				
Worker's Compensation				
2011-12	315	133	147	301
2010-11	288	124	97	315
General Liability				
2011-12	307	-	140	167
Adams State College				
Workers' Compensation				
2011-12	35	-	35	-
General Liability				
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2011-12	140	(6)	67	67
2010-11	282	303	445	140
General Liability				
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2011-12	185	122	99	208

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust – the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits ($150,000 per individual and $600,000 per occurrence for claims arising within the State). The trust also provides coverage of $1.0 million for claims arising outside the State and contracts with a commercial insurance company for coverage to $6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2010-11, the hospital recorded premium and administrative expenses of $505,000. The trust had a fund balance of $1.1 million, which was net of approximately $5.1 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2012, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 72,964	$ 144,254
Business-Type Activities	-	34,533	30,784
Total	$ 735	$ 107,497	$ 175,038

At June 30, 2012, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 225	$ 511	$ 736
Business-Type Activities	-	177	177
Total	$ 225	$ 688	$ 913

During the year ended June 30, 2012, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 15	$ 15
Total	$ -	$ 15	$ 15

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2012, the total obligation for the space was $2.8 million, with an average annual lease payment of $121,009, and the total obligation for the vehicles and equipment was $4.7 million, with total annual lease payments of $1.8 million.

Colorado Mesa University has a lease-purchase agreement with the Colorado Mesa University Foundation for the acquisition of property. The remaining term of the lease is 7 years and it requires payment of interest at 3 percent; the University made a $1.3 million payment to the Foundation under this agreement in Fiscal Year 2011-12.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the college's main campus.

The State is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2011-12, the State recorded building and land rent of $50.7 million and $22.6 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $9.7 million and $28.8 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

The State recorded $3.3 million of lease interest costs in the governmental activities and $2.0 million in the business-type activities.

The State entered into approximately $8.4 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2012, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2013	$ 47,067	$ 18,050	$ 19,554	$ 7,490
2014	39,817	15,349	18,395	6,320
2015	32,944	13,327	16,853	4,997
2016	24,271	11,692	13,917	4,726
2017	16,288	6,396	11,414	4,119
2018 to 2022	34,318	16,545	43,590	12,178
2023 to 2027	104	6,304	22,199	7,893
2028 to 2032	111	1,630	7,650	1,456
2033 to 2037	119	850	870	-
2038 to 2042	128	646	-	-
2043 to 2047	122	646	-	-
2048 to 2052	61	65	-	-
Total Minimum Lease Payments	195,350	91,500	154,442	49,179
Less: Imputed Interest Costs			33,013	10,141
Present Value of Minimum Lease Payments	$ 195,350	$ 91,500	$ 121,429	$ 39,038

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.1 million for Fiscal Year 2010-11. Future minimum lease payments for these leases at June 30, 2011, are:

(Amounts in Thousands)

Fiscal Year	Amount
2012	$ 4,985
2013	3,389
2014	2,841
2015	2,598
2016	1,968
2017-2020	2,862
Total Minimum Obligations	$ 18,643

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2011 was $136,556. The total minimum rental commitment as of December 31, 2011 is $109,605.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $2.7 million at June 30, 2011. Total minimum lease payments including interest at June 30, 2011, were $3.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2011 was $156,071. The total minimum rental commitment under the leases was $0.5 million at June 30, 2011.

NOTE 23 – SHORT-TERM DEBT

On July 19, 2011**,** the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2011A. The notes were due and payable on June 27, 2012, at a coupon rate of 2.0 percent. The total interest related to this issuance was $768,889. However, the notes were issued at a premium of $8.6 million resulting in net interest costs of $843,589 and a yield of 0.16 percent. The notes were issued for cash management purposes and were repaid before June 30, 2012, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 14, 2011, the State Treasurer issued $100.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2011A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of $233,667 or .24 percent. The notes matured on June 29, 2012 and were repaid.

On January 13, 2012, the State Treasurer issued $230.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of $117,811 or 0.11 percent. The notes matured on June 29, 2012, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2012:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ -	330,000	$ (330,000)	-
Total Governmental Activities Short-Term Financing	-	830,000	(830,000)	-
Total Short-Term Financing	$ -	$ 830,000	$ (830,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, the State Historical Society, the Judicial Branch, and the Departments of Corrections, Transportation, and Personnel & Administration have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

During Fiscal Year 2011-12 the State's governmental activities had $166.7 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $691.8 million of available net revenue after operating expenses to meet the $203.1 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 37.)

During Fiscal Year 2011-12 the State recorded $250.1 million of interest costs, of which, $89.0 million was recorded by governmental activities and $161.1 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $42.3 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $16.3 million of interest on Certificates of Participation issued by the Judicial Branch, and $13.3 of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises $120.4 million of interest on revenue bonds issued by institutions of higher education, $14.9 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $13.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $11.2 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2012, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 132,105	$ 35,738	$ 1,855	$ 423	$ 28,745	$ 43,795	$ 162,705	$ 79,956
2014	140,545	27,295	1,965	400	29,382	42,682	171,892	70,377
2015	146,575	21,267	2,005	359	30,733	41,334	179,313	62,960
2016	156,565	11,275	2,045	317	32,009	39,120	190,619	50,712
2017	125,765	3,104	2,090	275	33,389	37,756	161,244	41,135
2018 to 2022	-	-	11,115	703	140,549	168,734	151,664	169,437
2023 to 2027	-	-	-	-	221,319	139,013	221,319	139,013
2028 to 2032	-	-	-	-	294,982	93,379	294,982	93,379
2033 to 2037	-	-	-	-	60,775	53,155	60,775	53,155
2038 to 2042	-	-	-	-	74,995	31,614	74,995	31,614
2043 to 2047	-	-	-	-	53,066	6,447	53,066	6,447
Subtotals	701,555	98,679	21,075	2,477	999,944	697,029	1,722,574	798,185
Unamortized Prem/Discount	37,584	-	(1,706)	-	18,374	-	54,252	-
Accrued Capital Appreciation Certificates	-	-	-	-	137	-	137	-
Totals	$ 739,139	$ 98,679	$ 19,369	$ 2,477	$ 1,018,455	$ 697,029	$ 1,776,963	$ 798,185

(Amounts in Thousands)

Business-Type Activities

Fiscal Year			Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
	2013		$ 221,045	$ 158,890	$ 3,848	$ 304	$ 18,120	$ 20,210	$ 243,013	$ 179,404
	2014		207,221	156,814	683	134	18,983	19,539	226,887	176,487
	2015		212,397	149,164	710	107	19,834	18,758	232,941	168,029
	2016		213,515	144,222	741	78	20,749	17,860	235,005	162,160
	2017		215,553	146,244	759	47	21,709	16,897	238,021	163,188
2018	to	2022	502,023	620,165	578	28	125,330	66,820	627,931	687,013
2023	to	2027	583,569	497,615	60	8	143,061	31,890	726,690	529,513
2028	to	2032	602,244	344,751	-	-	51,990	5,095	654,234	349,846
2033	to	2037	582,285	185,849	-	-	-	-	582,285	185,849
2038	to	2042	303,155	50,265	-	-	-	-	303,155	50,265
2043	to	2047	19,879	2,337	-	-	-	-	19,879	2,337
Subtotals			3,662,886	2,456,316	7,379	706	419,776	197,069	4,090,041	2,654,091
Unamortized Prem/Discount			70,308	-	(26)	-	1,175	-	71,457	-
Unaccreted Interest			(13,316)	-	-	-	-	-	(13,316)	-
Totals			$ 3,719,878	$ 2,456,316	$ 7,353	$ 706	$ 420,951	$ 197,069	$ 4,148,182	$ 2,654,091

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 28 for additional information. Assuming current interest rates are applied over the term of the debt, at June 30, 2012, Mine's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)
Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

Fiscal Year			Principal	Interest	Interest Rate Swap, Net	Total
	2013		$ 575	$ 68	$ 1,428	$ 2,071
	2014		600	67	1,408	2,075
	2015		625	66	1,387	2,078
	2016		625	65	1,366	2,056
	2017		675	64	1,343	2,082
2018	to	2022	3,525	302	6,349	10,176
2023	to	2027	5,025	268	5,637	10,930
2028	to	2032	12,900	195	4,111	17,206
2033	to	2037	14,335	83	1,755	16,173
2038	to	2042	3,075	3	53	3,131
Totals			$ 41,960	$ 1,181	$ 24,837	$ 67,978

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,486,145	$ 21,075	$ 1,047,997	$ 2,555,217
Business Type Activities	4,247,149	10,663	450,597	$ 4,708,409
Total	$ 5,733,294	$ 31,738	$ 1,498,594	$ 7,263,626

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2011, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	$ 60,205	$ 51,473	$ 111,678
2013	59,905	48,849	108,754
2014	60,755	46,203	106,958
2015	57,655	43,405	101,060
2016	59,105	40,748	99,853
2017 to 2021	281,575	162,780	444,355
2022 to 2026	217,715	101,338	319,053
2027 to 2031	141,850	59,945	201,795
2032 to 2036	121,580	26,948	148,528
2037 to 2041	28,130	7,544	35,674
2042 to 2043	11,665	926	12,591
Total Future Payments	$ 1,100,140	$ 590,159	$ 1,690,299

The original principal amount for the outstanding bonds was $1,588.9 million. Total interest paid during 2011 amounted to $54.2 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, and 2005D, Series 2008A, Series 2009A, Series 2010A, and 2011A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2011, it had $51.6 million of these bonds outstanding.

In May 2011, the University of Colorado Hospital Authority issued Series 2011A Revenue Bonds. The net proceeds of $200.0 million will be used to partially fund construction of a new inpatient tower on the Anschutz Medical Campus. The revenue bonds are variable rate, bear interest weekly, and pay principal according to a mandatory sinking fund schedule. The average interest rate in 2011 was 0.14%. To provide liquidity support for the Series 2011A the Authority entered into a letter of credit agreement with Wells Fargo Bank, which will expire May 2016 unless extended by the bank.

Also in May 2011, the hospital converted the replacement Standby Bond Purchase Agreement with Wells Fargo Bank to a letter of credit agreement with JP Morgan Chase to provide liquidity support for the Series 2004A Revenue Bonds. The letter of credit agreement expires May 2016 unless extended by the bank. As a result of the conversion, the hospital terminated the Assured Guaranty investment policy on the Series 2004A.

During Fiscal Year 2010-11, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2010-11 were $23.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2011, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	$ 13,295	$ 27,620	$ 40,915
2013	13,655	27,092	40,747
2014	12,748	26,596	39,344
2015	13,180	26,025	39,205
2016	13,450	25,464	38,914
2017 to 2021	77,330	117,319	194,649
2022 to 2026	97,450	97,119	194,569
2027 to 2031	123,800	70,767	194,567
2032 to 2036	149,485	45,078	194,563
2037 to 2040	175,365	19,202	194,567
2041 to 2042	38,480	436	38,916
Total Long-Term Debt Payments	728,238	$ 482,718	$ 1,210,956
Less: Unamortized Discount	(1,772)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,161)		
Series 2008 B Bonds	(7,414)		
Series 2009 A Bonds	(231)		
Total Carrying Amount of Long-Term Debt	$ 715,660		

In February 2011, the University of Colorado Foundation renewed a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. No amounts were outstanding at June 30, 2011.

In April 2009, the Denver Metropolitan Major League Baseball Stadium District entered into a five-year noninterest bearing Promissory Note for $2.4 million to acquire certain real and personal property relating to maintaining a view plane to preserve mountain views from Coors Field. The note is collateralized by the underlying property and related rentals under a Deed of Trust. The note may be prepaid in whole or in part at any time without penalty.

Metropolitan State College of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the College's Hotel and Hospitality Learning Center. The issuance comprised $49,640,000 of Taxable Revenue Bonds Series 2010A (Build America Bonds – Direct Payment), $4,500,000 Tax-Exempt Revenue Bonds Series 2010B, and $745,000 Taxable Revenue Bonds Series 2010C. The Series bonds have both serial and term components maturing between Fiscal Year 2015-16 and Fiscal Year 2042-43 and interest rates ranging from 2.0 percent to 6.5 percent.

The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ -	$ 1,613	$ 1,613
2012	-	3,226	3,226
2013	-	3,226	3,226
2014	410	3,226	3,636
2015	710	3,218	3,928
2016 to 2020	5,800	15,615	21,415
2021 to 2025	7,395	14,139	21,534
2026 to 2030	8,870	11,880	20,750
2031 to 2035	10,820	8,870	19,690
2036 to 2040	13,285	5,090	18,375
2041 to 2042	7,595	786	8,381
otal Future Payments	$ 54,885	$ 70,889	$ 125,774

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2011-12:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 1,152	$ 1,528	$ -	$ 2,680	$ 2,663
Accrued Compensated Absences	146,880	5,561	(10,188)	142,253	9,859
Claims and Judgments Payable	384,644	4,226	(13,496)	375,374	44,858
Capital Lease Obligations	107,588	35,476	(21,635)	121,429	14,387
Bonds Payable	869,283	136,353	(268,204)	737,432	132,105
Certificates of Participation	897,631	704,621	(583,796)	1,018,456	28,745
Notes, Anticipation Warrants, Mortgages	-	21,075	-	21,075	1,855
Other Long-Term Liabilities	434,194	16,399	(22,765)	427,828	-
Total Governmental Activities Long-Term Liabilities	2,841,372	925,239	(920,084)	2,846,527	234,472
Business-Type Activities					
Accrued Compensated Absences	220,200	31,750	(17,982)	233,968	14,942
Claims and Judgments Payable	35,373	7,137	(5,916)	36,594	122
Capital Lease Obligations	48,416	13,742	(23,120)	39,038	5,853
Derivative Instrument Liabilities	6,182	7,421	(609)	12,994	-
Bonds Payable	2,784,530	1,286,082	(308,774)	3,761,838	221,620
Certificates of Participation	430,535	89,679	(99,264)	420,950	18,120
Notes, Anticipation Warrants, Mortgages	3,505	4,289	(440)	7,354	3,848
Other Postemployment Benefits	124,761	33,777	(18,885)	139,653	-
Other Long-Term Liabilities	49,006	3,034	(6,270)	45,770	4,997
Total Business-Type Activities Long-Term Liabilities	3,702,508	1,476,911	(481,260)	4,698,159	269,502
Fiduciary Activities					
Deposits Held In Custody For Others	1,106,612	4,642	(245,976)	865,278	824,251
Accrued Compensated Absences	54	-	(17)	37	-
Other Long-Term Liabilities	9,383	261	(3,915)	5,729	-
Total Fiduciary Activities Long-Term Liabilities	1,116,049	4,903	(249,908)	871,044	824,251
Total Primary Government Long-Term Liabilities	$ 7,659,929	$2,407,053	$ (1,651,252)	$ 8,415,730	$ 1,328,225

Accrued compensated absences liabilities of both the governmental activities and the business-type activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Derivative Instrument Liabilities, Other Post Employment Benefits, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds, which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2012, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $427.8 million shown for governmental activities primarily comprises:

- $256.5 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $150.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $20.6 million of unclaimed property liabilities estimated to be due to claimants.

The $40.8 million (including $1.8 million Due to Component Units) shown for business-type activities primarily comprises:

- $23.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest.
- $15.7 million of deferred revenue in Institutions of Higher Education, the most significant balances relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($8.0 million and $5.2 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Reatated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 527,132	$ 202,119	$ (13,591)	$ 715,660	$ 13,295
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,047,011	$ 67,080	$ (73,722)	$ 1,040,369	$ 60,205
Other Long-Term Liabilities	$ 183,148	$ 102,475	$ (100,742)	$ 184,881	$ 154,514

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily attributable to the Water Operations Fund, accounting for $27.5 million of the $30.4 million total. The other long-term liabilities of the Water Pollution Control Fund and Drinking Water Fund were $0.9 million and $2.0 million respectively. Sixty-nine percent of total, other long-term liabilities ($21.1 million) were related to project costs payable—amounts not yet requisitioned—on loans made to local government borrowers.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a minor pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation. After termination of the charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2011, the foundation held $61.9 million of split interest agreement investments with $22.0 million of related liabilities and reported $3.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2011, the University of Colorado Foundation held $247.1 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2011, total life income agreement assets of CSUF were $747,310. Life income agreements payable at the same date totaled $885,499. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.*

At June 30, 2011, the foundation held $12.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2011, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.6 million; related liabilities of $10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.1 million mentioned above and total $4.8 million. At June 30, 2011, CSMF reported $15.4 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2011-12, debt was defeased in both governmental and business-type activities.

At June 30, 2012, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 225,285
Department of Treasury	18,240
Department of Corrections	18,100
Business-Type Activities:	
University of Colorado	325,035
Colorado State University	70,545
Colorado Mesa University	53,990
Colorado School of Mines	23,800
Western State College	19,105
Adams State College	7,930
Community College System	4,740
Total	$ 766,770

The Department of Transportation issued $104,650,000 of its Transportation Revenue Anticipation Notes, Refunding Series 2011 to fully defease $106,070,000 of its Transportation Revenue Anticipation Notes, Series 2004A. The defeased debt had an interest of 5.00 percent, and the new debt had an interest rate of ranging from 4.00 to 5.00 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by $3,424,125. The defeasance resulted in an economic loss of $270,840 and a book loss of $9,132,507 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Department of Transportation issued $21,075,000 of its Refunding Certificates of Participation, Series 2012 to fully defease $19,215,000 of its Certificates of Participation, Series 2004. The defeased debt had interest rates ranging from 3.63 to 5.00 percent, and the new debt had an interest rate of 2.08 percent. The remaining term of the debt was 22 years, and the estimated debt service cash flows decreased by $10,334,882. The defeasance resulted in an economic gain of $5,300,005 and a book loss of $1,706,059 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The State of Colorado, acting by and through the Board of Regents of the University of Colorado, issued $56,095,000 of its Refunding Certificates of Participation, Series 2012 to fully defease $57,595,000 of its Certificates of Participation, Series 2005. The defeased debt had interest rates of 5.05 percent, and the new debt had an interest rate of 4.88 percent. The remaining term of the debt was 12.5 years, and the estimated debt service cash flows decreased by $3,342,452. The defeasance resulted in an economic gain of $2,771,352 and a book loss of $7,700,643 that will be amortized as an adjustment of interest expense over the remaining 12.5 years of the new debt.

