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 2013B 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 2013B 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."

$210,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2013B

Dated: Date of Delivery **Maturity Date: June 27, 2014**

The proceeds of the Series 2013B 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, 2014, and (ii) pay the costs of issuing the Series 2013B Notes.

The Series 2013B 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 2013B Notes. Beneficial Ownership Interests in the Series 2013B 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 2013B 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 2013B Notes, at the rate per annum specified below, is payable on the maturity date of the Series 2013B Notes specified above. The Series 2013B Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.*
$210,000,000	2.00%	100.897%	0.11%	19672M BK3

The Series 2013B 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 2013B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2013B Notes in the Series 2013-14 Notes Repayment Account; and the principal of the Series 2013B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2013B Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A, which are currently outstanding in the aggregate principal amount of $130,000,000. The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B Notes.

An investment in the Series 2013B 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 2013B 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 2013B Notes are expected to be delivered through the facilities of DTC on or about January 6, 2014.

Dated: December 19, 2013

* 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 McGraw-Hill Financial, and is provided solely for the convenience of the purchasers of the Series 2013B Notes and only as of the issuance of the Series 2013B 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 2013B 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 2013B 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 2013B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2013B 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 A – THE STATE GENERAL FUND," "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST" and "APPENDIX E – 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

$210,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2013B

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 $210,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B (the "Series 2013B 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 2013B 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 16, 2013, including, without limitation, the interest rate, price, reoffering yield and CUSIP number of the Series 2013B Notes, as well as the original purchaser of and purchase price paid by such original purchaser for the Series 2013B 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 2013B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2014 ("Fiscal Year 2013-14"), and paying the costs of issuing the Series 2013B Notes, and are the first series of Notes being issued for funding the Loan Program for Fiscal Year 2013-14. The first installment of the Loan Program was funded on July 9, 2013, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A (the "Series 2013A Notes"), in the aggregate principal amount of $130,000,000, the net proceeds of which have been borrowed by 17 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS."

The net proceeds of the sale of the Series 2013B Notes will be deposited in the Series 2013B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2013B Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 19 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2013-14. 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 through June 2014 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 2013B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2013B Notes

Authorization. The Series 2013B 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 2013B NOTES – Authorization."

General Provisions. The Series 2013B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 27, 2014 (the "Series 2013B Notes Maturity Date"). The Series 2013B Notes are not subject to redemption prior to the Series 2013B Notes Maturity Date. Interest on the Series 2013B 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 2013B Notes Maturity Date. See "THE SERIES 2013B NOTES – General Provisions."

Book-Entry Only System. The Series 2013B 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 2013B Notes. Ownership interests in the Series 2013B 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 2013B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2013B NOTES – General Provisions" and "APPENDIX F – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2013B 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 2013B 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 2013B Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as repayment of their Program Loans;
- amounts deposited to the "Series 2013-14 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2013-14 Notes Repayment Account") as discussed in "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 Notes Repayment Account*"; and
- any unexpended proceeds of the Series 2013A Notes, the Series 2013B 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 2013B 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 2013B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS – The Series 2013B Notes Proceeds Account."

Interest on the Series 2013B 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 2013-14 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B 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 2013-14 that is (i) subject to appropriation for Fiscal Year 2013-14 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2013A Notes, the Series 2013B Notes, any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2013B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, 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 2013-14 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 2013-14, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2013A (the "State Series 2013A General Fund Notes"), issued by the State Treasurer on July 10, 2013, in the principal amount of $500 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2013-14.

The Series 2013-14 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes. The Owners of the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2013-14 Notes Repayment Account and the moneys credited thereto.

The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B Notes.

See generally "THE SERIES 2013B 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," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

Legal and Tax Matters

Kutak Rock LLP, Denver, Colorado, is serving as bond counsel ("Bond Counsel") in connection with the issuance of the Series 2013B Notes and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX G – 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 2013B 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 2013B 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 G – 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 2013B Notes because the Series 2013B 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 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 D – 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 such Appendix 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 2013B 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 2013B 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 2013B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2013B 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 2013B Notes are being issued pursuant to this authorization. See also "THE SERIES 2013B NOTES – Authorization."

Application of Series 2013B Notes Proceeds

The proceeds of the Series 2013B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2013B Notes, will be deposited in the Series 2013B 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 2013-14, 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 2013B Notes Proceeds Account

The State Resolution previously directed the State Controller to establish within the State's General Fund the Series 2013B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2013B 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 2013B Notes. The original purchasers of the Series 2013B 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 2013B Notes.

Moneys held in the Series 2013B 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 2013B 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 2013B Notes Proceeds Account; and investment earnings on moneys credited to the Series 2013B 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, 2014, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2013-14 Notes Repayment Account, after which the Series 2013B Notes Proceeds Account is to be closed. See "APPENDIX A – 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 2013-14. 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 2013B 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 2013A Notes and the Series 2013B Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2013B NOTES

The following is a summary of certain provisions of the Series 2013B Notes during such time as the Series 2013B 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 2013B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2013B 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 2013B NOTES PROCEEDS." The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes in Fiscal Year 2013-14. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2013B 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 2013B Notes. Beneficial Ownership Interests in the Series 2013B 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 2013B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "APPENDIX F – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2013B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2013B Notes will be dated as of the Closing Date, mature on the Series 2013B Notes Maturity Date and bear interest at the rate 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 2013B Notes will accrue from the Closing Date and will be payable on the Series 2013B Notes Maturity Date. The principal of and interest on the Series 2013B Notes will be payable by the State Treasurer, as paying agent for the Series 2013B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2013B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX F – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2013B Notes will cease to accrue on the Series 2013B 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 2013B 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 2013B 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 2013B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2013B Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2013B Notes are not subject to redemption prior to the Series 2013B Notes Maturity Date.

Security and Sources of Payment

The Series 2013B Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2013A Notes and any additional Parity Lien Notes. The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B 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, 2014, in repayment of their Program Loans; (ii) amounts deposited to the Series 2013-14 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2013A Notes, the Series 2013B 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 2013B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS – The Series 2013B Notes Proceeds Account."

The Series 2013-14 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2013-14 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 2013-14 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2013A

Notes, the Series 2013B Notes and any Parity Lien Notes. The Owners of the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2013-14 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, in repayment of their Program Loans. However, if on June 26, 2014, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2013A Notes, the Series 2013B 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2013-14 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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 A – THE STATE GENERAL FUND."

Moneys held in the Series 2013-14 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, 2014, is to be credited to the General Fund and not credited to the Interest Subaccount or the Principal Subaccount. See "APPENDIX A – 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 2013B 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 2013-14 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 2013B 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 2013-14 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 parity with the pledge in favor of the Series 2013A Notes and the Series 2013B Notes; however, the State Treasurer reserves the right to issue 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 2013B 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 2013B Notes is not made on the Series 2013B 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 2013B 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 2013B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2013B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2013B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series

2013B 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 2013B 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 2013B Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2013-14 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2013-14 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2013A Note, Series 2013B Note or Parity Lien Note over any other Series 2013A Note, Series 2013B 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 2013B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2013B Notes Proceeds Account and the Series 2013-14 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 2013B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B 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 2013B Notes.

Limited Obligations

The Series 2013B 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 2013B Notes. The Series

2013B 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 2013B 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 2013B Notes. See "THE SERIES 2013B 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 2014. 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 2013B 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 2012 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, but increased in 2012 by 1.8% to $89.39 billion. 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 2014 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 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 2013-14 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 2013-14 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2013-14 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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, 2013 (the "OSPB September 2013 Revenue Forecast"), and is included in its entirety in this Official Statement. See "STATE FINANCIAL INFORMATION," "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST." 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 2013-14, it may adversely affect the State's ability to fund, if necessary, any deficiency in the

Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. 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," "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

The OSPB September 2013 Revenue Forecast projects that General Fund revenues in Fiscal Year 2013-14 will increase by 1.0%, or $87.9 million, over Fiscal Year 2012-13. The OSPB also projects that the State will end Fiscal Year 2013-14 with reserves equal to $162.9 million above the 5.0% Unappropriated Reserve requirement, $30 million of which is to be transferred to the Colorado Water Conservation Board ("CWCB") Fund and 75% of the remaining surplus, or $99.7 million, is to be transferred to the State Education Fund pursuant to Senate Bill ("SB") 13-260. Both of these transfers will occur in FY 2014-15.

The next OSPB revenue forecast will be released in December of 2013. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2013 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2013-14 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 2013-14 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts – *Revenue Shortfalls*" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

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 2013A Notes and the Series 2013B 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 2013B 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 2013A Notes and the Series 2013B 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 2013B NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2013B 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 2013B 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 2013B 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 2013B 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 2013-14, 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 2013-14. The District Note matures on June 25, 2014 (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 2013A Notes, the Series 2013B 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 2013B 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 2014 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 2013A Notes, the Series 2013B 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 2013B 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 2013B 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 2013-14; (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 2014 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 existing State statutes. *The State portion of the school districts' funding is* *__not__* *pledged to pay the Program Loans*.

Public School Finance Act of 1994. 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.

The constitutionality of the existing public school finance system was challenged in a lawsuit (*Lobato v. State of Colorado*) filed in Denver District Court against the State by several school districts, students and parents. On May 28, 2013, the Colorado Supreme Court ruled that the Colorado public school financing system complies with the State Constitution and is rationally related to the constitutional mandate that the General Assembly provide a "thorough and uniform" system of public education. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation" and "INVESTMENT CONSIDERATIONS – Future Changes in Laws."

During the 2013 legislative session the General Assembly passed SB 13-213, which creates a new public school finance act that substantially changes the current public school finance system. However, implementation of the new funding program is conditional upon passage by no later than November 2017 of a citizen-initiated Statewide ballot measure to increase State revenues for funding public education. Such an initiative was submitted to the State's voters at the State's general election held on November 5, 2013, but was defeated. Should a subsequent funding initiative be successful, various administrative provisions of the new program would take effect during the first budget year commencing after the election and the new funding formula and the distribution of State moneys under the provisions of the new program would take effect in the second budget year commencing after the election. The new funding program, if eventually implemented, will have no impact on the State's ability to pay the Series 2013B Notes.

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 ($5,954.28 for Fiscal Year 2013-14), 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 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 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, pupils Statewide eligible for the federal free lunch program and English language learner pupils.
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 Statewide Total Program funding amount is established in the Public School Finance Act initially based upon projections of various factors. Once actual figures are known, a mid-year revision may be made to this amount. The Statewide Total Program funding amount for Fiscal Year 2013-14 after application of the Negative Factor was established by House Bill ("HB") 13-260 at an amount of not less than $5,505,332,024. The Statewide Total Program funding amount for Fiscal Year 2013-14, after application of the Negative Factor, currently is $5,505,332,024, or a Negative Factor of 15.49%.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2013-14 of $6,311.11 ($7,467.68 before application of the Negative Factor) per traditional pupil, plus $6,067.98 ($7,180.00 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
2013 and 2014	2014 and 2015	2012	Jan. 1, 2011 to June 30, 2012

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.

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 2013 will be collected in 2014. 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 15^{th} 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 2013A Notes and the Series 2013B 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)

Participating District	Amount of Program Loans[1] Series 2013A Notes	% of Total	Series 2013B Notes	% of Total	Total Amount Borrowed	% of Total	Actual and Estimated Fiscal Year 2013-14 Tax Information 2013 Assessed Valuation (000's)	Estimated Tax Collections[2]	Ratio of Amount Borrowed to Estimated 2014 Tax Collections	3 Year Average[3]	Fiscal Year 2012-13 Loan Program Information Amount Borrowed[4]	Repayment Date (2013)
Aurora (Adams-Arapahoe 28J)	$ 4,021,668	3.06%	$ --	-- %	$ 4,021,668	1.31%	$ 1,778,962	$ 76,933,728	5.23%	98.83%	$ 1,730,819	March 12
Boulder Valley RE-2	44,258,751	33.68	48,085,519	26.89	92,344,270	29.97	4,903,071	173,901,334	53.10	99.43	96,260,945	May 13
Cherry Creek 5	16,905,280	12.87	47,269,640	26.43	64,174,920	20.83	4,421,534	185,909,281	34.52	97.11	38,122,119	March 12
Colorado Springs 11	14,072,874	10.71	12,285,981	6.87	26,358,855	8.55	2,303,640	76,972,459	34.24	99.80	17,429,276	March 12
Commerce City (Adams 14)	--	--	2,098,877	1.17	2,098,877	0.68	614,550	17,480,702	12.01	100.00	--	--
Cripple Creek-Victor RE-1	151,327	0.12	842,355	0.47	993,682	0.32	305,215	3,080,371	32.26	100.00	1,526,612	May 13
Custer County C-1	399,707	0.30	467,244	0.26	866,951	0.28	97,068	1,739,978	49.83	99.67	915,168	May 13
Denver County 1	43,414,801	33.04	43,215,061	24.17	86,629,862	28.11	10,454,481	329,031,551	26.33	98.56	105,961,000	March 12
Durango	--	--	2,131,732	1.19	2,131,732	0.69	1,283,819	14,955,732	14.25	98.30	--	--
Eagle County RE 50	4,277,709	3.26	6,708,307	3.75	10,986,016	3.57	2,414,795	32,079,803	34.25	99.49	8,664,918	March 12
Estes Park (Park R-3)	219,423	0.17	1,090,261	0.61	1,309,684	0.43	339,070	7,428,081	17.63	98.70	748,000	March 12
Gilcrest (Weld RE-1)	656,985	0.50	1,870,526	1.05	2,527,511	0.82	1,096,631	7,517,857	33.62	98.33	2,703,957	May 13
Gunnison Watershed Re-1J	398,613	0.30	--	--	398,613	0.13	462,098	6,854,637	5.82	99.85	1,003,966	March 12
Hayden RE-1	332,573	0.25	1,333,686	0.75	1,666,259	0.54	105,556	2,806,527	59.37	98.27	1,380,538	May 28
Montezuma - Cortez RE-1	231,577	0.18	3,272,988	1.83	3,504,565	1.14	561,626	9,617,189	36.44	99.80	3,064,469	May 13
Platte Valley RE-7	--	--	1,468,838	0.82	1,468,838	0.48	951,004	7,161,033	20.51	99.90	3,000,000	June 7
Pueblo 70	1,266,803	0.96	1,363,154	0.76	2,629,957	0.85	637,795	15,025,507	17.50	99.46	--	--
Sierra Grande R-30	110,832	0.08	318,633	0.18	429,465	0.14	63,356	1,433,868	29.95	94.67	263,333	March 12
South Routt RE-3	676,107	0.51	1,268,358	0.71	1,944,465	0.63	105,103	2,920,119	66.59	94.67	2,245,928	May 28
Summit RE-1	9,617	0.01	2,203,067	1.23	2,212,684	0.72	1,536,205	20,170,421	10.97	99.60	--	--
Windsor RE-4	--	--	1,527,969	0.85	1,527,969	0.50	480,496	14,156,131	10.79	99.87	2,197,150	March 12
	$131,404,647	100.00%	$178,822,196	100.00%	$308,127,966	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 2013A Notes and the Series 2013B 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 2013B NOTES PROCEEDS." The Owners of the Series 2013B 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 2013B 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 additional Parity Lien Notes. See "THE SERIES 2013B NOTES – Parity Lien Notes."

[2] This amount was calculated for each Participating District by multiplying the 2013 assessed value of the Participating District by the Participating District's estimated 2013 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 2014. Mill levies for 2014 tax collections are not required to be certified by the Participating Districts until December 15, 2013. The estimated mill levies used to calculate the estimated Taxes collected during Fiscal Year 2013-14 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."

[3] Based on each Participating District's actual collection data for Fiscal Years 2010-11, 2011-12 and 2012-13.

[4] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2012-13. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B and Series 2012C.

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 the largest borrower of proceeds of the Series 2013A Notes and the Series 2013B Notes. DPS expects to borrow approximately 33.0% of the net proceeds of the Series 2013A Notes and approximately 24.2% of the net proceeds of the Series 2013B Notes, or approximately 28.1% of the combined amount of the Series 2013A Notes and the Series 2013B 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 of approximately 620,000. For the 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 77,251.5. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 74,486.5, 72,270.5 and 70,061.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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. The District's total tax levy for the 2012 levy year (2013 tax collection year) is 50.488 mills, of which 25.541 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.714 mills is for voter-approved override revenues, 10.913 mills is for debt service on general obligation bonds and 1.320 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of DPS (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $10,454,481,178.

Boulder Valley School District RE-2. Boulder Valley School District RE-2 ("BVSD") is expected to be the second largest borrower of proceeds of the Series 2013A Notes and the Series 2013B Notes. BVSD expects to borrow approximately 33.7% of the net proceeds of the Series 2013A Notes and approximately 26.9% of the net proceeds of the Series 2013B Notes, or approximately 30.0% of the combined amount of the Series 2013A Notes and the Series 2013B 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 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 28,538.4. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 28,080.0, 27,865.5 and 27,742.0, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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. The District's total tax levy for the 2012 levy year (2013 tax collection year) was 45.547 mills, of which 25.023 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.620 mills is for voter-approved override revenues, 1.543 mills is to fund excess transportation costs, 6.007 mills is for debt service on general obligation bonds and 0.354 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of BVSD (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,903,070,971.

Cherry Creek School District No. 5. Cherry Creek School District No. 5 ("CCSD") is expected to be the third largest borrower of proceeds of the Series 2013A Notes and the Series 2013B Notes. CCSD expects to borrow approximately 12.9% of the net proceeds of the Series 2013A Notes and approximately 26.4% of the net proceeds of the Series 2013B Notes, or approximately 20.8% of the combined amount of the Series 2013A Notes and the Series 2013B 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 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 50,435.3. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 49,957.0, 49,312.5 and 48,927.0, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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. The District's total tax levy for the 2012 levy year (2013 tax collection year) was 58.037 mills, of which 25.712 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 1.595 mills for hold harmless override revenues, 18.133 mills is for voter-approved override revenues, 11.260 mills is for debt service on general obligation bonds and 1.337 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of CCSD (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,421,534,304.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2014. 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, professional and business services, 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 C – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013" and "APPENDIX D – 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 of 2015, following a general election to be held in November of 2014. 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," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST" 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B Notes Maturity Date. The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, 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, 2014, together with investment earnings thereon, is insufficient to pay the principal of the Series 2013B Notes when due, the principal of the Series 2013B 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 2013B Notes are not general obligations of the State. See also "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 A – 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

General. As discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Taxpayer's Bill of Rights," 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, excluding "enterprises," which are defined in TABOR as government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their annual revenues in grants from all State and local governments combined. Certain limitations contained in TABOR may be exceeded with prior voter approval.

TABOR provides a limitation on the amount of revenue that may be kept by the State in any particular Fiscal Year, regardless of whether that revenue is actually spent during the Fiscal Year. This revenue limitation is effected through a limitation on "fiscal year spending" as discussed hereafter. 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.

TABOR also requires prior voter approval for the following, with certain exceptions: (i) any new State tax, State tax rate increase, extension of an expiring State tax or State tax policy change directly causing a net revenue gain to the State; or (ii) the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation."

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"), which 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, which historically have consisted of portions of various State funds plus certain State real property. The amounts of the TABOR Reserve for Fiscal Years 2012-13 and 2013-14 have been estimated by the General Assembly in the related Long Bills to be approximately $298 million and $329.6 million, respectively.

Fiscal Year Revenue and Spending Limits; Referendum C. As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and fiscal year spending, with any excess revenues required to be refunded to taxpayers. 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.

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in 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, being the base year for calculating fiscal year spending. TABOR provides for an automatic decrease in the State fiscal year spending limit when State TABOR revenues decline without a corresponding automatic increase in State fiscal year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the "ratchet down effect" whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year's TABOR limit is calculated based on the lesser of the prior year's TABOR revenues or the prior year's TABOR limit. In a year in which the State's TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year's TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "Referendum C," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. As a result of Referendum C, the State was able to retain the following amounts in excess of the previously applicable TABOR limit: $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and $1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit in Fiscal Years 2010-11 and 2011-12 by $0.771 billion and $1.473 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC. The OSPB September 2013 Revenue Forecast projects that TABOR revenues in Fiscal Years 2012-13 and 2013-14 will exceed the TABOR limit by $1.088 billion and $162.9 million, respectively, which in each case is below the applicable projected ESRC.

Referendum C also creates the "General Fund Exempt Account" within the General Fund, to which there is to be credited moneys equal to the amount of TABOR revenues in excess of the TABOR limit that the State retains for a given Fiscal Year pursuant to Referendum C. Such moneys may be appropriated or transferred by the General Assembly for the purposes of: (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.

Effect of TABOR on the Series 2013B Notes. Voter approval under TABOR is not required for the issuance of the Series 2013B 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 2013B 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 2013B 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 2013A General Fund Notes. See "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

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 November for each department 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 2013-14 was adopted by the General Assembly on April 12, 2013.

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 2013-14 was approved and signed by the Governor on April 29, 2013.

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 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, unless they are obligated by statute for another purpose. 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. The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 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 Years 2010-11 and 2011-12 was 2.3% and 4.0%, respectively, of the amount appropriated for expenditure from the General Fund in such Fiscal Years. The Unappropriated Reserve for each of Fiscal Years 2012-13 and 2013-14 is 5.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. However, if annual growth in Statewide personal income exceeds 5.0%, the Unappropriated Reserve is required to be increased by 0.5% each year thereafter, starting in the third Fiscal Year after the personal income trigger occurs, until it reaches 6.5%. The OSPB September 2013 Revenue Forecast projects that this increase will not be required through Fiscal Year 2014-15.

The State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement shows that the State ended such Fiscal Year with $1,088.6 million in General Fund Surplus, which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2013 Revenue Forecast projects that the State will end Fiscal Year 2013-14 with reserves equal to $162.9 million above the required 5.0% Unappropriated Reserve requirement. All of the Fiscal Year 2012-13 surplus is to be transferred to the State Education Fund, while most of the Fiscal Year 2013-14 surplus is to be apportioned among the State Education Fund and the CWCB Fund as described in "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts" above and in "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview." These figures are based on revenue and budget information available when the OSPB September 2013 Revenue Forecast was complete. The figures are subject to change in the OSPB December 2013 Revenue Forecast based on new information on revenue and expenditures.

See also "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

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 to and including 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 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 compliance and reporting. The State's Comprehensive Annual Financial Report for Fiscal Year 2011-12 (the "Fiscal Year 2011-12 CAFR") is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2012-13 is expected to be released to the public by the State and be available on or about December 31, 2013.

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 2011-12 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 2011-12 CAFR, including the State Auditor's Opinion thereon, and the State's Fiscal Year 2012-13 Unaudited BFS are is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2012-13 is expected to be released to the public by the State and be available on or about December 31, 2013. 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 2011-12 CAFR or on the Fiscal Year 2012-13 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 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 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement and "APPENDIX A – 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B Notes Maturity Date. See "The State General Fund" below and "APPENDIX A – THE STATE GENERAL FUND."

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, in repayment of their Program Loans. However, if on June 26, 2014, the amount credited to the Principal Subaccount of the Series 2013-14 Notes Repayment Account is less than the principal amount of the Series 2013B 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 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 A – THE STATE GENERAL FUND."

Certain Funds Eligible for Investment in the District Notes

A deficiency in the Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014, 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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 A – 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 2013-14 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 2013-14 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 2008-09 through 2012-13. 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.

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
2009	$293.2
2010	152.3
2011	147.8
2012	140.6
2013	192.9

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 2008-09 through 2012-13.

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
2009	$1,197.0
2010	1,148.3
2011	1,118.3
2012	1,130.9
2013	1,116.2

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 Fund, 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 A – 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2012-13 and estimated Borrowable Resources for Fiscal Year 2013-14. 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.

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

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

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013
Aviation Fund	$ 37.2	$ 35.7	$ 36.0	$ 34.5	$ 31.4	$ 28.1	$ 26.5	$ 26.7	$ 25.5	$ 20.8	$ 19.4	$ 20.8
Capital Construction Fund	89.7	87.5	82.8	78.5	78.0	75.0	63.3	45.2	44.5	42.9	39.6	38.1
College Scholarship Fund	162.2	161.6	110.5	43.7	43.8	162.9	159.8	110.2	46.5	46.5	44.9	30.2
Colorado Student Obligation Bond Authority – Administration	29.7	30.0	30.1	29.1	29.1	30.6	30.6	30.9	31.0	31.0	31.8	31.6
Hazardous Substance Fund	14.4	15.0	14.3	14.8	14.7	14.5	14.8	14.6	14.8	14.5	15.0	13.7
Higher Education Funds [3]	1,145.2	1,308.0	1,388.8	1,399.5	1,320.3	1,266.4	1,423.7	1,448.7	1,437.0	1,334.6	1,265.2	1,318.6
Hospital Provider Fee	41.7	55.4	45.2	60.6	77.3	63.0	77.5	90.4	73.4	86.1	99.3	54.7
Limited Gaming Fund	42.5	1.7	4.4	7.8	11.2	14.9	19.0	23.2	27.2	32.3	37.2	42.8
Lottery Fund	35.6	24.4	34.9	42.6	25.0	43.7	53.8	66.2	41.0	47.2	38.6	44.6
Mineral Impact Fund	91.0	101.8	57.0	67.6	76.0	67.2	71.5	77.3	72.1	84.4	92.3	80.7
School Capital Construction Assistance	145.8	165.8	157.1	159.6	161.3	162.4	166.9	170.9	161.3	160.9	168.2	170.3
State and Local Severance Tax Funds	223.0	214.1	191.7	200.6	191.5	201.7	198.5	201.4	219.9	247.8	262.3	236.2
State Public School Fund	516.3	255.2	861.9	585.7	309.2	683.2	408.0	135.0	497.0	213.1	287.3	7.2
Tobacco Tax Funds	16.8	14.8	19.2	26.2	36.8	28.2	33.8	39.8	31.1	33.4	38.0	18.0
Water Conservation Construction Fund	133.1	123.1	128.1	129.1	153.7	157.7	155.1	155.1	156.3	134.1	139.2	137.6
Workers' Compensation Fund	17.3	25.7	21.5	19.5	14.1	13.8	10.5	4.9	2.4	0.0	0.0	0.0
Other Borrowable Resources	1,396.4	1,483.2	1,490.2	1,467.8	1,510.1	1,452.9	1,462.4	1,424.1	1,376.4	1,429.3	1,568.3	1,174.4
Total Borrowable Resources	4,137.9	4,103.0	4,673.7	4,367.2	4,083.5	4,466.2	4,375.7	4,064.6	4,257.4	3,958.9	4,146.6	3,419.5
Total General Fund	413.7	501.4	58.1	294.3	413.7	20.0	567.8	572.5	210.3	1,165.4	1,190.7	1,161.2
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	$3,997.2	$3,986.2	$4,443.5	$4,137.1	$3,967.7	$4,624.3	$4,837.3	$4,580.7

[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 certain institutions that have statutory authority to operate their own Treasury.

Source: State Treasurer's Office

State of Colorado
Actual and Estimated Borrowable Resources
Fiscal Year 2013-14 [1,2]

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

	Actual				Estimated[3]							
	July 2013	**Aug 2013**	**Sept 2013**	**Oct 2013**	**Nov 2013**	**Dec 2013**	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**
Aviation Fund	$ 21.6	$ 18.3	$ 17.1	$ 18.2	$ 16.6	$ 14.8	$ 14.0	$ 14.1	$ 13.5	$ 11.0	$ 10.2	$ 11.0
Capital Construction Fund	227.1	207.4	195.7	179.5	178.4	171.5	144.7	103.4	101.8	98.1	90.6	87.1
College Scholarship Fund	164.1	163.8	115.6	50.5	50.6	188.2	184.7	127.3	53.7	53.7	51.9	34.9
Colorado Student Obligation Bond Authority – Administration	31.4	31.8	31.8	30.9	30.9	32.5	32.5	32.8	32.9	32.9	33.8	33.6
Hazardous Substance Fund	14.8	14.8	14.6	14.7	14.6	14.4	14.7	14.5	14.7	14.4	14.9	13.6
Higher Education Funds [4]	1,127.3	1,275.6	1,385.3	1,366.6	1,289.3	1,236.6	1,390.2	1,414.6	1,403.2	1,303.2	1,235.5	1,287.6
Hospital Provider Fee	50.4	63.8	39.2	50.1	63.9	52.1	64.1	74.7	60.7	71.2	82.1	--
Limited Gaming Fund	43.3	1.6	4.3	7.2	10.4	13.8	17.6	21.5	25.3	30.0	34.5	39.7
Lottery Fund	48.9	27.9	36.6	50.0	29.3	51.3	63.1	77.7	48.1	55.4	45.3	52.3
Mineral Impact Fund	102.8	112.9	72.5	85.6	96.2	85.1	90.5	97.9	91.3	106.9	116.9	102.2
School Capital Construction Assistance	169.9	187.6	170.9	176.3	178.2	179.4	184.4	188.8	178.2	177.7	185.8	188.1
State and Local Severance Tax Funds	106.6	114.9	96.4	100.5	95.9	101.1	99.4	100.9	110.2	124.1	131.4	118.3
State Public School Fund	447.2	151.2	914.3	621.2	327.9	724.6	432.7	143.2	527.1	226.0	304.7	7.6
Tobacco Tax Funds	34.3	37.0	25.3	29.3	41.2	31.5	37.8	44.5	34.8	37.4	42.5	20.1
Water Conservation Construction Fund	136.0	133.9	137.2	153.3	182.5	187.3	184.2	184.2	185.6	159.2	165.3	163.4
Workers' Compensation Fund	--	1.1	8.4	7.0	5.1	5.0	3.8	1.8	0.9	--	--	--
Other Borrowable Resources	1,774.2	1,899.9	1,936.8	1,919.8	1,975.1	1,900.3	1,912.7	1,862.6	1,800.3	1,869.4	2,051.2	1,596.3
Total Borrowable Resources	4,499.9	4,443.5	5,202.0	4,860.7	4,586.1	4,989.5	4,871.2	4,504.5	4,682.1	4,370.7	4,596.5	3,756.0
Total General Fund	824.8	864.3	229.9	550.8	711.8	(97.1)	498.7	511.0	(90.8)	626.9	887.4	1,014.3
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	$4,824.7	$4,807.8	$4,931.9	$4,911.5	$4,797.9	$4,392.4	$4,869.9	$4,515.5	$4,091.3	$4,497.6	$4,983.9	$4,770.3

[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 these columns 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 certain institutions that have statutory authority to operate their own Treasury.

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 2011-12 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2013-14 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 2013-14, including, without limitation, the State Series 2013A General Fund Notes. See "APPENDIX A – 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 2013B 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, 2013, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be \$120.83 million in Fiscal Year 2013-14. On July 24, 2013, \$111.78 million in aggregate principal amount of State of Colorado, Acting By and Through the Department of Corrections, Refunding Certificates of Participation (Colorado State Penitentiary II Project) were executed and delivered. See Notes 24 and 42 to the State's Fiscal Year 2012-13 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, 2013, but before publication of the Fiscal Year 2012-13 Unaudited BFS.

The State entered into a lease-purchase agreement securing \$89.510 million of Building Excellent Schools Today Certificates of Participation, Series 2013I, on December 9, 2013. Payment of the rent on such lease-purchase agreement will be subject to annual appropriation by the General Assembly.