The Board of Regents of the University of Colorado issued $174,450,000 of its Enterprise Refunding Revenue Bonds, Series 2011B to partially defease $181,075,000 of its Enterprise Revenue Bonds, Series 2003A, 2004, and 2005A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.41 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by $14,141,992. The defeasance resulted in an economic gain of $11,141,918 and a book loss of $21,612,589 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Regents of the University of Colorado issued $121,850,000 of its Enterprise Refunding Revenue Bonds, Series 2012A-I to partially defease $127,460,000 of its Enterprise Revenue Bonds, Series 2004, 2005A, 2005B, and 2006A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.85 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by $11,650,303. The defeasance resulted in an economic gain of $9,026,020 and a book loss of $15,265,646 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Governors of the Colorado State University System issued $54,115,000 of its Tax-Exempt System Enterprise Refunding Revenue Bonds, Series 2012B to partially defease $56,850,000 of its Tax-Exempt System Enterprise Revenue Bonds, Series 2005B, and 2007A, and fully defease Series 2003B. The defeased debt had interest rates ranging from 4.625 percent to 5.25 percent, and the new debt has interest rates ranging from 4.42 to 5.00 percent. The remaining term of the debt was 25 years and the estimated debt service cash flows decreased by $6,121,648. The defeasance resulted in an economic gain of $3,493,480 a book loss of $7,506,232 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Governors of the Colorado State University System issued $5,340,000 of its Taxable System Enterprise Refunding Revenue Bonds, Series 2012C to fully defease $5,055,000 of its Tax-Exempt System Enterprise Refunding and Improvement Revenue Bonds, Series 2003A. The defeased debt had an interest rate of 5.06 percent, and the new debt has an interest rate of 1.48 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by $280,365. The defeasance resulted in an economic gain of $370,670 and a book loss of $111,956 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $41,690,000 of its 2.00 - 5.00 percent Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A, to current refund $46,040,000 of its 3.00 -5.50 percent Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2001. The refunded debt had an interest of 5.04 percent, and the new debt has an interest rate of 3.70 percent. The remaining term of the debt was unchanged at 20 years and the estimated debt service cash flows decreased by $9,319,293. The refunding resulted in an economic gain of $4,539,354 and a book loss of $1,795,767 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of University of Northern Colorado issued $21,130,000 of its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2011B to current refund $22,590,000 of the 3.375-5.375 percent Colorado Educational and Cultural Facilities Authority, Student Housing Revenue Bonds, Series LLC 2001A acquired with the purchase of Arlington Park LLC (see Note 29). The refunded debt had an interest rate of 5.07 percent, and the new debt has a variable interest rate, initially set at the Moody's and Standard & Poor's index rate plus 0.70 percent. The remaining term of the debt was reduced from 26 to 25 years and the estimated debt service cash flows decreased by $8,848,340. The refunding resulted in an economic gain of $3,954,295 and a book loss of $1,303,398 that will be amortized as an adjustment of interest expense over the remaining 25 years of the new debt.

The Board of Trustees of Western State College issued $6,180,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2011A, and $6,550,000 of Institutional Enterprise Revenue Refunding Bonds (Taxable), Series 2011B to fully defease $7,130,000 of its Auxiliary Facilities System Refunding Bonds, Series 2003A and $6,270,000 of its Auxiliary Facilities System Improvement Bonds, Series 2003B. The defeased debt has an interest rate of 4.66 percent, and the new debt had an interest rate of 3.10 percent. The remaining term of the debt was 13 years and the estimated debt service cash flows decreased by $675,638. The defeasance resulted in an economic gain of $318,617 and a book loss of $1,321,383 that will be amortized as an adjustment of interest expense over the remaining 13 years of the new debt.

The Board of Trustees of Colorado Mesa University issued $9,720,000 of its Auxiliary Facility System Enterprise Revenue Bond Series, 2011BC to fully defease $8,800,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2003B. The defeased debt had an interest rate of 5.17 percent, and the new debt has an interest rate of 2.63 percent. The remaining term of the debt was 10 years and the estimated debt service cash flows decreased by $277,720. The defeasance resulted in an economic gain of $371,643 and a book loss of $1,436,008 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The Board of Trustees of Colorado Mesa University issued $19,315,000 of its Enterprise Revenue Bond, Series 2012A to fully defease $18,080,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2005. The defeased debt had an interest rate of 4.87 percent, and the new debt has an interest rate of 3.22 percent. The remaining term of the debt was 24 years, and the estimated debt service cash flows decreased by $2,921,908. The defeasance resulted in an economic gain of $742,085 and a book loss of $2,253,389 that will be amortized as an adjustment of interest expense over the remaining 22 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Positions*

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2012 was $154.0 million ($3.3 million of which was a current liability). Superfund sites account for approximately $153.5 million ($2.8 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $70.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2012, the State has received $8.3 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $51.3 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $6.2 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $16.6 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED OUTFLOWS OF RESOURCES

NOTE 28 – DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – <u>Accounting and Financial Reporting for Derivative Instruments.</u> Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Position*, and accordingly, the State recognized a Deferred Outflow of Resources of $5.0 million as of June 30, 2012.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $41.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.16 percent at June 30, 2012. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2012 was $13.0 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

There are inherent risks associated with interest rate swaps that the Colorado School of Mines monitors and addresses including:

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School. An unanticipated termination and related payment could occur due to management decision to terminate, a counterparty default, or a decrease in the School's credit rating.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the Swap Agreement counterparty's credit quality rating and whether the counterparty can withstand continuing credit market stress. The School does not consider this a significant risk.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices, including, but not limited to, the Securities Industry and Financial Markets Association or the London Interbank Offered Rate.

NOTES 29 Through 32 – DETAILS OF NET POSITION AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position of the Governmental Activities on the government-wide *Statement of Activities* increased by $335,258,608 due to the following adjustments:

- An increase of $564,282,353, when the Department of Transportation capitalized assets to correct errors in from prior years. This correction does not affect the fund-level statements, but it is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities.*
- A decrease of $259,055,863 when the Division of Parks, formerly a portion of a nonmajor governmental fund, that is no longer reported, was merged with the Division of Wildlife, a nonmajor enterprise fund, to form a new Division of Parks and Wildlife. The transfers of assets, liabilities and fund balances related to governmental activities comprises the following:
  - A decrease of $211,811,470 when capital assets related to the Division of Parks were transferred to the new Division of Parks and Wildlife. This adjustment appears only on the government-wide *Statement of Activities* since the related assets and liabilities were not reported in the funds. The adjustment is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances* Reconciled to *Statement of Activities.*
  - A decrease of $47,244,393, when assets and liabilities were transferred to the new Division. Of this amount, $25,385,899 was from the Other Special Purpose General Fund, $19,188,409 was from the Resource Management Fund, a nonmajor special revenue fund, and $2,670,085 was from the Resource Extraction Fund, a major governmental fund. These transfers also affect the beginning fund balances on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.*
- A decrease of $2,837,860 in the Department of Health Care Policy and Financing related to an Office of the Inspector General (OIG) federal audit. The OIG determined that the State overdrew federal funds for administrative costs from Federal Fiscal Year 1998 through Federal Fiscal Year 2006. This amount also decreased the beginning fund balance of the Tobacco Impact Mitigation Fund, reported within a nonmajor Other Special Revenue Fund in the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.*
- A decrease of $343,014 when the Department of Personnel & Administration paid Western State College in the amount of $184,565 and Adams State College in the amount of $158,449, to assume responsibility for claims and liabilities in the Worker's Compensation Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.*
- A decrease of $362,397 when the Department of Personnel & Administration paid Fort Lewis College in the amount of $306,572, Adams State College in the amount of $34,678, and Colorado Mesa University, in the amount of $21,147, to assume responsibility for claims and liabilities in the General Liability Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.*
- An increase of $29,570,789 when the State Land Board, within the Department of Natural Resources, failed to record deferred gains in the prior year associated with non-simultaneous exchanges on assets held in trust. This adjustment also increases the beginning fund balance for the State Lands Fund, a nonmajor permanent fund within the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.*
- An increase of $4,557,076 when the Judicial Branch failed to capitalize labor costs related to in-house software projects in prior years. This adjustment did not affect any of the fund-level financial statements, but it reflected on the S*tatement of Revenues, Expenditures and Changes in Fund Balances* Reconciled to *Statement of Activities*.
- A decrease of $201,430 when the Department of Health Care Policy and Financing determined that the Nursing Home Provider Fee revenues in prior years had been overstated. This adjustment also decreases the beginning fund balance of the Other Special

Purpose Fund portion of the General Fund on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances* and the *General Fund Schedule of Revenues, Expenditures, and Changes in General Fund.*

- An increase of $485,055 when CollegeInvest, a nonmajor enterprise fund, failed to record a transfer to the General Fund during Fiscal Year 2010-11. Had this transfer been made, it would have increased the amount of General Fund Surplus that was statutorily transferred to the State Education Fund at the end of that year. This correction increases the beginning fund balance for the State Education Fund, a major governmental fund on the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balances* and combining *Statement of Cash Flows-Proprietary Funds.*

- A decrease of $836,101 when the Department of Labor restated receivable balances that had been written off in prior years. This reinstatement also decreases the beginning fund balances of the Labor Fund, a nonmajor special revenue fund on the fund level *Statement of Revenues, Expenditures and Changes in Fund Balances*.

The beginning net position of the Business-Type Activities on the government-wide *Statement of Activities* increased by $254,570,304 due to the following adjustments:

- An increase of $259,055,863 when the Division of Parks, formerly a nonmajor governmental fund, that is no longer reported, was consolidated with the Division of Wildlife, a nonmajor enterprise fund to form a new Division of Parks and Wildlife. The transfers also affects the beginning net position on the fund-level *Statement of Revenues, Expenses, and Changes in Net Position* and also requires an increase of beginning cash balance of $43,299,459 on the *Statement of Cash Flows- Proprietary Funds.*

- A decrease of $4,000,504 when the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Refunding Bonds (Series 2011B) to purchase Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. The refunding resulted in a loss for the University. This adjustment also decreased the beginning net position of the Higher Education Institutions on the fund-level *Statement of Net Position – Proprietary Funds.* It required an increase to beginning cash of $3,688,624 on the *Statement of Cash Flows- Proprietary Funds.*

- A decrease of $485,055 when CollegeInvest failed to record a transfer to the General Fund during Fiscal Year 2010-11. This adjustment reduces the beginning net position of CollegeInvest, a nonmajor enterprise fund on the fund-level *Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.* This correction also reduces beginning cash by the same amount on the *Statement of Cash Flows-Proprietary Funds.*

Additional changes on the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* that did not affect the Statement of Activities are as follows:

- The beginning fund balance of the nonmajor Other Special Revenue Fund increased by $2,519,321 when the Department of Public Health and Environment transferred fund balances of the Waste Tire Cleanup Fund, a component of the Environment and Health Protection Fund, a nonmajor special revenue fund, into the Process and End Users Fund, a portion of the Other Special Revenue Funds. This activity also decreases by the same amount the beginning fund balance of the Environmental and Health Protection Fund.

- The beginning fund balance of the Other Special Purpose Fund, a portion of the Special Purpose General Funds, increased by $18,916 when the Department of Public Health and Environment transferred a portion of the fund balance in the Process and End Users Fund, to the Advance Technology Fund, a portion of the Other Special Purpose Fund.

Amounts shown in this note are actual balances and do not agree to amounts shown on the financial statements due to rounding on the statements.

NOTE 30 – FUND EQUITY

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 283,339	$ 307,596	$ 20
Business, Community and Consumer Affairs	-	12,153	-
Education	215,977	1,651	-
Health and Rehabilitation	-	1,145	-
Justice	2,219	-	-
Natural Resources	-	151	-
Social Assistance	7,123	8,199	-
Transportation	-	-	-
TOTAL	$ 508,658	$ 330,895	$ 20
RESOURCE EXTRACTION:			
General Government	$ -	$ 332,776	$ -
Business, Community and Consumer Affairs	-	99,308	-
Education	-	15,943	-
Natural Resources	13,675	421,622	-
TOTAL	$ 13,675	$ 869,649	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,077	$ 10,484	$ -
Health and Rehabilitation	-	1,344	-
Justice	-	66	-
Transportation	1,168,192	26,360	-
TOTAL	$ 1,176,269	$ 38,254	$ -
CAPITAL PROJECTS:			
General Government	$ 1,596	$ 30,659	$ -
Education	5,548	2,132	-
Justice	12,813	4	-
TOTAL	$ 19,957	$ 32,795	$ -
STATE EDUCATION:			
Education	$ 194,753	$ -	$ -
TOTAL	$ 194,753	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 108,620	$ 177,135	$ -
Business, Community and Consumer Affairs	18,510	231,432	-
Education	63,302	7,230	-
Health and Rehabilitation	11,120	93,483	-
Justice	17,826	131,160	-
Natural Resources	3,203	6,845	-
Social Assistance	624	43,864	-
Transportation	37,591	-	-
TOTAL	$ 260,801	$ 691,146	$ -

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2011-12 there was no use of the reserve. As of June 30, 2012, on a legal budgetary basis and on a GAAP basis the reserve was $281.1 million - 4.0 percent of appropriated expenditures.

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2011-12 the reserve was $9.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2012, were:

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SELLER'S/LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:					
General Fund					
General Purpose	$ 225	$ 19	$ 539	$ -	$ -
Special Purpose	5,277	-	-	-	-
Resource Extraction	95	-	4	102	-
Highway Users	390	-	-	-	-
Capital Projects					
Regular Capital Projects	-	-	-	-	-
State Education	59,000	-	-	-	-
Higher Education Institutions	3,021	264	117	-	85
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor	4,996	-	-	-	-
Tobacco Impact Mitigation	683	-	-	-	-
Environment and Health Protection	885	-	34	-	-
Other Special Revenue	217	-	-	-	-
PERMANENT FUNDS:					
State Lands Trust Expendable	-	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-	-
ENTERPRISE FUNDS:					
CollegeInvest	-	-	-	-	-
Wildlife	-	2	-	-	-
State Fair Authority	-	-	-	-	-
Correctional Industries	320	-	-	-	-
State Nursing Homes	1,055	-	-	-	-
INTERNAL SERVICE FUNDS:					
Central Services	2	-	-	-	-
Information Technology	1,492	-	20	-	-
Highways	77	-	-	-	-
Other Internal Service	-	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	20,402	-	7	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 98,137	$ 285	$ 721	$ 102	$ 85

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 422	$ -	$ 36,632	$ 37,837
-	16,153	3,525	24,955
-	-	1,174	1,375
-	-	1,019	1,409
7,465	-	-	7,465
-	-	-	59,000
-	-	1,663	5,150
3	-	500	5,499
-	-	622	1,305
-	-	-	919
-	-	1,343	1,560
-	-	5,548	5,548
-	-	3,308	3,308
-	-	17	17
362	2,898	141	3,403
-	-	90	90
2,377	-	-	2,697
-	-	-	1,055
16	-	-	18
-	-	20	1,532
-	-	-	77
-	-	-	-
1,216	-	3	21,628
-	-	4,546	4,546
-	9,933	-	9,933
$ 11,861	$ 28,984	$ 60,151	$ 200,326

Except for the transfer of General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The State Education Fund receivable of $59.0 million represents a partial transfer of the General Fund Surplus transfer for Fiscal Year 2011-12 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Fiscal Year 2011-12 Comprehensive Annual Financial Report in December 2012.

The Group Benefits Plan Fund receivable of $20.4 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of $7.5 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of $16.2 million consists of a receivable recorded by the Conservation Trust Fund for $11.6 million, and in the Building Excellent Schools Today Grant Program in the amount of $4.6 million.

The Other Fiduciary Fund receivable of $9.9 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. These are statutory distributions of the Lottery net proceeds.

The General Purpose Revenue Fund receivable of $36.6 million from All Other Funds includes $20.3 million of receivables from the Limited Gaming Fund, $5.8 million from various cash funds to support incurred Medicaid expenditures, and $9.4 million in the State Rail Bank as required in accordance with HB 12-1343.

The Special Purpose General Fund receivable of $5.3 million represents legislative reversions of $2.7 million and personal services and operating line item reversions of $2.6 million payable to the Legislative Department Cash Fund and State Employee Reserves Fund as required by HB 12-1301 and HB 12-1321 respectively.

The State Land's Trust Expendable receivable of $5.5 million represents June's state land revenues from the State Land Board.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2012, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 2,696,280	$ -	$ -
Special Purpose	73,112	-	-
Resource Extraction	203,038	-	-
Highway Users Tax	60,863	-	-
Capital Projects:			
Regular Capital Projects	535	-	500
Special Capital Projects	3	-	-
State Education	1,131	-	-
Higher Education Institutions	4,949	-	-
Unemployment	2,141	-	-
Lottery	54,354	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	27,143	-	-
Gaming	21,398	-	-
Tobacco Impact Mitigation	146,080	-	-
Resource Management	598	-	-
Environment and Health Protection	629,862	-	-
Unclaimed Property	2,007	-	-
Other Special Revenue	91,717	-	1,665
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	117,778	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	95	-	-
Wildlife	10,439	298	-
College Assist	126	-	-
State Fair	83	-	-
Correctional Industries	365	-	-
State Nursing Homes	1,727	-	-
Prison Canteens	48	-	-
Petroleum Storage	922	-	-
Other Enterprise	263	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,444	-	-
Information Technology	1,586	-	-
Capitol Complex	825	-	-
Public Safety	21	-	-
Administrative Courts	185	-	-
Other Internal Service	614	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	210	-	-
Other Fiduciary	104	-	-
TOTAL	$ 4,152,046	$ 298	$ 2,165

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 49,298	$ 59,000	$ 133,605	$ 53,183	$ 2,991,366
35	-	-	11,155	84,302
-	-	14,883	8,471	226,392
1,877	-	-	168,559	231,299
1,131	-	13,716	18,435	34,317
4,371	-	-	20,657	25,031
-	-	4,971	-	6,102
-	-	-	-	4,949
-	-	-	-	2,141
-	-	-	12,325	66,679
1,213	-	-	218	28,574
4,414	-	6,295	1,105	33,212
8,609	-	14,364	4,012	173,065
-	-	-	75	673
77	-	-	9,210	639,149
-	-	-	375	2,382
127	2	-	838	94,349
2,193	-	786	439	3,418
-	-	115	38,181	156,074
-	-	-	10	10
-	-	-	-	95
-	-	-	225	10,962
-	-	-	-	126
-	-	-	-	83
-	-	-	-	365
-	-	-	-	1,727
17	-	-	-	65
153	-	-	-	1,075
-	-	-	-	263
-	-	-	-	1,444
-	-	-	-	1,586
-	-	-	220	1,045
-	-	-	-	21
-	-	-	-	185
-	-	-	-	614
-	-	-	-	210
-	-	-	-	104
$ 73,515	$ 59,002	$ 188,735	$ 347,693	$ 4,823,454

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of $2,671.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of $133.6 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling $141.2 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

<u>Resource Extraction (major governmental fund)</u>

- $41.0 million from the Severance Tax Fund
- $48.1 million from the Base Account of the Severance Tax Trust Fund
- $30.0 million from the Mineral Leasing Fund

<u>Nonmajor special revenue funds</u>

- $12.7 million from 14 funds where individual transfer amounts did not exceed $5.0 million
- $9.4 million from the State Rail Bank.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

The Transfers-out from the General Purpose General Fund comprise $49.3 million to fund controlled maintenance and capital projects.

Transfers-out from the special-purpose funds within the General Fund primarily comprise $57.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily include $30.1 million to support the Children's Basic Health Plan, $10.3 million authorized by the Governor through executive order into the Disaster Emergency Fund to cover wildfire expenditures, and $6.7 million for deposit into the Correctional Treatment Cash Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $48.4 million transferred to the Department of Revenue and $7.2 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $167.8 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $49.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $23.1 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $123.5 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $67.6 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $619.9 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($573.6 million) and the Medicaid Nursing Facility Cash Fund ($43.5 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $82.6 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes $117.4 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

The State Lands Trust Expendable transfer-out of $38.2 million went to the State Lands Trust Nonexpendable.

NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS

There are no unusual or infrequent transactions.

NOTE 36 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments totaled $10.4 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $8.4 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported $1.34 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net position in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

NOTE 37 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2011-12, the following pledges were in place:

The Department of Transportation pledged $166.7 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 15.1 percent of the total revenue stream, and $800.2 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $106.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $698.1 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $134.6 million of Unemployment Insurance (UI) collections to secure $134.6 of Fiscal Year 2012-13 principal and interest on debt issued to stabilize unemployment insurance rates. The debt was originally issued in Fiscal Year 2011-12, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $657.1 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $679.2 million. Individually significant Higher Education Institution pledges include:

- $295.3 million pledged by the University of Colorado to secure $95.7 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 52.2 percent of the revenue stream, and $2.04 billion of the pledge (principal and interest) remains outstanding.

- $192.9 million pledged by Colorado State University to secure $28.2 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the total revenue stream, and $1.0 billion of the pledge (principal and interest) remains outstanding.