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, 2013, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2013-14 are estimated to be approximately $101.78 million. See Note 22 to the Fiscal Year 2012-13 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, 2013, CDOT had outstanding $574.15 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, 2013, see Notes 24 and 42 to the financial statements included in the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement.

Pension and Post-Employment Benefits

General. 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 E – 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 E – STATE PENSION SYSTEM," which is based on PERA's Comprehensive Annual Financial Report for calendar year 2012 (the "PERA 2012 CAFR"). For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement, as well as the PERA 2012 CAFR. The information in the State's Fiscal Year 2011-12 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2011. However, the information under this caption and in "APPENDIX E – STATE PENSION SYSTEM," as well as the information in the State's Fiscal Year 2012-13 Unaudited BFS, is based on the PERA 2012 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 E – STATE PENSION SYSTEM – Funding and Contributions." Although the State has made all statutorily required contributions ("SRC") to the Plan, as of December 31, 2012, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.5 billion and $21.2 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $8.6 billion and a funded ratio of 59.2%, assuming an investment rate of return of 8%. The UAAL at December 31, 2012, would amortize over a 53-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the

SRC)*. See "APPENDIX E – 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.

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 59.2%. The funded ratio of the Plan at December 31, 2012, based on the market value of assets, was 60.2%, representing an unfunded accrued liability of $8.4 billion. See "APPENDIX E – 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" in the State's Fiscal Year 2011-12 CAFR appended to this Official Statement and under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions," and Notes 18, 19 and 20 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation and 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, 2012, 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, 2012. 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 2012 CAFR for additional information regarding the Health Care Trust Fund.

Effect of Pension Liability on the Series 2013B Notes. The Series 2013B Notes are short-term obligations maturing on June 27, 2014, and are payable from Pledged Revenues which are expected to consist primarily of amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as repayment of their Program Loans and a portion of the proceeds of the Series 2013B Notes deposited to the Series 2013-14 Notes Repayment Account as discussed in "THE SERIES 2013B

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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 53-year amortization of the UAAL at December 31, 2012.

NOTES – Security and Sources of Payment." Therefore, the State's current pension liability or any change in the State's pension liability is not expected to adversely affect the State's ability to fully pay the Series 2013B Notes. However, no assurance can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement. For a discussion of the State's current pension liability, see "Management's Discussion and Analysis" in the Financial Section of the State's Fiscal Year 2011-12 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

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 2013A 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 2013A Notes and the Series 2013B Notes, for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

See Notes 23 and 42 to the State's Fiscal Year 2012-13 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 2013B 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 2013B Notes or questioning or affecting the validity of the Series 2013B 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 2013B 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. For incidents occurring prior to July 1, 2013, the limits are $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; and for incidents occurring on and after July 1, 2013, the maximum amounts that may be recovered under the Immunity Act are $350,000 for injury to one person in a single occurrence and an aggregate of $990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $350,000. These limits are subject to adjustment on January 1, 2018, and every four years thereafter based on the percentage change in the Consumer Price Index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. 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 or State 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 or its 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, 41 and General Fund Components (in Supplementary Information) in both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. 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 41 to the financial statements in both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. One case referenced in Note 41 is the case of *Lobato* *v. State of Colorado*, which challenged the State's school finance system. On May 28, 2013, the Colorado Supreme Court ruled that the Colorado public school financing system complies with the State Constitution and is rationally related to the constitutional mandate that the General Assembly provide a "thorough and uniform" system of public education. See also "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – *Public School Finance Act of 1994*."

There can be no assurance regarding the ultimate outcome of the other actions described in Note 41, and except as provided in such Note, 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 McGraw-Hill Financial, Inc., have assigned to the Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Notes, that during such time as any of the Series 2013B 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 2013B Notes, including, without limitation: (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 2013B Notes; (iv) modifications to rights of owners of the Series 2013B Notes, if material; and (v) rating changes.

The obligations of the State Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2013B 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 2013B 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 do so. From 2009 through 2012, the State Treasurer failed to file with the MSRB both the "Annual Information" and "Audited Financial Information" required by and defined in the continuing disclosure undertakings entered into pursuant to Rule 15c2-12 relating to certain State issuances. The State Treasurer filed all such information with the MSRB in early 2013. The General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance for certain financial obligations of the State, including the Series 2013B Notes. The State has centralized the responsibility for post-issuance compliance and anticipates compliance with its continuing disclosure undertakings in the future. The State Treasure believes that it has implemented appropriate procedures to ensure future compliance with its continuing disclosure undertakings entered into pursuant to Rule 15c2-12.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2013B Notes, as well as the treatment of interest on the Series 2013B 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 2013B 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 2013B 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. 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 2013B Notes. Failure to comply with such covenants could cause interest on the Series 2013B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013B 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 2013B Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2013B 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 2013B 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 2013B Notes may otherwise affect the federal income tax liability of the owners of the Series 2013B 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 2013B 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 entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan 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 2013B Notes.

The amount treated as interest on the Series 2013B 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 2013B 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 2013B Notes and the aggregate amount to be paid at maturity of the Series 2013B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2013B Notes is the first price at which a substantial amount of the Series 2013B 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 2013B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2013B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2013B 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 2013B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2013B Note. An initial purchaser of a Series 2013B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2013B 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 2013B 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 2013B Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made 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 2013B 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 2013B Notes will be purchased from the State by Morgan Stanley & Co. LLC (the "Underwriter"), pursuant to a competitive sale conducted by the State, for a purchase price of $211,873,200, being the principal amount of the Series 2013B Notes plus an original issue premium of $1,883,700 and less an underwriting discount of $10,500.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., the underwriter of the Series 2013B Notes, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013B Notes.

FINANCIAL ADVISOR

RBC Capital Markets, LLC, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2013B 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 2013B 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 2013B Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2013B Notes is contingent upon the issuance and delivery of the Series 2013B 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 2013B 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

THE STATE GENERAL FUND

The State Resolution requires that if on June 26, 2014, the amount credited to the Principal Subaccount of the Series 2013-14 Notes Repayment Account is less than the principal amount of the Series 2013A Notes, the Series 2013B 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A General Fund Notes. See "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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."

This Appendix contains a discussion of the General Fund, including the estimated cash flows for the General Fund for Fiscal Year 2013-14. See also "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

The 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 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS as the General Purpose Revenue Fund.

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 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 2013-14 and 2014-15. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Revenue Sources
(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB September 2013 Revenue Forecast			
	Fiscal Year 2008-09		Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Preliminary Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15	
Revenue Source	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Excise Taxes:														
Sales Tax	$1,931.1	(9.2)%	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,316.3	4.7%	$2,449.4	5.7%
Use Tax	176.7	(7.6)	155.7	(11.9)	190.1	22.0	200.6	5.6	242.7	21.0	238.3	(1.8)	254.3	6.7
	2,107.8	(9.1)	1,980.7	(6.0)	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,554.6	4.1	2,703.7	5.8
Cigarette Tax	43.5	(3.9)	40.8	(6.0)	39.3	(3.8)	39.5	0.5	38.3	(3.1)	37.4	(2.4)	35.6	(4.7)
Tobacco Products[1]	13.2	(5.9)	16.1	22.4	13.8	(14.2)	16.0	16.1	15.6	(2.9)	17.0	8.8	17.0	0.2
Liquor Tax	35.0	(2.0)	35.4	1.3	36.4	2.8	38.4	5.3	39.2	2.2	40.8	4.0	40.4	(1.0)
	91.7	(1.7)	92.3	0.7	89.5	(3.0)	93.9	4.9	93.1	(0.9)	95.2	2.2	93.0	(2.2)
Total Excise Taxes	2,199.4	(8.8)	2,073.1	(5.7)	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,649.7	4.0	2,796.8	5.5
Income Taxes:														
Net Individual Income Tax	4,333.3	(12.9)	4,083.8	(5.8)	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,529.9	(1.2)	5,957.4	7.7
Net Corporate Income Tax	292.5	(42.4)	372.1	27.2	393.9	5.9	486.5	23.5	636.3	30.8	663.3	4.2	721.0	8.7
Total Income Taxes	4,625.8	(15.6)	4,455.9	(3.7)	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,193.2	(0.6)	6,678.4	7.8
Less State Education Fund Diversion[2]	(339.9)	(16.7)	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(470.7)	(3.2)	(500.9)	6.4
Total Income Taxes to the General Fund	4,285.9	(15.5)	4,126.9	(3.7)	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,722.5	(0.4)	6,177.5	8.0
Other Revenues:														
Estate	0.0	--	0.2	--	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--
Insurance	192.4	(2.2)	186.9	(2.9)	189.7	1.5	197.2	4.0	210.4	6.7	214.4	1.9	221.1	3.1
Interest Income	9.4	(47.8)	10.1	7.7	7.9	(21.6)	13.6	71.5	17.4	28.6	19.8	13.3	23.1	16.8
Pari-Mutuel	0.5	(83.1)	0.5	17.0	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(12.9)	0.5	(10.0)
Court Receipts	24.1	(18.6)	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	2.3	(9.0)	2.4	1.0	2.3	(5.0)
Gaming	2.8	N/A	16.2	476.3	20.4	25.9	20.3	(0.5)	12.1	(40.4)	14.0	15.7	15.1	7.9
Other Income	28.3	46.2	26.2	(7.4)	21.2	(18.8)	23.1	8.8	18.1	(21.6)	19.4	7.4	23.5	20.7
Total Other	257.4	(0.2)	257.7	0.1	243.2	(5.6)	257.6	5.9	261.1	1.3	270.5	3.6	285.5	5.5
Gross General Fund	**$6,742.7**	**(12.9)%**	**$6,457.7**	**(4.2)%**	**$7,085.8**	**9.7%**	**$7,736.0**	**9.2%**	**$8,554.8**	**10.6%**	**$8,642.7**	**1.0%**	**$9,259.8**	**7.1%**

[1] 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 7 to the 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 2008-09 through Fiscal Year 2012-13 (preliminary) and the forecasts for Fiscal Years 2013-14 and 2014-15 from the OSPB September 2013 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2013 Revenue Forecast for Fiscal Year 2013-14. The Governor's budget request for Fiscal Year 2014-15 was submitted on November 1, 2013. The State has sufficient resources to respond to the flooding that occurred in the State in September of 2013. In the current Fiscal Year, General Fund revenue is expected to exceed current General Fund budgeted expenditures. It is expected that part of this excess will be allocated to flood-related expenses. The ability to handle further expenses is supported by the large balance in the State Education Fund and a 5.0% reserve in the General Fund. Additionally, some of the State's flooding-related expenditures will be reimbursed from the federal government.

Any new budget information will be incorporated in the OSPB December 2013 Revenue Forecast. 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 "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2008-09 through 2014-15
(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Preliminary Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
REVENUE:							
Beginning Reserve	$ 326.9	$ 443.8	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 431.6
Gross General Fund Revenue	6,742.7	6,457.7	7,085.8	7,736.0	8,554.8	8,642.7	9,259.8
Transfers to the General Fund	813.8	418.5	158.1	142.1	0.3	2.4	2.4
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,883.4	7,320.0	7,381.2	8,034.7	9,351.0	9,018.0	9,693.8
EXPENDITURES:							
Appropriation Subject to Limit [2]	7,410.7	6,631.6	6,811.1	7,027.8	7,459.2	7,967.4	8,918.8
Dollar Change From Prior Year	322.9	(779.1)	179.5	216.7	431.5	508.2	951.4
Percent Change From Prior Year	4.2%	(10.2)%	2.7%	3.2%	6.1%	6.8%	11.9%
Spending Outside Limit:	54.4	601.5	151.5	189.0	452.2	489.4	329.0
TABOR Refund	--	--	--	--	--	--	--
Rebates and Expenditures [3]	221.6	143.2	127.6	134.8	380.8	236.3	233.6
Transfer to Capital Construction [4]	39.4	0.2	12.0	49.3	61.4	186.7	68.2
Transfers to Highway Users Tax Fund [4]	29.0	N/A	N/A	N/A	N/A	--	--
Transfers to State Education Fund per SB 13-234	N/A	N/A	N/A	N/A	N/A	45.3	25.3
Transfers to Other Funds	2.3	458.1	--	5.0	4.6	21.1	1.9
Other Expenditures Exempt from General Fund Appropriations Limit [5]	(237.9)	--	12.0	--	5.4	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,465.1	7,233.1	6,962.6	7,216.8	7,911.5	8,456.8	9,247.8
Percent Change from Prior Year	(6.2)%	(3.1)%	(3.7)%	3.7%	9.6%	6.9%	9.4%
Reversions and Accounting Adjustments	25.4	50.5	26.9	36.9	22.0	--	--
RESERVES							
Year-End General Fund Balance	443.8	137.4	445.5	854.8	1,461.5	561.2	445.9
Year-End General Fund as a % of Appropriations	6.0%	2.1%	6.5%	12.2%	19.6%	7.0%	5.0%
General Fund Statutory Reserve [6]	148.2	132.6	156.6	281.1	373.0	398.4	445.9
Amount Above (Below) Statutory Reserve [7]	295.6	4.8	288.9	573.7	1,088.6	162.9	--
Transfer of Excess Reserve to State Education Fund/Other Funds	--	--	--	--	(1,088.6)	(129.6)	--
Balance After Any Funds Above Statutory Reserve are Allocated	443.8	137.4	156.6	795.8	--	33.2	--

[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] Per SB 09-228, for Fiscal Year 2009-10 and subsequent Fiscal Years, this appropriation limit was revised from: (a) 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 (b) 5% of Colorado Personal Income. The appropriations amount for Fiscal Year 2013-14 reflects current law. The Fiscal Year 2014-15 amount represents the level of spending that can be supported by projected revenue while maintaining the required reserve amount, and thus will change based on future budgeting decisions and updates to the revenue forecast.

[3] This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit, Homestead Exemption and Fire and Police Pensions. 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*."

[4] Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0%. This is projected to occur in 2014, which will trigger the transfers in Fiscal Year 2015-16. Expected and budgeted transfers to capital construction are occurring each Fiscal Year regardless of the requirement.

[5] Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

[Notes continued on next page]

[6] Current law requires the reserve to increase in the third fiscal year after the calendar year personal income increases by more than 5 percent, starting with calendar year 2012. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in Fiscal Year 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in Fiscal Year 2019-20 under this forecast.

[7] In recent years, some or all of the amount above the statutory reserve was required by law to be credited to other funds, mostly the State Education Fund. For example, per HB 12-1338, all of the Fiscal Year 2012-13 excess is to be transferred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in Fiscal Year 2013-14 is to be transferred to the CWCB Construction Fund, while, pursuant to SB 13-260, 75% of the remaining excess is to be transferred to the State Education Fund. Both of these transfers will occur in Fiscal Year 2014-15.

Source: Office of State Planning and Budgeting

Discussion of Recent General Fund Revenues and Reserves

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" above. The following also discusses revenue to the State Education Fund, which after the General Fund is the second largest funding source for State spending for preschool through 12^{th} grade education.

Fiscal Year 2012-13 (Preliminary). General Fund revenues increased by 10.6% in Fiscal Year 2012-13 compared to an increase of 9.2% in Fiscal Year 2011-12. In Fiscal Year 2012-13, sales and use tax revenues increased by 7.0% compared to an increase of 2.7% in Fiscal Year 2011-12. Other excise tax revenues decreased 0.9% compared to an increase of 4.9% in Fiscal Year 2011-12. Corporate and individual income tax collections increased 13.4% compared to an increase of 12.4% in Fiscal Year 2011-12. Other revenues increased by 1.3% in Fiscal Year 2012-13 compared to an increase of 5.9% in Fiscal Year 2011-12. Total available funds for Fiscal Year 2012-13 (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 $9,351.0 million and total obligations were $7,911.50 million. The required reserve was $373.0 million, or 5.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $1.1 billion. In accordance with Amendment 23 and other State laws, $548.5 million was credited to the State Education Fund.

Fiscal Year 2011-12. 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 12.4% compared to an increase of 9.7% in Fiscal Year 2010-11. Other excise tax revenues increased 4.9% compared to a decrease of 3.1% in Fiscal Year 2010-11. Other revenues increased 5.9% 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 $8,034.7 million and total obligations were $7,216.8 million. The required reserve was $281.1 million, or 4.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $573.7 million. In accordance with Amendment 23 and other State laws, $644.4 million was credited to the State Education Fund.

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 $7,381.3 million and total obligations were $6,962.6 million. The required reserve was $156.6

million, or 2.3% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $288.9 million. In accordance with Amendment 23 and other State laws, $376.8 million was credited to the State Education Fund.

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 0.9% 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 the General Fund) were $7,320.0 million and total obligations were $7,233.1 million. The required reserve was $132.6 million, or 2.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $4.8 million. In accordance with Amendment 23 and other State laws, $339.5 million was credited to the State Education Fund.

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 other State funds, and includes beginning General Fund Surplus and any amounts transferred into the General Fund) were $7,883.4 million and total obligations were $7,465.1 million. The required reserve was $148.2 million, or 2.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $295.6 million. In accordance with Amendment 23, $475.7 million was credited to the State Education Fund.

Revenue Estimation; OSPB Revenue and Economic Forecasts

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. 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 most recent OSPB Revenue Forecast was issued on September 20, 2013, and is included in this Official Statement as "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST." The OSPB September 2013 Revenue Forecast projects revenues for Fiscal Years 2013-14 through 2015-16. The amounts forecast for Fiscal Years 2014-15 and 2014-15 are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB September 2013 Revenue Forecast was provided by Moody's Economy.com. 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 the current forecast, 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 in December of 2013. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2013 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. Such volatility may be reflected in the December 2013 forecast. If a revenue shortfall is projected for Fiscal Year 2013-14 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 2013-14 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. See "SELECTED STATE FUNDS ELIGIBLE FOR

INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts."

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.

Fiscal Years 2012-13 and 2013-14 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 Years 2012-13 and 2013-14 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2012-13
(Amounts expressed in millions)[1]

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	April 2013	May 2013	June 2013
Agency CMOs	$ 94.0	$ 90.0	$ 85.0	$ 76.8	$ 71.9	$ 67.4	$ 62.6	$ 59.1	$ 55.9	$ 49.0	$ 42.4	$ 36.4
Commercial Paper	50.0	50.0	0.0	50.0	40.0	100.0	100.0	60.0	0.0	100.0	127.0	75.0
U.S. Treasury Notes	703.9	718.9	674.0	713.9	713.9	773.9	794.0	784.0	799.0	769.2	809.2	824.0
Federal Agencies	4,631.2	4,450.3	4,493.7	4,128.0	3,824.6	3,886.1	4,275.0	3,800.5	3,889.5	4,526.5	4,160.8	3,798.5
Asset-Backed Securities	366.4	439.1	533.7	701.8	764.3	764.2	853.6	977.1	991.1	1,066.6	1,125.4	1,131.4
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	0.0
Corporates	1,042.5	1,106.2	1,123.2	1,135.2	1,170.1	1,235.0	1,265.0	1,292.1	1,336.0	1,341.0	1,378.9	1,375.9
Certificates of Deposit	1.3	0.9	0.9	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0
Totals	$6,889.3	$6,855.4	$6,910.5	$6,806.6	$6,585.3	$6,827.1	$7,350.7	$6,973.3	$7,097.0	$7,852.8	$7,644.2	$7,243.2

[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 2013-14
(Amounts expressed in millions)[1]

	July 2013	Aug 2013	Sept 2013	Oct 2013
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 31.6
Commercial Paper	250.0	173.0	170.0	250.0
U.S. Treasury Notes	823.9	824.0	848.5	823.9
Federal Agencies	3,853.1	3,818.7	3,818.9	3,853.1
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,180.4
Money Market	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,395.9
Certificates of Deposit	2.0	2.0	4.0	2.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,536.9

[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

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 cash flows of the General Fund for Fiscal Year 2012-13, and the actual and estimated cash flows for the General Fund for Fiscal Year 2013-14, 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 2012-13 and 2013-14 are based upon (i) the General Fund appropriations for Fiscal Years 2012-13 and 2013-14 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 2013 Revenue Forecast discussed in "Revenue Estimation; 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 2012-13
Current Law

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

	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	$ 195.8	$ 191.4	$ 235.2	$ 183.8	$ 168.6	$ 210.3	$ 197.0	$ 210.3	2,416.7
Individual Income Tax	315.6	348.5	438.5	380.4	344.7	439.4	667.8	168.1	249.3	990.7	341.6	396.6	5,081.2
Corporate Income Tax	33.4	8.2	108.2	20.4	1.7	98.8	27.9	(19.6)	70.6	140.0	9.8	114.1	613.5
Other	48.8	31.0	(1.5)	49.1	18.0	9.1	14.7	53.2	34.3	44.5	26.5	12.4	340.1
Total General Fund Revenue	598.9	594.2	754.9	656.9	560.2	738.7	945.6	385.5	522.8	1,385.5	574.9	733.4	8,451.5
Federal Revenue	316.1	534.1	537.8	508.0	537.6	609.5	468.1	542.3	633.9	550.9	552.4	695.2	6,485.9
Total Revenues	915.0	1,128.3	1,292.7	1,164.9	1,097.8	1,348.2	1,413.7	927.8	1,156.7	1,936.4	1,127.3	1,428.6	14,937.4
Expenditures:													
Payroll	100.9	159.4	119.4	117.4	119.0	117.1	120.5	119.2	119.2	120.1	123.7	121.5	1,457.4
Medical Assistance	410.5	452.7	357.5	433.5	407.0	440.6	402.3	438.0	412.2	477.0	431.2	432.5	5,095.0
Public School Distribution	738.0	40.7	981.7	36.2	67.3	675.9	41.6	78.7	687.8	48.2	49.3	81.8	3,527.2
Higher Education Distribution	2.0	41.8	2.5	3.9	3.9	39.0	1.6	0.3	0.3	0.3	0.6	5.4	101.6
Grants and Contracts	41.5	214.3	218.9	185.2	193.3	242.1	185.8	178.2	248.8	291.6	337.3	(535.0)	1,802.0
Other	296.3	118.7	84.8	160.1	104.3	202.4	101.1	87.0	98.6	96.5	123.8	917.9	2,391.5
Total Expenditures:	(1,528.2)	(1,027.6)	(1,764.8)	(936.3)	(894.8)	(1,717.1)	(852.9)	(901.4)	(1,566.9)	(935.2)	(1,065.9)	(1,024.1)	(14,215.2)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(37.8)	100.7	(472.1)	228.6	203.0	(368.9)	560.8	26.4	(410.2)	1,001.2	61.4	404.5	1,297.6
Revenue Accrual Adjustment	(81.9)	(5.5)	(20.1)	31.5	(36.3)	(29.2)	22.8	(65.0)	96.0	12.3	39.5	(79.3)	(115.2)
Expenditure Accrual Adjustment	94.4	(7.5)	48.9	(23.9)	(47.3)	4.4	(35.8)	43.3	(48.0)	40.1	(75.6)	146.1	139.1
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	119.4	(393.7)	547.8	4.7	(362.2)	955.1	25.3	(29.5)	1,161.2
General Fund Cash Balance End of Month	**$ 413.7**	**$ 501.4**	**$ 58.1**	**$ 294.3**	**$ 413.7**	**$ 20.0**	**$ 567.8**	**$ 572.5**	**$ 210.3**	**$ 1,165.4**	**$ 1,190.7**	**$ 1,161.2**	

Source: State Treasurer's Office

State of Colorado
Actual and Estimated General Fund Cash Flow
Fiscal Year 2013-14
Current Law

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

	Actual				Estimated[1]								
	July 2013	**Aug 2013**	**Sept 2013**	**Oct 2013**	**Nov 2013**	**Dec 2013**	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**	**Total**
Beginning Cash and Investments Balance	$1,161.2												
Revenues:													
General Fund Revenue:[2]													
Sales and Use Tax	209.4	$ 220.0	$ 223.0	$ 211.9	$ 205.7	$ 208.5	$ 250.0	$ 189.3	$ 192.1	$ 214.5	$ 207.5	$ 222.8	$ 2,554.6
Individual Income Tax	361.4	344.4	478.1	415.8	408.7	433.9	573.8	156.6	223.0	637.8	441.4	584.3	5,059.2
Corporate Income Tax	12.7	79.0	118.3	41.4	(38.2)	54.1	45.6	7.2	74.5	120.2	24.5	124.0	663.3
Other	50.5	24.1	10.0	55.6	(4.3)	(51.7)	2.1	57.6	24.5	175.5	(37.1)	137.8	444.6
Total General Fund Revenue	634.0	588.5	829.4	724.7	571.8	644.8	871.5	410.7	514.1	1,148.1	636.3	1,068.9	8,642.7
Federal Revenue	364.0	560.8	530.7	527.6	473.4	547.2	456.4	469.9	564.2	403.0	476.1	994.3	6,367.6
Total Revenues	998.0	1,149.3	1,360.1	1,252.3	1,045.2	1,192.0	1,327.8	880.5	1,078.3	1,551.1	1,112.4	2,063.3	15,010.3
Expenditures:													
Payroll	128.2	123.4	133.2	125.3	126.6	120.2	124.0	119.7	121.3	117.5	119.1	127.7	1,486.2
Medical Assistance	454.2	499.8	444.7	418.6	264.9	224.4	151.5	243.2	192.7	322.6	321.3	215.1	3,753.0
Public School Distribution	752.6	30.1	1,120.5	102.1	1.2	555.2	2.0	0.2	555.5	0.2	0.1	1.4	3,121.3
Higher Education Distribution	2.1	45.1	2.1	4.1	1.6	14.8	--	--	--	--	--	(0.8)	69.0
Grants and Contracts	32.5	225.8	213.7	204.1	250.6	309.4	263.8	253.4	287.1	250.6	257.6	290.2	2,838.8
Other	450.8	142.0	153.2	116.5	248.1	768.8	228.0	228.8	539.2	139.5	73.7	401.2	3,489.7
Total Expenditures:	(1,633.7)	(1,066.2)	(2,067.4)	(970.7)	(893.1)	(1,992.8)	(769.4)	(845.2)	(1,695.8)	(830.4)	(771.8)	(1,034.7)	(14,571.3)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	525.5	83.1	(707.3)	281.6	152.1	(800.8)	558.4	35.3	(617.5)	720.6	340.6	1,028.6	1,600.2
Revenue Accrual Adjustment	130.6	(61.9)	39.7	79.8	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	100.5
Expenditure Accrual Adjustment	(144.6)	18.3	33.2	(40.5)	41.0	(12.6)	35.3	(22.7)	17.6	92.0	(27.6)	(383.2)	(393.7)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(105.2)	--	--	(105.2)
State Series 2013A General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
Actual/Projected Monthly Cash Change	824.8	39.5	(634.4)	320.9	161.0	(808.9)	595.7	12.4	(601.9)	717.7	260.5	127.0	1,014.3
General Fund Cash Balance End of Month	**$ 824.8**	**$ 864.3**	**$ 229.9**	**$ 550.8**	**$ 711.8**	**$ (97.1)**	**$ 498.7**	**$ 511.0**	**$ (90.8)**	**$ 626.9**	**$ 887.4**	**$ 1,014.3**	

[1] Amounts in these columns 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.

[2] General Fund revenues are derived from the OSPB September 2013 Revenue Forecast.

Source: State Treasurer's Office

APPENDIX B

OSPB SEPTEMBER 2013 REVENUE FORECAST

As discussed in "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2013-14 through 2015-16. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. 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, 2013, and is presented in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document.

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.

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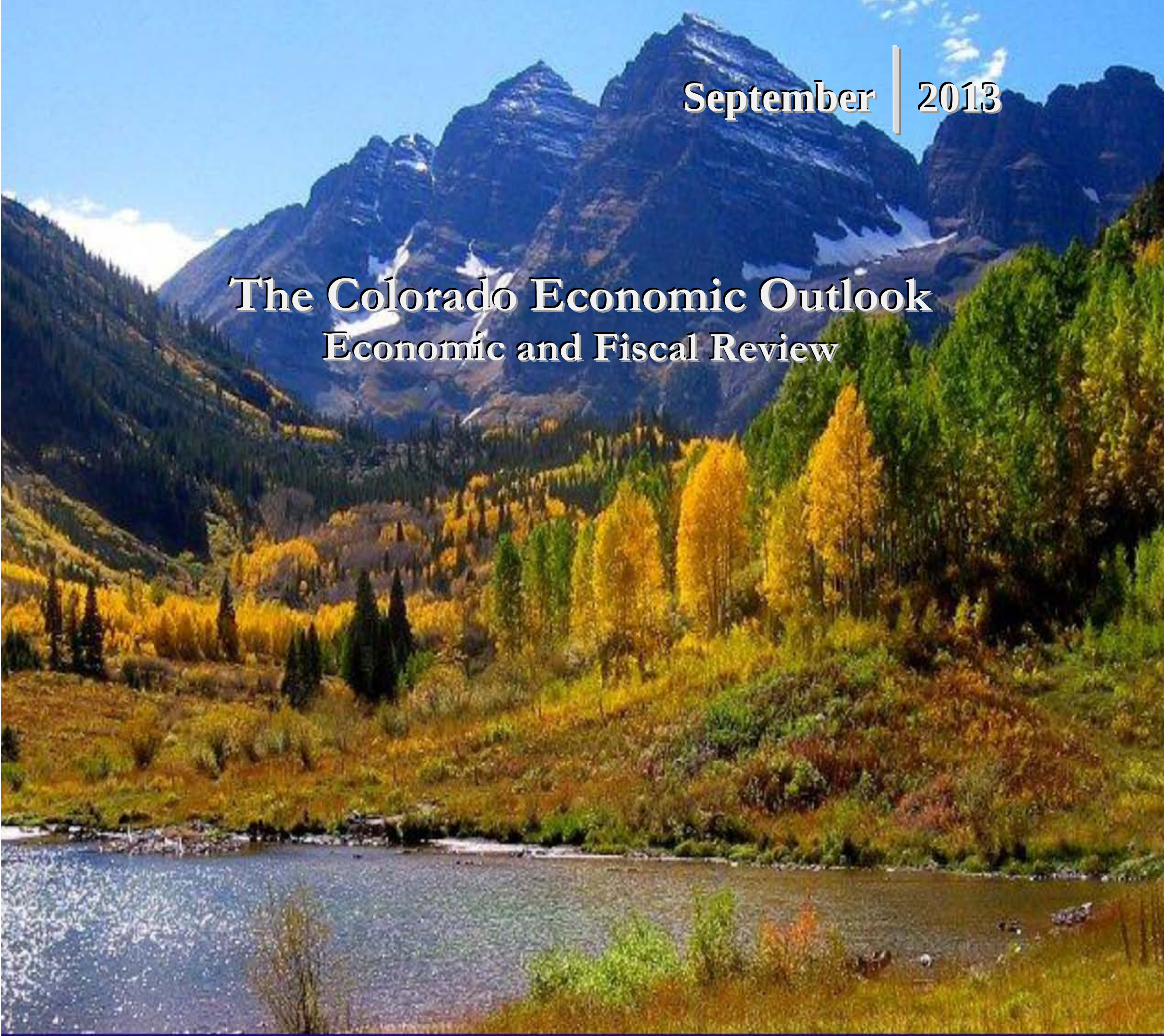
September | 2013

The Colorado Economic Outlook
Economic and Fiscal Review



Governor's Office of State Planning and Budgeting

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Summary

- The General Fund revenue forecast for the current budget year (FY 2013-14) as well as for FY 2014-15 is essentially unchanged from the June forecast as expectations for jobs, income, business activity, and spending in Colorado have not changed appreciably. After posting a robust increase of 10.6 percent in FY 2012-13, revenue growth will slow to 1.0 percent in FY 2013-14 in large part due to an expected moderation in corporate income tax revenue and a drop in capital gains income. However, capital gains income is volatile and can be difficult to predict. A large enough difference from this forecast's projection will result in noticeably higher or lower revenue. The factors slowing General Fund revenue growth in this fiscal year will diminish for FY 2014-15 when continued economic growth is expected to generate a revenue increase of 7.1 percent.