- $40.3 million pledged by the Colorado School of Mines to secure $12.1 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2012-13 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 85.1 percent of the total revenue stream, and $324.8 million of the pledge (principal and interest) remains outstanding.

- $27.3 million pledged by Metropolitan State College of Denver to secure $5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $126.2 million of the pledge (principal and interest) remains outstanding.

- $18.0 million pledged by Colorado Mesa University to secure $7.6 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 53.9 percent of the revenue stream, and $305.2 million of the pledge (principal and interest) remains outstanding.

- $15.5 million pledged by the Auraria Higher Education Center to secure $7.0 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and $83.7 million of the pledge (principal and interest) remains outstanding.

- $30.8 million pledged by the University of Northern Colorado to secure $9.5 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2004-05 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.2 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $249.1 million of the pledge (principal and interest) remains outstanding.

- $8.8 million pledged by Colorado State University – Pueblo to secure $3.9 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents 47.1 percent of the revenue stream, and $131.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Department of Transportation	$ 1,105,452	$ (938,787)	$ 166,665	$ 125,265	$ 41,400	$ 166,665
Higher Education Institutions	1,093,300	(507,761)	585,540	69,992	114,914	184,906
Labor - Unemployment Insurance	134,564	-	134,564	-	-	-
Statewide Bridge Enterprise	106,258	-	106,258	-	18,234	18,234
	$ 2,439,574	$ (1,446,548)	$ 993,027	$ 195,257	$ 174,548	$ 369,805

NOTE 38 – SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for- profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 137,622	$ 9,236	$ 9,260
Other Assets	96,809	5,068	326
Capital Assets	43,113	33,434	28,910
Total Assets	277,544	47,738	38,496
LIABILITIES:			
Current Liabilities	34,673	2,307	4,446
Noncurrent Liabilities	16,451	29,061	26,257
Total Liabilities	51,124	31,368	30,703
NET POSITION:			
Net Investment in Capital Assets	25,756	2,952	1,450
Restricted Net Position	-	4,459	152
Unrestricted	200,664	8,959	6,191
Total Net Position	$ 226,420	$ 16,370	$ 7,793

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,957
Sales of Goods and Services	470,568	9,513	21,433
Other	-	-	53
Total Operating Revenues	470,568	9,513	27,443
OPERATING EXPENSES:			
Depreciation	3,145	1,667	2,016
Other	447,523	7,141	22,589
Total Operating Expenses	450,668	8,808	24,605
OPERATING INCOME (LOSS)	19,900	705	2,838
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	5,042	265	36
Other Nonoperating Revenues	83	-	-
Debt Service	(57)	(1,620)	(1,313)
Other Nonoperating Expenses	(8,679)	(425)	-
Total Nonoperating Revenues(Expenses)	(3,611)	(1,780)	(1,277)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	(2,980)
Total Contributions, Transfers, and Other	-	-	(2,980)
CHANGE IN NET POSITION	16,289	(1,075)	(1,419)
TOTAL NET POSITION - FISCAL YEAR BEGINNING (Restated)	210,131	17,445	9,212
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 226,420	$ 16,370	$ 7,793

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 18,315	$ 2,059	$ 4,798
Noncapital Financing Activities	(8,679)	-	(2,979)
Capital and Related Financing Activities	(2,060)	(4,468)	(3,114)
Investing Activities	(29,127)	2,353	38
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(21,551)	(56)	(1,257)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	66,440	8,879	7,274
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 44,889	$ 8,823	$ 6,017

NOTE 39 – COMPONENT UNITS

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-an amendment to GASB Statements No. 14 and No. 34. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital's mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State $7.4 million during 2011 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2010-11, it received $5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed $98.4 million of gifts and income to or for the benefit of the University of Colorado.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2010-11, the foundation transferred $23.8 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist through early 2014.

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately $19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately $1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college's Hospitality, Tourism, and Events department. The construction is being financed though $54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college's unconditional guarantee. The hotel is expected to open in August 2012.

NOTE 40 – RELATED PARTIES AND ORGANIZATIONS

The Colorado State University - Pueblo Foundation was established to benefit Colorado State University - Pueblo. The foundation transferred $1.4 million to the university during Fiscal Year 2011-12 and owed the university $1.4 million at June 30, 2012.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided $1.0 million in scholarships and grants during Fiscal Year 2011-12.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2011-12, the foundation awarded $573,001 of scholarships directly to Colorado Mesa University students and provided approximately $4.0 million in property.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.3 million of funding to the college in Fiscal Year 2011-12. The foundation also reimbursed the college $210,643 for services provided by college employees in Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college $272,395. As of this date, the college also had payables to the foundation of $15,246.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $6.2 million to the college in Fiscal Year 2011-12.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Pueblo Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Pueblo Community College Foundation provided Pueblo Community College $1.3 million in the form of scholarships, rental properties, construction funds and discretionary funds.

The University of Northern Colorado Foundation is a not-for-profit corporation established to promote the welfare, development and growth of the University of Northern Colorado. The University received approximately $6.0 million in non-governmental grants and contract revenue from the foundation. At June 30, 2012 the Foundation owed $1.2 million to the University.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided $1.8 million in support during Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college $110,355.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2011-12, the board funded $23.7 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2012, GOCO owed the Department of Natural Resources $8.5 million.

Colorado Housing Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of $8.6 million as of June 30, 2012, and a total original face value of $24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2023 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. A total of $17.2 million has been transferred to CHFA.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $32.9 million for these services in Fiscal Year 2010-11. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately $2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital $10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through $5.0 million of government external funds and paid UPI an additional $51.0 million for services in Fiscal Year 2010-11.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was $0.4 million at June 30, 2011.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately $18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately $0.6 million in July 2011.

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust called Colorado Health and Welfare Trust. (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of $22.0 million and on June 30, 2011 recorded a liability of $2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest were originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and $600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.1 million and $1.4 million, respectively.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $24.4 million and $1,050.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund ($9.7 million), Resource Extraction Fund ($0.7 million), Regular Capital Projects Fund ($1.6 million), and in the Division of Parks and Wildlife Funds ($9.3 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 42 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds $122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal

Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.6 billion, of the $10.5 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $59.8 million.

At June 30, 2012, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $359.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated $30 million and the total amount at issue is estimated at $222.8 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.59 billion are outstanding. Of this amount, $3.43 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying Centers for Medicare and Medicaid Services (CMS) approximately $75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately $1.35 billion to $4.15 billion for operations funding and $5.7 billion to $17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to the District Court for trial, which concluded on September 2, 2011. On December 9, 2011 the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The District Court stayed enforcement of its order until final order from the Colorado Supreme Court or conclusion of the 2012 legislative session in the event the order is not appealed. The State has appealed the District Court's ruling. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of $25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also bring claims for inverse condemnation and takings. A motion to stay was granted through October 8, 2012, to allow for additional potential claimants to be indentified and joined in the action. The State does not contest liability for negligence claims brought pursuant to new provisions of CGIA; however, the State is vigorously defending against claims of inverse condemnation or on takings theories. Estimates of potential liability range from $600,000 to more than $11 million. A reserve of $600,000 has been established in the Risk Management Fund (a Special Purpose Fund within the General Fund) and identification of all claims is in process.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that $300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from State grants. The plaintiff is seeking an order declaring the surcharges and bonds unconstitutional. Approximately $200 million has been collected in surcharges, in addition to the $300 million bond issuance. The Colorado Bridge Enterprise is vigorously defending claims, and the State us unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 43 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 11, 2012, the State Treasurer issued $125,000,000 of Education Loan Program Tax and Revenue Anticipation Notes (ETRANs), Series 2012B. The Notes mature on June 27, 2013, and the proceeds are used to make interest-free loans to certain Colorado school districts to alleviate temporary cash flow deficits at the districts. The total due at the maturity date includes $125,000,000 million of principal and $2,402,778 of interest. The ETRANS were issued with a premium of $2,182,500 resulting in net interest cost of $244,028 or 0.203 percent. By Colorado statute, interest on the Notes is payable from the State's General Fund.

On July 17, 2012, the State Treasurer issued $500,000,000 of General Fund Tax and Revenue Anticipation Notes (GTRANs), Series 2012A. The Notes mature on June 27, 2013, and the proceeds are used to fund temporary cash flow deficits in the State's General Fund. The total due at the maturity date includes $500,000,000 million of principal and $11,191,667 of interest. The GTRANS were issued with a premium of $10,321,400 resulting in net interest cost of $881,367 or 0.187 percent.

On July 19, 2012, the Board of Regents of the University of Colorado issued $53,000,000 of refunding revenue bonds, Series 2012A-2. The proceeds refund and redeem $7,440,000 of the Enterprise System Revenue Bonds, Series 2004, $44,630,000 of the University Enterprise Refunding and Improvement Revenue Bonds, Series 2005A, and $1,740,000 of the University Enterprise System Revenue Bonds, Series 2005B. The proceeds also cover certain costs related to the financing the Series 2012A-2. The bonds carry an interest rate of 3.55 percent and mature in 2032.

B. OTHER

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver. As of June 30, 2012, a purchase settlement agreement remained in progress. The sale of the property is conditioned on the buyer receiving approval from the City of Denver for Tax Increment Financing (TIF) in an amount of at least $18,600,000. If TIF financing is not approved by October 31, 2012, then the buyer may terminate the agreement and deposits of $625,000 shall be returned to the Buyer. Under the terms of the agreement the buyer began making $60,000 per month Delay Fee payments in March 2012. If the Buyer should terminate the agreement for any reason, including the failure to obtain TIF approval from the City of Denver, the University will retain any Extension fees or Delay Fees paid to date. The buyer may purchase a portion of the campus as opposed to the entire campus, with a closing taking place as late as March 2013.

Component Units

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling \$5.3 million with approximately \$5.2 million of that amount representing the authority's share of the capital contribution.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,387,734	
Income Taxes			5,092,488	
Other Taxes			198,086	
Federal Grants and Contracts			27	
Sales and Services			351	
Interest Earnings			15,167	
Other Revenues			23,570	
Transfers-In			218,542	
TOTAL REVENUES AND TRANSFERS-IN			7,935,965	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 5,164	$ 5,164	5,136	$ 28
Corrections	634,934	648,975	648,196	779
Education	2,833,702	2,833,700	2,833,288	412
Governor	11,176	11,232	10,379	853
Health Care Policy and Financing	1,670,986	1,699,045	1,693,373	5,672
Higher Education	624,039	624,213	623,880	333
Human Services	618,496	619,446	607,858	11,588
Judicial Branch	340,244	338,456	336,700	1,756
Law	9,393	9,422	9,332	90
Legislative Branch	34,685	34,704	34,704	-
Local Affairs	10,478	10,474	10,448	26
Military and Veterans Affairs	5,422	5,420	5,364	56
Natural Resources	23,422	23,429	23,383	46
Personnel & Administration	5,080	4,119	3,959	160
Public Health and Environment	27,478	27,473	27,450	23
Public Safety	82,677	82,728	81,994	734
Regulatory Agencies	1,599	1,600	1,600	-
Revenue	167,783	167,782	173,848	(6,066)
Treasury	15,994	15,994	15,984	10
Transfers Not Appropriated by Department	59,000	59,000	59,000	-
SUB-TOTAL OPERATING BUDGETS	7,181,752	7,222,376	7,205,876	16,500
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	710	427	363	64
Corrections	20,798	23,984	20,274	3,710
Education	901	124	17	107
Governor	1,900	2,765	242	2,523
Higher Education	20,952	23,644	10,708	12,936
Human Services	2,767	3,088	1,380	1,708
Military and Veterans Affairs	2,949	8,390	3,561	4,829
Personnel & Administration	6,159	10,447	4,382	6,065
Public Health and Environment	-	75	73	2
Public Safety	-	22	21	1
Revenue	4,473	17,334	8,202	9,132
Transportation	500	500	500	-
Treasury	-	4,067	-	4,067
Budgets/Transfers Not Recorded by Department	50,425	50,425	50,425	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	112,534	145,292	100,148	45,144
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,294,286	$ 7,367,668	7,306,024	$ 61,644
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 629,941	

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 750,084	
Income Taxes			414,970	
Other Taxes			1,260,020	
Tuition and Fees			523,286	
Sales and Services			2,167,093	
Interest Earnings			224,980	
Medicaid Provider Revenues			3	
Other Revenues			2,673,971	
Transfers-In			6,181,215	
TOTAL REVENUES AND TRANSFERS-IN			14,195,622	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 32,293	$ 32,299	27,518	$ 4,781
Corrections	107,270	105,324	93,646	11,678
Education	3,815,094	3,817,564	3,781,106	36,458
Governor	252,643	270,964	175,616	95,348
Health Care Policy and Financing	1,701,274	1,706,556	1,685,804	20,752
Higher Education	1,505,174	1,515,494	1,323,731	191,763
Human Services	717,875	313,433	287,380	26,053
Judicial Branch	252,759	245,618	197,820	47,798
Labor and Employment	892,404	902,229	739,331	162,898
Law	44,832	53,820	42,725	11,095
Legislative Branch	6,795	6,795	2,657	4,138
Local Affairs	416,256	416,255	229,182	187,073
Military and Veterans Affairs	6,703	6,349	4,073	2,276
Natural Resources	773,646	749,610	401,083	348,527
Personnel & Administration	466,533	468,548	450,954	17,594
Public Health and Environment	182,972	216,785	180,183	36,602
Public Safety	154,635	156,118	144,252	11,866
Regulatory Agencies	77,423	77,631	71,174	6,457
Revenue	917,156	917,655	787,229	130,426
State	19,053	22,380	18,418	3,962
Transportation	3,057,692	3,066,277	925,280	2,140,997
Treasury	1,831,851	1,832,125	1,775,846	56,279
Budgets/Transfers Not Recorded by Department	-	2,400	-	2,400
SUB-TOTAL OPERATING BUDGETS	17,232,333	16,902,229	13,345,008	3,557,221
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	-	-	-
Corrections	3,994	6,312	4,215	2,097
Education	-	582	22	560
Governor	8,627	790	221	569
Higher Education	60,465	256,204	176,556	79,648
Human Services	1,142	4,604	1,893	2,711
Judicial Branch	159,756	176,980	134,549	42,431
Labor and Employment	38,000	40,496	35,081	5,415
Military and Veterans Affairs	-	4,186	1,498	2,688
Natural Resources	58,100	53,939	20,375	33,564
Personnel & Administration	4,967	8,460	4,574	3,886
Public Health and Environment	850	35,832	5,616	30,216
Public Safety	-	1,150	1,150	-
Revenue	2,263	3,348	1,714	1,634
Transportation	500	500	500	-
Treasury	22,652	12,447	8,825	3,622
Budgets/Transfers Not Recorded by Department	9,707	9,707	8,326	1,381
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	371,023	615,537	405,115	210,422
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 17,603,356	$ 17,517,766	13,750,123	$ 3,767,643
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 445,499	

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,702,064	
TOTAL REVENUES AND TRANSFERS-IN			7,702,064	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,978	$ 11,984	5,159	$ 6,825
Corrections	4,887	8,589	7,387	1,202
Education	625,920	965,998	656,101	309,897
Governor	24,093	206,468	113,770	92,698
Health Care Policy and Financing	2,542,888	2,647,959	2,591,375	56,584
Higher Education	19,015	479,964	446,478	33,486
Human Services	688,579	1,713,398	1,519,011	194,387
Judicial Branch	10,482	19,275	13,426	5,849
Labor and Employment	98,535	1,358,842	1,030,874	327,968
Law	1,500	3,252	1,878	1,374
Local Affairs	117,319	168,660	87,614	81,046
Military and Veterans Affairs	221,116	40,185	23,891	16,294
Natural Resources	22,247	77,727	39,641	38,086
Personnel & Administration	-	4,180	53	4,127
Public Health and Environment	267,070	447,288	307,853	139,435
Public Safety	29,622	102,885	46,005	56,880
Regulatory Agencies	1,195	8,280	3,084	5,196
Revenue	724	7,706	2,114	5,592
State	-	1,480	122	1,358
Transportation	845,394	732,753	616,463	116,290
Treasury	-	178,623	178,623	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,524,564	9,185,496	7,690,922	1,494,574
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,524,564	$ 9,185,496	7,690,922	$ 1,494,574
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 11,142	

The notes to the required supplementary information are an integral part of this schedule.

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,878,929	$ -	$ -	$ 57,036	$ -	$ -
Cash	4,821,683	399,630	1,882,467	151,871	481,516	2,507,645
Federal	5,265,126	174,564	615,172	32,317	-	204,488
Sub-Total Revenues and Transfers-In	17,965,738	574,194	2,497,639	241,224	481,516	2,712,133
Expenditures/Expenses and Transfers-Out						
General Funded	7,255,172	-	-	50,852	-	-
Cash Funded	4,813,771	360,471	1,965,416	325,103	652,125	2,243,514
Federally Funded	5,260,002	174,547	615,140	32,317	-	205,470
Expenditures/Expenses and Transfers-Out	17,328,945	535,018	2,580,556	408,272	652,125	2,448,984
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	636,793	39,176	(82,917)	(167,048)	(170,609)	263,149
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	4,007	(140)	(1,451)	468	(924)	6,355
Increase for Budgeted Non-GAAP Expenditures	9,142	24,292	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	148,332	(23,927)	104,377	135,589	-	(39,739)
Increase/(Decrease) for GAAP Revenue Adjustments	(143,376)	(634)	(29)	(135,589)	-	(122,136)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	654,898	38,767	19,980	(166,580)	(171,533)	107,629
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	602,847	868,500	1,203,013	219,332	365,801	1,582,479
Prior Period Adjustments (See Note 29)	(26,273)	(2,670)	-	-	485	6,690
FUND BALANCE/NET ASSETS, FISCAL YEAR END	$ 1,231,472	$ 904,597	$ 1,222,993	$ 52,752	$ 194,753	$ 1,696,798

The notes to the required supplementary information are an integral part of this schedule.