- The strong growth in FY 2012-13 revenue resulted in a General Fund surplus (the amount of money above the required statutory reserve) of $1.1 billion. All of this money is transferred to the State Education Fund. Despite the modest revenue growth expected in this fiscal year, General Fund revenue will still be $162.9 million above the required reserve with the current level of authorized spending. As a result of 2013 legislation, $30 million of this excess General Fund reserve amount is transferred to the Colorado Water Conservation Board Construction Fund and 75 percent of the remainder, or a projected $99.6 million, is transferred to the State Education Fund. The remaining amount after these transfers, a projected $33.2 million, becomes part of the beginning reserve and funds available in FY 2014-15.

- The amount of revenue to the State is determined fundamentally by the performance of the economy. With its diverse industries and high levels of human capital, Colorado's economy continues to have a solid foundation for growth. Many state economic indicators are outperforming national averages and unemployment continues to decline from its high level. Colorado's economic momentum, however, does not insulate it from potential adverse shocks to economic activity that could cause State revenue collections to come in below forecast. On the other hand, the state's economy could grow faster than forecast and cause revenue to outperform expectations. As of the time of publication, it is too early to know the scale of the economic and budgetary impacts of the recent tragic flooding in the state.

- Cash fund revenue subject to TABOR will grow 3.6 percent to $2.63 billion in FY 2013-14, led by an $80 million increase in severance tax revenue resulting from higher natural gas prices and continued growth in oil and gas production. While hospital provider fee revenue will decline, most other main categories of cash funds will increase, reflecting continued economic growth in the state. Cash fund revenue will decrease modestly in FY 2014-15 to $2.61 billion. Continued growth in most of the larger cash fund sources will be offset by a decline of $53.5 million in hospital provider fee revenue.

- This forecast does not expect that the State will reach its TABOR revenue cap through FY 2015-16. The State, however, is within 5.1 percent of reaching the cap in FY 2013-14 and within 4.0 percent of the cap in FY 2014-15 and FY 2015-16. If revenue exceeds the limit due to higher-than-expected revenue growth, the State would need to refund the excess revenue or ask voters to retain it.

General Fund Budget

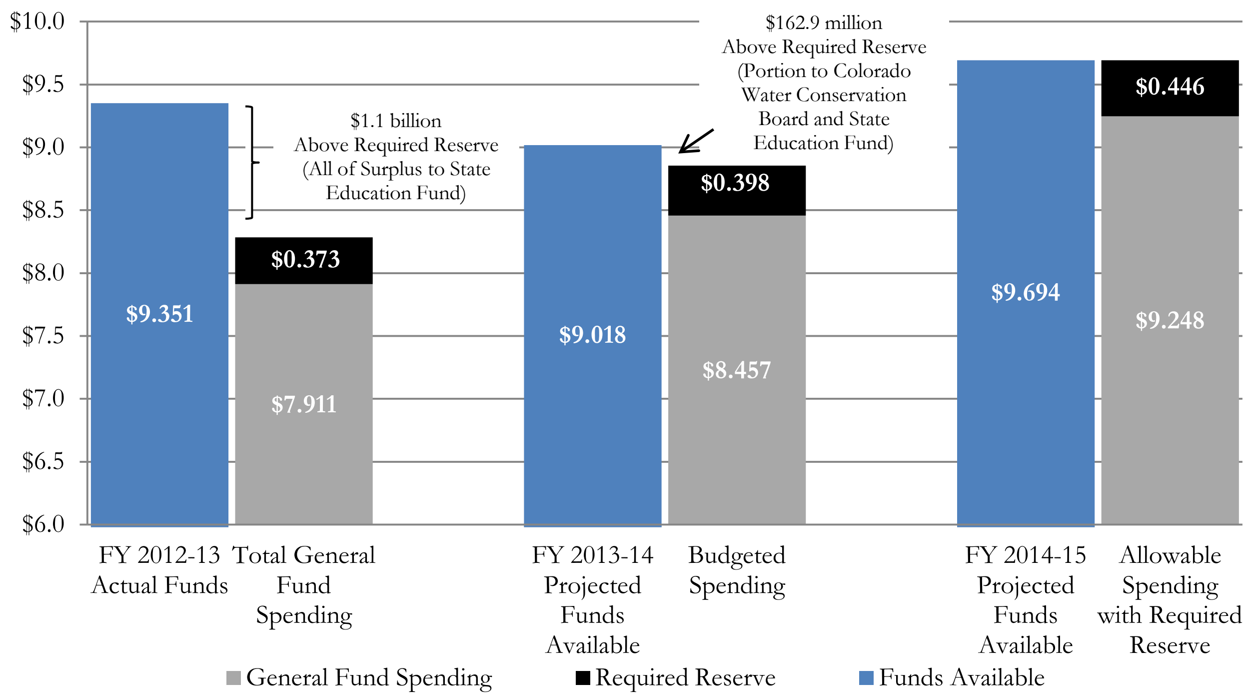
GENERAL FUND OVERVIEW, STATE EDUCATION FUND OVERVIEW, AND BUDGET IMPLICATIONS OF THE FORECAST

This section discusses General Fund and State Education Fund revenue available for spending, spending levels, and end-of-year reserves through the forecast period. The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade and higher education, assistance to low-income populations, the disabled and elderly, courts, public safety, and the correctional system. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. The largest revenue sources for the General Fund are income and sales taxes. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives a portion of income taxes. In recent years, it has also received money from the General Fund.

Table 1 presents the General Fund Overview for the September 2013 OSPB revenue forecast. It is located at the end of this section following page 11. We are also introducing an additional presentation of the General Fund in Table 1a, which presents the same General Fund overview but incorporates information about the State Education Fund. Because of the State Education Fund's importance in funding preschool through 12th grade education and because it receives money primarily from the General Fund, Table 1a provides a comprehensive summary of the General Fund's obligations and resources. Further discussion about Table 1a starts on page 7. The amounts in both tables primarily reflect current law and important assumptions are noted accordingly.

Summary of General Fund Overview – Figure 1 below shows total projected General Fund revenue available, total spending, and reserve levels from FY 2012-13 through FY 2014-15 based on the September forecast and current law. It also shows how much General Fund revenue is projected above the State's required reserve level. The spending amounts for FY 2012-13 and FY 2013-14 are the budgeted amounts under current law. The amount for FY 2014-15 represents the level of spending that could be supported by projected revenue while maintaining the required five percent reserve amount. The information in the figure is discussed below and is shown in further detail in Table 1 and Table 1a following page 11.

Figure 1. General Fund Money, Spending, and Reserves, FY 2012-13 though FY 2014-15, $ in Billions



Funds available – The top portion of Table 1 shows the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 14. In addition to General Fund revenue, the amount of funds available includes the beginning fund balance and any money transferred into the General Fund from various State cash funds. The table below summarizes the amount of General Fund available by fiscal year. The decline in total General Fund available for FY 2013-14 is attributable to projected modest revenue growth and a smaller beginning fund balance. In contrast with FY 2012-13's beginning balance, the end-of-year excess reserves in FY 2012-13 will not be carried forward and become part of the beginning FY 2013-14 balance, but instead will be transferred to the State Education Fund. Higher revenue growth in FY 2014-15 and FY 2015-16 will result in an increase in funds available.

GF Funds Available under Current Law ($ in Millions)

	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	$373.0	$431.6	$445.9
General Fund Revenue	$8,642.7	$9,259.8	$9,715.6
Transfers to the General Fund	$2.4	$2.4	$2.4
Total General Funds Available	**$9,018.0**	**$9,693.8**	**$10,164.0**
Dollar Change from Prior Year	-$332.9	$675.8	$470.2
Percent Change from Prior Year	-3.6%	7.5%	4.9%

Spending subject to the appropriations limit – Line 5 in Table 1 shows the amount of General Fund appropriations subject to the limit of five percent of Colorado personal income as specified in Section 24-75-201.1 (1) (a) (II) (A), C.R.S. This limit means that the level of General Fund appropriations for certain programs cannot exceed a dollar amount equal to five percent of total statewide personal income. The appropriations subject to the limit help fund the State's largest core programs, such as preschool through 12th grade education, Medicaid, human services, corrections, and higher education. The limit is projected to be $11.3 billion in FY 2013-14. Thus, the current fiscal year's General Fund appropriations for these programs are $3.1 billion under the limit.

The General Fund appropriations amount for FY 2013-14 in Table 1, and shown below, reflects current law and is subject to change based on future budget decisions. The FY 2014-15 and FY 2015-16 amounts in Table 1 reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

GF Spending Subject to the Appropriations Limit under Current Law ($ in Millions)	
	FY 2013-14
Appropriations	**$7,967.4**
Dollar Change from Prior Year	$508.2
Percent Change from Prior Year	6.8%

Spending not subject to the appropriations limit – Lines 8 through 15 in Table 1 summarize spending that is outside the General Fund appropriations limit. The largest portion of this spending is "Rebates and Expenditures" (Line 10 in Table 1). The programs in this line with the most expenditures are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (3) the Property Tax, Heat, and Rent Credit, which provides property tax, rent, or heating bill assistance to qualifying low income disabled or elderly individuals; and (4) the Homestead Property Tax Exemption, which reduces property tax liabilities for qualifying seniors and disabled veterans.

General Fund money transferred for State capital construction and facility maintenance, as well as transportation projects, are also not subject to the limit (Lines 11 and 12 in Table 1). Transfers for these purposes can be made at the discretion of the General Assembly and Governor through legislation. The FY 2013-14 budget includes a total transfer of $186.7 million for capital construction projects. The capital construction amounts in subsequent years mostly reflect needed funding levels for specific "certificate of participation" (COP) financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects. Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This forecast projects that personal income growth will exceed 5 percent in 2014, which will trigger an expected transfer of $194.3 million for transportation in FY 2015-16. The amount needed for capital construction in FY 2015-16 shown in Table 1 for COP payments and priority facility maintenance projects exceeds the amount of the required transfer.

SB 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19 (Line 13 in Table 1). The FY 2013-14 transfer is $45.3 million, while the amount in FY 2014-15 and FY 2015-16 is $25.3 million. In addition, state law requires a relatively small amount of transfers of General Fund money to various State cash funds (Line 14 in Table 1). In some years, certain programs need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit" (Line 15 in Table 1). Any "overexpended" amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid overexpenditures," is usually the largest amount for this line. The entire FY 2012-13 amount in Table 1 is Medicaid-related overexpenditures.

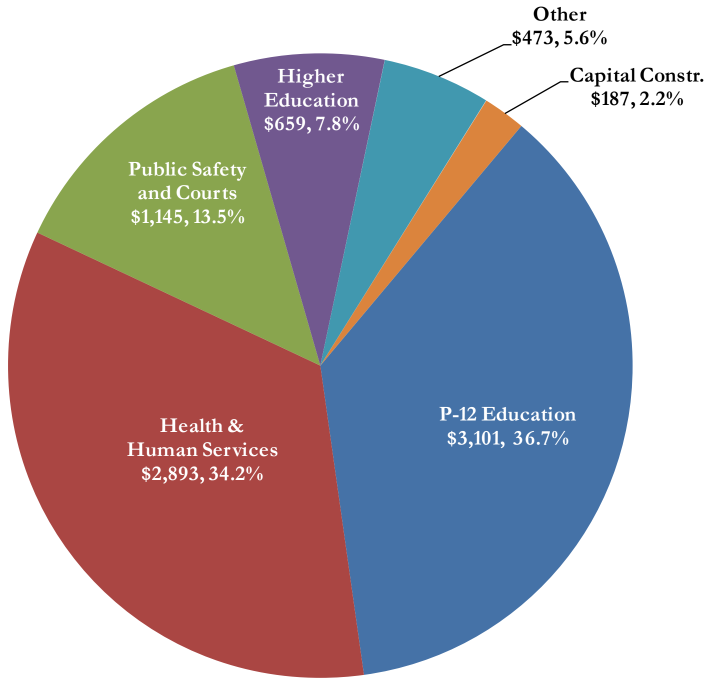
Finally, spending not subject to the limit includes any TABOR refunds (Line 9 in Table 1), which occur when State revenue exceeds its cap. TABOR refunds are not expected to occur during the forecast period as revenue will be between approximately $500 million and $600 million below the cap through FY 2015-16. Page 31 and Table 4 provide further detail on TABOR revenue.

All of the expenditures discussed above are summarized in the following table.

GF Spending Not Subject to the Appropriations Limit under Current Law ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
TABOR Refund	$0.0	$0.0	$0.0
Cigarette Rebate	*$9.5*	*$9.0*	*$8.7*
Old-Age Pension Fund/Older Coloradans Fund	*$105.4*	*$94.3*	*$90.1*
Aged Property Tax & Heating Credit	*$6.9*	*$6.9*	*$6.9*
Homestead Exemption	*$108.6*	*$117.0*	*$123.7*
Interest Payments for School Loans	*$0.8*	*$1.3*	*$1.5*
Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
Total Rebates and Expenditures	**$236.3**	**$233.6**	**$236.0**
Transfers to Capital Construction	$186.7	$68.2	$64.8
Transfers to Highway Users Tax Fund	$0.0	$0.0	$194.3
Transfers to State Education Fund per SB 13-234	$45.3	$25.3	$25.3
Transfers to Other Funds	$21.1	$1.9	$1.9
Other	$0.0	$0.0	$0.0
Total	**$489.4**	**$329.0**	**$522.4**
Dollar Change from Prior Year	$37.2	-$160.4	$193.4
Percent Change from Prior Year	8.2%	-32.8%	58.8%

Composition of General Fund Budget – The following graph, Figure 2, shows the composition of the General Fund budget for FY 2013-14 by major department or program area. Under the budget, total General Fund spending amounts to $8,456.8 million, a 6.9 percent, or $545.3 million, increase compared with FY 2012-13.

Figure 2. Composition of FY 2013-14 General Fund Budget, $ in Millions



Reserves – The final section of the General Fund Overview table ("Reserves") shows General Fund remaining at the end of each fiscal year. The "Year-End General Fund Balance," in the overview table (Line 19) reflects the difference between total funds available (Line 4) and total outlays (Line 16). Line 21 shows the statutorily determined reserve requirement and the following line indicates any variance from the requirement ("Above (Below) Statutory Reserve"). For FY 2012-13, the reserve was $1.1 billion above the 5.0 percent of appropriations requirement. By statute, the entire FY 2012-13 excess is transferred to the State Education Fund.

For FY 2013-14, under this forecast, the reserve is projected to be $162.9 million above the required amount. Of this excess amount, $30 million goes to the Colorado Water Conservation Board (CWCB) Fund and 75 percent of the remainder goes to the State Education Fund – a projected $99.6 million under this forecast. These transfers, shown in line 23, will occur in FY 2014-15. The remaining amount of the excess – a projected $33.2 million under this forecast – becomes part of the beginning reserve and funds available in FY 2014-15.

Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5

percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast. The dollar amounts for the required reserve and ending fund balance from Table 1 are summarized in the table on the next page. The transfers of excess reserves to the State Education Fund and CWCB Fund are also shown.

GF Reserves under Current Law ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Year-End General Fund Balance	$561.2	$445.9	$459.1
Balance as a % of Appropriations	7.0%	5.0%	5.0%
General Fund Required Reserve	**$398.4**	**$445.9**	**$459.1**
Money Above/Below Req. Reserve	**$162.9**	**$0.0**	**$0.0**
Excess Reserve to State Education Fund	**$99.6**	**N/A**	**N/A**
Excess Reserve to CWCB Fund	**$30.0**	**N/A**	**N/A**

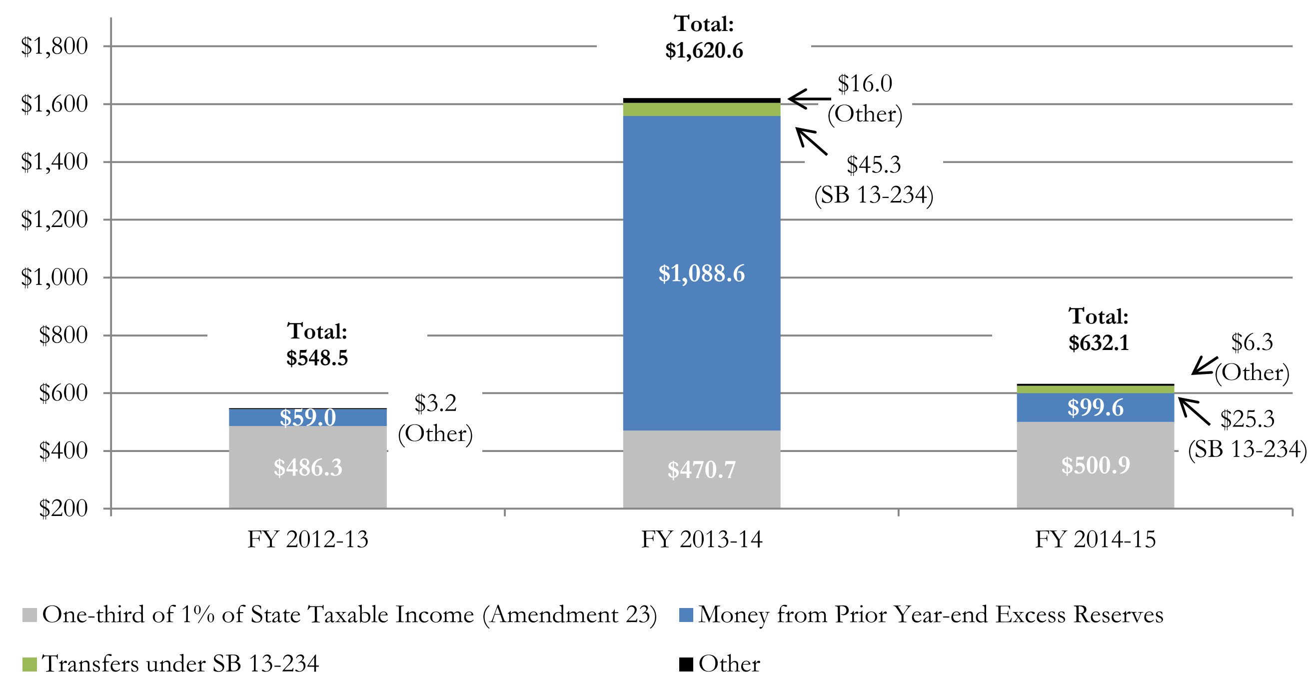
Summary of General Fund with the State Education Fund Overview – Table 1a following Table 1 incorporates all of the same information from the General Fund overview in Table 1 that is discussed above, but also includes spending, revenue, and fund balance information for the State Education Fund.

Funds available – Line 4 of Table 1a shows the amount of money credited to the State Education Fund each year. Under the State constitutional provisions of Amendment 23, the State annually diverts an amount equal to one-third of one percent of State taxable income to the Fund. This diversion is projected to be $470.7 million in FY 2013-14. In recent years, the fund has also received all or a portion of the State's excess reserves as a result of legislation passed by the General Assembly and signed by the Governor. In FY 2012-13, the fund received $59 million of the FY 2011-12 excess reserves. For FY 2013-14, it receives all of the FY 2012-13 excess reserves, or $1.1 billion. Also in FY 2013-14, the fund will receive a General Fund transfer of $45.3 million pursuant to SB 13-234, as discussed in the "Spending not subject to the appropriations limit" section. Thus, in FY 2013-14, the State Education Fund is projected to receive $1.6 billion.

In FY 2014-15, the State Education Fund is projected to receive $632.1 million. As discussed in the "Reserves" section above, in FY 2014-15 the State Education Fund receives a projected $99.6 million of the FY 2013-14 excess reserves. This estimate will change based on updates to the revenue forecast and future budget actions. In addition to the portion of the excess reserves, the State Education Fund will receive its annual Amendment 23 diversion, as well as a General Fund transfer of $25.3 million pursuant to SB 13-234.

In addition to these larger sources, the State Education Fund annually receives investment earnings and a relatively small amount revenue from other sources, including transfers from other funds and refunds of any unexpended money from school districts from prior years. Figure 3 below shows the actual and expected amount of income to the State Education Fund.

Figure 3. State Education Fund Revenue from All Sources, Actual and Forecast, FY 2012-13 to FY 2014-15, $s in millions



Appropriations and Fund Balance – In addition to income to the State Education Fund, Table 1a includes information on State Education Fund spending, or appropriations (line 9). The amount for FY 2013-14 reflects current law and is subject to change based on future budget decisions. The FY 2014-15 and FY 2015-16 amounts reflect the amount of revenue the State Education Fund is expected to receive each year. However, the actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, these fund balance projections are illustrative only.

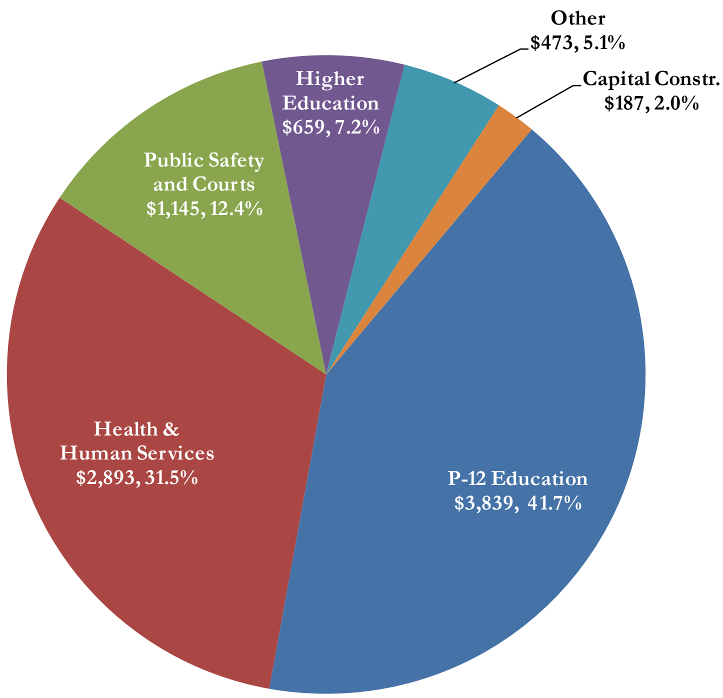
It is important to consider the implications of the level of State Education Fund appropriations for the General Fund budget. Higher or lower appropriations generally mean that General Fund appropriations for school funding can be lower or higher to support the targeted level of funding for schools. However, decisions in one year very much affect the range of choices in the next year. Preschool through 12th grade education receives the largest amount of General Fund compared with other programs, thus, the balance between funding from the State Education Fund and General Fund has a sizable impact on the overall State budget. Further, because income taxes largely fund both accounts, a unified and multi-year view provides important insight to the sustainability of budgeting decisions.

The table on the following page summarizes the amounts discussed above on State Education Fund annual revenue and spending, and includes each year's actual and projected beginning and ending fund balance. Transfers of excess reserves in recent years, especially the excess from FY 2012-13, have caused the State Education Fund to increase its fund balance significantly.

State Education Fund under Current Law ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	*$183.4*	*$1,065.8*	*$1,065.8*
One-third of 1% of State Taxable Income	*$470.7*	*$500.9*	*$527.4*
Money from Prior Year-end Excess Reserves	*$1,088.6*	*$99.6*	*$0.0*
Transfers under SB 13-234	*$45.3*	*$25.3*	*$25.3*
Other	*$16.0*	*$6.3*	*$5.5*
Total Funds to State Education Fund	**$1,620.6**	**$632.1**	**$558.2**
Appropriations from State Education Fund	**$738.1**	**$632.1**	**$558.2**
Year-end Balance	**$1,065.8**	**$1,065.8**	**$1,065.8**

Composition of General Fund and State Education Budget – The following graph, Figure 4, shows the composition of the General Fund budget, incorporating spending on education from the State Education Fund, for FY 2013-14 by major department or program area ($ in millions). Under the budget, total General Fund and State Education spending amounts to $9,194.9 million, a 9.2 percent, or $772.5 million, increase compared with FY 2012-13.

Figure 4. Composition of FY 2013-14 General Fund and State Education Fund Budget, $ in Millions



Risks to the Budget Outlook

The performance of the economy is the fundamental factor determining revenue to the General Fund and State Education Fund. Economic conditions that differ appreciably from expectations can generate relatively large swings in the amount of General Fund and State Education Fund money available. Differing economic conditions can also cause changes in the use of many State services, such as Medicaid, the court system, and higher education.

Importantly, even smaller changes in projected revenue growth rates can noticeably change the budget outlook. For example, if revenue growth were to increase or decrease by just three percentage points in FY 2013-14 from the current projected growth rate, General Fund revenue would be approximately $260 million higher or lower this fiscal year, and $275 million higher or lower in FY 2014-15. As discussed in the *General Fund Revenue Forecast* section starting on page 14, a drop in capital gains income from equity and other asset sales is expected to dampen General Fund revenue growth this fiscal year. However, capital gains income is volatile and can be difficult to predict. A large enough difference from this forecast's projection will result in higher or lower General Fund and State Education Fund revenue.

Colorado's economy is among the best performing in the nation. Its momentum, however, does not insulate it from potential adverse shocks to economic activity that would cause State revenue collections to come in below forecast, perhaps by a large amount. Volatility in financial markets and interest rates, potentially resulting from unintended consequences of monetary policy, is a risk. Further, federal fiscal policy issues surrounding debt and budget levels could result in larger-than-expected negative economic consequences. Also, tensions in the Middle East could begin to have more widely-spread economic impacts. Additionally, although its economic conditions have improved marginally, Europe's structural economic and financial issues have not been resolved. Conditions there could worsen again and strain the global financial system and economy. Finally, it is too early to know the scale of the economic and budgetary impacts of the recent tragic flooding in the state.

On the other hand, the state's economic momentum continues to surprise amidst only modest economic growth at the national and global level. Colorado's economy could grow faster than forecast and cause revenue to outperform expectations. Additionally, higher job and income growth could cause personal income to grow more than 5.0 percent in 2013, triggering transfers to transportation and capital construction in FY 2014-15, one year earlier than forecast. Moreover, the State is within 5.1 percent of reaching its TABOR revenue cap in FY 2013-14 and within 4.0 percent in FY 2014-15 and FY 2015-16. If revenue exceeds the limit, the State would need to refund the excess revenue or ask voters to retain it.

Table 1. General Fund Overview under Current Law

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserve**	**$795.8**	**$373.0**	**$431.6**	**$445.9**
2	**Gross General Fund Revenue**	**$8,554.8**	**$8,642.7**	**$9,259.8**	**$9,715.6**
3	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,351.0**	**$9,018.0**	**$9,693.8**	**$10,164.0**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,459.2**	**$7,967.4**	**$8,918.8**	**$9,182.5**
6	*Dollar Change (from prior year)*	*$431.5*	*$508.2*	*$951.4*	$263.6
7	*Percent Change (from prior year)*	6.1%	6.8%	11.9%	3.0%
8	**Spending Outside Limit**	**$452.2**	**$489.4**	**$329.0**	**$522.4**
9	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	$0.0
10	*Rebates and Expenditures /B*	*$380.8*	*$236.3*	*$233.6*	$236.0
11	*Transfers to Capital Construction /C*	*$61.4*	*$186.7*	*$68.2*	$64.8
12	*Transfers to Highway Users Tax Fund /C*	*N/A*	$0.0	$0.0	$194.3
13	*Transfers to State Education Fund under SB 13-234*	*N/A*	$45.3	$25.3	$25.3
14	*Transfers to Other Funds*	*$4.6*	$21.1	$1.9	$1.9
15	*Other Expenditures Exempt from General Fund Appropriations Limit /D*	$5.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,911.5**	**$8,456.8**	**$9,247.8**	**$9,704.9**
17	*Percent Change (from prior year)*	9.6%	6.9%	9.4%	4.9%
18	Reversions and Accounting Adjustments	*$22.0*	*$0.0*	*$0.0*	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,461.5**	**$561.2**	**$445.9**	**$459.1**
20	*Year-End General Fund as a % of Appropriations*	*19.6%*	*7.0%*	*5.0%*	5.0%
21	*General Fund Statutory Reserve /E*	$373.0	$398.4	$445.9	$459.1
22	*Above (Below) Statutory Reserve /F*	$1,088.6	$162.9	$0.0	$0.0
23	*Transfer of Excess Reserve to State Education Fund/Other Funds /F*	-$1,088.6	-$129.6	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$0.0	$33.2	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2012-13 and FY 2013-14 reflect current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 5.

/C Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amounts for FY 2012-13 and FY 2013-14 reflect current law, while the amounts in subsequent years mostly reflect the needed levels to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

/D Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.

/E Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast.

/F Per HB 12-1338, all of the FY 2012-13 excess is transferrred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in FY 2013-14 is transferred to the Colorado Water Conservation Board Construction (CWCB) Fund, while, pursuant to SB 13-260, 75% of the remaining excess is transferred to the State Education Fund. Both of these transfers will occur in FY 2014-15.

Table 1a. General Fund with State Education Fund Overview under Current Law

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserves**	**$929.6**	**$556.3**	**$1,497.5**	**$1,511.8**
2	*State Education Fund*	$133.8	$183.4	$1,065.9	$1,065.9
3	*General Fund*	$795.8	$373.0	$431.6	$445.9
4	**Gross State Education Fund Revenue**	**$548.5**	**$1,620.6**	**$632.1**	**$558.2**
5	**Gross General Fund Revenue**	**$8,554.8**	**$8,642.7**	**$9,259.8**	**$9,715.6**
6	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$10,033.2**	**$10,822.0**	**$11,391.8**	**$11,788.1**
Expenditures					
8	General Fund Appropriations Subject to Limit /A	$7,459.2	$7,967.4	$8,918.8	$9,182.5
9	State Education Fund Appropriations /B	*$510.9*	*$738.1*	*$632.1*	*$558.2*
10	**Total Appropriations**	**$7,970.2**	**$8,705.5**	**$9,550.9**	**$9,740.7**
11	*Percent Change (from prior year)*	3.8%	9.2%	9.7%	2.0%
12	**Other Expenditures**	**$452.2**	**$489.4**	**$329.0**	**$522.4**
13	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
14	*Rebates and Expenditures /C*	*$380.8*	*$236.3*	*$233.6*	*$236.0*
15	*Transfers to Capital Construction /D*	*$61.4*	*$186.7*	*$68.2*	$64.8
16	*Transfers to Highway Users Tax Fund /D*	*N/A*	*$0.0*	*$0.0*	*$194.3*
17	*Transfers to State Education Fund under SB 13-234*	*N/A*	*$45.3*	*$25.3*	*$25.3*
18	*Transfers to Other Funds*	*$4.6*	*$21.1*	*$1.9*	*$1.9*
19	*Other Expenditures Exempt from General Fund Appropriations Limit /E*	$5.4	$0.0	$0.0	$0.0
20	**TOTAL OBLIGATIONS**	**$8,422.4**	**$9,194.9**	**$9,879.9**	**$10,263.1**
21	*Percent Change (from prior year)*	7.0%	9.2%	7.5%	3.9%
22	*General Fund Reversions and Accounting Adjustments*	*$22.0*	*$0.0*	*$0.0*	*$0.0*
23	*State Education Fund Reversions and Accounting Adjustments*	*$12.0*	*$0.0*	*$0.0*	*$0.0*
Reserves					
24	**Year-End Balance**	**$1,644.9**	**$1,627.1**	**$1,511.8**	**$1,525.0**
25	State Education Fund /B	$183.4	$1,065.9	$1,065.9	$1,065.9
26	General Fund	$1,461.5	$561.2	$445.9	$459.1
27	*Year-End General Fund as a % of Appropriations*	*19.6%*	*7.0%*	*5.0%*	*5.0%*
28	*General Fund Statutory Reserve /F*	$373.0	$398.4	$445.9	$459.1
29	*Money Above (Below) General Fund Statutory Reserve /G*	$1,088.6	$162.9	$0.0	$0.0
30	*Transfer of Excess General Fund Reserve to State Education Fund/Other Funds /G*	-$1,088.6	-$129.6	$0.0	$0.0
31	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$0.0	$33.2	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2012-13 and FY 2013-14 reflect current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B State Education Fund appropriations, and consequently, fund balance information, through FY 2013-14 reflect current law. The appropriations amounts for FY 2014-15 and FY 2015-16 reflect the amount of new revenue to the fund. However, the actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, the appropriations amounts and fund balance projections are illustrative only.

/C Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 5.

/D Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amounts for FY 2012-13 and FY 2013-14 reflect current law, while the amounts in subsequent years reflect the needed levels to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

/E Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.

/F Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast.

/G Per HB 12-1338, all of the FY 2012-13 excess is transferrred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in FY 2013-14 is transferred to the Colorado Water Conservation Board Construction (CWCB) Fund, while, pursuant to SB 13-260, 75% of the remaining excess is transferred to the State Education Fund. Both of these transfers will occur in FY 2014-15.

General Fund Revenue Forecast

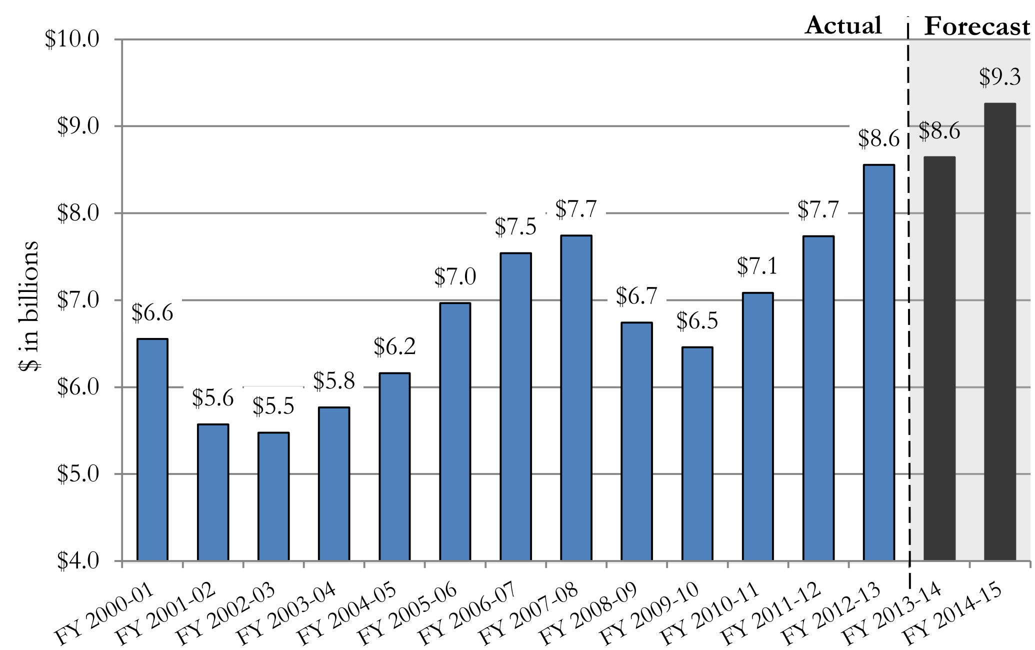
General Fund Revenue **–** OSPB expects General Fund revenue growth of only 1.0 percent in FY 2013-14. This modest growth is not due to a slowdown in overall economic activity, but largely from an expected drop in capital gains income after surging over the past few years. Most notably, it is presumed that taxpayers realized gains sooner in anticipation of federal tax increases in 2013. Thus, a portion of income tax revenue is assumed to have been pulled into FY 2012-13 from FY 2013-14. However, capital gains are volatile and difficult to predict; thus, OSPB will continue to monitor this issue and make revisions to the forecast if necessary. The trends in tax revenue from investor income are discussed further in the individual income tax revenue section below.

In addition to the expected decline in investor income, corporate profit growth, and thus corporate income tax revenue, is expected to moderate this fiscal year. After helping boost tax collections to the General Fund since the end of the recession, this moderation will also contribute to the modest revenue growth this year. Finally, as discussed in further detail in the forecast discussion of the main General Fund revenue sources, tax policy changes at both the state and federal level will lower income tax revenue collected from individuals and corporations in FY 2013-14.

The factors slowing General Fund revenue growth this fiscal year will diminish in FY 2014-15, when continued expected economic growth will generate a General Fund revenue increase of 7.1 percent.

Figure 5 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2014-15. The figure illustrates the boost in General Fund revenue in FY 2012-13 and subsequent slower growth in FY 2013-14. A more detailed forecast of General Fund revenue by source is provided in Table 2 following page 20.

Figure 5. General Fund Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



Forecast Discussion of Major General Fund Revenue Sources

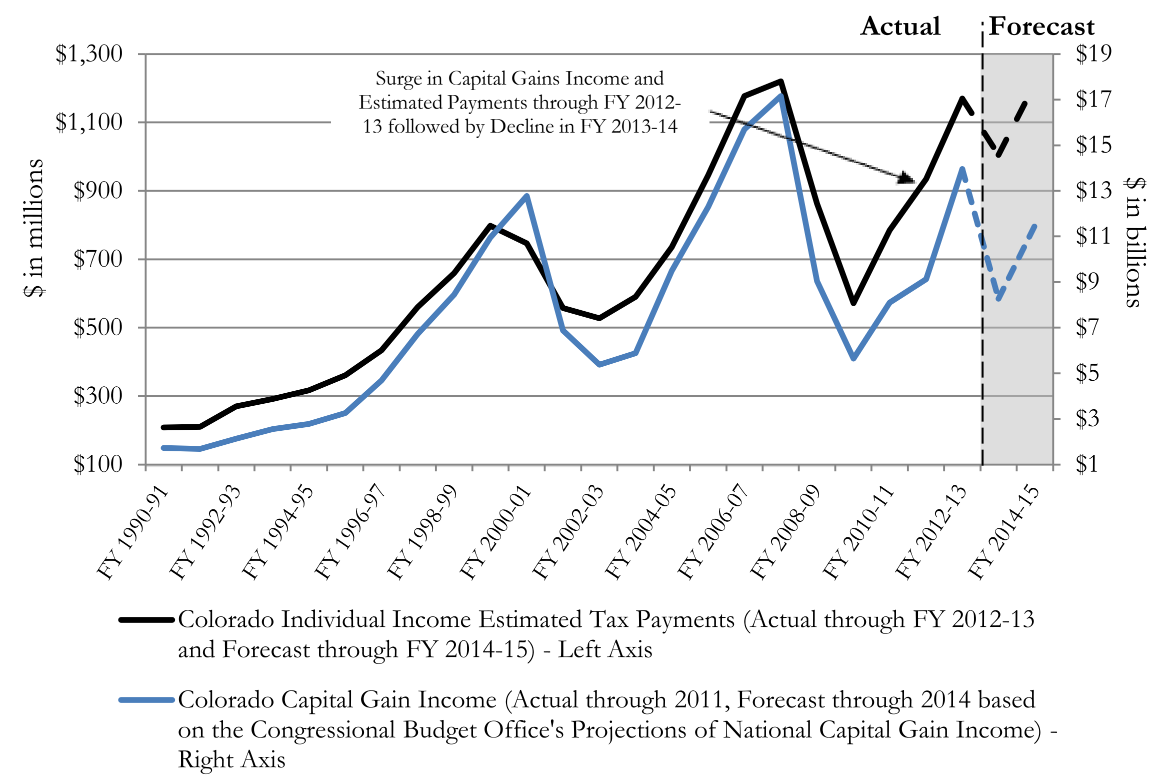
The following section discusses the forecasts for the three major General Fund revenue sources – individual income taxes, corporate income taxes, and sales and use taxes. These sources represent 95 percent of total General Fund revenue. General Fund revenue from the remaining group of miscellaneous sources, such as taxes paid by insurers on premiums, interest income, and excise taxes on tobacco products and liquor will grow modestly as a whole over the forecast period.

Individual income tax – Individual income tax collections have exhibited robust growth during the current economic expansion. From FY 2009-10 through FY 2012-13, this revenue source grew by $1.5 billion, or 37.0 percent. Growth in income to workers and businesses from a relatively strong Colorado economy – discussed in further detail in *The Economy: Current Conditions and Forecast* section starting on page 33 – is a main factor in the rebound. The growth is also attributable to strong gains in investor income from rising equity and other asset values. In addition, the increase is due to higher royalties paid to mineral rights owners from the growth in oil and gas production in the state. Because individual income taxes are the largest source of General Fund revenue, comprising roughly 60 percent of the total, its strong growth has bolstered total General Fund revenue overall.

After the sustained brisk increases over the past few fiscal years, individual income tax collections will post a slight decline of 1.2 percent in FY 2013-14. This decline is mostly due to a drop in investor income from capital gains as taxpayers appear to have shifted some of their investment income into 2012 before the 2013 increase in federal tax rates so their income would be subject to lower tax rates. OSPB estimates that around $120 million in tax revenue from capital gains received by Colorado taxpayers was shifted into FY 2012-13 that would have otherwise been collected in FY 2013-14. This estimate is based on projections of national capital gains income from the Congressional Budget Office (CBO). It is also assumed that some of the gains from strong equity growth since 2009 have been realized already and received as income. This will also lead to a pause in the growth in investor income this fiscal year. The CBO projects that income from capital gain realizations will decline roughly 40 percent in 2013. However, this decline is expected to be one time in nature. Capital gains income is expected to rebound for FY 2014-15 as long as equities and other assets continue to gain value.

Investors with high amounts of income pay their tax liabilities through estimated payments periodically throughout the year. The historical and projected trends in estimated tax payments and capital gain income to Coloradans are shown in Figure 6 below. Estimated payments grew 25.2 percent in FY 2012-13, and have doubled since their nadir during the recession in FY 2009-10. They will fall 14.1 percent in FY 2013-14 due to the decline in capital gains income.

Figure 6. Capital Gain Income to Coloradans and State Individual Income Estimated Tax Payments, Actual and Forecast, FY 2000-01 to FY 2014-15



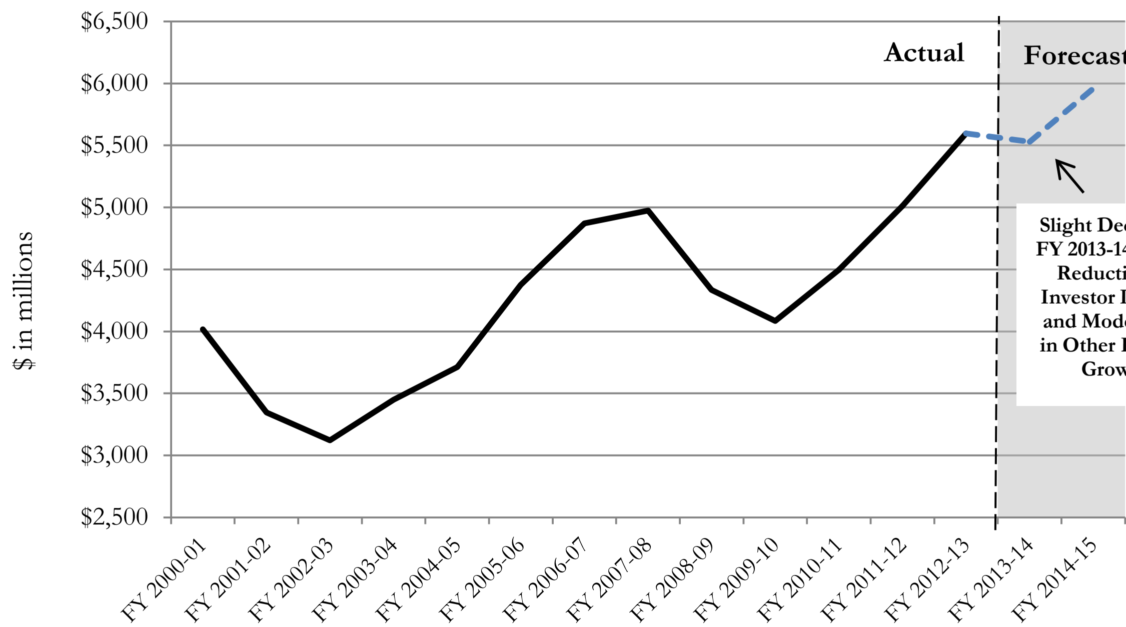
Source: Internal Revenue Service, Colorado Department of Revenue, and Congressional Budget Office. OSPB Calculations.

Tax policy changes, both at the state and federal level, will affect individual income tax revenue over the forecast period. Because taxable income for State individual income tax purposes is based on federal taxable income, certain federal tax policy changes that affect deductions and exemptions can affect Colorado income tax collections.

Tax policy changes will serve, on net, to lower revenue in FY 2013-14, and to a lesser extent in FY 2014-15. The return of the State tax credit for child care contributions is the largest contributor to the net decline. The credits are expected to reduce General Fund revenue by about $25 million to $30 million annually. Further, the business expensing provisions that allow taxpayers to deduct larger investment amounts for tax purposes are another main contributor to the net decline. These provisions were enacted earlier this year in the federal American Taxpayer Relief Act (ATRA). Limitations on federal tax deductions and exemptions in ATRA will increase taxable income for some households and thus offset some of the reduction in revenue from tax policy changes.

The resumption of growth in income from capital gains realizations, along with continued growth in income from wages and business activity, and combined with smaller impacts from tax policy changes, will generate individual income tax revenue growth of 7.7 percent in FY 2014-15. The strong pace of individual income tax revenue growth since the end of the recession, the modest decline in FY 2013-14, and the forecast rebound for FY 2014-15 are depicted in Figure 7.

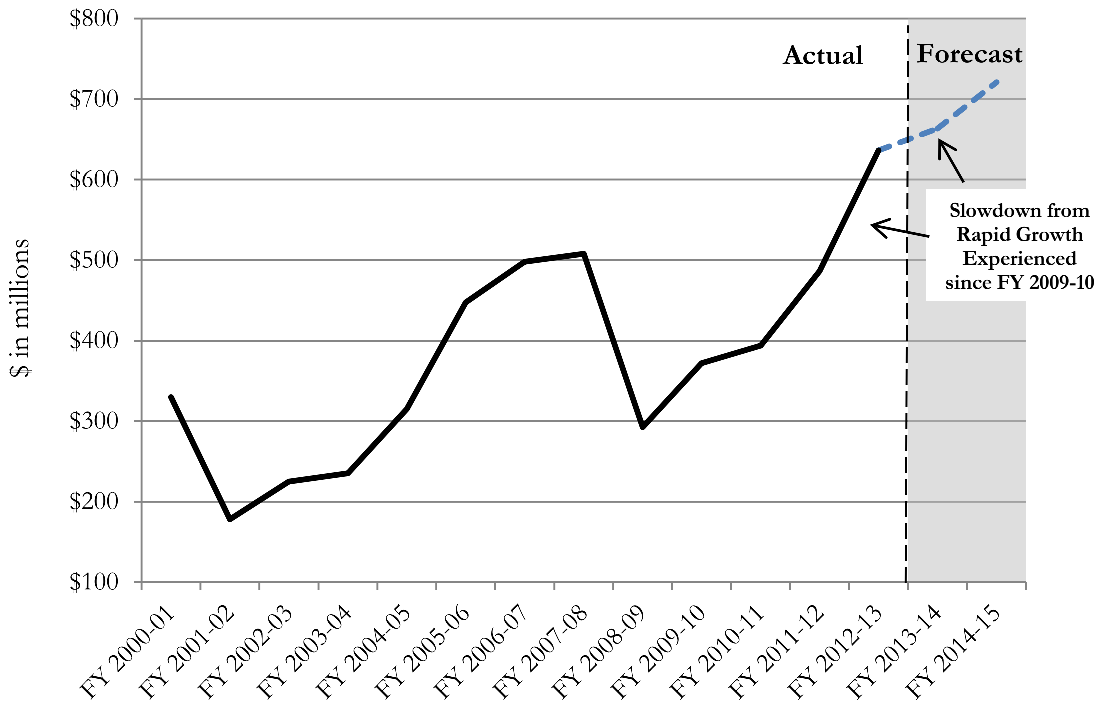
Figure 7. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



Corporate income tax – Corporate income tax revenue has exhibited the most sustained growth during the current economic expansion, having more than doubled since it fell precipitously during the recession in FY 2008-09. Growth in sales and leaner operations have increased business margins and thus supported the tax revenue growth. Additionally, a 2010 state tax policy change capping the amount of net operating losses that corporations could deduct for tax purposes has also bolstered revenue.

After surging 30.8 percent in FY 2012-13, corporate income tax revenue growth will slow to a 4.2 percent increase in FY 2013-14 as corporate profit growth slows. As with individual income tax revenue, tax policy changes, including the federal business expensing provisions in ATRA, will lower corporate income tax revenue compared with previous years. In addition, certain companies will be able to deduct more losses than in previous years as the cap on net operating losses will expire in 2014, resulting in lower taxable income. A graph of historical and forecasted corporate income tax collections is provided in Figure 8.

Figure 8. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15

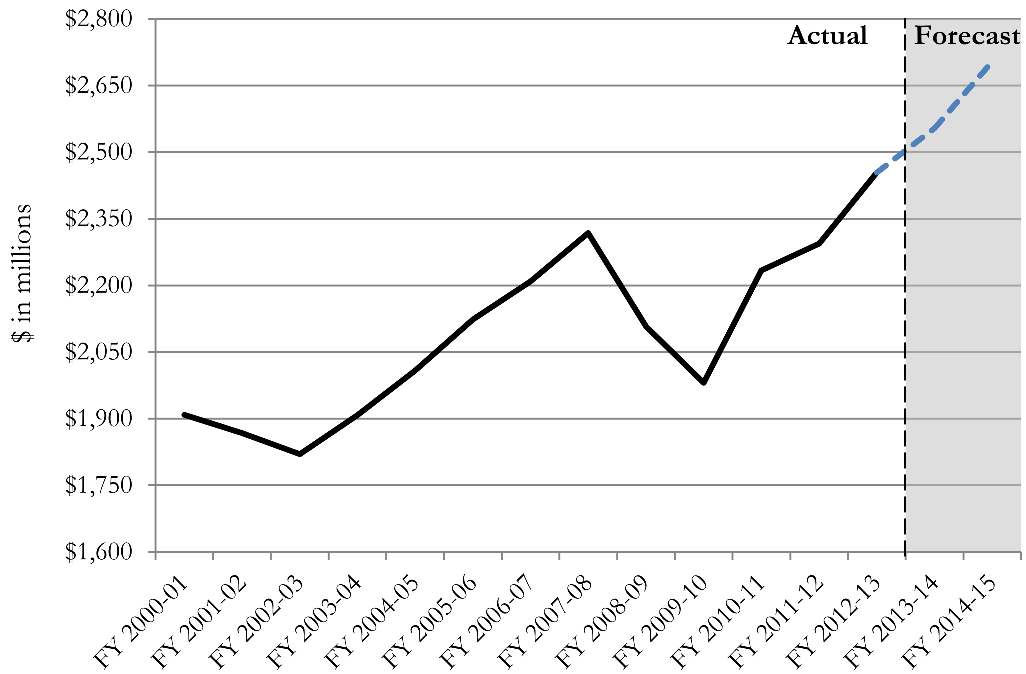


Sales and use tax – Sales tax revenue comprises 25 to 30 percent of General Fund revenue, depending on the year. This category of revenue has experienced more modest growth than income tax revenue collections, having grown 21.2 percent from FY 2009-10 through FY 2012-13. After increasing 5.7 percent in FY 2012-13, sales tax revenue will grow another 4.7 percent in FY 2013-14. Continued income and job growth, along with more activity in the housing market, will continue to support consumer spending. Also, because certain purchases by businesses are taxable, continued growth in overall economic activity will help sales tax revenue continue to increase. Growth in FY 2013-14 sales tax revenue will be slightly lower from the prior year in part because of less robust growth in vehicle sales, which comprise around 12 percent of sales tax collections. After strong growth since mid-2009, vehicle sales will moderate due to higher financing costs and diminishing pent-up demand for new and replacement vehicles.

Use taxes are generally paid on taxable items in which the seller did not collect and remit sales taxes for the State. Many of these transactions occur with out-of-state sellers; thus use taxes are mostly paid by businesses. Business investment, especially in the oil and gas industry, as well as a pickup in construction activity, has bolstered use tax revenue. In FY 2012-13, use tax revenue grew 21.0 percent. OSPB expects use tax revenue growth will pause in FY 2013-14, declining 1.8 percent. However, use tax revenue will resume growth in FY 2014-15, posting an increase of 6.7 percent.

Total sales and use tax revenue from FY 2000-01 through FY 2014-15 is shown in Figure 9.

Figure 9. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



State Education Fund Revenue – As discussed on page 7 in the *State Education Fund Budget* section, the state constitution requires that one third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because this revenue comes from taxable income, it largely follows the trends in individual income and corporate income tax revenue collections discussed above. After a 19.3 percent gain in FY 2012-13, this revenue source will decline 3.2 percent in FY 2013-14 due to the slowdown in corporate income taxes and the decline in investor income. However, the annual constitutional diversion to the State Education Fund will grow again in FY 2014-15 along with overall income tax revenue, posting an increase of 6.4 percent.

Figure 10 shows the diversion of one third of one percent of taxable income to the State Education Fund from FY 2000-01 to FY 2014-15. In addition to this dedicated source of revenue, the State Education Fund also receives income from other sources – some of which are one time in nature – mostly from the General Fund, which is shown in detail on page 8.

Figure 10. State Education Fund Revenue from One Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2014-15

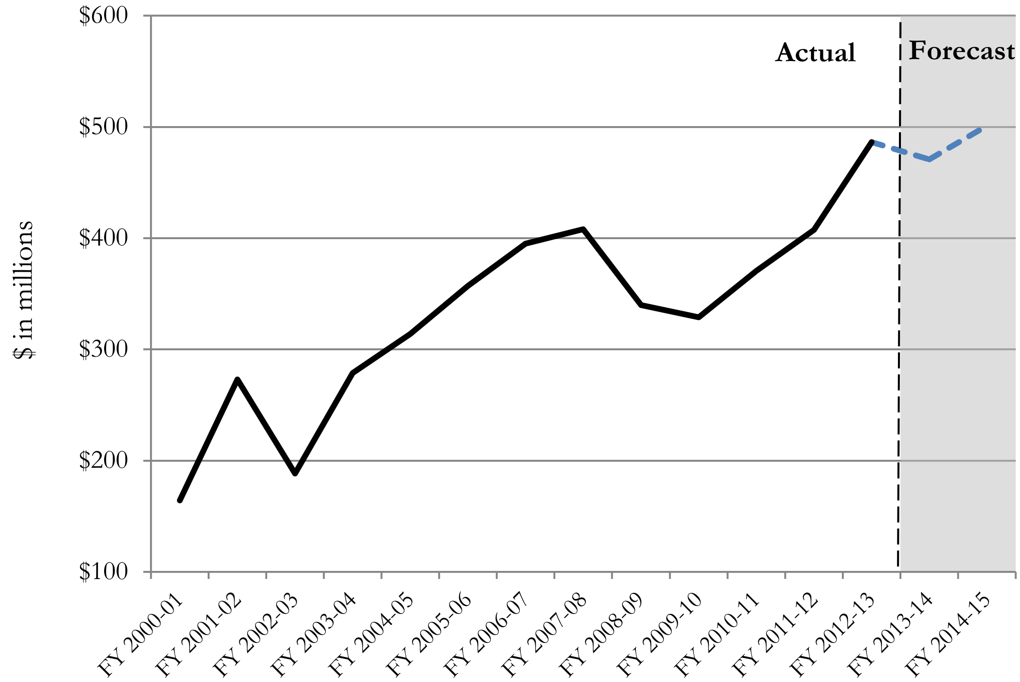


Table 2. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2012-13	%Chg	September 2013 Estimate by Fiscal Year FY 2013-14	%Chg	FY 2014-15	%Chg	FY 2015-16	%Chg
	Excise Taxes:								
1	Sales	$2,211.7	5.7%	$2,316.3	4.7%	$2,449.4	5.7%	$2,548.7	4.1%
2	Use	$242.7	21.0%	$238.3	-1.8%	$254.3	6.7%	$272.0	6.9%
3	Cigarette	$38.3	-3.1%	$37.4	-2.4%	$35.6	-4.7%	$34.4	-3.3%
4	Tobacco Products	$15.6	-2.9%	$17.0	8.8%	$17.0	0.2%	$17.5	3.0%
5	Liquor	$39.2	2.2%	$40.8	4.0%	$40.4	-1.0%	$41.2	2.1%
6	**Total Excise**	**$2,547.5**	**6.7%**	**$2,649.7**	**4.0%**	**$2,796.8**	**5.5%**	**$2,913.8**	**4.2%**
	Income Taxes:								
7	Net Individual Income	$5,596.3	11.7%	$5,529.9	-1.2%	$5,957.4	7.7%	$6,260.7	5.1%
8	Net Corporate Income	$636.3	30.8%	$663.3	4.2%	$721.0	8.7%	$770.7	6.9%
9	**Total Income**	**$6,232.6**	13.4%	**$6,193.2**	-0.6%	**$6,678.4**	7.8%	**$7,031.5**	**5.3%**
10	*Less: State Education Fund Diversion*	*$486.3*	*19.3%*	*$470.7*	*-3.2%*	*$500.9*	*6.4%*	*$527.4*	*5.3%*
11	**Total Income to General Fund**	**$5,746.2**	**12.9%**	**$5,722.5**	**-0.4%**	**$6,177.5**	**8.0%**	**$6,504.1**	**5.3%**
	Other Revenue:								
12	Insurance	$210.4	6.7%	$214.4	1.9%	$221.1	3.1%	$226.0	2.2%
13	Interest Income	$17.4	28.6%	$19.8	13.3%	$23.1	16.8%	$26.2	13.4%
14	Pari-Mutuel	$0.7	10.3%	$0.6	-12.9%	$0.5	-10.0%	$0.5	-5.0%
15	Court Receipts	$2.3	-9.0%	$2.4	1.0%	$2.3	-5.0%	$2.1	-5.0%
16	Gaming	$12.1	-40.4%	$14.0	15.7%	$15.1	7.9%	$17.5	15.9%
17	Other Income	$18.1	-21.6%	$19.4	7.4%	$23.5	20.7%	$25.4	8.5%
18	**Total Other**	**$261.1**	**1.3%**	**$270.5**	**3.6%**	**$285.5**	**5.5%**	**$297.7**	**4.3%**
19	**GROSS GENERAL FUND**	**$8,554.8**	**10.6%**	**$8,642.7**	**1.0%**	**$9,259.8**	**7.1%**	**$9,715.6**	**4.9%**

Cash Fund Revenue Forecast

Cash fund revenue subject to TABOR will grow by 3.6 percent to $2.63 billion in FY 2013-14 after a decline of $21 million, or 0.8 percent, in FY 2012-13. Cash fund revenue growth will be led by an $80 million increase in severance tax revenue resulting from higher natural gas prices and continued strong oil production, combined with lower ad valorem tax credits from the prior year. While hospital provider fee revenue will decline in response to higher Medicaid program support from the federal government, most other categories of cash funds will grow, reflecting stronger economic activity within the state in the second half of 2013 and 2014.

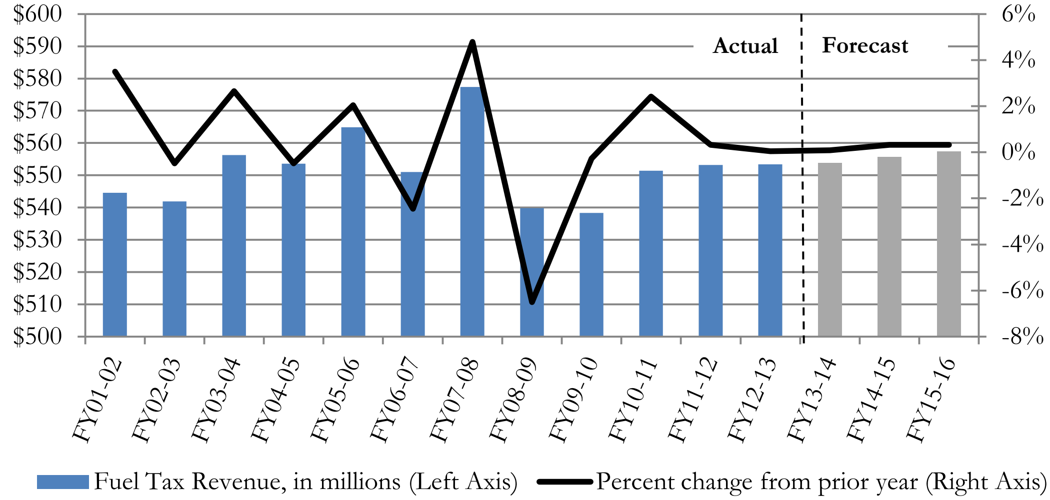
Cash fund revenue will fall by 0.8 percent in FY 2014-15 to $2.61 billion due to a further decline of $53.5 million in hospital provider fee revenue which is discussed in further detail on page 25. OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 3 following page 29. The cash fund forecast focuses on revenue subject to TABOR because the Colorado constitution places a limit on the amount of revenue from certain sources that can be retained by the State each year. Cash Fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 31 of this document.

Transportation-Related Cash Funds

Revenue to transportation-related cash funds that is subject to TABOR will grow 1.2 percent to $1.11 billion in FY 2013-14. Transportation-related cash funds include the Highway Users Tax Fund (HUTF), State Highway Fund (SHF), and several smaller cash funds. Funds in this category receive revenue from fuel taxes, vehicle registrations and permits, other fines and fees related to transportation, and interest on fund balances. The HUTF accounts for more than 80 percent of the revenue in this category and over half of HUTF revenue comes from excise taxes on gasoline and diesel fuel. Revenue in the HUTF is distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Relatively small growth in transportation-related cash funds is largely explained by subdued growth in fuel tax collections, which account for roughly half of all transportation-related revenue subject to TABOR. The history and forecast of fuel tax revenue subject to TABOR, including excise tax on both gasoline and diesel, is shown in Figure 11 below. Fuel taxes have grown less than one half percent in each of the last two years. This trend, partially driven by growing consumer preferences for greater fuel economy and alternative fuel vehicles, is expected to continue through the forecast period.