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 7,935,965
595,719	833,192	560,834	460,169	219,131	1,281,765	14,195,622
15,384	922,611	-	472,153	250	-	7,702,065
611,103	1,755,803	560,834	932,322	219,381	1,281,765	29,833,652
-	-	-	-	-	-	7,306,024
601,706	632,906	560,933	344,679	215,651	1,033,846	13,750,121
15,384	922,611	-	465,199	250	-	7,690,920
617,090	1,555,517	560,933	809,878	215,901	1,033,846	28,747,065
(5,987)	200,286	(99)	122,444	3,480	247,919	1,086,587
(99)	-	(149)	1,599	52	26,521	36,239
-	-	133	25,606	762	-	59,935
25,735	(17,945)	(1,079)	(19,325)	(2,795)	17	309,240
-	-	-	(828)	(89)	-	(402,681)
289,731	-	-	-	-	-	289,731
309,380	182,341	(1,194)	129,496	1,410	274,457	1,379,051
4,723,248	(117,908)	6,369	652,974	9,933	4,208,934	14,325,522
(4,001)	-	-	258,571	-	-	232,802
$ 5,028,627	$ 64,433	$ 5,175	$ 1,041,041	$ 11,343	$ 4,483,391	$ 15,937,375

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $687.7 million of the GAAP General Fund balance of $1,231.5 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications indicating the relative enforceability of constrains on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*, rather than the Unassigned fund balance on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 44 for information regarding the negative reversion at the Department of Revenue.)*

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,167,500	$ 2,295,400	$ 2,293,837		
Other Excise Taxes	89,000	94,000	93,897		
Individual Income Tax, net	4,272,600	4,559,800	4,633,356		
Corporate Income Tax, net	351,100	440,600	459,134		
Estate Tax	-	-	290		
Insurance Tax	207,300	194,000	197,202		
Parimutuel, Courts, and Other	20,100	24,000	25,232		
Investment Income	9,100	11,700	14,447		
Gaming	20,500	20,200	20,305		
TOTAL GENERAL PURPOSE REVENUES	7,137,200	7,639,700	7,737,700		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	5,164	5,164	5,136	$ 28	$ -
Corrections	642,804	648,950	648,171	779	8
Education	2,833,642	2,833,704	2,833,288	416	1,551
Governor	11,276	10,614	9,762	852	5,524
Health Care Policy and Financing	1,778,738	1,698,622	1,694,583	4,039	2,093
Higher Education	624,242	623,963	623,963	-	31
Human Services	618,764	619,908	611,841	8,067	4,420
Judicial Branch	345,504	338,456	336,700	1,756	134
Labor and Employment	-	-	-	-	57
Law	9,573	9,422	9,332	90	81
Legislative Branch	35,216	34,685	34,685	-	221
Local Affairs	10,450	10,473	10,448	25	325
Natural Resources	23,422	23,429	23,383	46	269
Personnel & Administration	5,240	4,118	3,979	139	385
Public Health and Environment	27,641	27,473	27,450	23	59
Public Safety	82,796	82,728	82,000	728	110
Regulatory Agencies	1,623	1,600	1,600	-	-
Revenue	157,583	159,781	165,844	(6,063)	129
State	-	-	-	-	49
Treasury	7,932	11,994	11,984	10	1
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,227,088	7,150,513	7,139,513	$ 11,000	$ 15,447
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
TOTAL ESTIMATED BUDGET	6,767,772	7,144,620	7,139,513		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	369,428	495,080	598,187		
EXCESS AUGMENTING REVENUES			15,447		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	132,700	159,300	141,231		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(49,300)	(49,300)	(48,798)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	-	-	(500)		
Transfer to State Education Fund Per C.R.S. 24-75-201.1	-	(59,000)	(59,000)		
Transfer to Colorado Economic Development Fund Per CRS 24-75-221	-	-	(4,000)		
TOTAL TRANSFERS	75,400	43,000	20,933		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	444,828	538,080	634,567		
BEGINNING GENERAL FUND SURPLUS	(22,400)	-	-		
Release of Prior Year Statutory Reserve (2.3%)	156,700	156,700	156,648		
Establish Current Year Statutory Reserve (4.0%)	(279,300)	(281,100)	(281,116)		
Release of Contractually Restricted Energy Performance Leases			10,282		
Budgeted Non-GAAP Expenditures			9,142		
GAAP Revenues/(Expenditures) Not Budgeted			(3,842)		
Contractually Restricted Energy Performance Leases			(2,219)		
Prior Period Adjustment (see Note 29)			(201)		
ENDING GENERAL FUND SURPLUS	$ 299,828	$ 413,680	523,261		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Budget			(138,192)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Budget			(85,462)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2012-13 for Budget			(1,199)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			80,600		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			15,598		
Restricted			2,219		
Committed			290,831		
Assigned			20		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 687,676		

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 118 to 120). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules. In Fiscal Year 2011-12, the Act contained Higher Education Institution appropriations of $1.6 billion of tuition and select fee revenues that were designated as informational only. These informational only appropriations are also excluded from these schedules.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2011-12, the Department of Transportation capitalized a project expenditures of $341.6 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 122) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 118 to 120) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 70 for additional information regarding the plans listed in the schedule.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2011-12	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 855,022,632	40.1%
2010-11	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
2009-10	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
2007-08	7/1/2007		$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:							
RMPR							
2011-12	1/1/2011	-	$ 28,917,402	$ 28,917,405	0.0%	$ 246,619,145	11.7%
2010-11	1/1/2011	-	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
2007-08	1/1/2007	-	$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS							
2011-12	1/1/2011	-	$ 54,685,666	$ 54,695,666	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX							
2011-12	1/1/2011	-	$ 2,751,623	$ 2,751,623	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
2009-10	1/1/2011	-	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD							
2011-12	1/1/2011	-	$ 13,058,876	$ 13,058,876	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
2009-10	1/1/2011	-	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 12,218,851	$ 12,218,851	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 10,209,899	$ 10,209,899	0.0%	N/A	N/A

[1] –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

DPA

Department of Personnel & Administration

Working Together To Serve Colorado

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APPENDIX B

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available from the sources indicated; however, some statistics are released with a significant time lag and may therefore not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State.* See also "APPENDIX C – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State capital, is the economic center of the State and the Rocky Mountain region. Approximately 55% of the State's population and 60% of its jobs are located in the Denver/Boulder metropolitan area, which is the State's hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX C – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

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Population and Age Distribution

The following table provides population figures for Colorado and the United States since the 2000 census.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	**% Change**	**Population (millions)**	**% Change**
2000	4.34		282.16	
2001	4.44	2.4%	284.97	1.0%
2002	4.50	1.4%	287.63	0.9%
2003	4.56	1.1%	290.11	0.9%
2004	4.61	1.2%	292.81	0.9%
2005	4.66	1.2%	295.52	0.9%
2006	4.75	1.8%	298.38	1.0%
2007	4.82	1.6%	301.23	1.0%
2008	4.90	1.7%	304.09	1.0%
2009	4.98	1.5%	306.77	0.9%
2010	5.05	1.5%	309.33	0.8%
2011	5.12	1.4%	311.59	0.7%

Note: Figures for 2000 through 2010 are estimates. The U.S. 2011 count is an estimate, and the 2011 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the State's population and the population nationwide.

Age Distribution as of July 1, 2011

	Colorado		United States	
	Population (millions)	**% of total**	**Population (millions)**	**% of total**
Under 18	1.24	24.1%	73.93	23.7%
18 to 24	0.49	9.6%	31.06	10.0%
25 to 44	1.45	28.3%	82.42	26.5%
45 to 64	1.36	26.6%	82.78	26.6%
65+	0.58	11.3%	41.39	13.3%
Total	5.12	100.0%	311.59	100.0%
Median Age	36.3		37.3	

Note: Totals may not add due to rounding.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	**% Change**	**Income**	**% Change**	**Income**	**% Change**
2007	$42,724		$38,064		$39,506	
2008	$44,180	3.4%	$39,469	3.7%	$40,947	3.6%
2009	$41,388	-6.3%	$36,917	-6.5%	$38,846	-5.1%
2010	$42,295	2.2%	$37,807	2.4%	$39,937	2.8%
2011	$44,088	4.2%	$39,420	4.3%	$41,663	4.3%

[1]Per capita personal income is total personal income divided by the July 1 population estimate.
[2]The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.
Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides total employment, labor force, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2007	2,698.6		2,598.4		3.7%	4.6%
2008	2,737.3	1.4%	2,605.5	0.3%	4.8%	5.8%
2009	2,727.6	-0.4%	2,501.8	-4.0%	8.3%	9.3%
2010	2,687.4	-1.5%	2,447.7	-2.2%	8.9%	9.6%
2011	2,723.0	1.3%	2,497.3	2.0%	8.3%	8.9%
Year-to-date averages through April:						
2011	2,703.7		2,466.0		8.8%	9.3%
2012	2,710.4	0.2%	2,488.2	0.9%	8.2%	8.4%

[1]Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.
Sources: Colorado Department of Labor and Employment, Local Area Unemployment Statistics; U.S. Bureau of Labor Statistics.

The following table shows Colorado employment by industry from 2007 to fourth quarter 2011. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Number of Employees by Industry

Industry	2007	2008	2009	2010	2011	Year-to-Date 2010Q4	Year-to-Date 2011Q4	Year-to-Date % Change
Private Sector								
Agriculture, Forestry, Fishing, and	14,550	14,087	13,737	13,670	14,015	13,209	13,808	4.5%
Mining	25,019	28,335	24,004	24,232	27,789	25,500	29,584	16.0%
Utilities	7,950	8,221	8,404	8,266	8,138	8,256	8,115	-1.7%
Construction	167,717	161,814	131,001	115,111	112,232	115,655	114,826	-0.7%
Manufacturing	146,737	144,157	129,635	125,499	129,165	126,902	130,614	2.9%
Wholesale Trade	99,394	100,144	93,275	90,853	92,192	91,388	93,001	1.8%
Retail Trade	253,590	252,691	238,417	236,726	239,985	241,836	246,693	2.0%
Transportation and Warehousing	64,063	63,635	59,072	57,134	57,863	58,464	59,048	1.0%
Information	76,197	76,963	74,679	71,694	71,950	71,633	71,946	0.4%
Finance and Insurance	108,018	104,926	100,856	98,229	98,056	98,186	98,575	0.4%
Real Estate and Rental and Leasing	47,861	46,874	42,930	41,348	41,194	41,180	41,390	0.5%
Professional and Technical Services	170,603	176,440	169,561	167,505	172,096	169,313	174,700	3.2%
Management of Companies and	28,407	28,652	28,550	28,818	29,914	29,149	30,131	3.4%
Administrative and Waste Services	149,081	146,446	132,028	133,522	137,331	134,777	139,404	3.4%
Educational Services	26,975	27,701	28,049	28,979	30,145	29,662	31,278	5.4%
Health Care and Social Assistance	210,529	219,879	225,933	232,262	239,967	236,135	243,420	3.1%
Arts, Entertainment, and Recreation	44,627	45,656	44,555	44,621	45,564	42,041	43,193	2.7%
Accommodation and Food Services	225,787	227,251	217,785	217,976	225,702	217,415	224,452	3.2%
Other Services	67,043	68,503	65,701	65,278	66,134	64,943	65,966	1.6%
Unclassified	485	779	761	434	492	793	659	-16.9%
Government	358,016	367,712	372,472	374,911	373,154	376,676	375,935	-0.2%
Total*	**2,292,649**	**2,310,868**	**2,201,406**	**2,177,069**	**2,213,075**	**2,193,112**	**2,236,737**	**2.0%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado as of 2011. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado (2011)

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,900
The Kroger Co. (King Soopers/City Market)	Supermarkets	18,500
Centura Health	Healthcare	12,500
HCA - HealthONE LLC	Healthcare	10,300
Safeway Inc	Supermarkets	9,500
Lockheed Martin	Aerospace & Defense Related Systems	8,800
CenturyLink	Telecommunications	7,900
Exempla Healthcare	Healthcare	7,300
Target Corporation	General Merchandise	7,100
Wells Fargo	Banking/Financial Services	6,300
Home Depot	Building Materials Retailer	6,200
Kaiser Foundation Health Plan of Colorado	Health Maintenance Organization	6,200
University of Denver	Private University	5,900
DISH Network LLC	Satellite TV & Equipment	5,000
Comcast Corporation	Telecommunications	5,000
United Airlines	Air Transportation	4,600
Oracle Corporation	Software & Network Computer Systems	4,400
University of Colorado Hospital[2]	Healthcare, Research	4,400
The Children's Hospital	Healthcare	4,400
IBM Corporation	Computer Systems & Services	4,200
Xcel Energy	Utility	3,700
Lowe's	Building Materials Retailer	3,700
United Parcel Service	Delivery Services	3,600
Vail Resorts	Leisure & Hospitality	3,600
Ball Corp	Containers, Aerospace	3,500
Frontier Airlines	Air Transportation	3,400

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for the University of Colorado System (next table).
Source: Compiled by Development Research Partners from various sources, May 2012.

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The following table shows the largest public sector employers in Colorado as of 2011.

Estimated Largest Public Sector Employers in Colorado (2011)

Employer	Estimated Employees[1]
Federal Government	40,000
State of Colorado	33,500
University of Colorado System[2]	16,100
Denver Public Schools	13,100
Jefferson County Public Schools	11,700
City and County of Denver	10,900
US Postal Service	8,650
Cherry Creek School District No 5	7,800
Douglas County School District RE-1	7,100
Colorado State University	6,600
Denver Health	5,500
Adams 12 Five Star Schools	5,000
Colorado Springs School District 11	5,000
Aurora Public Schools	5,000
Colorado Springs Memorial Hospital	4,100
Boulder Valley School District RE-2	4,000
Poudre School District R-1	3,900
St. Vrain Valley School District RE-1J	3,900
City of Aurora	3,400
Mesa County Valley School District 51	3,400
Academy Schools District No 20	3,200
Jefferson County	2,800
Thompson School District R2J	2,700
City of Colorado Springs	2,500
Greeley School District No 6	2,400

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for the University of Colorado Hospital (previous table).
Source: Compiled by Development Research Partners from various sources, May 2012.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	% Change	Amount (billions)	% Change
2007	$202.84		$148.91	
2008	$212.88	4.9%	$152.81	2.6%
2009	$184.56	-13.3%	$134.17	-12.2%
2010	$197.17	6.8%	$144.85	8.0%
2011	$209.34	6.2%	$154.17	6.4%
Year-to-date totals through February:				
2011	$26.76		$21.05	
2012	$28.71	7.3%	$22.59	7.3%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year[1]

Industry	2007	% Change	2008	% Change	2009	% Change	2010	% Change	2011	% Change	Year-to-date totals through February 2011	2012	% Change
Agriculture/Forestry/Fishing	341.1	12.5%	303.8	-10.9%	284.4	-6.4%	334.9	17.8%	376.9	12.5%	22.2	28.2	27.2%
Mining	2,955.1	31.9%	3,414.2	15.5%	2,226.6	-34.8%	2,531.1	13.7%	3,278.4	29.5%	372.9	527.6	41.5%
Utilities	6,312.3	15.7%	7,094.1	12.4%	6,706.0	-5.5%	10,371.8	54.7%	8,464.5	-18.4%	1,422.0	1,397.6	-1.7%
Construction	3,684.8	12.9%	3,770.0	2.3%	2,807.3	-25.5%	2,756.3	-1.8%	2,749.0	-0.3%	304.4	315.0	3.5%
Manufacturing	11,400.6	12.9%	11,757.8	3.1%	9,220.0	-21.6%	10,423.4	13.1%	14,625.0	40.3%	1,947.7	2,379.9	22.2%
Wholesale Trade	14,493.5	15.2%	14,491.1	0.0%	11,891.4	-17.9%	12,422.0	4.5%	13,076.8	5.3%	1,564.0	1,556.8	-0.5%
Retail Trade													
Motor Vehicle and Auto Parts	14,182.4	6.9%	12,156.8	-14.3%	10,254.5	-15.6%	11,293.5	10.1%	13,029.2	15.4%	1,829.1	2,035.0	11.3%
Furniture and Furnishings	2,573.8	3.7%	2,353.2	-8.6%	1,893.8	-19.5%	1,901.0	0.4%	2,020.9	6.3%	283.5	329.0	16.1%
Electronics and Appliances	2,304.7	11.1%	2,244.0	-2.6%	1,982.7	-11.6%	2,116.8	6.8%	2,335.2	10.3%	357.9	319.1	-10.8%
Building Materials/Nurseries	5,766.4	-0.9%	5,281.0	-8.4%	4,202.7	-20.4%	4,388.6	4.4%	4,556.3	3.8%	517.3	565.8	9.4%
Food/Beverage Stores	12,095.1	9.3%	12,927.4	6.9%	12,557.6	-2.9%	13,363.7	6.4%	14,242.5	6.6%	2,056.7	2,233.6	8.6%
Health and Personal Care	2,139.1	8.1%	2,268.8	6.1%	2,350.2	3.6%	2,529.7	7.6%	2,678.3	5.9%	379.1	383.9	1.3%
Gas Stations	5,230.0	7.2%	5,764.6	10.2%	4,002.1	-30.6%	4,693.2	17.3%	5,752.9	22.6%	751.5	833.3	10.9%
Clothing and Accessories	3,185.4	11.0%	3,108.1	-2.4%	2,892.9	-6.9%	3,118.0	7.8%	3,319.7	6.5%	440.8	459.6	4.3%
Sporting/Hobby/Books/Music	2,692.2	5.7%	2,579.4	-4.2%	2,367.6	-8.2%	2,487.2	5.1%	2,624.5	5.5%	392.5	388.3	-1.1%
General Merchandise/Warehouse	10,997.6	6.7%	11,334.9	3.1%	10,973.6	-3.2%	11,091.0	1.1%	11,718.3	5.7%	1,639.5	1,721.4	5.0%
Misc Store Retailers	2,450.4	1.9%	2,364.4	-3.5%	2,204.6	-6.8%	2,448.6	11.1%	3,077.1	25.7%	365.8	452.7	23.7%
Non-Store Retailers	3,715.0	12.6%	4,299.7	15.7%	2,794.2	-35.0%	2,337.7	-16.3%	1,466.5	-37.3%	254.1	231.7	-8.8%
Total Retail Trade	**67,332.1**	**6.9%**	**66,682.2**	**-1.0%**	**58,476.5**	**-12.3%**	**61,769.0**	**5.6%**	**66,821.4**	**8.2%**	**9,267.6**	**9,953.4**	**7.4%**
Transportation/Warehouse	829.4	-6.5%	756.2	-8.8%	585.7	-22.5%	527.2	-10.0%	541.4	2.7%	64.2	83.7	30.3%
Information	6,232.2	7.4%	6,983.6	12.1%	7,044.4	0.9%	6,889.5	-2.2%	6,270.4	-9.0%	873.4	935.8	7.1%
Finance/Insurance	2,299.9	8.5%	3,085.9	34.2%	2,845.4	-7.8%	3,207.1	12.7%	3,034.5	-5.4%	318.2	384.0	20.7%
Real Estate/Rental/Lease	3,647.3	7.5%	3,607.7	-1.1%	2,903.0	-19.5%	2,915.8	0.4%	3,152.9	8.1%	470.7	510.2	8.4%
Professional/Scientific/Technical	6,623.3	9.2%	6,861.0	3.6%	6,059.6	-11.7%	6,553.9	8.2%	6,486.6	-1.0%	786.9	745.8	-5.2%
Admin/Support/Waste/Remediation	1,745.7	21.0%	1,955.5	12.0%	1,794.7	-8.2%	1,823.3	1.6%	1,889.7	3.6%	215.3	198.7	-7.7%
Education	425.1	9.2%	461.6	8.6%	421.8	-8.6%	480.0	13.8%	488.1	1.7%	67.0	57.8	-13.7%
Health Care/Social Assistance	4,563.1	16.3%	5,275.3	15.6%	5,740.5	8.8%	6,000.9	4.5%	6,147.7	2.4%	876.3	905.9	3.4%
Arts/Entertainment/Recreation	952.6	7.0%	971.5	2.0%	903.8	-7.0%	955.4	5.7%	980.2	2.6%	137.8	144.1	4.6%
Accommodation	2,904.8	11.7%	3,033.8	4.4%	2,566.9	-15.4%	2,719.6	5.9%	2,990.2	9.9%	480.1	493.7	2.8%
Food/Drinking Services	8,042.5	8.0%	8,229.0	2.3%	7,976.5	-3.1%	8,333.4	4.5%	8,824.3	5.9%	1,345.1	1,443.1	7.3%
Other Services	3,825.9	9.9%	3,825.2	0.0%	3,472.6	-9.2%	3,569.1	2.8%	3,700.3	3.7%	479.3	495.1	3.3%
Government	299.3	-7.3%	249.6	-16.6%	241.6	-3.2%	263.6	9.1%	267.7	1.6%	33.9	32.1	-5.2%
Total All Industries	**148,910.8**	**9.7%**	**152,809.2**	**2.6%**	**134,168.7**	**-12.2%**	**144,847.3**	**8.0%**	**154,166.0**	**6.4%**	**21,048.9**	**22,588.5**	**7.3%**

[1]Some sales data are suppressed to protect confidentiality, so percentage changes reported may vary from the actual change that occurred in a given year.
Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		Conventions[2] *Conventions*		*Delegates*		*Spending*		Skier Visits[3]	
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2007	5.64		75		215.4		$429.1		12.57	
2008	5.45	-3.3%	75	0.0%	293.4	36.2%	$584.5	36.2%	12.54	-0.2%
2009	5.51	1.1%	66	-12.0%	244.7	-16.6%	$487.4	-16.6%	11.86	-5.5%
2010	5.70	3.4%	75	13.6%	267.6	9.4%	$533.1	9.4%	11.86	0.1%
2011	5.89	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%

[1]Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[2]Includes only those conventions held at the Colorado Convention Center.
[3]Count of skier visits for the season ending in the referenced year.
Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2007	20,516	448	411	8,079	29,454	
2008	11,147	290	181	7,380	18,998	-35.5%
2009	7,261	142	93	1,859	9,355	-50.8%
2010	8,790	276	136	2,389	11,591	23.9%
2011	8,723	266	127	4,386	13,502	16.5%
Year-to-date totals through April:						
2011	2,627	96	20	887	3,630	
2012	3,398	78	49	2,477	6,002	
% change	*29.3%*	*-18.8%*	*145.0%*	*179.3%*	*65.3%*	

Source: U.S. Census Bureau.