Figure 11. Fuel Tax Revenue and Year-over-Year Change, FY 2002 – FY 2016



HB 13-1110 changes taxes and fees for electric and alternative fuel vehicles beginning January 1, 2014, by repealing the decal system for natural gas-powered vehicles and implementing an excise tax based on gasoline-equivalent energy content of natural gas fuel. This bill will increase revenue to three cash funds by an estimated $192 thousand in FY 2013-14 ($86 thousand of which will go to the HUTF) and $505 thousand in FY 2014-15 ($261 thousand of which will go to the HUTF). By collecting fuel taxes from drivers of natural gas-powered vehicles rather than an annual decal fee, the bill aims to collect revenue according to a better approximation of the actual amount of wear that each vehicle places on the road. HB 13-1110 also implements a decal system for electric vehicles beginning January 1, 2014 that will collect revenue from electric vehicles, which do not generate fuel tax revenue, to contribute to roadway maintenance costs. Over time, the revenue generated by these two programs will grow proportionally to the number of alternative fuel vehicles on Colorado's highways, and will partially offset slower growth in fuel taxes. However, the impact of taxes and fees related to natural gas and electric vehicles is not expected to become a significant portion of transportation revenue for several years.

As anticipated in prior OSPB forecasts, vehicle sales have remained quite strong through the first half of 2013. Robust auto sales have likely been supported by strengthening job growth in Colorado as well as low interest rates and increased household wealth due to recovery in the housing and stock markets. Some of the recently robust vehicle sales activity may taper off as consumers work through pent-up demand from the wake of the Great Recession and as interest rates begin to rise.

Limited Gaming

Limited gaming revenue will grow by an estimated $2.7 million, or 2.5 percent, in FY 2013-14 to $109.9 million. This increase will be the highest rate of growth since expanded gaming authorized by Amendment 50 took effect in FY 2009-10. This growth is reflective of the state's stronger labor market and greater household net worth as a result of home price appreciation and stock market performance.

However, limited gaming revenue growth of 2.5 percent is slower than overall employment and income growth. Despite the reversal of the 5 percent gaming tax reduction, limited gaming revenue grew just 2.3 percent to $107.2 million in FY 2012-13. The slowdown in gaming activity signals that there has been a change in households' willingness to spend on gaming, possibly due in part to the experience of the Great Recession. This shift in consumer and household behavior has continued even as the economy continues to recover.

Of the total expected limited gaming revenue for FY 2013-14, $100.7 million will be subject to TABOR. This is the amount reflected in Table 3, "Cash Fund Revenue Subject to TABOR". Of this amount, $97.8 million is classified as "base limited gaming revenue" and the remainder comes from interest earned on the balance of the Limited Gaming Cash Fund throughout the year as well as fines and fees related to gaming. The additional $9.2 million in gaming-related revenue is exempt from TABOR and is called "extended gaming revenue," as defined and permitted by Amendment 50 to the Colorado Constitution.

Distribution of limited gaming revenue is calculated according to a formula in Colorado law. Base limited gaming revenue is shared by the State General Fund, the State Historical Society, cities and counties that are impacted by gaming activity, and certain economic development-related programs. Figure 12 below shows in detail the anticipated distribution of limited gaming revenues.

Figure 12. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 12-13	Forecast FY 13-14	Forecast FY 14-15	Forecast FY 15-16
A. Total Limited Gaming Revenues	**$107.2**	**$109.9**	**$112.5**	**$115.0**
Annual Percent Change	2.3%	2.5%	2.4%	2.2%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.5**	**$97.8**	**$100.2**	**$102.4**
Annual Percent Change	3.0%	2.5%	2.4%	2.2%
C. Gaming Revenue Subject to TABOR	**$98.1**	**$100.7**	**$103.1**	**$105.3**
Annual Percent Change	2.6%	2.6%	2.4%	2.2%
D. Total Amount to Base Revenue Recipients	**$84.4**	**$88.1**	**$90.2**	**$95.0**
Amount to State Historical Society	*$23.6*	*$24.7*	*$25.3*	*$26.6*
Amount to Counties	*$10.1*	*$10.6*	*$10.8*	*$11.4*
Amount to Cities	*$8.4*	*$8.8*	*$9.0*	*$9.5*
Amount to Distribute to Remaining Programs (State Share)	*$42.1*	*$44.0*	*$45.1*	*$47.5*
Amount to Local Government Impact Fund	*$5.0*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$15.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.5*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*$5.5*	*N/A*	*N/A*	*N/A*
Advanced Industries Acceleration Fund	*N/A*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$12.1*	*$14.0*	*$15.1*	*$17.5*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.3**	**$8.9**	**$9.1**	**$9.4**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.9*	*$7.1*	*$7.3*
Counties (12%)	*$1.0*	*$1.1*	*$1.1*	*$1.1*
Cities (10%)	*$0.8*	*$0.9*	*$0.9*	*$0.9*

Hospital Provider Fee

Hospital Provider Fee revenue will decrease an estimated $25 million, or 3.8 percent, in FY 2013-14 following implementation of SB 13-200. This bill implements the State's participation in the expansion of Medicaid under the federal Affordable Care Act (ACA). Under ACA, federal funding will be made available to expand Medicaid coverage to a greater population of households with income up to 133 percent of the Federal Poverty Level (FPL).

Colorado hospitals pay the Hospital Provider Fee (HPF), which is calculated as a percentage of net patient revenue. Revenue generated by the fee is matched by dollars from the federal government to cover certain Medicaid costs and to limit cost-shifting for under-insured patients to the private healthcare market. Because ACA specifies that the federal government will match state HPF funds at a more favorable ratio for payments under the Medicaid program, its implementation causes the need for HPF funds to decrease. As a result, the amount that the State needs to collect in HPF revenue will begin to decrease in FY 2013-14. The State's HPF collections will decline further in FY 2014-15, to an estimated $574.0 million, when the full-year impact of new federal Medicaid financing is implemented.

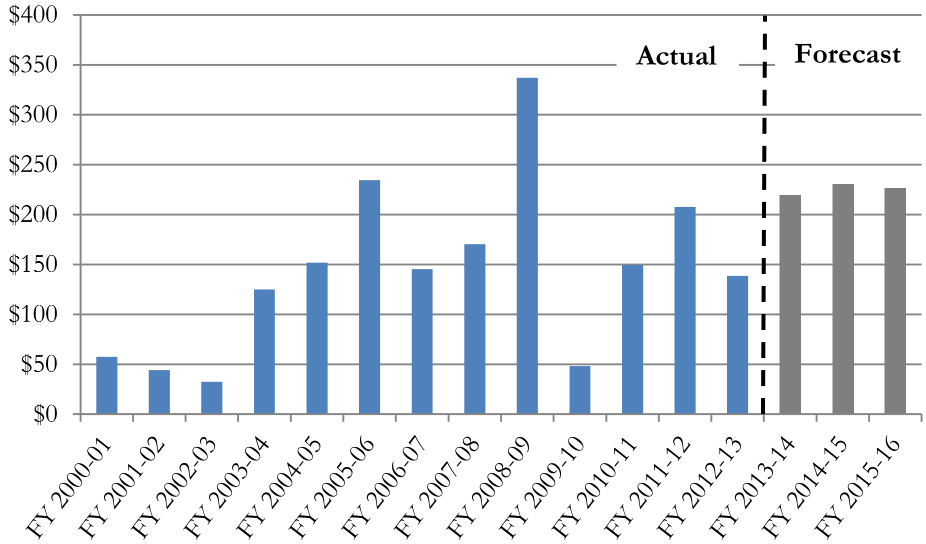
Severance Tax

Severance tax revenue will total $219.0 million in FY 2013-14, an increase of 58.0 percent over FY 2012-13, reflecting higher natural gas prices, continued growth in oil production, and ad valorem tax credits that are smaller than the prior year (explained in further detail below). The higher credits in FY 2012-13, coupled with lower natural gas prices, helped cause a 33.3 percent decline in severance tax revenue last year. Due to gradually increasing prices for oil and natural gas, as well as growing production output, severance tax will grow again in FY 2014-15 by 5.1 percent to $230.1 million.

The State collects severance tax revenue on mineral resources that are extracted (severed) from deposits in Colorado. Oil and natural gas wells account for the vast majority of severance tax revenue in the state, while extraction of coal, molybdenum, and metallic minerals also generate severance tax payments.

Colorado law allows for oil and gas severance taxpayers to deduct 87.5 percent of the local property tax paid on the value of oil and gas production from their severance tax liability to the State. This is called the ad valorem credit. This credit often exacerbates changes in State severance tax revenue because credits claimed from a previous year's property tax liability, reflecting oil and gas prices at different levels, impact the current year's severance tax liability. This dynamic is a primary reason for the level of volatility seen in severance tax revenue, as demonstrated in Figure 13 below.

Figure 13. Severance Tax Revenue, FY 2001 – FY 2016, $s in Millions



Because natural gas is the largest source of severance tax revenue, its price has a large impact on this category of cash funds. Natural gas prices declined significantly in 2012, falling below $2.00 per thousand cubic feet (Mcf) in April, before rising again. The price of Colorado natural gas has since risen to roughly $4.00 per Mcf and is expected to remain near this level for 2013 and 2014. The U.S. Energy Information Administration noted recently that national inventories of gas have fallen from the record highs observed in 2012; they are slightly below their five-year average. Greater use of natural gas is occurring as manufacturers, drivers, and other energy consumers begin using the fuel source in place of petroleum or coal. This will put downward pressure on natural gas inventories, causing prices to rise slightly despite continued robust production of the resource.

The price and production of oil are also determinants of severance tax revenue, though less so than natural gas. The price of oil extracted in Colorado will grow to nearly $94 per barrel in 2013, a roughly $7 per barrel increase from 2012. The higher forecast price of Colorado oil is reflective of many factors, including a global increase in oil prices due to conflict in Syria and Egypt, as well as greater infrastructure to support the transportation and sale of oil from Colorado, which allows the commodity to fetch a higher price. Oil production continues to grow strongly, especially in the northeast region of the state, as operators continue to invest in the deployment of equipment and new extraction technologies in the region.

The majority of recent production increases have occurred in the Niobrara formation and specifically in Weld County, which maintains a much higher mill levy for oil and gas property relative to other counties with significant oil and gas production. As a result, higher ad valorem tax credits have moderated the growth of State severance tax revenue relative to the pace of oil and gas production growth overall. Severance tax revenue growth could potentially accelerate beyond the forecast growth rate if new production opportunities are pursued in other parts of the state. Another upside risk to the forecast is that prices may rise unexpectedly due to growing tensions in major oil-producing parts of the world and/or better-than-expected economic growth at the national level that could drive greater demand.

Severance taxes collected on coal provide a much smaller portion of overall severance tax revenue than oil and gas receipts. Colorado coal production in the first six months of 2013 declined 20 percent from the same period in 2012 as a result of several factors, including wildfire impacts and uncertainties regarding the market for selling extracted coal. Many American power plants and manufacturers have switched to natural gas to satisfy energy needs. Other countries with large manufacturing industries, such as China, still use a significant amount of coal. However, it can be difficult for producers to establish sales in new markets abroad and many American operators, including those that operate mines in Colorado, have slowed extraction efforts in response to falling domestic demand. OSPB estimates that severance tax revenue from coal production will decline by 13 percent to $7.7 million in FY 2013-14 and 3.0 percent to $7.5 million in FY 2014-15.

Federal Mineral Leasing Revenue

Federal mineral leasing (FML) revenue is generated by mineral extraction activities on federal land. The federal government distributes a portion of FML revenue to the State. Like severance tax revenue, FML revenue is largely influenced by the price of resources, especially natural gas, that are produced on federal land and sold in the market place. Price fluctuations are not exacerbated by year-to-year changes in ad valorem tax credits because operators cannot claim ad valorem tax credits for resources extracted from federal lands.

Two factors involving federal government policy will impact Colorado's FML revenue growth in FY 2013-14. First, the US Bureau of Land Management granted a royalty rate reduction for three Colorado coal mines in 2013 which was applied retroactively to royalty payments already made by the operators. This resulted in a reduction of approximately $9.2 million from Colorado's share of FML revenue in FY 2012-13. Since this is not anticipated to occur in FY 2013-14, it will boost Colorado's share of FML revenue compared with last fiscal year.

Secondly, the federal government withheld a portion of States' share of FML revenue in FY 2012-13 due to the implementation of the federal Balanced Budget and Emergency Deficit Control Act often referred to as "sequestration." The US Department of the Interior initially interpreted States' shares of FML royalty payments as federal expenditures subject to sequestration, and thus began withholding a portion of Colorado's share of FML royalties. The Department of the Interior recently announced that a legal review determined that States' shares of FML royalty payments will be disbursed to States in federal fiscal year 2014. The Department also indicated, however, that it will continue to withhold 5.1 percent of Colorado's share of FML royalty payments throughout the remainder of the federal fiscal year 2013 until they are distributed to the State after September 30. No official statement has been made regarding the Department's intention to withhold or not to withhold a portion of FML payments in federal fiscal year 2014.

For this forecast, OSPB has assumed that the Department of the Interior will continue withholding a portion of Colorado's FML payment during federal fiscal year 2013-14, and then, again, disburse the withheld amount in the following federal fiscal year. As a result of these factors, along with a modest increase in energy prices and continued growth in production, OSPB forecasts FML revenue will grow $21.8 million, or 18 percent, to $142.6 million in FY 2013-14. FML revenue will grow by 12.6 percent to $160.6 million in FY 2014-15.

Figure 14. Federal Mineral Leasing (FML) Payments

Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2012-13	$5.07	$115.72	$120.79	-26.8%
FY 2013-14	$3.56	$139.02	$142.59	18.0%
FY 2014-15	$4.01	$156.54	$160.56	12.6%
FY 2015-16	$3.79	$169.99	$173.78	8.2%

Dollars are in millions. FY 2012-13 figures reflect actual collections, and FY 2013-14 through FY 2015-16 are projections.

Other Cash Funds

The Colorado Department of Regulatory Agencies (DORA) is responsible for regulatory oversight of several industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers by regulated entities. The Department oversees a wide variety of entities, including homeowners associations, medical professionals, and land surveyors. Fees paid by regulated entities generate revenue to a number of cash funds that help finance DORA's regulatory activities. OSPB estimates that revenue to DORA-related cash funds subject to TABOR will grow 3.1 percent to $66.8 million in FY 2013-14 as several bills impacting cash funds for regulatory agencies take effect, and as new business activity continues to expand. This category of cash fund revenue is expected to grow again by 2.5 percent to $68.4 million in FY 2014-15.

Insurance-related cash fund revenue includes revenue from a surcharge on workers' compensation insurance policy premiums that is used to fund the Division of Workers' Compensation within the Colorado Department of Labor and Employment. A portion of the surcharge is also used to fund the Major Medical Insurance Fund and Subsequent Injury Fund which were created to absorb costs for certain populations of people injured during a period prior to 1981. Revenue from the surcharge grew 16.6 percent in FY 2012-13, to $26.4 million, reflecting stronger-than-expected hiring by Colorado companies that resulted in a higher level of workers' compensation insurance premiums. Insurance-related cash fund revenue will grow 3.0 percent to $27.2 million in FY 2013-14 and to $28.2 million in FY 2014-15.

Table 3 includes a category called "Other Miscellaneous Cash Funds" which represents a large array of smaller individual cash funds that are not exempt from TABOR. These funds hold revenue collected from various fines and fees as well as interest earnings on the balance of a variety of other State funds. Low interest rates have dampened growth and caused declines among many cash funds. Continued state economic growth is expected to bolster revenue to many miscellaneous cash funds which receive fees paid for public services. Revenue to the miscellaneous cash funds will grow by 3.7 percent to $480.1 million in FY 2013-14 and will grow 3.3 percent to $495.9 million in FY 2014-15.

Two bills passed the Colorado Legislature in 2013 that may create new revenue to cash funds from taxes and fees on the sale of medical and retail marijuana. HB 13-1317 implements many provisions of Amendment 64 which authorized the sale and possession of small amounts of marijuana by adults in Colorado. It is expected that this bill will increase miscellaneous cash fund revenue by $10.9 million in

FY 2013-14. However, it should be noted that the amount of revenue collected may differ substantially from this estimate because of the uncertainty surrounding the volume of future sales of marijuana. HB 13-1318 refers to the voters a special excise tax and sales tax on retail marijuana in Colorado. If voters pass the measure during the November 2013 election, it will increase cash fund revenue by approximately $24.5 million in FY 2013-14. However, the measure specifies that such revenue will be exempt from TABOR and thus it will not be included in Table 3 on the following page.

Table 3
Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in millions)

Category	Preliminary	September 2013 Estimate by Fiscal Year			FY 2012-13 to FY 2015-16 CAAGR *
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	
Transportation-Related /A	**$1,098.6**	**$1,112.0**	**$1,112.7**	**$1,125.1**	
Change	-1.2%	1.2%	0.1%	1.1%	0.8%
Limited Gaming Fund /B	**$98.1**	**$100.7**	**$103.1**	**$105.3**	
Change	2.6%	2.6%	2.4%	2.2%	2.4%
Capital Construction - Interest	**$0.8**	**$0.7**	**$1.4**	**$1.4**	
Change	-29.0%	-13.8%	100.8%	1.8%	20.8%
Regulatory Agencies	**$64.8**	**$66.8**	**$68.4**	**$70.3**	
Change	-0.2%	3.1%	2.5%	2.7%	2.7%
Insurance-Related	**$26.4**	**$27.2**	**$28.2**	**$29.2**	
Change	16.6%	3.0%	3.5%	3.5%	3.4%
Severance Tax	**$138.6**	**$219.0**	**$230.1**	**$226.3**	
Change	-33.3%	58.0%	5.1%	-1.7%	17.8%
Hospital Provider Fees /C /D	**$652.6**	**$627.5**	**$574.0**	**$574.0**	
Change	11.3%	-3.8%	-8.5%	0.0%	-4.2%
Other Miscellaneous Cash Funds	**$462.9**	**$480.1**	**$495.9**	**$502.7**	
Change	-2.1%	3.7%	3.3%	1.4%	2.8%
TOTAL CASH FUND REVENUE	***$2,542.8***	***$2,633.9***	***$2,613.9***	***$2,634.2***	
Change	-0.8%	3.6%	-0.8%	0.8%	1.2%

* CAAGR: Compound Annual Average Growth Rate.

/A Includes revenue from SB 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in HB 09-1272.

/C Figures include the impact of SB 13-200 which put into statute the expansion of Colorado's Medicaid program beginning on January 1, 2014, as allowed by the federal law known as the Affordable Care Act.

/D Figure for FY2015-16 has not been forecast as of this writing. The forecast of HPF revenue for this year is pending projections of the size of Medicaid expansion populations and other factors that have not yet been published by the Department of Healthcare Policy and Financing.

The Taxpayer's Bill of Rights: Revenue Limit

The Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limits the growth in State revenue to the sum of inflation plus population growth in the previous calendar year. Under the provisions of TABOR, revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue. In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11.

Beginning in FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 4) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 4) for each subsequent year. OSPB does not project that any refunds will occur during the forecast period (line 10 of Table 4) as revenue will be between roughly $500 million and $600 million below the cap through FY 2015-16. Most General Fund revenue and a large portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges.

Table 4 summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

Table 4. TABOR Revenue & Referendum C Revenue Limit

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
	TABOR Revenues:				
1	General Fund /A	$8,566.7	$8,628.7	$9,244.7	$9,698.1
	Percent Change from Prior Year	11.0%	0.7%	7.1%	4.9%
2	Cash Funds /A	$2,542.8	$2,633.9	$2,613.9	$2,634.2
	Percent Change from Prior Year	-0.5%	3.6%	-0.8%	0.8%
3	**Total TABOR Revenues**	**$11,109.5**	**$11,262.6**	**$11,858.5**	**$12,332.4**
	Percent Change from Prior Year	8.1%	1.4%	5.3%	4.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.7%	1.4%	1.6%	1.7%
5	Previous calendar year inflation	3.7%	1.9%	2.6%	2.4%
6	**Allowable TABOR Growth Rate**	5.4%	3.3%	4.3%	4.1%
7	TABOR Limit	$9,247.5	$9,552.6	$9,963.4	$10,371.9
8	General Fund Exempt Revenue Under Ref. C /B	$1,862.1	$1,710.0	$1,895.2	$1,960.5
9	**Revenue Cap Under Ref. C /C**	**$11,460.2**	**$11,838.4**	**$12,347.5**	**$12,853.7**
10	***Amount Above/(Below) Cap***	**-$350.7**	**-$575.8**	**-$488.9**	**-$521.4**
11	TABOR Reserve Requirement	$333.3	$337.9	$355.8	$370.0

/A Amounts differ from the General Fund revenues reported in Table 2 as some double counting exists when cash funds are transferred to the General Fund (for instance, limited gaming revenue), and due to accounting adjustments.

/B Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/C The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.

The Economy: Current Conditions and Forecast

With its diverse industries and high level of human capital, Colorado's economy has continued to show that it has established a solid foundation for growth. The state's growing energy and technology-related sectors continue to provide economic vitality. A rebound in new business formation has also been a key factor. Many state economic indicators are outperforming national averages. As a result, unemployment continues to come down from its high level. Still, further progress is needed so that more individuals and areas outside the Front Range can participate in the expansion.

Though certain economic activity is expanding, stronger sustained economic momentum continues to evade the nation overall. Several factors are hindering better economic performance. Progress has been uneven across regions and sectors in the difficult transition to the increasingly technology- and information-based economy. In some cases, demand for labor has been permanently diminished and increased training is necessary so workers can adapt to changing economic needs. Also, business investment has only modestly begun to rebuild the nation's productive capacity after the Great Recession. Tables 5 and 6 following page 58 provide historical data and projections for key economic indicators for Colorado and the nation.

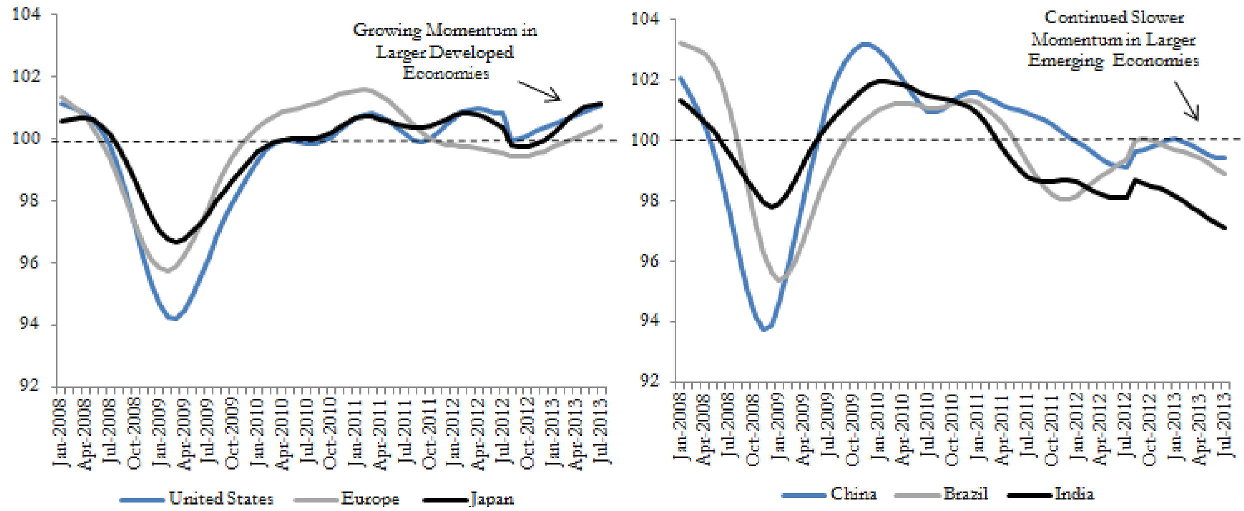
Though the economy is growing, it continues to be vulnerable to adverse economic events. There remain unanswered questions regarding the effects of current monetary policy on financial markets and the broader economy. Any unexpected or appreciable changes in the stance of monetary policy may disrupt financial markets in particular and slow the rebounding housing market and other interest-rate sensitive activities, such as vehicle sales and business investment. Further, turmoil in the Middle East poses a risk through heightened economic uncertainty and additional increases in oil prices. Economic uncertainty may also arise with discussion of federal fiscal and debt issues this fall. Despite Colorado's better economic foundation, it is not insulated from these larger economic issues.

Overall Economic Conditions

On a global level, more advanced economies have shown better economic growth, while emerging economies are slower – The global economy is highly connected, and conditions in other parts of the world impact the nation and state. Thus, the sluggish nature of global growth over the past few years is one factor hampering the U.S. economy's ability to expand. The world's largest advanced economies have recently picked up momentum, most particularly Europe and Japan. However, economic activity in the largest emerging economies, including China, India, and Brazil, continues to be subpar. These trends can be seen in Figure 15, which provides composite leading indicators published by the Organization for Economic Co-Operation and Development (OECD). These indicators were created to anticipate the economic activity of an economy about six months into the future.

On a positive note, the HSBC China Composite Purchasing Managers' Index (PMI) and its emerging markets index both showed marginal improvement in their August reading after weaker signals in prior months. Overall global manufacturing output is also showing renewed signs of strengthening. The JP Morgan Global Manufacturing PMI, though still indicating only moderate activity, was at its highest level in August since June 2011.

Figure 15. OECD Composite of Leading Indicators* for Major Global Economies, 2008 through July 2013



Source: Organization for Economic Cooperation and Development
* The horizontal line at 100 represents the trend of economic activity. A reading that is rising predicts expansion while a falling reading predicts a slowdown.

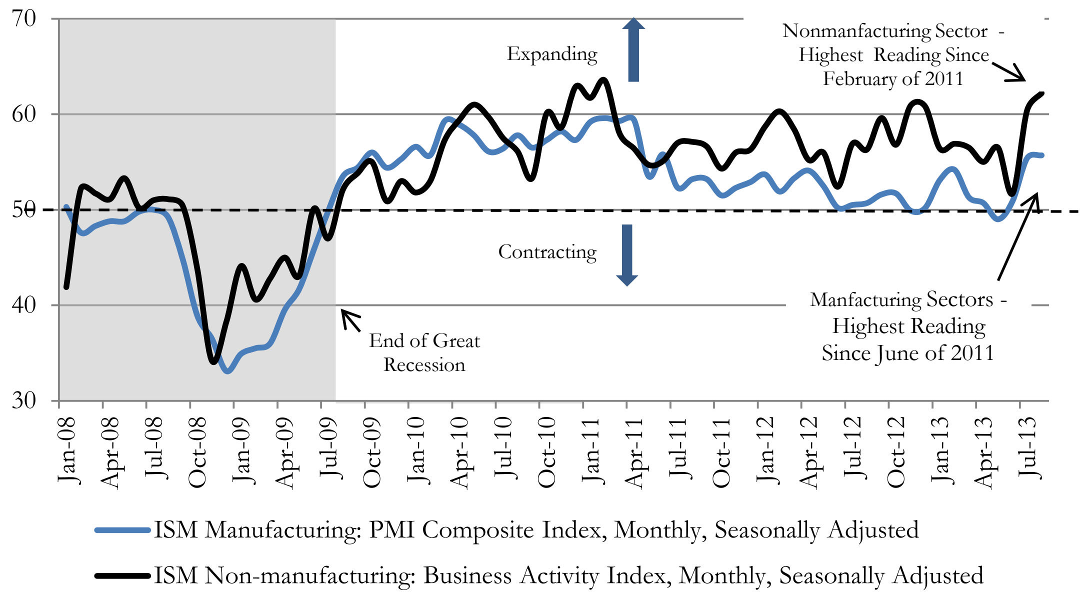
Though there are industries and regions with better performance, the national economy overall has been in a lull. There are some recent signs of increased momentum – The performance of the national economy continues to be uneven. There is momentum in certain geographic regions – especially those with advanced innovative industries and with energy development – and some sectors, such as the housing market and vehicle sales. Also, jobless claims have fallen to their lowest level since before the Great Recession. However, overall output growth has been muted. Further, income and job growth has been only modest and many individuals remain unemployed or "underemployed." Participation in the labor force is at a 40-year low. On a positive note, after slower growth over much of the past year, overall economic activity at the national level has recently shown signs of expansion.

The uneven nature of growth suggests there has not been enough productive risk taking to fuel more sustained growth and to enable more individuals to earn higher incomes. Greater business expansion and formation is needed to create more jobs. Net business investment remains at low levels as a percent of the overall economy; thus the nation's capital stock remains depleted. It is possible that too many businesses are unable or unsure of how to deploy capital to boost productive capacity.

Evidence of the nation's sluggish and unsteady economic performance, as well as the recent pickup in activity, can be found in the Institute for Supply Management's (ISM) business surveys that are used to gauge economic conditions and trends. ISM surveys businesses in manufacturing, which represents about 23 percent of the nation's total private sector output, and in a separate survey, business in all other sectors. Not surprisingly, the indices measuring economic activity developed from ISM surveys closely track trends in the nation's gross domestic product.

Figure 16 shows the ISM manufacturing and nonmanufacturing indices since the beginning of 2008. These indices show the slowdown of economic activity that has occurred through most of 2013. Indeed, the manufacturing sector fell into contraction for part of the year. The nonmanufacturing sectors of the economy, mostly services-based industries, but also mining, construction, and agriculture, have outperformed manufacturing. Both measures of the economy have picked up markedly in recent months, hitting levels not seen since 2011.

Figure 16. Comparison of ISM Manufacturing and Non-manufacturing Indices*



Source: Institute for Supply Management

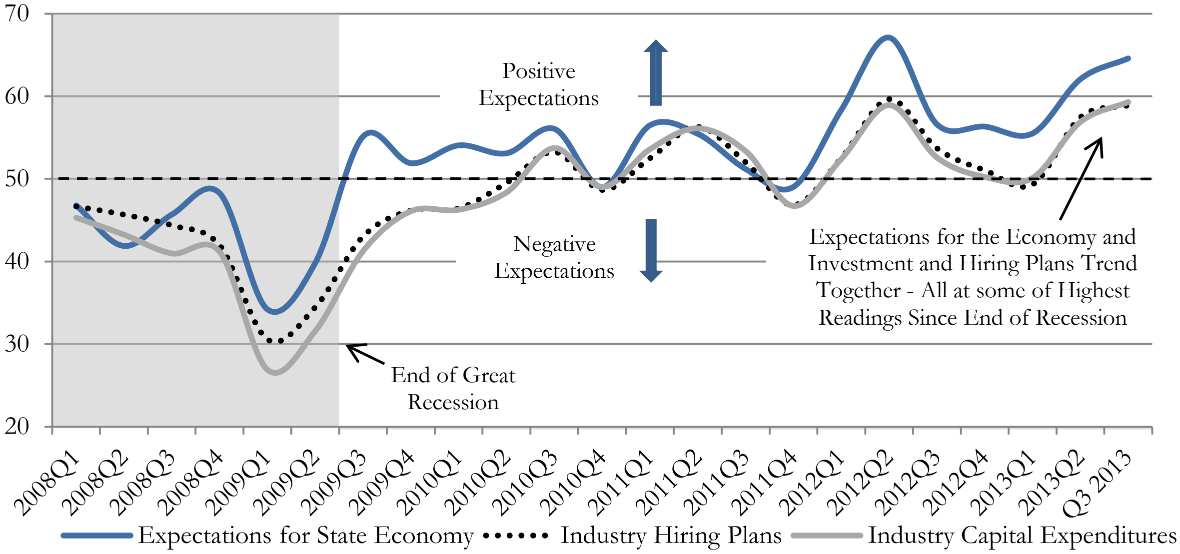
*Index readings calculated from the surveys above 50 indicate that business activity is expanding, while levels below 50 indicate contraction.

Colorado's economic momentum continues due to the state's more favorable attributes – Many of the state's major industries – professional and business services, energy development, finance and insurance, tourism, housing and construction, and certain manufacturing sectors – are growing. Job growth has picked up this year to its fastest pace in more than a decade and the housing market continues to rebound. As a result, unemployment continues to decline, albeit slowly.

High levels of human capital, entrepreneurship, and innovation appear to be key to Colorado's growth. The state has more people with the talent and skills to succeed in our increasingly technology- and information-intensive economy. Another reason for Colorado's performance is that the state's economy is at the center of two of the fastest growing regions in the country – the "inland west" and the "great plains". These regions have high levels of population growth, as well as growth in advanced, innovative industries and energy development. These positive forces continue to outweigh negative factors, such as the slower global economy and federal spending reductions.

Business confidence and expectations for the future continue to grow – Expectations for the future play a large role in the performance of an economy. Businesses and consumers are more likely to invest, spend, and hire if they expect positive outcomes from those decisions. The Leeds Business Confidence Index (LBCI), published by the University of Colorado, Leeds School of Business, measures business assessments about economic and industry conditions for the upcoming quarter. Figure 17 shows business leaders' expectations for the overall state economy as well as for hiring and capital expenditures in the third quarter of 2013. These measures trend closely together over time. Colorado business leaders' expectations going into the third quarter of 2013 were at some of their highest levels during the current economic expansion.

Figure 17. CU Leeds Business Confidence Indices,*
2008 through the Third Quarter of 2013



Source: University of Colorado, Leeds School of Business
* Readings above 50 indicate positive expectations; while below 50 represent negative perceptions.

Stronger economic performance has not reached all areas and populations of the state – Though more communities are beginning to show economic vitality, economic performance is uneven across the state. Rural and agricultural areas are particularly having a more difficult time. Because of the more favorable economic conditions in Colorado, the proportion of the state's population that is in the labor force is higher than the nation's. However, labor force participation has still declined, along with the nation's, to lower levels, and unemployment remains elevated. Income growth is still only modest for many individuals. This suggests there are still many individuals struggling to find ways to fully participate in the economy.

Overall economic activity for Colorado will continue its momentum, with current levels of growth sustained in 2014. Nationally, growth through the remainder of 2013 and in 2014 will pick up from its lower levels over the past year. However, national economic activity will continue to be modest to moderate.

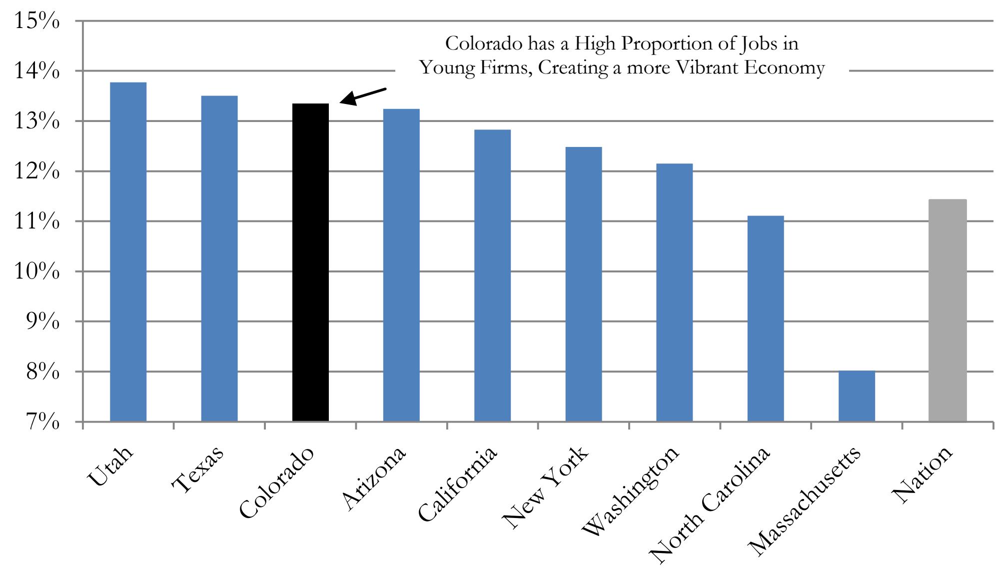
Colorado's Growing Entrepreneurial Economy

Entrepreneurship, as measured by the activity of start-up firms and young businesses, is an integral part of employment growth and is a key to economic vitality. Entrepreneurs and new businesses find ways to profitably produce goods and services as they strive to discover the most valued uses of the economy's scarce resources. In doing so, they also provide opportunities for the unemployed or underemployed while utilizing the economy's idle or underused resources. This activity generates wealth and spurs economic growth.

New and young firms are a leading source of new jobs for the economy. Thus, the proportion of a state's employment in new and young firms correlates highly with a state's overall employment growth, meaning that higher levels of entrepreneurial activity are closely associated with higher levels of employment growth.

Colorado generally outpaces states with comparable business environments for young businesses and the nation as a whole. In 2010 and 2011, using the latest data available, Colorado ranked ninth for the highest percentage of employment in young firms (aged 0 to 5) across the nation, according to OSPB calculations of Business Dynamics Statistics from the U.S. Census Bureau. Young enterprises in 2010 and 2011 comprised 13.3 percent of the state's total employment at firms, whereas businesses in the same age group encompassed 11.4 percent of the nation's employment, as shown in Figure 18.

Figure 18. Percentage of Jobs in Young Firms, Age 0 to 5, 2010 and 2011

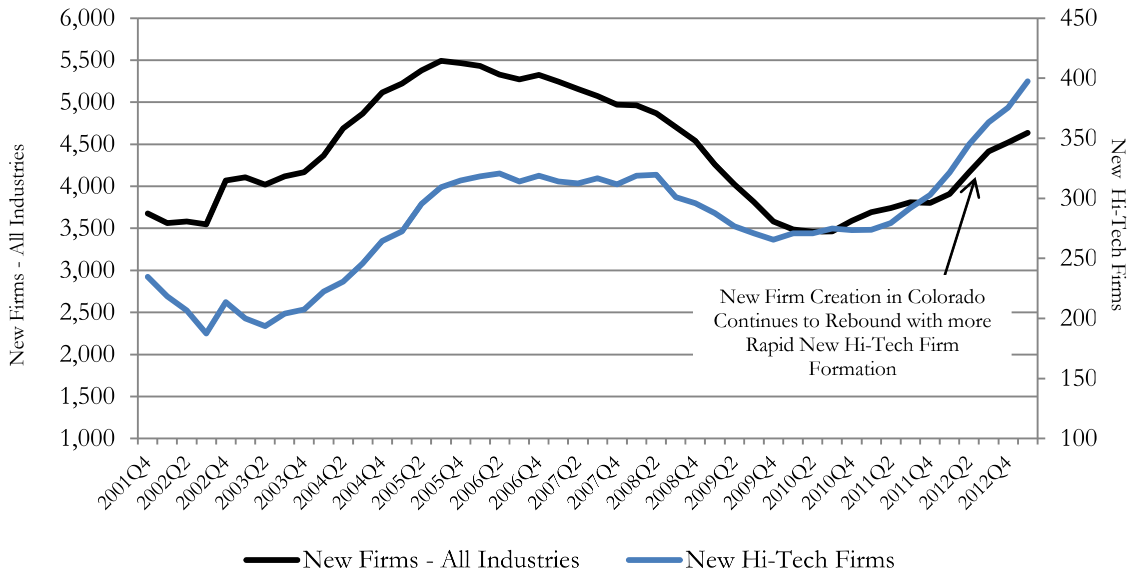


Source: U.S. Census Bureau, OSPB calculations

Colorado has a comparative advantage in hi-tech sectors, spurring higher levels of job growth – The proportion of Colorado's jobs in hi-tech sectors was 7.6 percent in 2012. In that same year, high-tech jobs represented 5.6 percent of jobs nationally. Figure 19 shows the recent high growth in the number of new high-tech firms in Colorado. Due to the importance of overall business creation to job growth and economic dynamism, it also shows new firm formation in all industries.

In the first quarter of 2013, new high-tech firm creation was 76.0 percent higher than the first quarter of 2012. Most of the high-tech firms are involved with computing and software, as well as coding-driven processes. High-tech startups are particularly important to the economy because of their innovative activities and higher paying jobs. As a result, growth in high-tech sectors leads to job growth in other sectors, from doctors and lawyers to services jobs, such as in restaurants and salons. Thus, the increasing high-tech firm creation is an important reason for Colorado's pickup in overall job growth.

Figure 19. New High-Tech Firms and All New Firms in Colorado by Quarter, 2002 to First Quarter 2013



Source: Colorado Department of Labor and Employment,[1] OSPB calculations. Four quarter moving average.

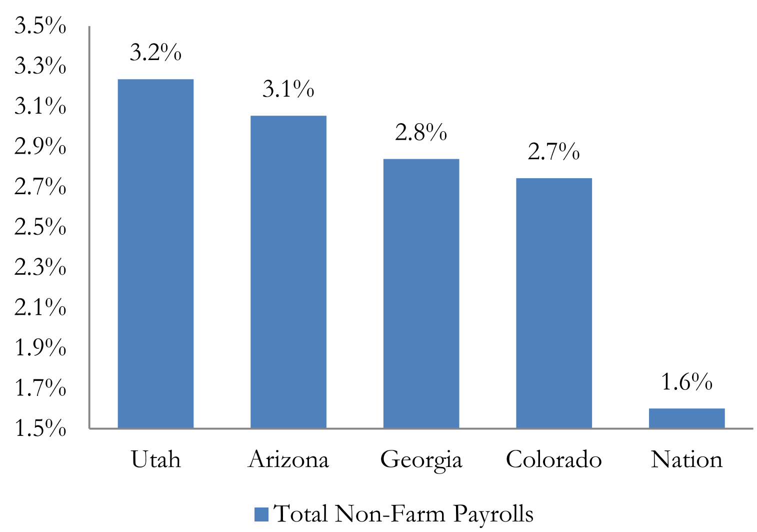
An important economic benefit of the high-tech sector is the propensity of companies to spinoff other enterprises. Studies have found that the most fertile source of entrepreneurial activity is the population of existing companies. Growing activity in a sector helps attract other companies, talent, and investment to a region. This is especially true when the sector has "anchor tenants," or leading companies with prestige and name recognition. The growing presence of existing tech companies and anchor tenants is a key to Colorado's success in becoming a leader in the high-tech sector. Thus, the increasing high-tech firm creation is an important reason for Colorado's pickup in overall job growth.

[1] As with many statistics, these data do not provide a perfect representation of economic activity. Some of the data may not correctly indicate a new firm was created in a given time period. However, for the most part, the data represent new business creation.

Labor Market Conditions and Trends

Job growth continues, with Colorado among the top performing states – Colorado's job growth in 2013 through July ranks fourth fastest in the nation based on data from the U.S. Bureau of Labor Statistics (BLS). Figure 20 shows the change in the level of nonfarm payroll jobs in July 2013 compared to July 2012 levels for the top five fastest growing states and the nation as a whole. During this time period, Colorado added 63,400 nonfarm payroll jobs, a 2.7 percent increase. In contrast, the national economy's job growth was 1.6 percent in August over the same month a year ago. Colorado's growth indicates that many businesses need to expand as their products are in higher demand. Further, it shows that the state's employers are having greater success finding workers to meet their needs. This momentum must be maintained to continue to reduce the unemployment rate.

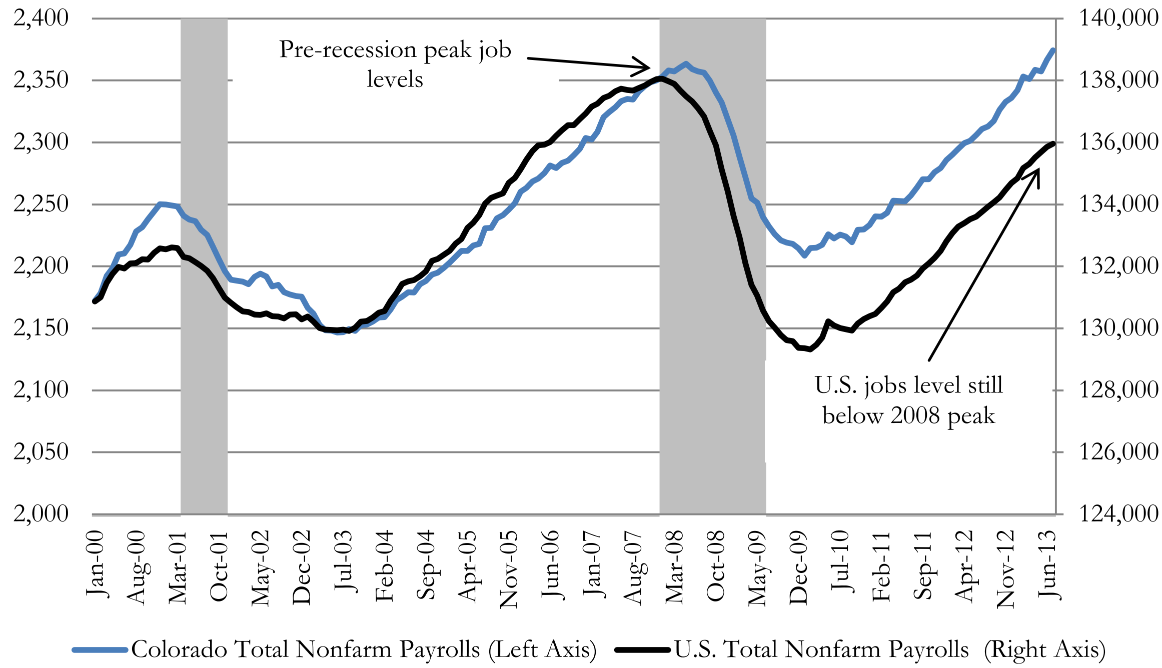
Figure 20. Fastest State Payroll Job Growth Compared to the Nation, Percent Change, July 2013 over July 2012



Source: U.S. Bureau of Labor Statistics

Colorado's level of payroll jobs reached 2.4 million in July. This is above its peak level before the Great Recession in the spring of 2008. In August, the nation's employment level of 136.1 million jobs is 1.4 percent below its 2008 peak level.. Figure 21 shows the trends in the level of nonfarm payroll jobs for both Colorado and the nation from 2000 through July of 2013.

Figure 21. Payroll Jobs Nationally and in Colorado, in Thousands, 2000 through July 2013



Source: U.S. Bureau of Labor Statistics

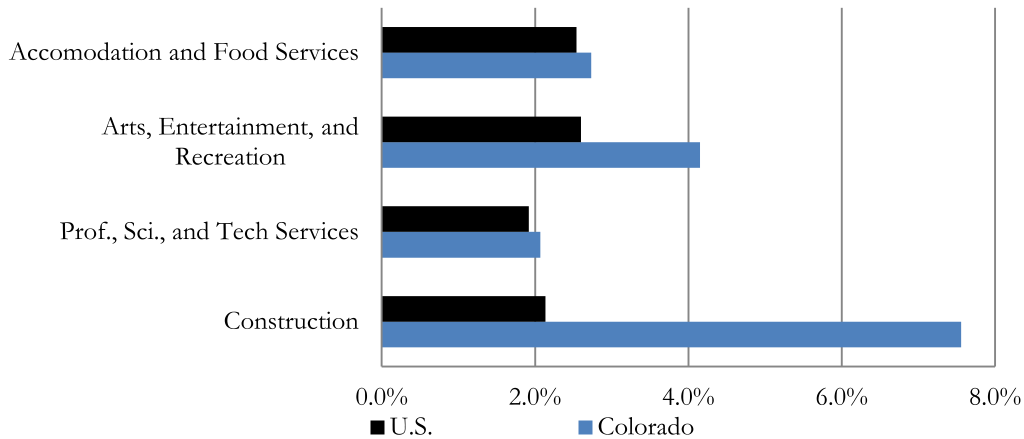
Payroll jobs from Colorado employers will increase 2.6 percent in 2013, and 2.4 percent in 2014. Nationally, job growth will follow a similar pattern but will be slower.

Industry composition of job growth – Colorado's job growth stems in part from its large concentration of high-skilled workers that are in high demand in today's information- and technology-based economy. Growth in sectors that employ these workers, such as engineering, consulting, and technological product development and services, helps generate growth in peripheral sectors, as well as housing-related industries and services-based sectors, such as retail trade and leisure and hospitality.

As illustrated in Figure 22, much of Colorado's job growth in 2013 has occurred in professional, scientific, and technical services, construction, arts and entertainment, and accommodation and food services. Construction employment in Colorado grew 7.6 percent from December 2012 to July 2013, a much faster rate than the nation, an indicator of the state's stronger economic growth. The rebound in construction activity from its depressed level is making it difficult for some construction companies to find workers with certain skills, including welders, equipment operators, carpenters, electricians, laborers, and cement masons. Some of the job growth for the nation and Colorado has been in lower paying sectors such as leisure and hospitality, which also characteristically hire more part-time or temporary workers.

A decline in federal government jobs for both Colorado and the nation is pulling down overall job growth. In July, federal government jobs in Colorado decreased 3.0 percent compared to the same month last year and 2.5 percent in August for the nation as a whole.

Figure 22. Job Growth in Colorado's Fastest Growing Industries, Colorado and the US, Percent Change, 2013 Year to Date



Source: U.S. Bureau of Labor Statistics; seasonally adjusted data; growth is calculated using a three-month moving average to smooth out month-to-month volatility.

It should be noted that an industry can expand without job growth. This occurs in industries that use high levels of equipment and technology, as well as industries that employ workers with increasing levels of productivity. Certain types of manufacturing, as well as oil and natural gas production, are examples of growing industries that may not be seeing commensurate growth in jobs.

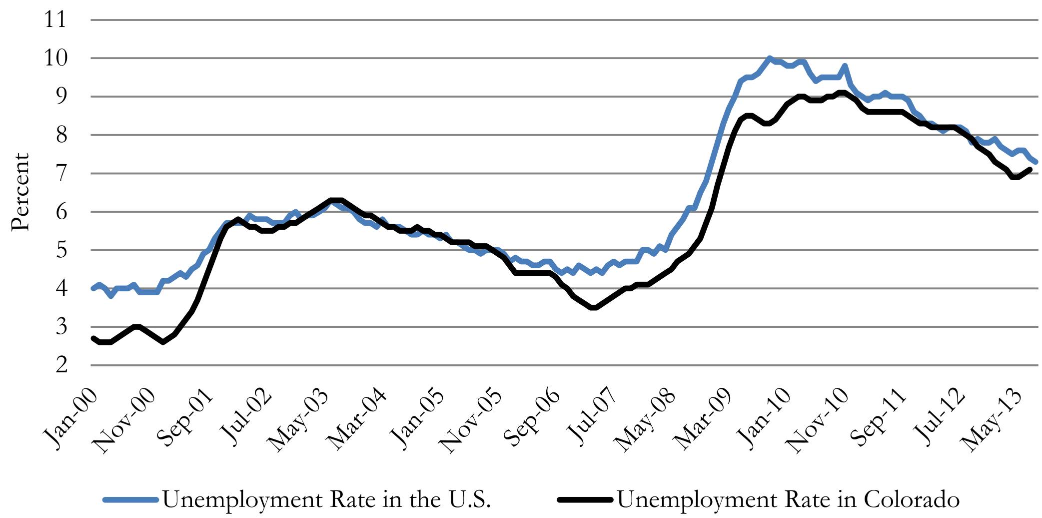
The job market may be performing better than official data suggests – Changes in how individuals earn income likely means that some income earning activities may not be fully shown in the official jobs data, most notably data reporting jobs at traditional companies and from surveys that sample households. Independent and freelance work is a growing trend. MBO Partners, a business services consulting firm, reports that there are 17.7 million individuals nationally that identify themselves as contractors, freelancers, consultants, temporary workers, microbusiness owners, and entrepreneurs who do not work at just one firm. The MBO Partners' *The State of Independence in America* workforce study stated that independent workers generated $1.2 trillion in total income in 2013, a 20 percent increase from 2012.

Unemployment

Unemployment remains a challenge, though it continues to improve gradually – Though job growth continues, it has not been strong enough to fully re-employ the substantial number of individuals who lost their jobs during the recession, as well as increases in the working age population. The BLS reported a national unemployment rate of 7.3 percent in August, down from 8.1 percent the prior year. Colorado's unemployment rate in July was 7.1 percent, down from 8.1 percent the prior year. This rate is also known as "U-3," the most commonly reported measure of unemployment. Figure 23 shows the decline in the unemployment rate for the U.S. and Colorado after surging during the Great Recession.

One possible reason for these high levels of unemployment include the reluctance of businesses to hire employees as future economic conditions still remain relatively uncertain. In addition, there appears to be some mismatch between the skills and salary expectations of jobseekers and the needs of employers. The state's lower unemployment and higher job growth indicates that these issues are less prevalent in Colorado.

Figure 23. Colorado and US Unemployment Rate, Seasonally Adjusted, 2000-2013

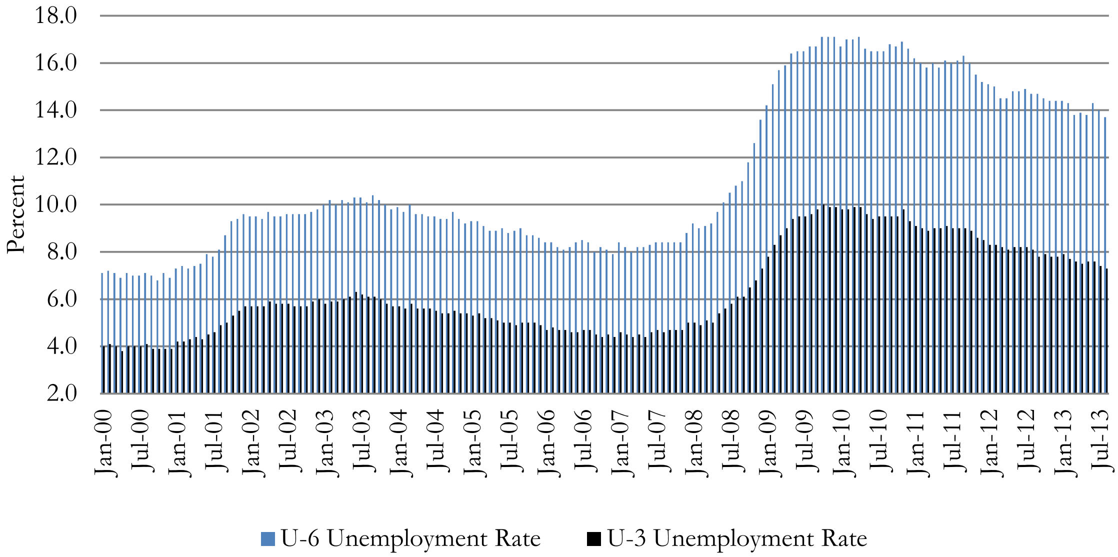


Source: U.S. Bureau of Labor Statistics

Lower levels of participation in the workforce - The labor force participation rate – the labor force as a percent of the population– for both Colorado and the U.S. began to decline around 2000 mostly due to demographic reasons. However, in 2008 the participation rate fell more sharply as the economy shed jobs and there were fewer work opportunities. Currently, the nation's and Colorado's labor force participation rates are 63.2 percent and 68.4 percent, respectively. Colorado's higher participation rate in the labor market provides further evidence of the state's higher level of economic opportunity and activity. The national participation rate is at its lowest level since the late 1970s.

A broader measure of unemployment also remains high – The "U6" rate is another measure of unemployment published by the BLS. This measure captures the number of unemployed counted in the traditional U3 rate, plus individuals who want to be employed but who have not recently looked for work, often because they are discouraged by their job prospects, and individuals who want to work full time but who are only employed part time for economic reasons. At the end of the third quarter of 2012, through the second quarter of 2013, Colorado's U6 rate averaged 13.8 percent, below its peak of 15.7 percent that it averaged in most of 2010 and the beginning of 2011. The national U6 rate was 14.3 percent in August of this year, below its peak of 17.1 percent in 2010. The national U6 and U3 rates are slowly decreasing as shown in Figure 24.

Figure 24. U3 and U6 for the Nation, January 2000 to July 2013



Source: U.S. Bureau of Labor Statistics

Initial claims for unemployment insurance continue to fall – Initial claims for unemployment insurance measure the number of individuals that have filed for unemployment benefits. The continued decline in initial claims may signal that the economic outlook is improving. Unemployment insurance claims in both Colorado and the nation are near their pre-recession levels. At the end of August, claims in Colorado were 6.7 percent lower than a year ago, and 38.9 percent below their levels in 2010 when the state was still struggling to emerge from the recession.

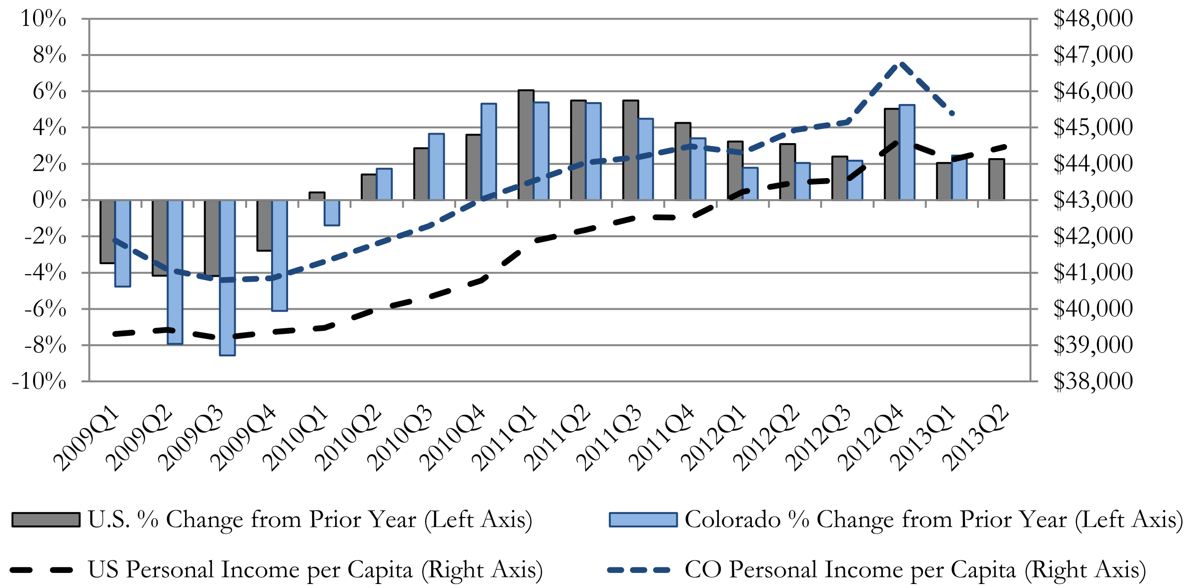
Unemployment rates of 6.9 percent and 6.5 percent are forecast for Colorado in 2013 and 2014, respectively. The national unemployment rate will be higher in those years, at 7.5 percent and 7.0 percent.

Income and Wages

Personal income includes wage and salary income, proprietors' and business income, government transfer receipts – such as Social Security, disability, and unemployment insurance payments – and earnings from interest and dividends. This statistic provides a barometer of economic performance because it indicates the amount of money received by households from economic activities.

Personal income for both Colorado and the nation continues its trend of modest growth – As shown in Figure 25, the level of personal income per capita has steadily grown since the beginning of 2010. However, this growth comes off of a prolonged period of declines. Further, higher rates of growth would be expected during a typical recovery period. One factor preventing stronger income growth is the ongoing weakness observed in the labor market, particularly at the national level. Overall modest growth in the economy also dampens personal income growth because it results in less money being exchanged in transactions of all sorts, including consumer purchases, business acquisitions, and investments, which generate income. Personal income growth in Colorado was slightly higher than the national average over the past two quarters for which Colorado data is available.

Figure 25. Personal Income and Percent Change from Year Ago, United States and Colorado

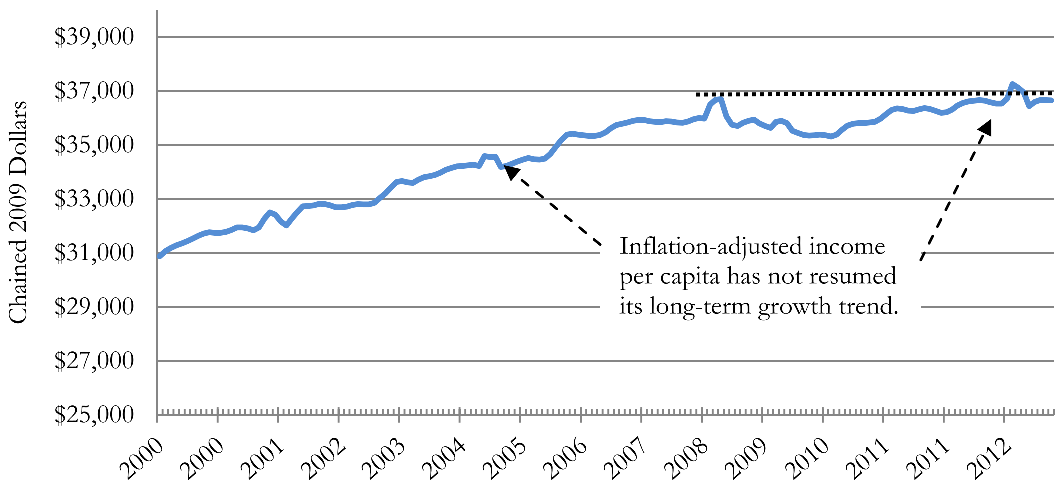


Source: US Bureau of Economic Analysis and US Census Bureau

Income growth in 2013 is constrained by payroll tax increases and the pulling forward of some income into 2012 – Some of the moderation in income growth this year is attributable to the increase in the Federal Insurance Contributions Act (FICA) tax commonly known as the "payroll tax," which effectively reduced personal income to most wage earners by two percent beginning on January 1, 2013. Additionally, anticipated federal income tax increases at the beginning of 2013 resulted in individuals pulling forward dividends, bonuses, and other forms of income into 2012 that they normally would have received in 2013 to avoid having the income taxed at a higher rate. This dynamic is evident in Figure 25, which show an upward spike at the end of 2012 followed by a decline at the beginning of 2013.

Inflation-adjusted personal income for the nation has failed to sustain growth above pre-recession levels – Figure 26 shows the 3-month average of inflation-adjusted disposable personal income per capita for the United States since the beginning of 2000. Adjusted for inflation, per capita income reached a peak of $37,584 in May, 2008 before falling during the Great Recession. Since that time, this measure of per capita income has grown at a slow rate and, as of July 2013, remained below the pre-recession peak at $36,626. This performance perhaps best reflects the overall sluggishness of the national economy. Income growth that exceeds inflation is typically necessary to sustain greater household spending and consumer activity.