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2007	39,920		25,054	
2008	39,333	-1.5%	21,306	-15.0%
2009	46,394	18.0%	20,437	-4.1%
2010	42,692	-8.0%	23,891	16.9%
2011	31,878	-25.3%	19,622	-17.9%
Year-to-date totals through first quarter:				
2011	8,079		5,605	
2012	7,783	-3.7%	4,221	-24.7%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Note: Various foreclosure moratoria were enacted in late 2008 and early 2009. As a result, filing and sales activity during those periods may appear inconsistent with activity in other periods. Over-the-year percentage changes should be interpreted with caution.
Source: Colorado Division of Housing.

APPENDIX C

THE STATE GENERAL FUND

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2010-11 CAFR as the General Purpose Revenue Fund.

The State Resolution requires that if on June 26, 2013, the amount credited to the Principal Subaccount of the Series 2012-13 Notes Repayment Account is less than the principal amount of the Series 2012B Notes, the Series 2012C Notes and any Parity Lien Notes, the State Treasurer is to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The ability of the State Treasurer to use Current General Fund Revenues that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2012-13, including, without limitation, the State Series 2012A General Fund Notes. See "THE SERIES 2012C NOTES – Security and Sources of Payment – *The Series 2012-13 Notes Repayment Account*" and "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS."

General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as estate taxes, insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2012-13 and 2013-14. See also "OSPB Revenue and Economic Forecasts" below and the inside cover of this Official Statement regarding forward-looking statements.

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State of Colorado
General Fund Revenue Sources
(Accrual basis; dollar amounts expressed in millions)

	Actual (Unaudited) [1]										OSPB September 2012 Revenue Forecast			
	Fiscal Year 2007-08		Fiscal Year 2008-09		Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14	
Revenue Source	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Excise Taxes:														
Sales Tax[2]	$2,126.6	4.9%	$1,931.1	(9.2)%	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,132.9	1.9%	$2,192.3	2.8%
Use Tax[2]	191.3	5.3	176.7	(7.6)	155.7	(11.9)	190.1	22.0	200.3	5.4	207.4	3.6	218.5	5.4
	2,317.9	4.9	2,107.8	(9.1)	1,980.7	(6.0)	2,233.6	12.8	2,293.5	2.7	2,340.3	2.0	2,410.8	3.0
Cigarette Tax	45.2	(4.0)	43.5	(3.9)	40.8	(6.0)	39.3	(3.8)	39.5	0.5	36.4	(7.8)	35.5	(2.5)
Tobacco Products[3]	12.4	(4.2)	13.2	(5.9)	16.1	22.4	13.8	(14.2)	16.0	16.1	16.9	5.4	16.4	(2.7)
Liquor Tax	35.7	5.0	35.0	(2.0)	35.4	1.3	36.4	2.8	38.4	5.3	39.6	3.3	40.2	1.5
	93.3	(0.9)	91.7	(1.7)	92.3	0.7	89.5	(3.0)	93.9	4.9	92.8	(1.2)	92.1	(0.8)
Total Excise Taxes	2,411.1	4.7	2,199.4	(8.8)	2,073.1	(5.7)	2,323.1	12.1	2,387.4	2.8	2,433.3	1.9	2,503.0	2.9
Income Taxes:														
Net Individual Income Tax	4,973.7	2.1	4,333.3	(12.9)	4,083.8	(5.8)	4,496.1	10.1	5,011.7	11.5	5,109.7	2.0	5,149.6	0.8
Net Corporate Income Tax	507.9	2.0	292.5	(42.4)	372.1	27.2	393.9	5.9	488.3	24.0	523.2	7.1	563.4	7.7
Total Income Taxes	5,481.6	2.1	4,625.8	(15.6)	4,455.9	(3.7)	4,890.0	9.7	5,500.0	12.5	5,632.9	2.4	5,713.0	1.4
Less State Education Fund Diversion[4]	(407.9)	3.2	(339.9)	(16.7)	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(417.5)	2.4	(425.2)	1.9
Total Income Taxes to the General Fund	5,073.7	2.0	4,285.9	(15.5)	4,126.9	(3.7)	4,519.5	9.5	5,092.5	12.7	5,215.5	2.4	5,287.8	1.4
Other Revenues:														
Estate	0.2	(76.7)	0.0	(87.4)	0.2	700	(0.1)	(127.2)	(0.3)	(680.0)	45.0	15,417.2	94.0	108.9
Insurance	188.3	5.0	192.4	(2.2)	186.9	(2.9)	189.7	1.5	197.2	4.0	204.7	3.8	203.0	(0.9)
Interest Income	17.9	(36.4)	9.4	(47.8)	10.1	7.7	7.9	(21.6)	14.4	82.7	13.8	(4.3)	15.5	12.4
Pari-Mutuel	2.7	(8.7)	0.5	(83.1)	0.5	17.0	0.5	(0.6)	0.6	14.4	0.5	(25.6)	0.4	(3.0)
Court Receipts	29.6	3.0	24.1	(18.6)	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	0.9	(67.1)	0.3	(70.6)
Gaming	0.0	(100.0)	2.8	N/A	16.2	476.3	20.4	25.9	20.3	(0.5)	20.4	0.6	20.4	(0.1)
Other Income	19.3	21.5	28.3	46.2	26.2	(7.4)	21.2	(18.8)	21.6	1.7	21.8	0.8	22.7	4.2
Total Other	258.1	(1.7)	257.4	(0.2)	257.7	0.1	243.2	(5.6)	257.0	5.7	307.1	19.5	356.3	16.0
Gross General Fund	**$7,742.9**	**2.7%**	**$6,742.7**	**(12.9)%**	**$6,457.7**	**(4.2)%**	**$7,085.8**	**9.7%**	**$7,736.9**	**9.2%**	**$7,955.7**	**2.8%**	**$8,147.1**	**2.4%**

[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

[2] For Fiscal Years 2007-08 and 2008-09, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues were sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10 and thereafter. The full amount of sales and use taxes collected is reported in this table although the amount diverted to the Highway Users Tax Fund is deducted from available revenues in the table under the heading "General Fund Overview" hereafter.

[3] In 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20 percentage points and increased the tax on cigarettes by $0.64 per pack beginning in 2005. This caused a decline in sales of cigarettes and other tobacco products which in turn contributed to the decline in tobacco and cigarette tax revenues in Fiscal Year 2006-07 and thereafter. The additional revenues generated by the tax are TABOR exempt. Therefore, while TABOR exempt cash collections increased as a result of the additional tax, General Fund revenues declined as the number of cigarette and other tobacco products purchased decreased. The additional cash collections are deposited to the Tobacco Tax Cash Fund created by Amendment 35.

[4] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – *Amendment 23*," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – *State Education Fund*" and Note 14 to the General Fund Overview table in "General Fund Overview" hereafter.

Source: Office of State Planning and Budgeting

General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2007-08 through Fiscal Year 2011-12 and the forecasts for Fiscal Years 2012-13 and 2013-14 from the OSPB September 2012 Revenue Forecast. The overview incorporates the budget under current law for Fiscal Year 2012-13. The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2007-08 through 2013-14

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Preliminary Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUE:							
Beginning Reserve	$ 267.0	$ 283.5	$ 443.3	$ 137.4	$156.7	$804.4	$297.5
Gross General Fund Revenue	7,742.9	6,742.7	6,457.7	7,085.0	7,736.9	7,955.7	8,147.1
Diversion to the Highway Users Tax Fund [2]	(238.1)	--	--	--	--	--	--
Net Transfers to (from) the General Fund [2,3]	(5.0)	811.5	(39.6)	158.1	138.0	(2.5)	0.6
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,766.9	7,837.7	6,861.5	7,381.2	8,031.6	8,757.6	8,445.2
EXPENDITURES:							
Appropriation Subject to Limit [4]	7,087.8	7,387.1	6,631.6	6,811.1	7,027.8	7,438.1	7,809.4
Appropriations Change From Prior Year	412.3	299.3	(755.5)	179.5	216.7	410.3	371.4
Percent Change From Prior Year	6.2%	4.2%	(10.2)%	2.7%	3.2%	5.8%	5.0%
Exemptions to the Appropriations Limit [5]	31.9	12.2	--	12.0	--	--	--
Spending Outside the Appropriations Limit:	320.2	210.6	84.5	139.0	184.3	304.8	323.4
TABOR Refund	--	--	--	--	--	--	--
Rebates and Expenditures [6]	173.8	136.0	141.9	126.0	133.2	146.3	154.0
Homestead Exemption [7]	79.8	85.6	1.3	1.6	1.8	97.6	105.2
Transfer to Capital Construction Fund	93.7	24.9	0.2	12.0	49.3	61.0	64.1
Reversions and Accounting Adjustments	(27.1)	(36.0)	(56.2)	(38.6)	(43.9)	--	--
Enhanced Medicaid Match (Reduces General Fund Expenditures) [8]	--	(223.9)	(2.7)	(0.5)	--	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,439.9	7,395.8	6,716.0	6,921.4	7,168.2	7,742.9	8,132.8
RESERVES							
Year-End General Fund Balance	327.0	443.8	137.4	451.1	863.4	1,014.7	312.4
Year-End Excess General Fund Balance as a Percent of Appropriations	4.6%	2.0%	2.1%	6.6%	12.3%	13.6%	4.0%
General Fund Statutory Reserve [9]	283.5	148.2	132.6	156.7	281.1	297.5	312.4
Money Above (Below) Statutory Reserve	43.4	295.5	4.8	294.4 [10]	582.3	717.1	--
Transfer to Highway Users Tax Fund (2/3)	29.0	--	--	--	--	--	--
Transfer to Capital Construction Fund (1/3)	14.5	--	--	--	--	--	--
Note: Deposit to the State Education Fund [10,11]	407.9	339.9	329.0	370.5	638.5	476.5	1,142.4

[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

[2] For Fiscal Years 2007-08 and 2008-09, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues were sufficient to fund appropriations and maintain the Unappropriated Reserve. The scheduled diversion to the Highway Users Tax Fund in Fiscal Year 2008-09, in the amount of $217.8 million, was re-directed to the General Fund and is included in the Net Transfers to the (from) the General Fund line item. This diversion requirement was repealed by SB 09-228 beginning with Fiscal Year 2009-10.

[3] This figure represents the total net transfers to or from the General Fund, including statutorily required transfers into the General Fund from various cash funds.

[4] Per SB 09-228, for Fiscal Year 2009-10 and subsequent Fiscal Years, this appropriation limit was revised from the lesser of (i) 5% of Colorado Personal Income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year, to just 5% of Colorado Personal Income.

[5] In Fiscal Years 2007-08, 2008-09 and 2010-11, totals of $31.9 million, $12.2 million and $12.0 million, respectively, are not subject to the appropriations limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but are used as the base for calculating the following year's appropriations limit. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures; The Balanced Budget and Statutory Spending Limitation*." Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line.

[6] This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions.

[Notes continued on next page]

[7] The senior homestead exemption property tax credit was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Ad Valorem Property Taxation Procedure – *Homestead Exemption*."

[8] The table reflects the infusion of federal stimulus funding for Federal Medical Assistance Percentage ("FMAP") in Fiscal Years 2008-09 through 2010-11. For Fiscal Years 2009-10 and 2010-11, General Fund expenditure offsets due to FMAP are predominantly included in the "General Fund Appropriations Subject to the Appropriations Limit" line item.

[9] Per SB 09-219 and SB 09-277, the Unappropriated Reserve required by Section 24-75-201.1, C.R.S., was lowered from 4.0% to 2.0% for Fiscal Years 2008-09 and 2009-10, and per SB 11-156, the Unappropriated Reserve requirement was 2.3% for Fiscal Year 2010-11. The Unappropriated Reserve requirement reverted to 4.0% beginning with Fiscal Year 2011-12. Current law requires the reserve to increase to 4.5% when personal income is projected to increase by more than 5%. This is not projected to occur until 2014, which would trigger the reserve increase in Fiscal Year 2015-16. The reserve is further required to increase by 0.5 percentage points each year thereafter until it reaches 6.5% of appropriations.

[10] Per SB 11-156, for Fiscal Year 2010-11, any surplus above the 2.3% Unappropriated Reserve requirement was credited to the State Education Fund, and per SB 11-230, for Fiscal Year 2010-11, the amount by which the estimate of Fiscal Year 2010-11 General Fund revenue forecast in the OSPB June 2011 Revenue Forecast exceeded the amount forecast by OSPB in its March 2011 revenue forecast, up to $67.5 million, was transferred to the State Public School Fund, and the balance of $221.4 million was credited to the State Education Fund. Per HB 12-1338, $59.0 million of the Fiscal Year 2011-12 excess amount and all of the Fiscal Year 2012-13 excess amount is transferred to the State Education Fund. After the $59 million transfer, the remaining amount of the Fiscal Year 2011-12 surplus is carried forward and becomes part of the beginning Fiscal Year 2012-13 balance. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – Revenues and Unappropriated Amounts."

[11] Amendment 23 mandates that, effective January 1, 2001, an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited to the State Education Fund. See also Note 10 above. In Fiscal Year 2011-12, the State Education Fund also received $221.4 million of the Fiscal Year 2010-11 Excess Reserve and approximately $9.6 million from the tax amnesty program created by SB 11-184. In Fiscal Year 2012-13, the State Education Fund is to receive $59 million of the Fiscal Year 2011-12 excess reserves. Under current law, in Fiscal Year 2013-14 the State Education Fund is to receive all of the Fiscal Year 2012-13 excess reserves, or a projected $717.1 million.

Source: Office of State Planning and Budgeting

Discussion of Recent General Fund Operations

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" below.

Fiscal Year 2011-12 (Preliminary Unaudited). The following information is taken from the OSPB September 2012 Revenue Forecast and was based on unaudited preliminary figures.

General Fund revenues increased by 9.2% in Fiscal year 2011-12 compared to an increase of 9.7% in Fiscal Year 2010-11. In Fiscal Year 2011-12, sales and use tax revenues increased by 2.7% compared to an increase of 12.8% in Fiscal Year 2010-11. Corporate and individual income tax collections increased 12.5% compared to an increase of 9.7% in Fiscal Year 2010-11. Other excise tax revenues increased 4.9% compared to a decrease of 3.0% in Fiscal Year 2010-11. Other revenues increased 5.7% in Fiscal Year 2011-12 compared to a decrease of 5.6% in Fiscal Year 2010-11. Total funds available for expenditure in Fiscal Year 2011-12 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $8,031.6 million and total obligations were $7,168.2 million. In accordance with Amendment 23 and other State laws, $638.5 million was credited to the State Education Fund. The Unappropriated Reserve was $281.1 million. As permitted by SB 09-277, the Unappropriated Reserve was 4.0% of Fiscal Year appropriations.

Fiscal Year 2010-11. General Fund revenues increased by 9.7% in Fiscal Year 2010-11 compared to a decline of 4.2% in Fiscal Year 2009-10. In Fiscal Year 2010-11, sales and use tax revenues increased by 12.8% compared to a decrease of 6.0% in Fiscal Year 2009-10. Other excise tax revenues decreased 3.0% compared to an increase of 0.7% in Fiscal Year 2009-10. Corporate and individual income tax collections increased 9.7% compared to a decrease of 3.7% in Fiscal Year 2009-10. Other revenues declined 5.6% in Fiscal Year 2010-11 compared to an increase of 0.1% in Fiscal Year 2009-10. Total funds available for expenditure in Fiscal Year 2010-11 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $7,381.2 million and total obligations were $6,935.7 million. In accordance with Amendment 23, $370.5 million was credited to the State Education Fund. The Unappropriated Reserve was $156.7 million. As permitted by SB 09-277, the Unappropriated Reserve was 2.3% of Fiscal Year appropriations.

Fiscal Year 2009-10. General Fund revenues declined by 4.2% in Fiscal Year 2009-10 compared to a decline of 12.9% in Fiscal Year 2008-09. In Fiscal Year 2009-10, sales and use tax revenues decreased by 6.0% compared to a decrease of 9.1% in Fiscal Year 2008-09. Other excise tax revenues increased 0.7% compared to a decline of 1.7% in Fiscal Year 2008-09. Corporate and individual income tax collections decreased 3.7% compared to a decrease of 15.6% in Fiscal Year 2008-09. Other revenues increased 0.1% in Fiscal Year 2009-10 compared to a decline of 0.2% in Fiscal Year 2008-09. Total funds available for expenditure in Fiscal Year 2009-10 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into or out of the General Fund) were $6,861.5 million and total obligations were $6,724.1 million. In accordance with Amendment 23, $329.0 million was credited to the State Education Fund. The General Fund statutory reserve was $132.6 million. As permitted by SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

Fiscal Year 2008-09. General Fund revenues decreased by 12.9% in Fiscal Year 2008-09 compared to an increase of 2.7% in Fiscal Year 2007-08. In Fiscal Year 2008-09, sales and use tax revenue decreased by 9.1% compared to an increase of 4.9% in Fiscal Year 2007-08. Other excise tax revenue declined 1.7% compared to a decline of 0.9% in Fiscal Year 2007-08. Corporate and individual income tax collections decreased 15.6% in Fiscal Year 2008-09 compared to an increase of 2.1% in Fiscal Year 2007-08. Other revenues declined 0.2% in Fiscal Year 2008-09 compared to a decline of 1.7% in Fiscal Year 2007-08. Total funds available for expenditure in Fiscal Year 2008-09 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into or out of the General Fund) were $7,837.7 million and total obligations were $7,309.4 million. In accordance with Amendment 23, $339.9 million was credited to the State Education Fund. The General Fund statutory reserve was $148.2 million. Per SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

Fiscal Year 2007-08. General Fund revenues increased by 2.7% in Fiscal Year 2007-08 compared to an increase of 8.3% in Fiscal Year 2006-07. In Fiscal Year 2007-08, sales and use tax revenues increased by 4.9% compared to an increase of 4.1% in Fiscal Year 2006-07. Other excise tax revenue declined by 0.9% in Fiscal Year 2007-08 compared to an increase of 2.0% in Fiscal Year 2006-07. Corporate and individual income tax collections increased by 2.1% in Fiscal Year 2007-08 compared to an increase of 11.3% in Fiscal Year 2006-07. Other revenues declined by 1.7% in Fiscal Year 2007-08 compared to a decline of 7.2% in Fiscal Year 2006-07. Total available funds for Fiscal Year 2007-08 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into or out of the General Fund) were $7,766.9 million and total obligations were $7,439.9 million. In accordance with Amendment 23, $407.9 million was transferred to the State Education Fund, and in accordance with SB 97-1, $238.1 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $327.0 million, which was allocated as follows: $283.5 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the amount in excess of the 4% Unappropriated Reserve ($29.0 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($14.5 million) was transferred to the Capital Construction Fund.

Revenue Estimation

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. The General Assembly is required to certify to the State Controller by February 1st of each year the revenue estimate for the next Fiscal Year, taking into consideration the estimates of the OSPB and the staff of the Colorado Legislative Council. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast was provided by Moody's Economy.com for the OSPB September 2012 Revenue Forecast. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released on December 20, 2012. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2012 Revenue Forecast if economic conditions change markedly. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast, and in some cases have been significantly lower or higher than the immediately preceding forecast. Such volatility may be reflected in the December 2012 forecast. If a revenue shortfall is projected for Fiscal Year 2012-13 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. A cash shortfall in Fiscal Year 2012-13 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2012-13 Notes Repayment Account on June 26, 2013. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS."

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2012-13 through 2014-15. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts. The most recent OSPB Revenue Forecast was issued on September 20, 2012, and is summarized below.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also the inside cover of this Official Statement regarding forward looking statements.

Revenue Forecast and General Fund Budget. The OSPB quarterly revenue forecasts include projections of General Fund revenues available for spending, General Fund spending levels and end-of-year reserves through the forecast period. See "General Fund Overview" above.

For Fiscal Year 2012-13, General Fund appropriations subject to limitation under Section 24-75-201.1, C.R.S. are $7,438.1 million, an increase of 5.8% over Fiscal Year 2011-12 appropriations of $7,027.8 million. Total General Fund revenues available for expenditure (which includes beginning reserves, revenues and the net incoming and outgoing transfers) are projected to exceed total General Fund obligations (which includes appropriations that are subject to the statutory limit plus expenditures that are exempt from the limit, adjustments to appropriations and authorized spending outside of the limit) and result in a year end fund balance of $1,014.7 million and reserves of $717.1 million above the current 4.0% Unappropriated Reserve requirement. Per HB 12-1338, all of the Fiscal Year 2012-13 excess reserves are required to be transferred to the State Education Fund.

A budget for Fiscal Year 2013-14 has not yet been adopted. The Governor released a Fiscal Year 2013-14 budget request on November 1, 2012. Pursuant to the OSPB September 2012 Revenue Forecast and current law, Fiscal Year 2012-13 budget General Fund appropriations subject to limitation under Section 24-75-201.1, C.R.S., may grow 5.0% to $7,809.4 million in Fiscal Year 2013-14 while maintaining the required 4.0% reserve amount. This figure is subject to change based on updates to the revenue forecast and future budget actions.

See also "General Fund Overview" above.

Economic Conditions and Forecast. The OSPB quarterly revenue forecasts also include a discussion of current economic conditions and forecasts of both the Colorado and national economies. The following generally restates the economic forecast from the OSPB September 2012 Revenue Forecast.

Summary. OSPB's assessment of the economy and its future path remain essentially unchanged from recent forecasts. Recent national data on jobs, business spending, exports, and manufacturing show that the economy has slowed from earlier in the year. The global economy is also slowing. Due to these trends and the persistent factors weighing on growth, OSPB expects the slowdown, though not significant, to continue into 2013. Colorado is enduring the same challenges as the nation. However, economic indicators continue to show that the State has been building a better economic foundation and is outperforming many other States.

Several uncertainties and risks remain which make gauging the future performance of the economy especially challenging. The ongoing European economic and financial distress as well as the nation's possible impending federal tax increases and spending cuts are downside risks. Because Colorado has a large concentration of aerospace and defense workers, the State may be impacted more than many other States from federal defense cuts. Higher oil and food prices, which are facing upward pressure due to tensions in the Middle East and the nationwide drought, are also risks.

There is also the potential that the economy will perform better than forecast. A more satisfactory resolution of Europe's challenges and an agreement on federal fiscal issues will reduce uncertainty and help bolster the economy. Further, the Federal Reserve's recent significant shift in policy could boost growth. The policy includes a new open-ended asset buying program and guidance that monetary policy will remain accommodative even after the recovery strengthens. These policies could bolster the economy through raising expectations for growth, thus spurring more economic activity and money circulating in the economy. Also, improvement in the housing market, which traditionally helps economies recover from downturns, is a positive trend that could boost growth more than expected.

Overall Economic Conditions. Though the economy continues to grow as individuals and businesses strive to rebuild and improve their livelihoods, activity remains only modest. The economy has yet to overcome the legacies of the dramatic downturn and financial crisis that began in 2008. The restructuring process from the dislocations of the credit and housing boom and bust will continue to take time.

A full recovery continues to be hindered by several factors, such as household balance sheet repair, labor market restructuring, and higher levels of uncertainty regarding future economic activity. Many businesses and households are holding back on spending, investing, and hiring decisions. The rate at which money is being exchanged in the economy – called the "velocity" of money − which helps generate income, is at a 50-year low.

The global economy is highly connected, and conditions in other parts of world impact the nation and State. Many of the world's largest economies continue to be weak. A recent index measuring manufacturing activity indicates that 80% of the world's manufacturing is in contraction.

In a particularly ominous sign, economies in the Euro Area and Asia continue to slow. These two regions represent a significant portion of the world's overall economic output. In addition, although recent signs point to some improvement in Brazil and the United Kingdom − the sixth and seventh largest economies in the world, respectively − they remain below their trend levels of growth.

A strong rebound in manufacturing over the past few years has helped boost overall economic activity for the nation. This is the case because manufacturing generates a significant amount of economic activity in other sectors of the economy. It spurs the creation of jobs and spending across the economy because the entire manufacturing process is highly complex with many inputs. In addition, the manufacturing industry is highly innovative, which leads to income and economic growth as the industry continually becomes more productive and creates products that the market needs and wants.

Unfortunately, manufacturing has been slowing over the past several months. The Institute for Supply Management ("ISM") Manufacturing Purchasing Managers Index ("PMI"), based on a survey of businesses in the production of goods sector, was 49.6 in August, the third month in a row below 50, which indicates contraction. One of the industries reporting contraction was computer and electronic product manufacturing, Colorado's largest manufacturing industry. A representative from the industry stated in the national ISM August survey that, "business is slow right now. Companies seem to be holding onto their money." It is likely that the manufacturing sector will continue to be more sluggish over the coming months due to the weak global economy. Further, a combination of rising inventories of manufacturers and slowing in new orders will result in less manufacturing activity.

The ISM Non-manufacturing Businesses Activity Index was 55.6 in August 2012, down slightly from July. This is a positive sign for Colorado's economy as the State has a more services-intensive economy than the nation as a whole. Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal services, and consulting. This sector continued to report growth at the national level in the August survey. Despite reflecting overall growth, the survey in general continued to reflect uncertainty about business conditions and the economy.

Colorado business conditions continue to outperform the nation, but the State is not immune from the uncertainty facing businesses across the nation. Since the economic downturn, Colorado has been building a stronger economic foundation, which has resulted in better economic growth than many other States. This process has been aided by Colorado's entrepreneurial and talented population and its culture of collaboration and innovation. Further, Colorado has a solid presence of industries that trade their goods and services outside of the State and nation. This subjects Colorado companies to more competition that requires constant improvement and innovation in business processes and products. Such activity helps the economy grow. It also brings in new income to the State that can be utilized for increased investment, hiring, and spending.

Two surveys of businesses in the State indicate that businesses still face headwinds and uncertainty. The Goss Institute for Economic Research's Business Conditions Index for Colorado, based on a survey of supply managers in the State, increased to 59.0 in August from 49.6 in July. The July value represented the first time since September 2009 that the Colorado index slipped below 50, which reflects expectations of a contracting economy during the next three to six months. Similarly, the University of Colorado Leeds Business Confidence Index ("LBCI"), an index measuring the confidence of Colorado business leaders, reported that expectations weakened for the third quarter of 2012. The third quarter report indicated that many businesses remain cautious about the future, especially regarding the national economy.

New business creation in Colorado continues to rebound. New businesses generally create more jobs than existing firms. Thus, trends in business startup activity are important to monitor to help gauge job growth. Based on Quarterly Census of Employment and Wages data from the Colorado Department of Labor and Employment, the number of business startups with employees fell substantially during the recession. However, business startup activity improved beginning in 2010, and the trend has continued into the first quarter of 2012, the latest data available. The improvement in 2010 coincided with the pickup in job growth in Colorado.

Despite the recent growth trend, start-up activity remains well below its pre-recession peak. This indicates that entrepreneurs are having more difficulty finding opportunities to begin and sustain new business ventures as the economy rebuilds and restructures. Entrepreneurs generally continue to have lower expectations and uncertainty about the future. This, coupled with less financing available, is hindering successful new business creation and thus more robust job growth.

Labor Market Conditions and Trends. The labor market is slowly improving but continues to face many challenges as businesses remain apprehensive and uncertain about future economic conditions, federal fiscal policy, the European sovereign debt crisis, and an overall global slowdown. Further, the job market appears to be facing some structural frictions as it is taking time to match available jobs with those individuals seeking employment. Continued levels of high unemployment indicate the economy is still rebuilding from major disruptions and dislocations during the recession.

Additionally, in the private sector, firms are allocating more resources to equipment and software than labor. Historically, private business investment in equipment and software has moved in tandem with private sector employment. This divergence in spending demonstrates firms' efforts to keep operations lean and increase the productivity of existing workers.

Job openings and hiring continue on an upward trajectory, though growth is modest and challenges remain. The U.S. job market softened in August when 96,000 jobs were added, less than expected. Manufacturing shed 15,000 jobs, government lost 7,000, and temporary employment eliminated positions, which can be a bellwether for overall job trends. Employment rose in restaurants, professional and technical services, and health care. Construction gained 1,000 jobs with the continuing improvement in housing construction.

Colorado job growth is outpacing the nation. Based on data from the U.S. Bureau of Labor Statistics and OSPB's estimates of forthcoming revisions to jobs data that are currently not published,[*] Colorado gained about 20,000 nonfarm jobs so far this year through July. The professional, scientific and technical services, and finance and insurance sectors contributed to about half of this gain. Colorado is a regional hub for these sectors, which helps contribute to economic growth.

Due to the large economic benefits that the manufacturing sector brings to the State, continued job growth through July in this sector is welcome. Another positive is that the construction sector is adding jobs this year after the sector shed a substantial amount of its workers when housing and other construction collapsed. Finally, the mining sector continues to lead the State in the percentage increase in job growth, although the sector represents only a small portion of the State's employment base. Notable sectors that have had very weak growth or have shed jobs this year include transportation and utilities, real estate, information, such as publishing industries and telecommunications, and the public sector.

OSPB's forecast for Colorado nonfarm payroll jobs remains the same as the previous forecast. Payroll jobs will increase 1.7% in 2012, but slow to 1.0% in 2013 as the current heightened uncertainty and lower expectations for future economic conditions takes their toll on hiring; nationally, job growth will be slightly slower.

Unemployment. Although job growth has been occurring for the State and the nation since the beginning of 2010, growth has not been strong enough to employ the substantial amount of individuals who lost their jobs during the recession. Unemployment thus remains elevated.

There are several factors contributing to the higher levels of unemployment which are discussed in further detail in the following sections. The U.S. Bureau of Labor Statistics ("BLS") in August reported a national unemployment rate of 8.1%, down from 8.3% in July. The decrease was mostly due

[*] The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage date to more accurately reflect the number of jobs in the State than what was estimated based on survey of employers.

to workers leaving the labor force which resulted in a lower labor force participation rate of 63.5% − the lowest level since 1981. The male participation rate nationally fell to 69.9%, its lowest level since 1948 when records began.

Colorado's unemployment rate inched up to 8.3% in July, the same as the nation's that month. This tenth of a point increase was due to gains in individuals entering the labor force to seek work without a commensurate increase in job growth.

Unemployment rates of 8.0% and 7.8% are forecast for Colorado in 2012 and 2013, respectively. The national unemployment rate will be 8.3% in 2012 and 8.2% in 2013.

A broader measure of unemployment also remains high. The underemployment rate, or the underutilization rate, is an alternative measure of unemployment to capture those who are underemployed (working less than full-time when a full-time position is preferred) and discouraged workers who would like to work but have temporarily stopped their search. Colorado's underutilization rate averaged 14.8 % from the second half of 2011 through the first half of 2012, below its peak of 15.7% in 2010 and the first part of 2011. The national underutilization rate in August was 14.7%.

Unemployment remains high despite sustained increases in job openings, providing evidence that the job market is less efficient than in other periods at matching job seekers with employers. The growth in job openings, as measured in Colorado by job advertisements posted online and nationally by job openings data from the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), is not being matched by job growth and a decrease in unemployment. This is likely due to several factors. There appear to be structural issues in the job market as employers and job seekers are less successful in meeting each other's needs compared with most previous periods. There is some evidence that there is a mismatch between the skill set and/or the geographic location of job seekers and the characteristics of job openings. A recent study from the Federal Reserve has indicated that up to one-third of the higher level of unemployment can be attributed to a mismatch between the skills of those seeking work and those needed by employers needing more workers. There is also some evidence of a mismatch between the wage expectations of individuals seeking work and the wages offered by employers.

The number of second quarter advertisements posted online in 2012 is 17% lower than the number of advertisements posted online before the recession at the end of 2007. At the same time, the 2012 unemployment rate is almost twice as high.

Job openings have increased at a faster pace in the current recovery than the recovery that began in 2003. At the same time, hiring has increased at only a slightly faster pace despite the much larger growth in openings. Thus, there is a larger gap between growth in openings and hires.

This discrepancy between openings and hires is larger than the recovery from the early 2000s recession when job growth was also slow to rebound. Once the process of matching unemployed and underemployed workers begins to speed up and experience more success, it will help the economy recover by enabling more employers to expand and providing individuals with higher incomes to buy goods and services. This will generate more positive feedback mechanisms and boost overall economic activity.

Industries with the largest demand for workers are led by computer and mathematical operations. Health care, computer and mathematical occupations, and retail and sales currently are posting the largest amount of job openings online.

According to the U.S. Bureau of Labor Statistics, the most growth in job openings nationally since the end of the recession have been in mining and manufacturing. These industries have seen the largest rebound and have helped propel the economic recovery. However, professional and business services, health care and social assistance, and retail sales also have experienced a relatively large increase in job openings.

As home construction has picked up, finding skilled construction workers is increasingly difficult likely in part because many former workers have moved into fields such as maintenance work or remodeling.

Both nationally and in Colorado, the relatively high number of openings that are not currently being filled are in industries requiring special skills or that cannot easily be automated, such as health care, computer and mathematical occupations, professional and business services, and manufacturing. This provides additional evidence that perhaps there are not enough workers currently available with the requisite skills to work in these industries.

Colorado appears to have less of a job market matching issue than some other areas of the United States, likely attributable in part to the fact that the State has a large concentration of educated workers. This is likely one reason Colorado's economy is outperforming the nation. According to a recent Brookings Institute study, metropolitan areas with lower education gaps, measured as the difference between the average years of education required by jobs with openings and the average years of education in an area, have lower overall unemployment rates. In the study, the Denver, Aurora, and Broomfield area had a gap of four percentage point gap while Colorado Springs had a two percentage point gap. Both were lower than the national average of five percentage points.

Businesses have been spending more on equipment and software than on labor during the current expansion. Business capital spending and hiring has historically trended closely together. However, recent national data suggests there has been a change in the relationship between business investment in equipment and software and private sector employment.

Firms typically reduce employees and decrease investment in equipment and software during recessionary periods and then increase investment and hire more employees during periods of expansion. However, as illustrated above, in the most recent recovery as firms moved to keep operations lean, they have not hired at the same rate as past recoveries. Many firms have increased labor productivity through automation, thus replacing workers with capital equipment. As output has returned to pre-recession levels, there is not the corresponding growth in employment as workers with jobs have become more productive. Over time, a more productive workforce will lead to stronger economic growth and thus more jobs.

The trend of increasing automation has profound implications for individuals with skills that are no longer needed by the job market and is contributing to the current high unemployment rate. Unfortunately, it may take a long period of time for the economy to generate new opportunities for the large number of dislocated workers due to this trend. Further, many workers will have to retrain to be qualified for many of the new jobs being created.

Business Investment. Private business investment is growing but still remains relatively low as measured by its portion of total economic activity. Private investment, a driver of economic growth both in the near and longer term, is used for the production of goods and services. Non-residential investment including investment in equipment and software and structures improves business practices and raises productivity. This generally leads to more income and profits that can then be used to sustain spending and investment which helps maintain economic growth.

Spending on nonresidential structures and investment in equipment and software is making gains as firms maintain and modernize technology and equipment and build new structures to expand operations. However, investment as a share of GDP is still low. The private sector continues to have elevated levels of uncertainty and lower expectations about the future, thus private investment will remain sluggish as business are less confident their investments will generate a sufficient return. Thus, with continued modest investment activity, the economy will likely continue to maintain lower levels of growth.

Through the first half of 2012, private business investment comprised 10.3% of GDP. However, from 1965 through 2000, private investment as a percentage of GDP averaged 11.3% annually. As shown, business investment has made up a smaller share of overall economic activity than this level throughout most of the 2000s.

The U.S. Commerce Department reported that new orders for manufactured durable nondefense capital goods orders excluding aircraft, an indicator of business spending, decreased in June and July. A representative from the machinery manufacturing industry noted in the most recent ISM survey of supply managers that there are indications of a continued slowdown in demand for capital equipment. Slower growth in new orders suggests sluggish output in the coming months as businesses spend less on investment and capital.

Household Income. Household income continues to grow, though at a slowing rate. After declining substantially during the recession, total personal income in both Colorado and the nation has been growing since the last quarter of 2009. The rate of growth has slowed since the first quarter of 2011. Slow income growth is an indicator of the sluggish recovery and will likely act as a continued headwind to the economy.

Real income growth per capita has been essentially flat. While data show that aggregate personal income is increasing, both Colorado and the nation have experienced minimal real, or inflation-adjusted, personal income growth since the recession. Real per capita income in Colorado and for the nation is only slightly above 2000's level, meaning that purchasing power has not materially increased. The State's personal income data has reflected larger declines during the recession and smaller increases through the current recovery than the nation as a whole.

Wage growth has varied by industry in Colorado. The relatively soft labor market has been accompanied by an environment of slow wage growth. Since 2001, only two major industries have seen compound average annual growth rates in real weekly wages of 1.5% or greater. These are the natural resources and mining industry and professional and business services. The average of the compound annual growth of real wages for all industries was less than one percent and was negative if the natural resources and mining sector is excluded. The fastest growing employment sectors between 2010 and 2011, aside from the natural resource and mining sector, were education and health services followed closely by leisure and hospitality.

Personal income for the nation will grow modestly at a rate of 3.9% in 2012. The growth rate will slow to 3.6% in 2013 as economic headwinds help keep wages and employment relatively flat. Personal income will grow slightly more in Colorado at a rate of 4.3% in 2012 and 4.0% in 2013.

Consumer Spending. Consumer spending at the national level slowed for much of the spring and early summer but has picked up in recent months. Household spending accelerated in July and August after several sluggish months. Spending on durable goods, such as vehicles, electronics, and appliances, has shown better performance. This has likely been supported by the continued extremely low interest rates and a pickup in home buying. Spending on durable goods can act as a leading indicator of broader economic activity because it indicates consumers' willingness to make purchases of higher value that can be postponed more than other types of purchases in times of household belt tightening.

Retail sales growth in Colorado has continued to be surprisingly robust through the first six months of 2012. Retail trade sales in Colorado have been stronger than the nation, with spending growth distributed amongst most types of items. Notably, spending on building materials and furniture grew more in 2012 than the same period in 2011, likely as a result of increased housing activity. Spending on automobiles continued to grow at a strong pace in the first half of 2012. The only category of durable goods that declined was the sales of electronics and appliances.