Figure 26. United States Inflation-Adjusted Disposable Income per Capita, 2000 through July 2013

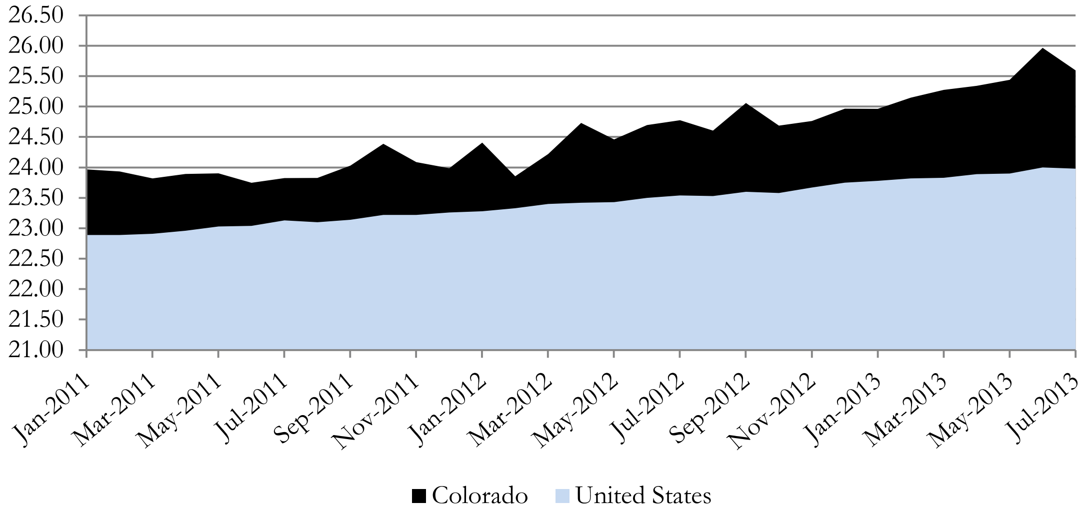


Source: US Bureau of Economic Analysis and US Census Bureau. Data is monthly, seasonally adjusted annual rate, three month trailing average.

Total Colorado personal income received by households will grow 4.3 percent in 2013 and accelerate to 5.4 percent growth in 2014. Personal income will be somewhat weaker for the nation as a whole over this period, growing 3.9 percent in 2013 and 4.8 percent in 2014.

Hourly wages in Colorado are higher and growing more quickly than the national average – Earnings for workers in both Colorado and the United States have grown consistently since January, 2011. Figure 27 shows the seasonally adjusted average hourly wage for workers at the state and national level. Because of Colorado's smaller population of workers, changes from month-to-month cause more volatility in the data. Both show a consistent trend of slow but steady growth since 2011, with the gap between Colorado's hourly earnings and the national average hourly earnings widening since September, 2012. The state also has higher hourly wages overall. These are indicators of Colorado's economic momentum as it shows that the economy is strong enough to support higher wage growth.

Figure 27. Average Hourly Earnings, United States and Colorado Seasonally Adjusted, January 2011 to July 2013



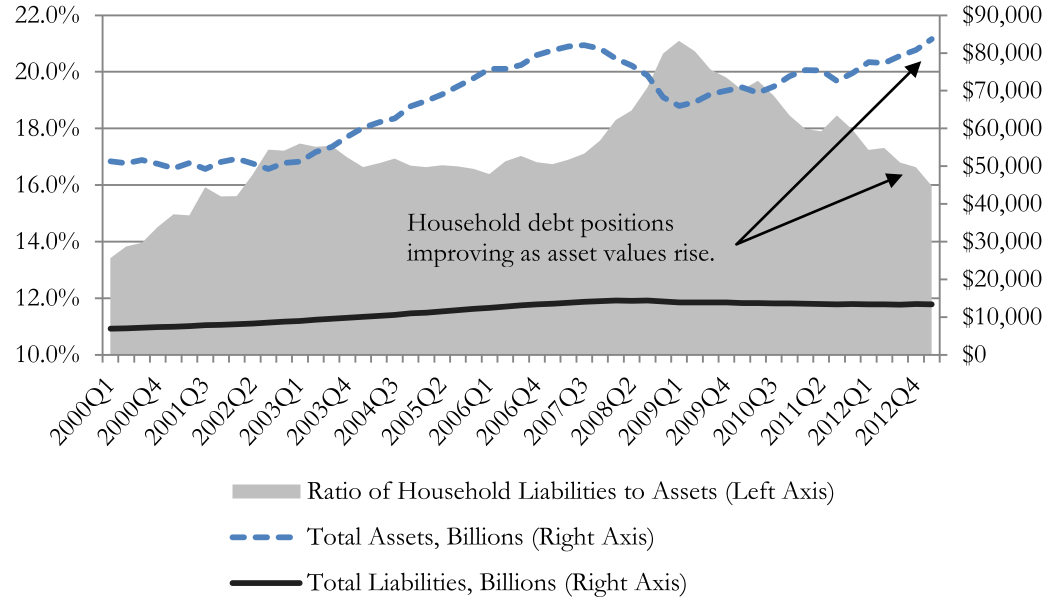
Source: US Bureau of Labor Statistics

Certain industries are experiencing faster hourly wage growth – The average hourly earnings of an industry provide different information than total wages or number of jobs because they show changes in the amount of money that people in the industry earn when working the same amount of hours. Over time, healthy industries tend to see growing hourly wages. Since the end of the Great Recession, average hourly wages for the United States have grown the most in the financial activities (14.7 percent), information (10.4 percent), education and health services (10.4 percent), wholesale trade (9.2 percent), and mining and logging (8.7 percent) industries.

Wages and salaries in Colorado will increase 4.8 percent in 2013 and 5.0 percent in 2014, reflecting continued growth of the state's economy.

Household debt positions have improved as home and stock prices rise alongside a reduction in debt – Due to appreciation in home values, as discussed in the *Housing and Construction* section on page 52, as well as the strong performance of stock markets, the overall value of household assets has increased faster than wage and salary growth. At the same time, total household debt has decreased slightly since the Great Recession due to tighter credit standards and because households have become more averse to carrying high levels of debt. The result has been a steady decline in the ratio of household liabilities to assets and growth in household net worth, as illustrated in Figure 28. These trends reflect the estimated total of all household assets and household liabilities in the United States. The change in net worth varies widely across households. Those with larger portfolios of stocks and other investments have seen greater gains in net worth compared with households with few or no stock holdings.

Figure 28. Household Liabilities and Household Assets 2000 Quarter 1 to 2013 Quarter 1



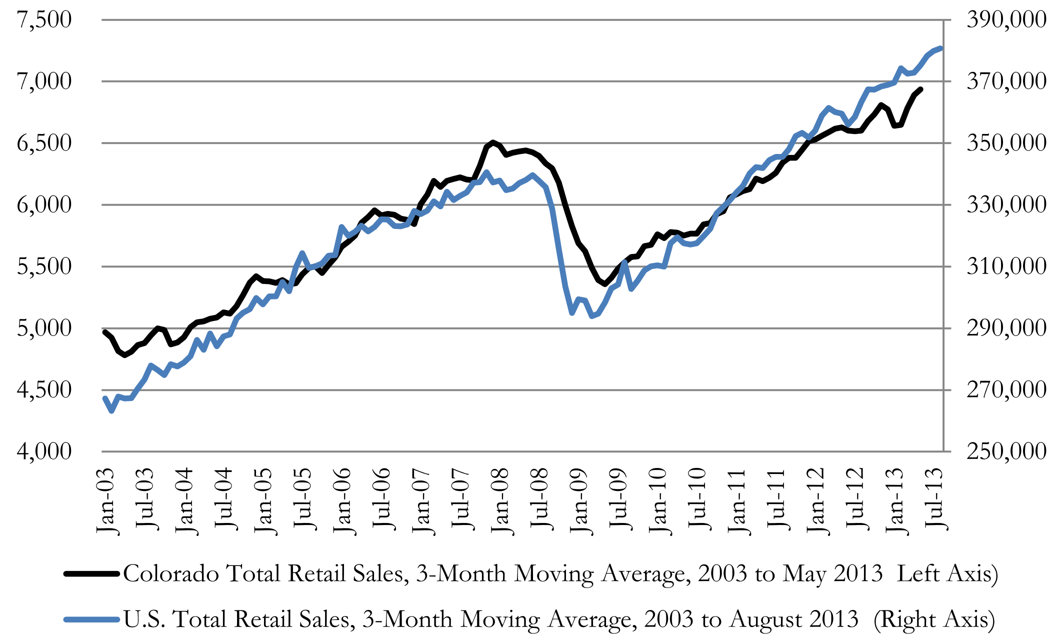
Source: Board of Governors of the Federal Reserve System, OSPB Calculations

Consumer Spending

Consumer spending remains strong through the first half of 2013 – Consumer spending has grown consistently in both Colorado and the nation overall since the middle of 2009. This growth has been surprisingly strong given the elevated levels of unemployment and only modest income growth for many households. Due to the divergence of consumer spending and income levels, consumer spending is likely to moderate, unless income grows at a faster pace than expected. In Colorado, total retail trade was up 6.3 percent year-over-year in May and total retail trade in the United States as a whole in August was 4.8 percent higher than a year ago. Figure 29 shows total retail trade levels in the United States and Colorado since 2002.

The continued relative strength in spending growth may be fueled in part by lower debt burdens, the recent decline in the household savings rate, a rebound in home and stock values, and continued consumer credit growth. The rise in spending levels that appears high in relation to job and income growth may also provide more evidence that households are finding new ways to earn income that are not easily captured in official employment and income statistics. This trend is discussed further in the employment section on page 41.

Figure 29. U.S. and Colorado Total Retail Trade, 2002 – Mid 2013
$s in Million



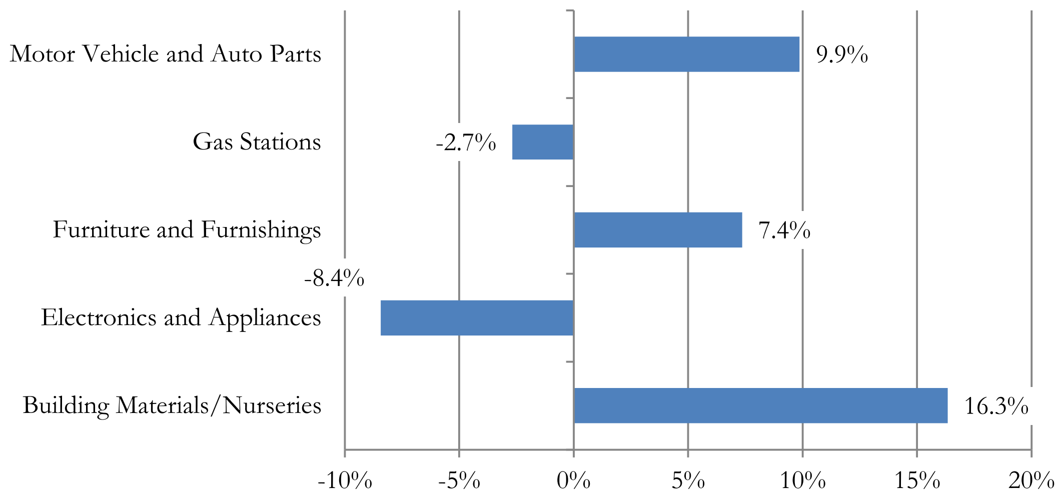
Source: U.S. Census Bureau; Seasonally Adjusted, Three-Month Moving Average

Spending on vehicles, building materials, and furniture have shown robust growth –The increase in retail trade is in large part attributed to a higher purchase volume of various durable goods such as vehicles, building materials, and furniture. Figure 30 shows the change in select categories of retail trade sales in Colorado for the first half of 2013 compared with a year ago.

As the housing market rebounds, more purchases are being made on home-related items. Though spending on electronics and appliances can also be driven by housing activity, Figure 30 reflects a decline in spending on these items. The data for this segment reflect spending only at electronics and appliance-related stores, so increased purchases of such items online may be the reason for the decrease. Since the data reflects the value of purchases, the decline in spending at gas stations is due mostly to lower gas prices this year.

Much of the continued growth in vehicle sales has been driven by low financing costs and the necessity to replace old vehicles. Colorado total vehicle sales as measured by value are up 60 percent from recession lows.

Figure 30. Colorado Retail Trade Spending and Select Retail Categories, Percent Change in First Half of 2013 from the Same Period in 2012



Source: Colorado Department of Revenue

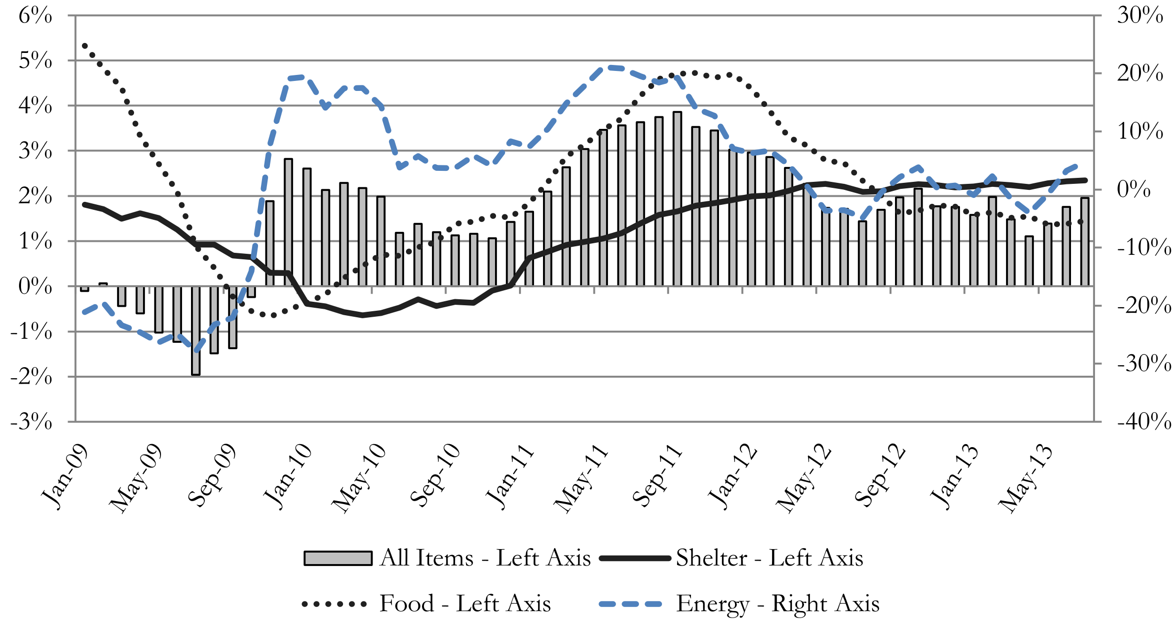
Colorado's retail trade will grow 4.8 percent in 2013 and will accelerate to a 5.4 percent growth rate in 2014. Retail trade for the nation will grow 4.0 percent in 2013 and 4.5 percent in 2014.

Price Levels

Consumer prices remain stable, showing consistently low growth – The consumer price index (CPI) tracks changes in the prices for a market "basket" of household expenditures. Figure 31 shows year-over-year changes in the CPI for the nation as well as some of the main consumer items in the index since January 2009. While fluctuations resulting mostly from changes in the price of energy and food have been observed since 2009, there has not been a year-over-year change in the total index of more than 3.9 percent during this time period, indicating relatively stable price levels. The Denver-Boulder-Greeley CPI, the only measure of consumer prices for Colorado, generally follows the same pattern as the national CPI.

Changes in the national CPI have remained below two percent every month since May 2012, indicating low price growth. This trend reflects generally subdued overall growth in economic activity. Changes in the producer price index, discussed below, depict a similar story.

Figure 31. National Consumer Price Index and Selected Consumer Items in Index, Seasonally Adjusted, Percent Change from Year Ago

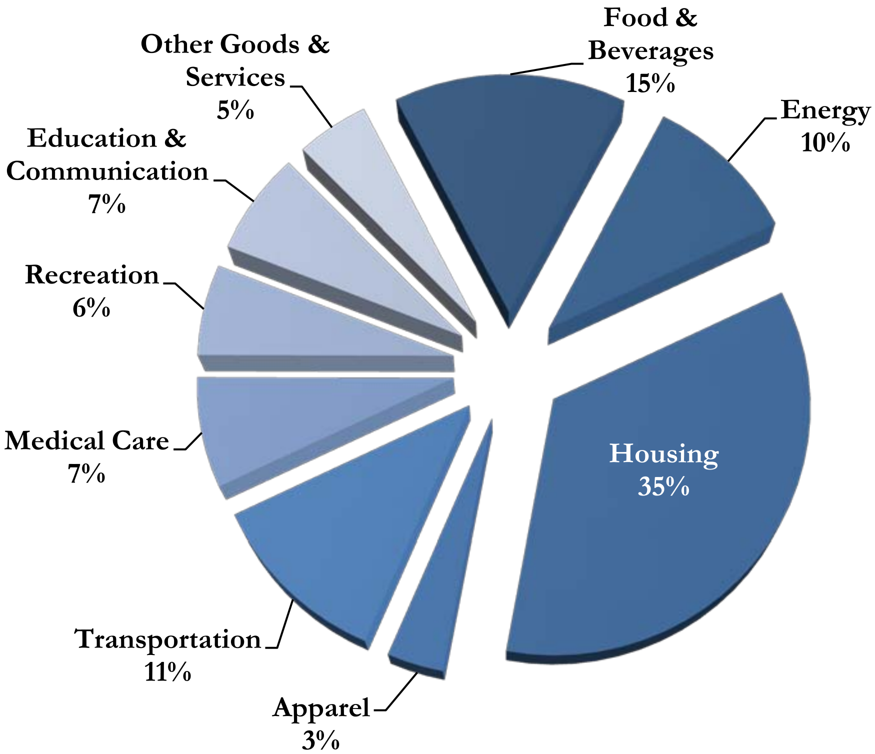


Source: Bureau of Economic Analysis

As the largest share of CPI, housing costs will place mild upward pressure on price measures – Figure 32 shows the proportional size of each major component of the CPI relative to the other components. Recent increases in the cost of housing, mostly from higher rents, which are further discussed in the *Housing and Construction* section on page 52, have put upward pressure on the total CPI value, mostly for Colorado.

In the first half of 2013, the Denver Boulder-Greeley CPI was 2.8 percent higher than its level a year ago. Much of the increase was due to rises in housing-related costs. Increases in food costs, which were previously anticipated due to drought conditions across large parts of the United States, have slowed, as depicted by the dotted line in Figure 31. The US Department of Agriculture now forecasts overall food price increases of just 2.0 to 3.0 percent in 2013 and 2.5 to 3.5 percent in 2014.

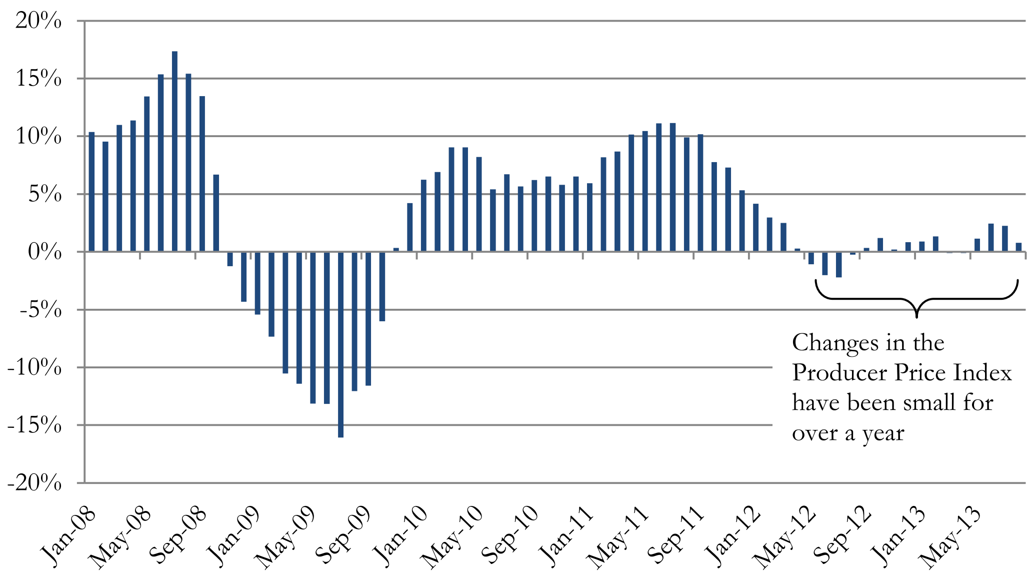
Figure 32. Relative Importance of Major CPI Components



Source: Bureau of Economic Analysis, July 2013 Weights
*Percentages do not add to 100% due to rounding.

Prices paid by businesses are essentially stagnant – While the CPI measures changes in prices paid by consumers for goods and services, the Producer Price Index (PPI) measures changes in prices paid to producers that supply products for business and industry. Because commodity prices set on the global market can fluctuate widely, the PPI is often more volatile than the CPI. Since the beginning of 2012, producer prices have changed minimally, as illustrated by Figure 33. Because business activity has remained at modest levels, especially for the nation, the demand for inputs has also been muted, leading to lower pressure on prices. Producer prices tend to rise before consumer prices, so the stagnation in PPI values is an indication that increases in overall prices paid by consumers will remain muted in the near future.

Figure 33. U.S. Producer Price Index for All Commodities, January 2008 to July 2013, Year-over-Year Change



Source: Bureau of Economic Analysis

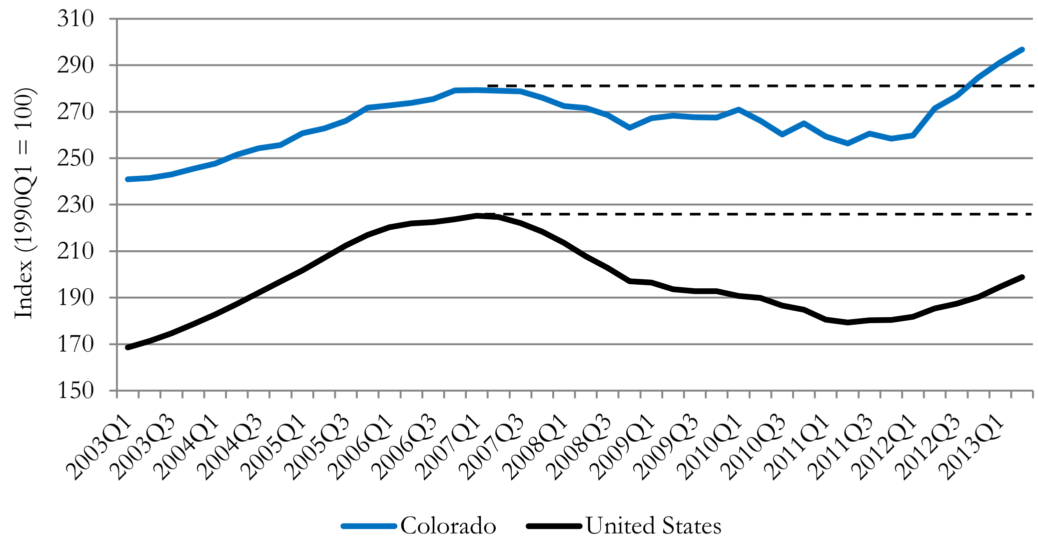
The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.6 percent in 2013 and 2.4 percent in 2014. Nationally, the CPI will increase at lower rates of 1.6 percent in 2013 and 2.1 percent in 2014, reflecting the more modest economic growth and less price pressure from housing costs relative to Colorado.

Housing and Construction

Home prices continue to sustain gains, though the pace of appreciation appears to be slowing – Home values have sustained their growth that began in 2012, with many markets across Colorado and the nation experiencing rising prices. In recent weeks, the pace of home price appreciation has slowed as mortgage rates ticked upward and the inventory of homes for sale also rose slightly. Figure 34 shows the FHFA House Price index for Colorado and the nation since 2003. While Colorado's overall home values have surpassed their pre-recession peak, the national average of home prices has not. This is partially because the nationwide housing market is subject to factors that do not apply to Colorado. Most markets in the state did not experience rapid price appreciation as some markets did nationally prior to 2005 that resulted in a much larger decline during the recession. Also, Colorado's economy has performed better than the national average, which has helped boost the state's home values.

Home price appreciation has been supported by continued healing in the underlying fundamentals of the housing market, including declining foreclosures and distressed sales, as well as modest growth in employment and income. Low interest rates, supported by monetary policy from the Federal Reserve, remain a key contributor to growth in the housing market. Recent increases in the volatility of housing market indicators, such as mortgage application filings, appear to be related to an increase in interest rates over the past three months. The mildly increased volatility has not had large impacts on the overall housing market, but a slowdown in housing activity may occur if interest rates rise further.

Figure 34. FHFA House Price Index, United States and Colorado Seasonally Adjusted, 2003 through the Second Quarter of 2013



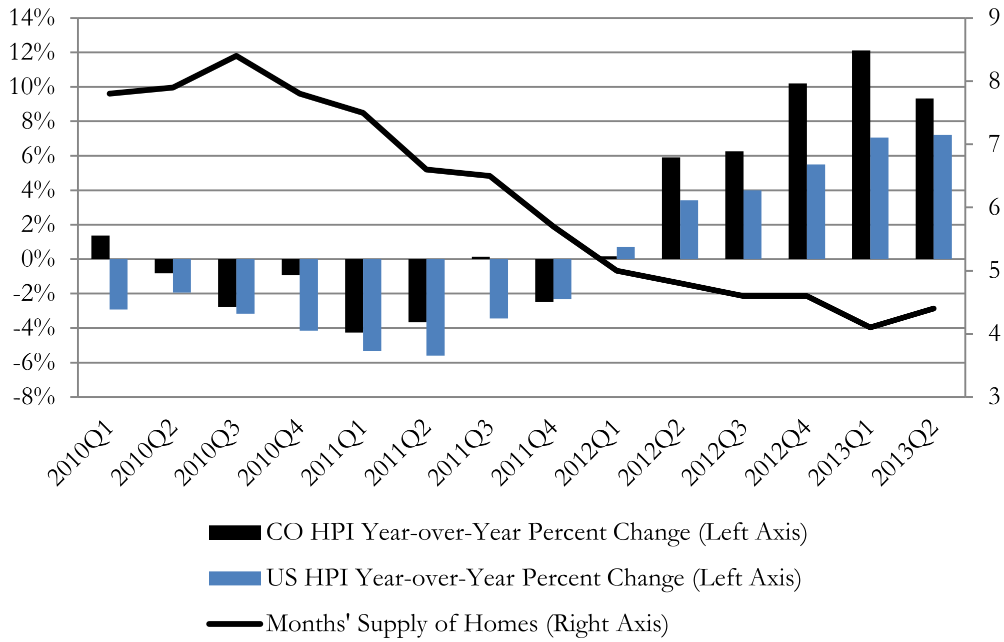
Source: Federal Housing Finance Agency

***Rising home values are having substantial positive effects on home equity positions* –** As prices rise, more homeowners have increasing equity in their properties, while at the same time the proportion of mortgages that are "underwater"– meaning that the property is worth less than the amount owed on the loan – declines. According to real estate data firm CoreLogic, the proportion of mortgage loans that were underwater nationally in the second quarter of 2013 fell to 14.5 percent, down from 19.7 percent in the previous quarter. This means that between the first and second quarters of 2013, roughly 2.5 million homeowners changed from negative equity to positive equity situations in the United States. The proportion of underwater mortgage loans in Colorado was lower than the national average, at 9.5 percent in the second quarter of 2013, down from 14.2 percent in the first quarter. The proportion in the state was as high as 21 percent in 2011.

Home equity is important to the economy because it can be used as collateral for households to finance spending on home improvement projects or other major purchases. Positive equity can also be used as collateral for entrepreneurs to borrow money in order to start or grow a business, leading to higher rates of business formation that support employment and commerce. Increasing equity can also have the effect of making households feel wealthier – a phenomenon called the "wealth effect" – which can cause them to feel more comfortable making larger purchases or taking economic risk.

***Home price appreciation moderated slightly in the second quarter of 2013 as inventory ticked upward and interest rates rose* –** Low inventories of homes on the market since the end of 2010 have played a key role in the appreciation of home values as the demand for homes exceeds supply. Figure 35 shows the number of months' supply of existing homes reported by the US Census Bureau and includes the year-over-year FHFA House Price Index percent change for both Colorado and the nation. After four consecutive quarters of increasing year-over-year percent changes, the FHFA home price index for both Colorado and the nation grew by less in the second quarter of 2013 than the prior quarter. At the same time, the national inventory of homes for sale increased slightly from 4.1 months' supply to 4.4 months, marking the first year-over-year increase in inventory since 2010. In the coming months, an increase in the inventory of homes for sale and slightly rising interest rates should moderate home price increases.

Figure 35. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through the Second Quarter of 2013

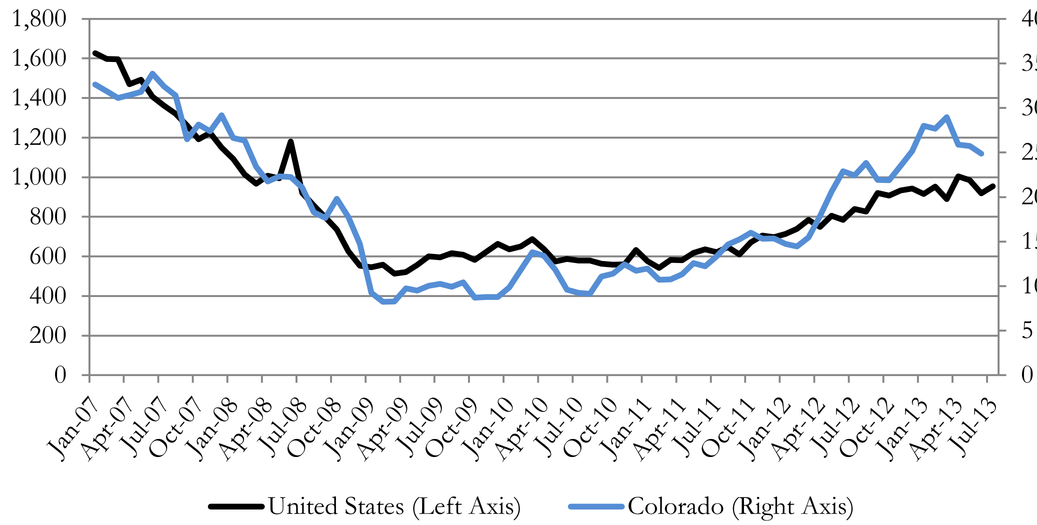


Source: Federal Housing Finance Agency and US Census Bureau

Vacancies in many areas of Colorado remain low, supporting continued rent increases – In recent years, a larger portion of households are choosing to rent rather than purchase a home. This trend is influenced by several factors, including uncertainty in the labor market, tighter credit standards, growing preferences for living in more urban, dense places, and the long period of home price declines beginning in 2007 that made more people averse to homeownership. The greater proportion of renters has caused the vacancy rate of apartments and other rental properties to reach record lows in many areas. This has resulted in high rents in parts of Colorado, especially in urban areas. As discussed in the *Price Levels* section on page 50, the very high average rent rates in Colorado will put upward pressure on renters' cost of living in 2013 and 2014. Meanwhile, as the full impacts of the recent floods become known, localized housing issues may develop; we will report on these in December's Colorado Outlook.