Retail trade for the nation will finish 2012 having grown 5.4% but will grow just 3.7% in 2013. Colorado's retail trade will grow at a similar rate of 6.1% in 2012 and will slow to a 3.9% increase in 2013.

Household Debt. Household debt continues a downward trend but remains elevated. In the first quarter of 2012, American households continued reducing debt and repairing their balance sheets. The debt reduction process will remain a drag on economic activity as households dedicate money to paying down debt that could be used for other purposes. The per capita debt level of $36,477 in the first quarter of 2012 was about the same level as it was in mid-2006. However, even with continued household debt reduction, both total household debt and per capita debt remain well above historical levels.

The composition of household debt is changing. Consistent with the pattern seen in the wake of the economic downturn, households continue to reduce debt in uneven ways. Housing-related debt (mortgage loans and home equity revolving lines of credit) represents over three-quarters of overall household debt. This is a smaller share than at the end of 2011 when housing-related debt accounted for 83.4% of household debt.

A recent Federal Reserve Board working paper suggests that the decline in housing-related debt is largely due to a combination of continued defaults and low levels of mortgage originations rather than from consumers paying down or retiring housing-related debt. This finding is further supported by a study by the Federal Reserve Bank of Kansas City which found delinquency rate on mortgages was higher than for any other type of debt in the first quarter of 2012.

Growing student loan debt will reduce the future consumption capacity of households. While data show that households have reduced overall debt loads, an emerging student loan debt growth trend may have a lasting negative impact on the economy as it will limit consumption and other economic activities, such as the purchase of homes. Since 2003, total outstanding student loan debt in the United States has grown by 275%, from $241 billion to $904 billion.

The Housing Market. The housing market is improving and is no longer a drag on growth. Continued increased sales and construction activity over the summer has contributed to much needed strengthening in the housing market both nationally and in Colorado. As discussed in recent OSPB forecasts, the health of the housing market is a critical factor for economic recovery, and the activity in housing is still well below historical levels.

During the downturn in housing, real estate markets were characterized by tightening lending standards, weak demand for housing, and an alarming decline in home prices which precipitated a large amount of negative equity ("underwater" mortgages) and foreclosures. The collapse of the housing market created large inventories of homes for sale with a shrinking pool of homebuyers. This simultaneous increase in supply and decrease in demand placed sustained downward pressure on prices.

In recent months, historically low interest rates coupled with more attractive reduced home prices, facilitated an increase in the number of home sales. Data from the Colorado Association of Realtors shows home sales in the second quarter of 2012, the most recent quarter for which data is available, rose by 16% from the same period in 2011. At the national level, preliminary data from the National Association of Realtors showed that existing home sales in July had risen more than 10% from the same month in 2011.

A portion of the excess inventory of homes for sale from the aftermath of the housing boom and bust has been sold and the balance of supply and demand is beginning to return to a more positive dynamic. This is allowing home prices to appreciate somewhat in Colorado and in more areas of the country.

Home values are experiencing different trends across the State. While the State as a whole has shown consistently increased sales activity and price increases over the last few months, housing market performance has varied in different parts of the State based on local economies.

Negative equity is decreasing, which can generate economic benefits. One of the important impacts of recent home price appreciation is the decrease in negative equity realized by "underwater" borrowers. Recent data reported by CoreLogic, a prominent source of housing market data, shows that the 10.8 million negative equity mortgages that existed in the United States at the end of the second quarter of 2012 was 23.7% lower than the number of negative equity mortgages outstanding three months prior. Colorado accounted for nearly 209,000 negative equity mortgages and this number was down from approximately 237,000 such mortgages in the State at the end of the first quarter of 2012. Colorado had the fifteenth largest number of outstanding mortgage loans with 5% or less equity at the end of the second quarter of 2012.

The impacts of the appreciation in home values and greater home equity are numerous. Homeowners experience a positive "wealth effect" which can spur consumer spending. Additionally, with greater home equity, homeowners may have a greater ability to sell their home and move to areas with better job opportunities which will help improve the sluggish job market and unemployment situation. Further, greater home equity enables entrepreneurs to gain access to financing to start or expand a business.

Home price appreciation is likely to be modest. Although home prices have risen during the past few months, price increases are expected to be muted over the near term. Much of the recently observed price recovery is mostly due to the re-balancing of supply and demand in the housing market as a large number of buyers were attracted to the market by very low interest rates and market-clearing house prices. The increased building activity encouraged by higher prices will lead to growth in the supply of homes on the market. This, along with the other factors facing the housing market discussed in this section, will place some downward pressure on appreciation.

Rental vacancies remain very low, making homeownership more attractive and spurring multifamily home construction. During the economic downturn, more households chose to rent rather than make home purchases due to the high level of uncertainty regarding home prices and employment. Additionally, large numbers of mortgage defaults caused many homeowners to rent, and tighter lending standards made homeownership less possible. As a result, the number of vacant rental properties has fallen nationwide and in Colorado, causing a steady and relatively large increase in the cost of rent. This has made homeownership more attractive recently, as the cost of buying a home is in many cases more favorable when compared to renting.

Homebuilding activity has increased. As homebuilders see home prices rise, it becomes more attractive to begin construction of new homes, which also has positive ripple effects throughout the economy. Because housing construction is still at very low levels, the economic impacts will not be large. The data illustrates a recent trend of accelerating growth in permit issuance. This trend is stronger in Colorado than the national economy, likely supported by its relatively strong economic prospects and population growth.

The current strong market for rental housing also makes construction of new multi-family housing units more attractive, as illustrated by the growing number of new multi-family construction permits. This trend may be supported over the medium- to long-term by the presence of a growing number of homebuyers interested in smaller and more affordable homes than in the past, such as duplexes, townhomes, and condominiums. Also, a higher proportion of individuals and families are likely preferring to rent rather than own due to more negative perceptions of homeownership resulting from the housing bust. Further, renting provides flexibility in today's labor market which requires more flexibility and mobility than was the case in previous years.

Several factors will prevent a more robust housing recovery. While the housing market has begun to rebound both nationally and in Colorado, a booming recovery is not expected. As a primary factor in the health of the housing market, persistently high unemployment will restrain growth as many would-be home buyers will be unwilling or unable to obtain mortgage loans without long-term employment. In addition to sluggish job growth, any consequential rise in interest rates will act as a check on home price appreciation to the extent it makes homeownership less affordable.

Housing permits in Colorado will increase to 17,100 in 2012 and 21,100 in 2013 as builders respond to stabilizing home prices and a greater balance of supply and demand. National residential permits will experience slightly lower growth.

Price Levels. Overall price levels in Colorado and the nation have shown slow growth but are expected to increase. The consumer price index ("CPI") measures the change in retail prices for a basket of goods and services. Overall price increases in Colorado have been stronger than the nation's.

The U.S. Bureau of Labor Statistics reported that the CPI nationally increased 0.6% in August, the largest increase since June 2009. About 80% of the increase was accounted for by the cost of gasoline index, which rose 9.0%. Additionally, drought conditions throughout the crop growing season in 2012 have led to expectations that food prices will increase further during the latter part of 2012 through 2014. Higher fuel and food prices can hurt the economy as it results in fewer resources for other uses.

Producer prices are experiencing upward pressure. Increases in prices paid are beginning to be reported in the ISM's surveys of both manufacturing and non-manufacturing businesses. The manufacturing price index sharply increased by 14.5% in August, reflecting high prices of raw materials and food stuffs. This is the largest month-over-month increase since September 2005 and the first month since April that the index has reflected an increase in the price of raw materials. A representative from the food, beverage, and tobacco industry in the survey noted that the U.S. drought has severely impacted the price of raw materials. Prices paid by the non-manufacturing sector for purchased materials and services also experienced a sharp increase in August, jumping 9.4%. Higher producer prices drive up business costs and limit resources for other productive uses, inhibiting business growth.

The Denver-Boulder-Greeley Consumer Price Index will increase 2.2% in 2012 and 3.1% in 2013. Much of the increase is being driven by higher rental costs, commodity prices, and food prices. Nationally, consumer prices will increase 2.3% in 2012 and 2.9% in 2013. National producer prices will grow 3.0% in 2012 and 6.1% in 2013.

International Trade. Export growth continues, though the global slowdown has weakened demand for American goods. Through July, U.S. exports were up 6.8% and Colorado's exports were up 9.7% over the same period a year ago. These growth rates represent a slowing trend. As the European sovereign debt crisis persists and Asian economies soften, domestic producers are selling fewer products abroad. The ISM survey of national supply managers' new export orders index for manufacturing goods has indicated contraction for three consecutive months.

Exports to Asia and Europe are weak or dropping. However, Colorado's exports were sustained in part by a boom in the sale of engines and motor parts to countries in the North American Free Trade Agreement ("NAFTA"), which represent Colorado's largest trading partners.

Circuits and other electronic equipment, beef products, and medical equipment are Colorado's largest exports. Circuits and electronic equipment, the largest export category in terms of dollar value, decreased by 18.0% in the past year with major drops in Asia as manufacturers pulled back on production due to the slowing global economy and a high level of inventory. However, with rising incomes and a growing appetite for American beef products, fresh and frozen beef exports expanded by nearly 40% in Asian markets, though Colorado's recent drought may reduce future exports of agricultural goods and livestock until producers can rebuild their herds.

Colorado's export of services will continue to benefit the State. Colorado's strong services sector encompasses engineering, legal, accounting, technological, consulting, and other services. According to the Bureau of Economic Analysis ("BEA"), U.S. trade in services facilitated by improvements in information and communication technologies have grown more quickly than trade in all other services. Though data on Colorado's export of services is not available, the State's services have most likely benefited from improvements and cost reductions in these technologies, as well as growth in developing economies, such as Brazil, China, India and other Asian economies.

ISM's new export orders index for services and non-manufacturing activities in the United States for August registered 52, indicating that the export of services continues to grow and has not yet been as negatively affected by the slowing global economy as the export of goods.

History and Forecast of Key Colorado Economic Indicator Variables. The following are historical and forecast key economic indicator variables through 2013 from the OSPB September 2012 Revenue Forecast.

State of Colorado
History and Forecast of Key Colorado Economic Indicator Variables
(Calendar Years)

	Actual			Forecast		
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Current Income:						
Personal Income (billions)	$205.8	$213.5	$225.6	$235.3	$244.7	$257.1
Change from Prior Year	(4.7)%	3.7%	5.7%	4.3%	4.0%	5.1%
Wage and Salary Income (billions)	$112.6	$114.3	$119.7	$124.3	$128.7	$134.9
Change from Prior Year	(3.8)%	1.5%	4.7%	3.9%	3.5%	4.8%
Per Capita Income ($/person)	$41,271.1	$42,215.3	$44,062.7	$45,281.7	$46,434.0	$47,927.2
Change from Prior Year	(6.3)%	2.3%	4.4%	2.7%	2.5%	3.2%
Population and Employment:						
Population (thousands)	4,976.9	5,050.9	5,119.8	5,196.2	5,269.9	5,364.7
Change from Prior Year	1.5%	1.5%	1.4%	1.5%	1.4%	1.8%
Net Migration (thousands)	36.3	38.1	33.5	36.5	40.2	54.5
Civilian Unemployment Rate	8.1%	8.9%	8.3%	8.0%	7.8%	7.0%
Total Nonagricultural Employment (thousands)	2,245.6	2,222.3	2,258.2	2,296.7	2,320.3	2,358.0
Change from Prior Year	(4.5)%	(1.0)%	1.6%	1.7%	1.0%	1.6%
Construction Variables:						
Total Housing Permits Issued (thousands)	9.4	11.6	13.8	17.1	21.1	28.4
Change from Prior Year	(50.8)%	23.9%	19.1%	24.0%	23.0%	35.1%
Nonresidential Construction Value (millions)	$3,351.5	$3,102.5	$3,878.4	$3,676.3	$3,635.8	$3,838.1
Change from Prior Year	(18.6)%	(7.4)%	25.0%	(6.0)%	(1.1)%	5.6%
Prices and Sales Variables:						
Retail Trade Sales (billions)	$66.5	$70.5	$75.6	$80.2	$83.3	$87.4
Change from Prior Year	(11.1)%	6.0%	7.2%	6.1%	3.9%	4.9%
Denver-Boulder-Greeley CPI (1982-84=100)	208.5	212.4	220.3	225.2	232.1	238.5
Change from Prior Year	(0.6)%	1.9%	3.7%	2.2%	3.1%	2.7%

Source: OSPB September 2012 Revenue Forecast

See also "APPENDIX B – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Moneys invested by the State Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the State Treasury's investment safekeeping bank.

Fiscal Years 2011-12 and 2012-13 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Year 2011-12 and for the first four months of Fiscal Year 2012-13.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2011-12
(Amounts expressed in millions)[1]

	July 2011	Aug 2011	Sept 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	June 2012
Agency CMOs	$ 218.4	$ 210.6	$ 202.5	$ 193.8	$ 183.0	$ 170.7	$ 158.2	$ 147.6	$ 135.4	$ 125.1	$ 114.3	$ 102.6
Commercial Paper	245.0	494.9	425.0	375.0	290.0	245.0	410.0	235.0	217.0	50.0	0.0	135.0
U.S. Treasury Notes	784.1	774.0	764.0	763.9	753.9	739.0	724.0	724.0	749.0	713.9	698.9	692.2
Federal Agencies	4,223.6	3,936.5	3,926.1	3,949.8	3,824.5	3,877.2	4,210.0	3,891.1	3,984.0	4,869.9	4,887.6	4,176.8
Asset-Backed Securities	168.1	150.0	172.0	198.3	215.1	224.9	269.8	275.8	308.4	310.0	314.8	319.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	40.0	40.0	0.0	0.0
Corporates	665.0	703.8	711.7	708.8	711.7	753.2	798.0	892.2	908.3	913.3	965.7	1,025.6
Certificates of Deposit	4.5	4.6	4.5	3.4	3.5	3.5	3.0	3.1	3.1	2.1	1.1	0.8
Totals	$6,308.7	$6,274.4	$6,205.8	$6,193.0	$ 5,981.7	$6,013.5	$6,573.0	$6,208.8	$6,345.2	$7,024.3	$6,982.4	$6,452.9

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2012-13
(Amounts expressed in millions)[1]

	July 2012	Aug 2012	Sept 2012	Oct 2012
Agency CMOs	$ 94.0	$ 90.0	$ 85.0	$ 76.8
Commercial Paper	50.0	50.0	0.0	50.0
U.S. Treasury Notes	703.9	718.9	674.0	713.9
Federal Agencies	4,631.2	4,450.3	4,493.7	4,128.0
Asset-Backed Securities	366.4	439.1	533.7	701.8
Money Market	0.0	0.0	0.0	0.0
Corporates	1,042.5	1,106.2	1,123.2	1,135.2
Certificates of Deposit	1.3	0.9	0.9	0.9
Totals	$6,889.3	$6,855.4	$6,910.5	$6,806.6

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The State Treasurer has certain administrative powers to remedy negative cash balances, including the ability to issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and to use Borrowable Resources. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The State Treasurer."

The following tables present on a cash basis the actual and estimated cash flows of the General Fund for Fiscal Year 2011-12, and the estimated cash flows for the General Fund for Fiscal Year 2012-13, by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the State Treasurer to arrive at a cash basis presentation, and should be read in conjunction with the information set forth above in this appendix.

Monthly cash flow projections for Fiscal Years 2011-12 and 2012-13 are based upon (i) the General Fund appropriations for Fiscal Years 2011-12 and 2012-13 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the OSPB September 2012 Revenue Forecast discussed in "OSPB Revenue and Economic Forecasts" above. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of estimated cash flows. Additionally, the timing of transactions from month to month may vary from the forecasts. Therefore, there are likely to be differences between the forecasted and actual results, and such differences may be material. See the inside cover of this Official Statement regarding forward-looking statements.

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State of Colorado
Actual General Fund Cash Flow
Fiscal Year 2011-12
Current Law

(Amounts expressed in millions; totals may not add due to rounding)

	July 2011	Aug 2011	Sept 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	June 2012	Total
Beginning Cash and Investments Balance[1]	$ 425.1												$ 425.1
Revenues:													
General Fund Revenue:													
Sales and Use Tax	192.8	$ 189.6	$ 197.7	$ 191.1	$ 175.4	$ 188.5	$ 209.3	$ 180.2	$ 186.4	$ 181.4	$ 208.9	$ 201.0	2,302.3
Individual Income Tax	293.3	319.7	430.1	324.0	315.6	392.8	489.4	162.1	274.3	720.4	371.5	404.7	4,497.9
Corporate Income Tax	5.6	(4.0)	83.5	19.1	7.9	74.4	20.3	(35.9)	58.6	101.2	11.9	120.2	462.8
Other	76.0	16.1	11.8	39.7	28.4	9.8	18.4	52.1	26.8	46.7	21.4	113.0	460.2
Total General Fund Revenue	567.7	521.4	723.1	573.9	527.3	665.5	737.4	358.5	546.1	1,049.7	613.7	838.9	7,723.2
Federal Revenue	288.3	497.0	498.7	461.2	493.1	574.0	476.8	495.9	596.5	598.6	554.2	690.5	6,224.8
Total Revenues	856.0	1,018.4	1,221.8	1,035.1	1,020.4	1,239.5	1,214.2	854.4	1,142.6	1,648.3	1,167.9	1,529.4	13,948.0
Expenditures:													
Payroll	116.9	123.7	116.2	116.0	125.5	117.1	116.9	116.6	115.5	113.2	117.1	119.4	1,414.1
Medical Assistance	335.6	432.8	364.0	389.2	380.8	421.0	342.3	400.3	396.7	493.0	415.1	409.7	4,780.5
Public School Distribution	683.7	35.2	998.2	87.1	54.6	861.3	75.5	56.7	301.6	48.0	53.6	63.0	3,318.5
Higher Education Distribution	4.8	41.2	3.4	4.8	4.8	41.5	1.2	1.2	0.3	0.3	0.3	(3.0)	100.8
Grants and Contracts	57.9	207.2	195.9	170.7	192.0	222.5	211.6	196.2	227.1	191.0	196.6	(556.6)	1,512.1
Other	99.0	215.1	98.0	75.1	144.2	225.5	79.2	86.9	109.0	83.7	109.4	903.5	2,277.9
Total Expenditures:	(1,297.9)	(1,055.2)	(1,775.7)	(842.9)	(901.9)	(1,888.9)	(826.7)	(857.9)	(1,150.2)	(929.2)	(892.1)	(936.0)	(13,403.9)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(16.8)	(36.8)	(553.9)	192.2	118.5	(649.4)	387.5	(3.5)	(7.6)	719.1	275.8	593.4	969.2
Revenue Accrual Adjustment	109.8	(55.2)	38.7	12.2	(27.5)	(14.6)	27.6	(51.5)	9.0	70.4	(19.3)	17.5	117.1
Expenditure Accrual Adjustment	(239.6)	87.6	(49.0)	30.7	25.0	(324.8)	52.2	47.2	(90.2)	101.5	(83.3)	(67.4)	(460.8)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	--	--	--	--
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(49.3)	--	--	--	--	--	--	--	--	--	--	--	(49.3)
Actual/Projected Monthly Cash Change	304.1	(4.4)	(564.2)	235.1	116.0	(988.8)	467.3	(7.8)	(88.8)	891.0	173.2	42.7	575.4
General Fund Cash Balance End of Month	**$ 304.1**	**$ 299.7**	**$ (264.5)**	**$ (29.4)**	**$ 86.6**	**$ (902.2)**	**$ (434.9)**	**$ (442.7)**	**$ (531.5)**	**$ 359.5**	**$ 532.7**	**$ 575.4**	

[1] The beginning cash balance of $425.1 million does not include a cash reduction of $127.8 million related to cash disbursements of American Recovery and Reinvestment Act (ARRA) grants that are receivable from the federal government and are only determined in the preparation of the State's audited CAFR. The related federal receivable is converted to cash within the Fiscal Year. As a result, there is no effect on ending cash, so adjustments have not been made to this schedule.

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2012-13
Current Law

(Amounts expressed in millions; totals may not add due to rounding)[1]

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013	Total
Beginning Cash and Investments Balance	$ 575.4												$ 575.4
Revenues:													
General Fund Revenue:													
Sales and Use Tax	201.1	$ 206.5	$ 209.7	$ 207.0	$ 184.5	$ 187.0	$ 224.2	$ 169.8	$ 172.3	$ 192.4	$ 186.1	$ 199.9	2,340.3
Individual Income Tax	315.6	348.5	438.5	380.4	379.6	403.0	530.2	144.1	207.1	592.4	410.0	542.8	4,692.2
Corporate Income Tax	33.4	8.2	108.2	20.4	(25.9)	36.6	30.9	4.9	50.4	81.3	16.6	83.9	448.9
Other	48.8	31.0	(1.5)	49.1	(16.6)	(38.5)	9.7	55.9	39.1	181.0	(32.3)	148.5	474.3
Total General Fund Revenue	598.9	594.2	754.9	656.9	521.6	588.1	794.9	374.6	468.9	1,047.2	580.4	975.0	7,955.7
Federal Revenue	316.1	534.1	537.8	508.0	482.8	558.1	465.4	479.2	575.4	411.0	485.6	1,014.1	6,367.6
Total Revenues	915.0	1,128.3	1,292.7	1,164.9	1,004.4	1,146.2	1,260.4	853.8	1,044.3	1,458.2	1,066.0	1,989.1	14,323.3
Expenditures:													
Payroll	100.9	159.4	119.4	117.4	115.8	111.3	113.5	109.6	111.0	107.5	109.0	116.0	1,390.8
Medical Assistance	410.5	452.7	357.5	433.5	322.8	273.4	184.6	296.3	234.8	393.0	391.5	262.0	4,012.7
Public School Distribution	738.0	40.7	981.7	36.2	1.7	766.4	2.8	0.3	766.7	0.3	0.2	2.0	3,337.0
Higher Education Distribution	2.0	41.8	2.5	3.9	1.6	14.8	0.0	0.0	0.0	0.0	0.0	(0.8)	65.8
Grants and Contracts	41.5	214.3	218.9	185.2	200.1	247.0	210.6	202.3	229.2	200.1	205.7	231.7	2,386.7
Other	296.3	118.7	84.8	160.1	237.1	548.7	245.8	223.6	327.5	116.5	53.4	407.7	2,820.1
Total Expenditures:	(1,528.2)	(1,027.6)	(1,764.8)	(936.3)	(879.1)	(1,961.6)	(757.4)	(832.0)	(1,669.3)	(817.4)	(759.8)	(1,018.5)	(13,952.0)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(37.8)	100.7	(472.1)	228.6	125.3	(815.4)	503.0	21.8	(624.9)	640.8	306.2	970.6	946.7
Revenue Accrual Adjustment	(81.9)	(5.5)	(20.1)	31.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	(163.7)
Expenditure Accrual Adjustment	94.4	(7.5)	48.9	(23.9)	38.0	(11.7)	32.8	(21.1)	16.4	85.4	(25.6)	(355.7)	(129.5)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(98.5)	--	--	(98.5)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(61.0)	--	--	--	--	--	--	--	--	--	--	--	(61.0)
Actual/Projected Monthly Cash Change	413.7	87.7	(443.3)	236.2	131.2	(822.6)	537.8	0.5	(610.5)	638.0	228.1	96.5	493.2
General Fund Cash Balance End of Month	**$ 413.7**	**$ 501.4**	**$ 58.1**	**$ 294.3**	**$ 425.5**	**$ (397.1)**	**$ 140.7**	**$ 141.1**	**$ (469.4)**	**$ 168.6**	**$ 396.7**	**$ 493.2**	

[1] General Fund revenues are derived from the OSPB September 2012 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See the inside cover of this Official Statement regarding forward-looking statements.

Source: State Treasurer's Office

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APPENDIX D

STATE PENSION SYSTEM

The information included in this Appendix relies on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2011, being the latest period for which audited information for the Plan is available (the "PERA 2011 CAFR"). The PERA CAFR is prepared by PERA staff employees and the firm Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and is audited by KPMG, LLP, PERA's independent public accounting firm. The valuation and other assessments of PERA constitute forward-looking information as described in the inside cover of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuation and assessment may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (for State employees) (the "State Division"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "Plan." As described in more detail under the caption "Funding and Contributions" below, the Plan is funded with payments made by the State and by each employee, the amount of which are determined and established by statute. Benefits provided through the Plan are paid from the State Division. State employees hired after 2005 may, in lieu of participating in the Plan, elect to participate in a defined contribution plan (the "DC Plan") which is also administered by PERA. However, the majority of State employees participate in the Plan. See Notes 1 and 8 to the PERA 2011 CAFR for a discussion of the membership in the Plan and in the DC Plan, respectively. The State has no obligation to make contributions or fund benefits in divisions other than the State Division and Judicial Division of PERA. Because the majority of State employees participate in the Plan and not in the DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the Plan. See Note 20 to both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement and Note 8 to the PERA 2011 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010. However, the information in this Appendix, as well as the information in the State's Fiscal Year 2011-12 Unaudited BFS, is based the PERA 2011 CAFR.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State (as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16-member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. The reference to the website of PERA is included herein for informational purposes only, and information available at such website or in PERA's financial statements, or any information provided by PERA, is not incorporated in this Official Statement by reference or otherwise. The State makes no representations regarding the accuracy of the information available at such website.

Plan Provisions

In response to funding challenges, the General Assembly has enacted changes to Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement, the PERA 2011 CAFR and Title 24, Article 51, C.R.S., for a discussion of the various tiers of benefits under the Plan.

Funding and Contributions

Statutorily Required Contribution. The State's contributions to the Plan are based on percentages of employee wages, which percentages are set by statute. Such contribution percentages are referred to herein as the "Statutorily Required Contribution," or the "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of each employee's salary for Fiscal Years 2009-10 and 2010-11. As discussed under "Annual Required Contribution" below, the SRC is lower than the actuarially computed Annual Required Contribution ("ARC"). The State has paid 100% of the SRC for each of Fiscal Years 2007-08 through 2011-12. See Note 18 to both the State's Fiscal Year 2010-11 CAFR and the State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement for a summary of the SRC percentages payable by, and percentage amounts paid by, the State for such Fiscal Years. As required by statute, State employees generally contribute 8.0% of their wages to the Plan; however, for Fiscal Years 2010-11 and 2011-12, the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees replaced a 2.5% reduction in the State contribution for such Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 2.5% as part of the SRC. No assurance can be given regarding whether the General Assembly, through legislative action, will or will not further modify the amounts required to be contributed to the Plan by the State and its employees in any given year.

The State enacted legislation in 2004 and 2006 to gradually increase employer contributions to the Plan by authorizing the Amortization Equalization Disbursement (the "AED") and the Supplemental Amortization Equalization Disbursement (the "SAED") to reduce the amount of time over which funding shortfalls in the Plan would remain outstanding. Both the AED and SAED are paid by the State as contributions to the Plan, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. When and if the scheduled increases in AED and SAED are fully implemented at the end of 2017, the total State contribution to the Plan will be equal to 20.15% of employee wages. See Note 18 to both the State's Fiscal Year 2010-11 CAFR and the

State's Fiscal Year 2011-12 Unaudited BFS appended to this Official Statement for a discussion of the AED and SAED.

Annual Required Contribution. The Annual Required Contribution, or "ARC," is the amount required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the Plan plus an annual amortization of the unfunded actuarial accrued liability ("UAAL"), assuming that the UAAL will be fully funded over a 30-year period. The ARC is designed to quantify the current liability for future benefit payments associated with a defined benefit plan, and is based on accounting standards which generally allow a maximum period of 30 years to fund shortfalls in the market or actuarial value of the Plan's assets. As a result, the ARC is greater than the SRC because it results in a 30-year amortization period of the UAAL instead of a 56-year amortization period (at December 31, 2011, based on contribution rates as of the date of calculation). The ARC amount varies from year-to-year as the investment market changes and the value of Plan assets changes, and is different from the SRC which, as described above, is set by statute and changed only when the General Assembly determines that the SRC will result in overfunding or underfunding of the Plan over the long term. As shown in Table 1 below, the State consistently makes the SRC, but in recent years it has not contributed the ARC.

Historical State Contributions. The following table shows (i) the ARC and SRC for the Plan over each of the ten years through December 31, 2011, (ii) the State's contributions expressed as a percentage of the ARC and (iii) the difference between the ARC and the State's actual contributions.

Table 1
Employer Contributions
State and School Division 2002 through 2005; State Division 2006 through 2011
(Dollar amounts in thousands)

Plan [1]	Calendar Year	Annual Required Contribution (ARC) [2]	Statutory Required Contribution (SRC) [3]	Actual Employer Contribution	Actual Contribution as a Percent of ARC	Amount Unfunded ARC-Actual Employer Contribution
State Division	2011	$326,274	$283,222 [4]	$283,222	86.81% [6]	$ 43,052
State Division	2010	452,821	287,624 [5]	287,624	63.52	165,197
State Division	2009	426,999	297,240	297,240	69.61	129,759
State Division	2008	437,537	270,353	270,353	61.79	167,184
State Division	2007	385,352	232,997	232,997	60.46	152,355
State Division	2006	405,800	208,795	208,795	51.45	197,005
State and School Division	2005	918,466	491,031	491,031	53.46	427,435
State and School Division	2004	918,025	452,991	452,991	49.34	465,034
State and School Division	2003	571,156	387,920	387,920	67.92	183,236
State and School Division	2002	315,825	315,825	315,825	100.00	--

[1] Prior to 2006 the State Division and School Division of PERA were combined and actuarial valuations were not done separately for the State or for schools.

[2] In accordance with GAAP, results in amortization of UAAL over 30 years. Based on annual actuarial valuation two years prior to the calendar year shown.

[3] The SRC for the State Division is higher for State troopers than for other State employees. However, the number of State troopers employed by the State is small in comparison to the number of other State employees, so the State contribution for these employees is combined with other State Division employees in this table.

[4] Results in amortization of UAAL over 56 years as of December 31, 2011, based upon an investment return assumption of 8%. The PERA 2011 CAFR also calculates the ARC and UAAL based upon different assumed interest rates.

[5] Results in amortization of UAAL over 47 years as of December 31, 2010.

[6] Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010 and 2011

Plan Assets, Liabilities and Funding Levels

At December 31, 2011 (the latest period for which audited information for the Plan is available), based on PERA's 2011 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability

("AAL") of the Plan were approximately $12.0 billion and $20.8 billion, respectively, resulting in a UAAL of approximately $8.8 billion and a funded ratio of 57.7%, assuming an investment rate of return of 8%. The UAAL would amortize over a 56-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.7%. At December 31, 2011, the funded ratio of the Plan based on the market value of assets was 57.6%, representing a UAAL of $8.8 billion. Table 2 below sets forth for each of the ten years through December 31, 2011, the UAAL, funded ratio and related information for the Plan based on the actuarial value of Plan assets. Table 3 below sets forth for each of the ten years through December 31, 2011, the UAAL, funded ratio and related information for the Plan based on the market value of Plan assets.

When calculating the funding status of the Plan as summarized in Table 2 below, the PERA 2011 CAFR indicates that the following actuarial assumptions, among others, were used: (1) the actuarial cost method is based on the entry age of participants; (2) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (3) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period; (4) projected salary increases are expected to range from 4.50% to 10.17%; (5) the rate of inflation is assumed to be 3.75% and the rate of productivity increase is 0.75%; however, both are included in the assumed 8.00% rate of investment return and in the projected salary increases; (6) an 8% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2011 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2011 CAFR for a discussion of the actuarial methods and assumptions used in calculating the funding status of the Plan. No assurance can be given that any of the assumptions underlying the actuarial valuations of the Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of plan assets, the AAL, the UAAL, the funded ratio or the ARC.

Table 2
Historical Funding Progress
Actuarial Value of Plan Assets
State and School Division 2002 through 2004; State Division 2005 through 2011
(Dollar Amounts in Thousands)

Plan[1]	Date Ending December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2011	$12,010,045	$20,826,543	$ 8,816,498	57.7%	$2,393,791	368.3%
State Division	2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
State Division	2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
State Division	2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
State Division	2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
State Division	2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
State Division	2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4
State and School Division	2004	28,594,699	40,783,531	12,188,832	70.1	5,303,439	229.8
State and School Division	2003	28,522,222	37,914,502	9,392,280	75.2	5,140,918	182.7
State and School Division	2002	28,551,607	32,463,918	3,912,311	87.9	5,278,586	74.1

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for Schools.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010 and 2011

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2002 through 2005; State Division 2006 through 2011
(Dollar Amounts in Thousands)

Plan[1]	Valuation Date (December 31)	Market Value of Assets[2]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2011	$12,001,770	$20,826,543	$ 8,824,773	57.6%	$2,393,791	368.7%
State Division	2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
State Division	2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
State Division	2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
State Division	2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
State Division	2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
State and School Division	2005	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7
State and School Division	2004	30,019,896	40,783,531	10,763,635	73.6	5,303,439	203.0
State and School Division	2003	27,123,836	37,914,502	10,790,666	71.5	5,140,918	209.9
State and School Division	2002	22,023,781	32,463,918	10,440,137	67.8	5,278,586	197.8

1 Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.

2 Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2002 through 2011

The following table sets forth PERA's change in net position for Fiscal Years 2002 through 2011.

Table 4
PERA Changes in Net Position[1]
(Dollar Amounts in Thousands)

State and School Division Trust Fund[2]	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ADDITIONS										
Employer contributions	$ 315,825	$ 387,920	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222
Member contributions	397,315	405,715	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678
Purchased service	329,572	695,516	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277
Investment income (loss)	(3,099,924)	5,203,073	3,663,632	2,827,871	1,921,863	1,388,265	(3,745,843)	1,742,571	1,553,142	232,669
Other	5	3	30	(9)	1	4	7	3	1	331
Total additions	(2,057,207)	6,692,227	4,720,068	3,957,521	2,340,104	1,809,496	(3,270,687)	2,242,812	2,076,503	786,177
DEDUCTIONS										
Benefit payments	1,307,652	1,469,343	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707
Refunds	88,793	99,039	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090
Disability insurance premiums	4,070	3,592	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685
Administrative expenses	17,752	19,750	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685
Other	1,649	448	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)
Total deductions	1,419,916	1,592,172	1,824,008	2,020,755	927,904	998,727	1,073,041	1,139,355	1,201,156	1,250,621
Change in net position available	(3,477,123)	5,100,055	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)
Net position at beginning of year	25,500,904	22,023,781	27,123,836	30,019,896	12,629,060	14,041,260	14,852,029	10,508,301	11,611.758	12,487,105
Net position at end of year	$22,023,781	$27,123,836	$30,019,896	$31,956,662	$14,041,260	$14,852,029	$10,508,301	$11,611,758	$12,487,105	$12,022,661

1 The above table is presented on a cash basis.

2 The State and School Division Trust Funds merged on July 1, 1997, and separated on January 1, 2006.

Source: PERA Comprehensive Annual Financial Report for calendar year 2011

Investment of Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds, and convertible debentures cannot exceed 65% of the book value of the fund.

- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 and the Investment Section of the PERA 2011 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Current Litigation Affecting the PERA Act

The State, PERA and others are defendants in a class action lawsuit brought in Denver District Court by several PERA retirees challenging the constitutionality of a provision of SB 10-001 which amended the PERA Act to reduce the annual cost of living adjustment increase payable to existing and future PERA retirees in an effort to reach a 100% funded ratio within 30 years. See "Plan Assets, Liabilities and Funding Levels" above. In June 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October 2012 the Colorado Court of Appeals reversed the District Court decision finding the plaintiffs have a contractual right to the cost of living adjustment increases, and remanded the case back to the District Court to determine if the reduction was a substantial impairment and whether the reduction was reasonable and necessary to serve a significant and legitimate public purpose. In late November, PERA and the plaintiffs both appealed to the Colorado Supreme Court to decide the issue. See Note 7 to the PERA 2011 CAFR for a discussion of this litigation.

* * *

APPENDIX E

DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the State, the State Treasurer, the Deputy State Treasurer, the Chief Financial Officer of the Department of the Treasury, the State Controller or the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2012C Notes under the Authorizing Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the Authorizing Resolution with respect to the Series 2012C Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2012C Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2012C Notes. The Series 2012C Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012C Note certificate will be issued for the Series 2012C Notes, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at http://www.dtcc.com and http://www.dtc.org. The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2012C Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012C Notes on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012C Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012C Notes except in the event that use of the book-entry system for the Series 2012C Notes is discontinued.

To facilitate subsequent transfers, all Series 2012C Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012C Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012C Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012C Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012C Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012C Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2012C Notes may wish to ascertain that the nominee holding the Series 2012C Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2012C Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012C Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2012C Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the State Treasurer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the paying agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2012C Notes to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012C Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012C Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2012C Notes.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2012C Notes. In that event, Series 2012C Note certificates will be printed and delivered to DTC.

* * *

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

KUTAK ROCK LLP
DENVER, COLORADO

[Closing Date]

The Honorable Walker Stapleton
Treasurer of the State of Colorado

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Wells Fargo Bank, N.A.

$160,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2012C

Ladies and Gentlemen:

We have examined the laws of the State of Colorado (the "State"), the laws of the United States of America relevant to the opinions herein, and a certified transcript of the record of the proceedings taken preliminary to and simultaneously with the issuance by the State Treasurer (the "Treasurer") of the "State of Colorado, Education Loan Program Tax and Revenue Anticipation Notes, Series 2012C," in the aggregate principal amount of $160,000,000 dated as of the date of their issuance (the "Notes").

The Notes mature, bear interest, are transferable and payable, as to principal and interest at the times, in the manner, and subject to the conditions and limitations, provided in the resolution of the State Treasurer, adopted and approved on December 19, 2012, authorizing the issuance of the Notes (the "Resolution"). Proceeds of the Notes will be used to, among other things, fund loans to participating State school districts (the "Participating Districts") pursuant to a loan program administered by the State Treasurer.

As to questions of fact material to our opinion, we have relied upon representations of the State and Participating Districts contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination and, for purposes of paragraph 3 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Bond Counsel that under existing laws, regulations, rulings and judicial decisions:

1. The State is duly created and validly existing as a body corporate and politic with the corporate power to issue the Notes and perform the agreements on its part contained therein.

2. The Notes have been duly authorized, executed and delivered by the State and are valid and binding obligations of the State, enforceable against the State in accordance with the terms of the Resolution. The "Series 2012-13 Notes Repayment Account", to be established pursuant to the terms of the Resolution, and the Pledged Revenues, as defined in the Resolution, are irrevocably pledged to the payment of the principal of and interest on the Notes when due. The owners of the Notes are equally and ratably secured by a first lien, but not an exclusive first lien, on the Series 2012-13 Notes Repayment Account and the moneys credited thereto.

3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Notwithstanding Bond Counsel's opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). The opinions expressed in the preceding sentences assume the accuracy of certain representations and compliance by the State and Participating Districts with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

4. Interest on the Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under present Colorado income tax laws.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Note may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise of judicial discretion in appropriate cases in accordance with general principles of equity.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

* * *