Sustained price and rent increases are driving strength in residential construction – As home prices have grown since the beginning of 2012, homebuilders have increased construction activity. New residential construction permits grew 33 percent for the nation in 2012 and 73 percent for Colorado. While these growth rates are large compared to prior years, they represent growth from historically low levels of construction activity. The overall number of permits remains far below the level of activity seen prior to the housing downturn. Still, growth in residential construction activity is anticipated as rising home prices, low housing inventory, and a more positive outlook spur homebuilding activity. Figure 36 shows the recent increase in building permits in both Colorado and the United States.

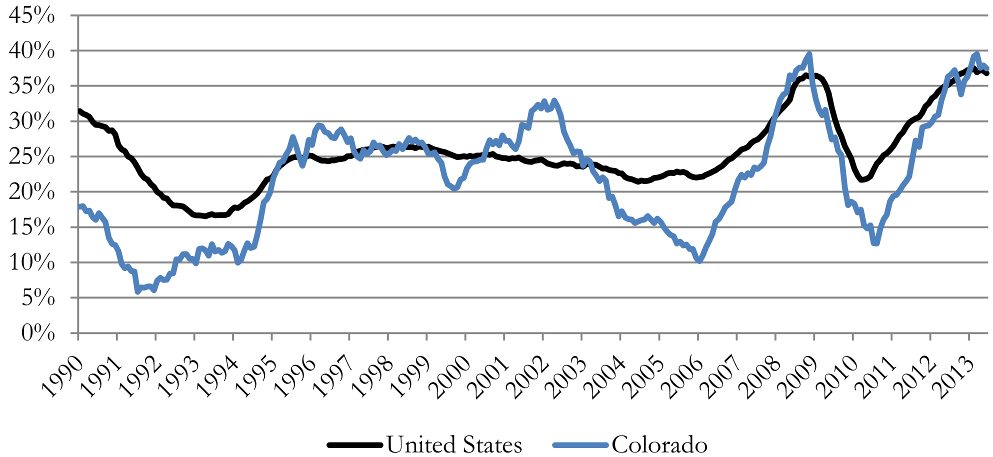
Figure 36. New Residential Construction Permits, 3-Month Moving Average of Seasonally Adjusted Annual Rate January 2007 through June 2013, in Thousands



Source: US Census Bureau

Multi-family construction projects represent a large portion of total residential construction activity – Figure 37 shows the percentage of total permits for new residential construction projects that are for multi-family units. As shown in the chart, the proportion of multi-family construction permits as a share of total permits is higher than the long-term average since 1990. The persistently low inventory of rental housing and the resulting high rent rates have increased the attractiveness of multi-family construction projects for developers and investors.

Figure 37. Multi-family permits as a share of all Residential Permits, 12-month Trailing Average, January 1990 through June 2013

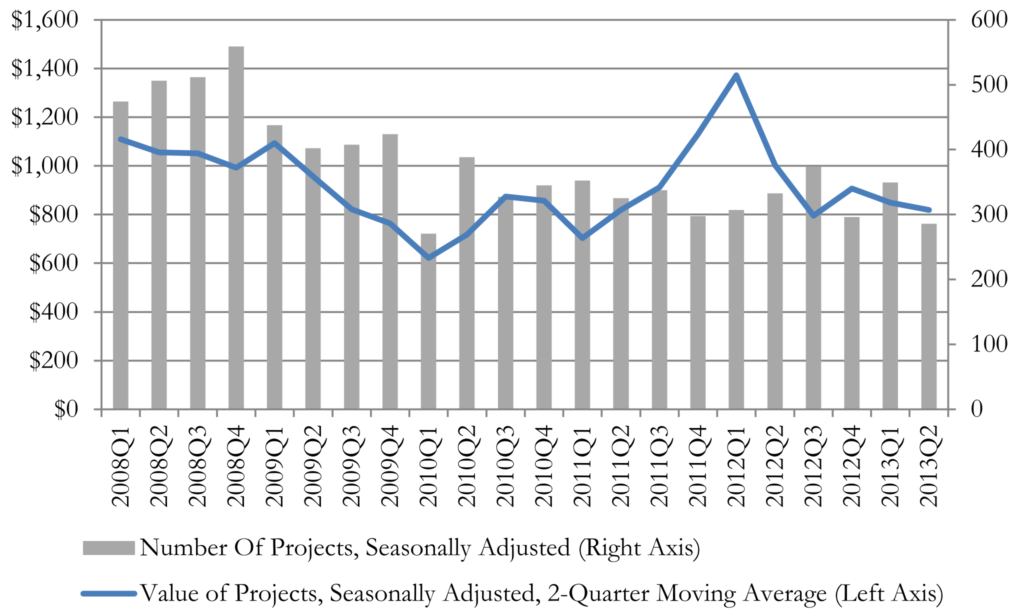


Source: US Census Bureau, OSPB Calculations

New housing permits in Colorado will grow to 29,600 in 2013 and 37,300 in 2014. National residential permits will grow to 1,046,000 in 2013, reaching 1 million new housing permits for the first year since 2007.

Nonresidential construction activity remains at a moderate level – The number and value of non-residential construction starts in Colorado, including offices, retail stores, manufacturing facilities, and other commercial property, have remained relatively flat since the end of the Great Recession, as shown in Figure 38. There remains substantial inventory of unused commercial real estate that rose during the economic downturn as many businesses closed or contracted. At the same time, many new and growing businesses are taking advantage of technology that allows greater flexibility for remote work arrangements, which minimizes the need for physical commercial space. Due to these factors, non-residential construction activity is not expected to exhibit much growth over the forecast period.

Figure 38. New Residential Construction Project Starts in Colorado, 2008 through the Second Quarter of 2013, $s in Millions



Source: McGraw-Hill Construction

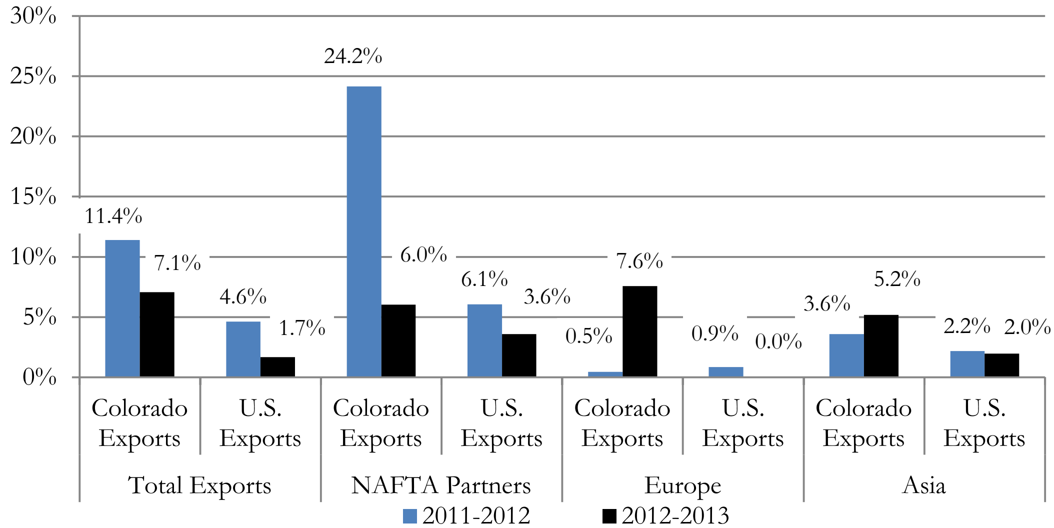
The value of projects in Colorado is expected to fall 2.9 percent in 2013 and then grow 4.0 percent in 2014. The same pattern is expected nationally.

International Trade

U.S. and Colorado exports continue to grow, though modestly due to global economic conditions – International trade data helps assess the level of economic activity in the highly globalized economy. Exports also reflect U.S. and Colorado competitiveness in world markets. Export growth indicates that an economy is producing what other countries want and need, which generates higher levels of income for a region. Colorado's largest exports in terms of total dollar value include health- and medical-related products, meat, aerospace and aviation goods, various machinery and equipment used in production processes, manufactured chemical products, and a wide array of technology-related products.

Exports increased 2.5 percent in the U.S. and 11.9 percent in Colorado through July compared to the same period a year ago. Figure 39 provides information on exports to both Colorado's and the nation's largest trading partners. Colorado trade with Asia and North American Free Trade Agreement (NAFTA) countries has picked up recently. However, exports to Europe have declined. US trade with Europe is expected to remain weak as long as Europe experiences very low levels of economic growth and thus depressed demand for American goods.

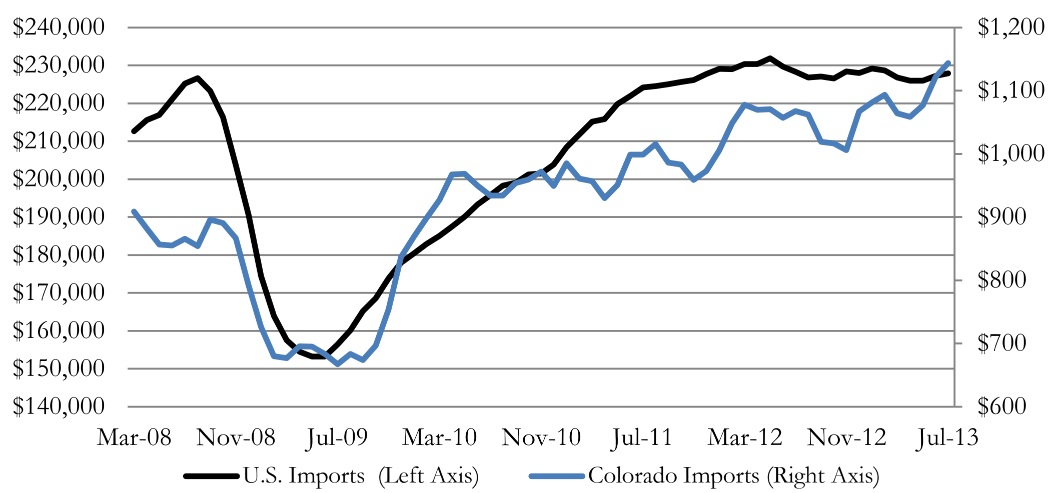
Figure 39. Colorado Export of Goods and Total U.S. Exports to Major Trading Partners Annual Percent Change*



Source: World Institute for Strategic Economic Research (WISERTrade) base on data from the U.S. Census Bureau
*Export data for 2011 and 2012 are total year figures. Data for 2013 is seasonally adjusted annual rate using year-to-date figures through July.

Imports have slowed for the nation but continue to grow in Colorado – As shown in Figure 40, total year-to-date imports to the U.S. were flat through July. In contrast, Colorado's imports of goods increased 7.2 percent over that same period. These trends reflect modest demand and slower economic activity at the national level and the state's higher level of growth as the economy continues to demand foreign goods used for both consumption and business purposes.

Figure 40. U.S. and Colorado Imports of Goods
March 2008 through July 2013, $s in Millions



Source: U.S. Census Bureau; Three-Month Moving Average, Seasonally Adjusted

Table 5
History And Forecast For Key Colorado Economic Variables
Calendar Year 2007 - 2015

Line No.		Actual						September 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Income									
1	Personal Income (Billions) /A	$205.2	$216.0	$204.6	$212.5	$225.4	$234.9	$245.0	$258.2	$271.8
2	Change	5.6%	5.3%	-5.3%	3.9%	6.1%	4.2%	4.3%	5.4%	5.3%
3	Wage and Salary Income (Billions) /A	$113.0	$117.0	$112.6	$114.2	$119.148	$124.4	$130.4	$137.0	$144.0
4	Change	6.7%	3.6%	-3.8%	1.4%	4.3%	4.4%	4.8%	5.0%	5.1%
5	Per-Capita Income ($/person)	$42,724	$44,180	$41,154	$42,107	$44,053	$45,135	$46,465	$48,140	$49,821
6	Change	3.7%	3.4%	-6.8%	2.3%	4.6%	2.5%	2.9%	3.6%	3.5%
	Population & Employment									
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,118.5	5,188.7	5,273.7	5,363.7	5,456.1
8	Change	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%	1.6%	1.7%	1.7%
9	Net Migration (Thousands)	34.8	39.6	36.7	37.2	33.9	37.2	48.3	52.9	55.0
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.6%	8.0%	6.9%	6.5%	5.9%
11	Total Nonagricultural Employment (Thousands)	2,331.3	2,350.3	2,245.6	2,222.3	2,258.2	2,310.0	2,370.7	2,428.2	2,489.5
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.3%	2.6%	2.4%	2.5%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	30.4	19.1	9.4	11.6	13.5	23.4	29.6	37.3	42.5
14	Change	-20.7%	-37.2%	-51.0%	23.9%	16.5%	73.2%	26.5%	25.9%	14.1%
15	Nonresidential Construction Value (Millions) /B	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,562.0	$3,703.2	$3,909.3
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.9%	4.0%	5.6%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.8	$88.4	$93.3
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.8%	5.4%	5.6%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.5	236.1	242.3
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.6%	2.4%	2.6%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance. The 2012 personal income and wages and salaries amounts are estimates of forthcoming revisions to the data.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 6
History And Forecast For Key National Economic Variables
Calendar Year 2007 - 2015

Line No.		Actual						September 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,876.8	$14,833.6	$14,417.9	$14,779.4	$15,052.4	$15,470.7	$15,724.4	$16,101.8	$16,520.5
2	Change	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%	1.6%	2.4%	2.6%
3	Personal Income (Billions) /B	$11,995.7	$12,430.6	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,279.8	$14,965.2	$15,743.4
4	Change	5.3%	3.6%	-2.8%	2.9%	6.1%	4.2%	3.9%	4.8%	5.2%
5	Per-Capita Income ($/person)	$39,761	$40,817	$39,325	$40,143	$42,275	$43,731	$45,126	$46,913	$48,909
6	Change	4.3%	2.7%	-3.7%	2.1%	5.3%	3.4%	3.2%	4.0%	4.3%
	Population & Employment									
7	Population (Millions)	301.2	304.1	306.7	309.3	311.6	313.9	$316.4	$319.0	$321.9
8	Change	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%	0.8%	0.8%	0.9%
9	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.5%	7.0%	6.5%
10	Total Nonagricultural Employment (Millions)	137.6	136.9	130.9	129.9	131.5	133.7	135.9	138.1	140.6
11	Change	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.6%	1.6%	1.8%
	Price Variables									
12	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.2	238.2	244.0
13	Change	2.9%	3.8%	-0.4%	1.6%	3.1%	2.1%	1.6%	2.1%	2.5%
14	Producer Price Index - All Commodities (1982=100)	172.6	189.6	172.9	184.7	201.0	202.2	206.0	214.7	224.4
15	Change	4.8%	9.8%	-8.8%	6.8%	8.8%	0.6%	1.9%	4.2%	4.5%
	Other Key Indicators									
18	Corporate Profits (Billions)	1,529.0	1,285.1	1,392.6	1,740.6	$1,877.7	$2,009.5	$2,073.0	$2,186.7	$2,336.7
19	Change	-7.1%	-16.0%	8.4%	25.0%	7.9%	7.0%	3.2%	5.5%	6.9%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.624	0.829	1.046	1.314	1.658
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	26.2%	25.6%	26.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,631.1	$4,881.4	$5,077.2	$5,306.1	$5,571.8
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.5%	5.4%	4.0%	4.5%	5.0%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Tucker Hart Adams – Senior Partner, Summit Economics LLC
- John Cuddington – W.J. Coulter Professor of Mineral Economics and Professor of Economics and Business, Colorado School of Mines; President, JTC Economics+Finance LLC
- Elizabeth Garner - State Demographer, Colorado Department of Local Affairs
- Alexandra Hall - Labor Market Information Director, Colorado Department of Labor and Employment
- Robert Jaros - State Controller, Department of Personnel and Administration
- Ronald New – Capital Markets Executive
- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

In addition to the above individuals, the Governor's Office of State Planning and Budgeting would like to thank Dr. Phyllis Resnick, Managing Director of R Squared Analysis, LLC for her valuable contributions in producing this forecast.

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APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

and

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Pagination reflects the original printed documents)

Comprehensive Annual Financial Report

John Hickenlooper
Governor

For the Fiscal Year Ended June 30, 2012

Department of Personnel & Administration
Kathy Nesbitt, Executive Director
David J. McDermott, State Controller

REPORT LAYOUT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the controller's transmittal letter and the state's organization chart. The Financial Section includes the auditor's opinion, management's discussion and analysis, the basic financial statements, and the combining statements and schedules. The Statistical Section includes fiscal, economic, and demographic information about the state.

INTERNET ACCESS

The Comprehensive Annual Financial Report and other financial reports are available on the State Controller's home page at:

http://www.colorado.gov/dpa/dfp/sco/

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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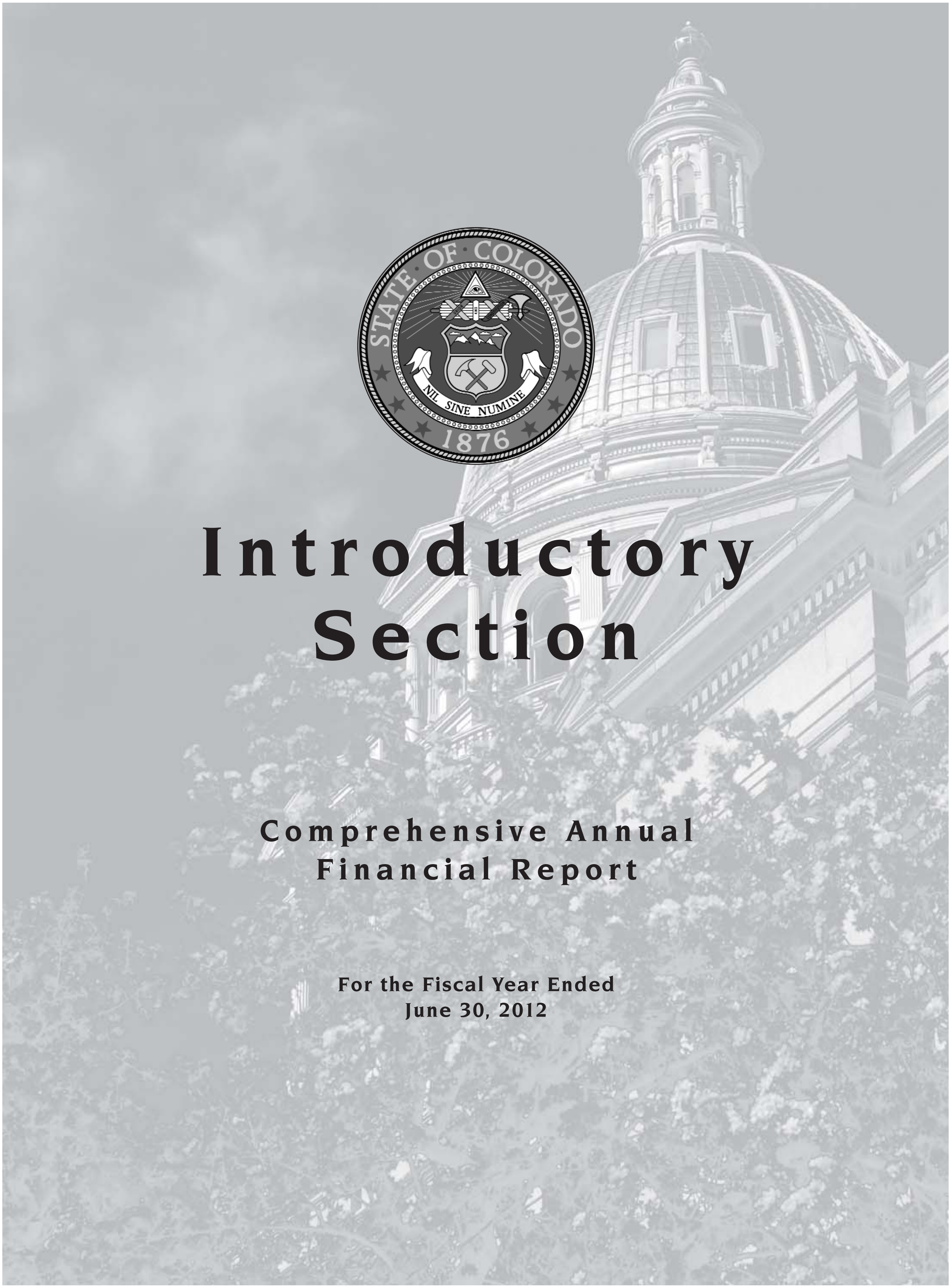
STATISTICAL SECTION



Introductory Section

Comprehensive Annual Financial Report

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
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December 14, 2012

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, 2012. 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 position 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 37 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
  - HLC @ Metro, Inc.

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 69). 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.

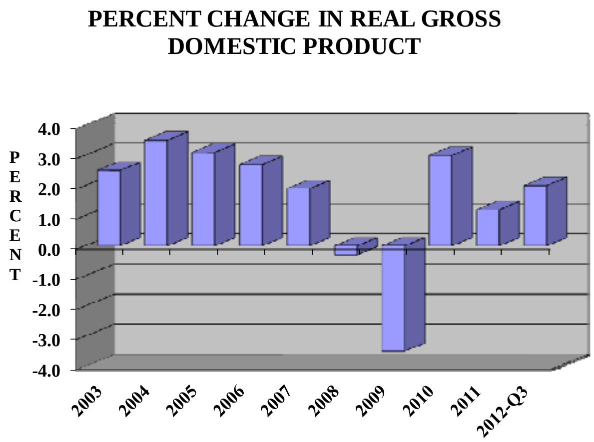
The State maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the State report directly to 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 2011-12; General Fund revenues increased by $648.0 million (9.1 percent) from the prior year. For the first time since the recession, General Purpose Revenue Fund revenue is above the Fiscal Year 2007-08 pre-recession level; it exceeded that level by $229.0 million (3.1 percent). In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 5.7 percent for 2011 and is forecast to increase by 4.3 percent for 2012. State nonagricultural employment levels rose by 35,800 in 2011, and are forecasted to increase by another 38,500 in 2012.



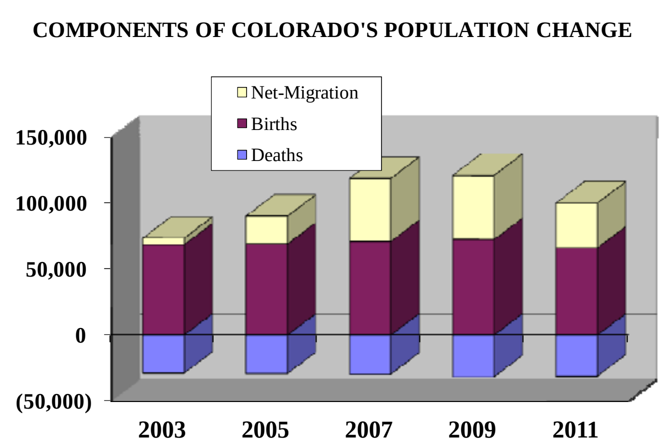
The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 1.2 percent in the third quarter of calendar year 2011 and 2.0 percent in the third quarter of 2012. Inflation adjusted GDP increased 2.5 percent from the third quarter of 2011 to the third quarter of 2012 (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 1.8 percent. Personal consumption was lead by an 8.3 percent increase in durable goods (including recreational goods and vehicles increasing at 10.8 percent and motor vehicles and parts at 9.6 percent) and was offset by anemic growth in nondurable goods and household services consumption. In addition to a 6.2 percent increase in fixed investment (including significant increases in residential – 13.7 percent, transportation – 11.1 percent, and nonresidential structures – 5.8 percent), private domestic investment was up by 11.1 percent in aggregate as nonfarm inventories grew substantially while farm inventories declined. Government spending declined quarter-over-quarter by 0.6 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 3.0 percent and imports grew by 2.7 percent; net imports continued to be a reduction of GDP at a slightly higher amount than in the third quarter of 2011.

The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. This has been compounded by uncertainties in the European market and debates in the U.S. Congress over increases to federal debt ceiling, automatic tax increases and spending cuts. The September, 2012 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

"Three years into a lackluster recovery, the U.S. economy is again losing momentum. Many indicators that were growing moderately toward the end of 2011 have decelerated through the spring and summer. Employment, consumer spending, and household and business income continue to see some growth, but at a slow rate. Meanwhile, after making significant contributions to growth in 2010 and 2011, manufacturing activity has begun to stall. Many fundamentals in the economy have improved. The housing market has begun to recover and will drive growth somewhat over the coming year. Banks have rebuilt their balance sheets, businesses have become more efficient and productive, and households have shed debt. However, uncertainty is particularly high, and businesses and households continue to hold back on spending, hiring, and investment decisions as a result."

The recovery of the Colorado economy from the recession continues at a slow pace, although economic indicators show that Colorado is outperforming many other states. 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 more investments in equipment and software than labor. Mixed signals exist regarding the pace of economic recovery in Colorado, and employment has yet to develop a discernible trend.

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 decreasing in-migration, which has averaged approximately 43,500 from 2007 to 2011. It remains off its ten-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 13,078 to 8,797 for 2009 and 2011, respectively, while in-migration from other states decreased from about 35,600 to 24,940 for 2009 and 2011, respectively. The information in the adjacent chart is based on current Census Bureau estimates. The Colorado State Demographer forecasts net population growth of 71,000 for 2012 and 77,500 for 2013, and OSPB forecasts net migration of 36,500 and 40,200, for those years respectively, which indicates persistent in-migration in spite of high unemployment and the State's economic challenges.



The OSPB September 20, 2012 quarterly estimate predicts a slowdown in Colorado's economy in 2013; however, the housing market is starting to recover and Colorado is seeing new business formation. The outcome of the European market crisis and pending federal spending cuts may suppress or boost the economy. OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 8.0 percent for 2012 compared with 8.3 and 8.9 percent in 2011 and 2010, respectively, and it is expected to slightly decrease in 2013 to 7.8 percent.
- Wages and salary income will increase by 3.9 percent in 2012, and by 3.5 percent in 2013 before increasing to 4.8 percent growth in 2014.
- Total personal income will increase by 4.3 percent in 2012, and reach 5.1 percent by 2014.
- Net in-migration is expected to be 36,500 in 2012 and 40,200 in 2013 with total population growth of about 1.5 and 1.4 percent, respectively.
- Retail trade sales will increase by 6.1 percent in 2012 followed by an increase of 3.9 percent in 2013.
- Colorado inflation will be 2.2 percent in 2012, and increase to 3.1 percent in 2013.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2012 session. There were several areas of focus including education, State Personnel System reform, public safety, unemployment, and energy. The 2012 session marks the first session without a requirement to cut spending and/or identify significant additional alternative funding streams since the recession that first required budget cuts in Fiscal Year 2008-09.

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

- An amendment to the "Public School Finance Act of 1994" provided approximately $58.6 million in additional funding for Fiscal Year 2011-12 and $9.2 million in Fiscal Year 2012-13. The amendment increased per pupil funding to account for inflation, adjusted for increasing enrollment, provided additional funding for charter school capital construction, and provided at-risk supplemental aid. The "Colorado READ Act" was also established to ensure minimum reading competency in each of the early grades, repealing the "Colorado Basic Literacy Act". The READ Act provides professional development support, early literacy grants, and per pupil distributions, primarily funded from up to $8.0 million from tobacco settlement monies, and starting in Fiscal Year 2013-14 up to $16 million in interest on the Permanent School Fund. Additionally, $59.0 of the General Fund Surplus was directed to the State Education Fund to fund Fiscal Year 2012-13 activities.

- The General Assembly adopted measures to reform the State Personnel System, known as the Talent Agenda. The Agenda included statutory changes that replaced the State's "pay for performance" initiative with a new merit pay system based upon employees' performance, years of service and placement within the salary range, as well limiting retention rights in layoffs to those employees who are close to retirement. The General Assembly also approved the referral of several constitutional changes for voter approval, which subsequently passed in the November 2012 election. The constitutional changes included expanding veterans' preference, changes to the hiring and selection process, changes to residency requirements, extension of the length of temporary employment, exemption of select positions from the classified system, and term limits for the State Personnel Board. In addition to the Talent Agenda, the General Assembly authorized $2.1 million in Fiscal Year 2012-13 for the reversal of the paydate shift that previously delayed State employee biweekly salaries normally paid in June to July.

- Homeland security, emergency management, and fire functions were consolidated into the Department of Public Safety effective July 1, 2012, from the Governor's Office, Local Affairs, Public Health and Environment and Colorado State University for better coordination in public safety services. The Colorado Governmental Immunity Act was also amended to waive the State's sovereign immunity in connection to claims against the state for injuries sustained in specific prescribed burns started or maintained by the State, effective January 1, 2011. Claims in excess of the maximum liability amounts contained in the Act are subject to payment upon the recommendation for approval by the State Claims Board, and subsequent appropriation action taken by the General Assembly.

- Unemployment insurance rate reform continued with the authorization of the issuance of revenue bonds to stabilize employer insurance premiums. The bill provides for a bond assessment on employers for the repayment of the debt, and allows for these payments to count toward improved experience ratings.

- The General Assembly enacted several tax credits that overall reduced revenue $1.4 million in Fiscal Year 2012-13 and $3.4 million in Fiscal Year 2013-14. Certain agricultural sales were reclassified from wholesale to retail, income tax credits were established for persons inheriting agricultural land subject to certain conditions, and additional types of child care facilities became eligible for the child care contribution income tax credit.

- The General Assembly addressed the State's capital needs with the appropriation of $60.4 million of general-purpose revenues to fund 4 capital projects, 43 maintenance projects, and 3 lease payments for Fiscal Year 2012-13. The closure of south campus of the Centennial Correctional Facility effective February 1, 2013 was authorized. If necessary, the facility may be used to provide support services; however, the department is encouraged to pursue options to sell or lease the campus with proceeds used to repay the outstanding certificates of participation issued to construct the facility. The closure is estimated to save up to $1.9 million in Fiscal Year 2012-13, and $7.8 million in Fiscal Year 2013-14.
- Several measures were enacted impacting social services including a reduction in nursing facility per diem rates of 1.5 percent for Fiscal Year 2012-13, approval for the modernization of information technology systems for benefits (Colorado Benefits Management System), recommended increases in old age pension payments, additional funding for the Area Agencies on Aging (AAA), and reinstatement of the dental assistance program for seniors. Except for the addition formula-based funding for the AAAs that cannot be estimated, these measures have a net impact of increased funding of $12.0 million in Fiscal Year 2011-12, and $7.3 million in Fiscal Year 2012-13.
- The General Assembly expanded certain incentives to filmmakers by approximately $3 million based on qualified expenditures for filming in Colorado to improve Colorado's position in this market. To further support economic development, an additional $4 million was transferred from the Fiscal Year 2011-12 General Fund Surplus to the Economic Development Cash Fund.
- The General Assembly changed the name of the Governor's Energy Office to the Colorado Energy Office and changed its mission to promote efforts to sustain Colorado's energy economy, to create jobs through energy-market advances, encourage clean energy, and promote energy efficiency.
- The General Assembly authorized the use of $4.0 million from the Species Conservation Trust Fund for six projects, the largest of which was for native fish conservation.
- The General Assembly transferred $9.4 million from the State Rail Bank Fund to the General Purpose Revenue Fund. The revenues in the State Rail Bank Fund were from the sale of the Towner Rail Line in 2011 that was previously purchased by the General Purpose Revenue Fund as authorized in the 1998 legislative session.

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 40).

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, 2011. This was the fifteenth 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, 2011

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.

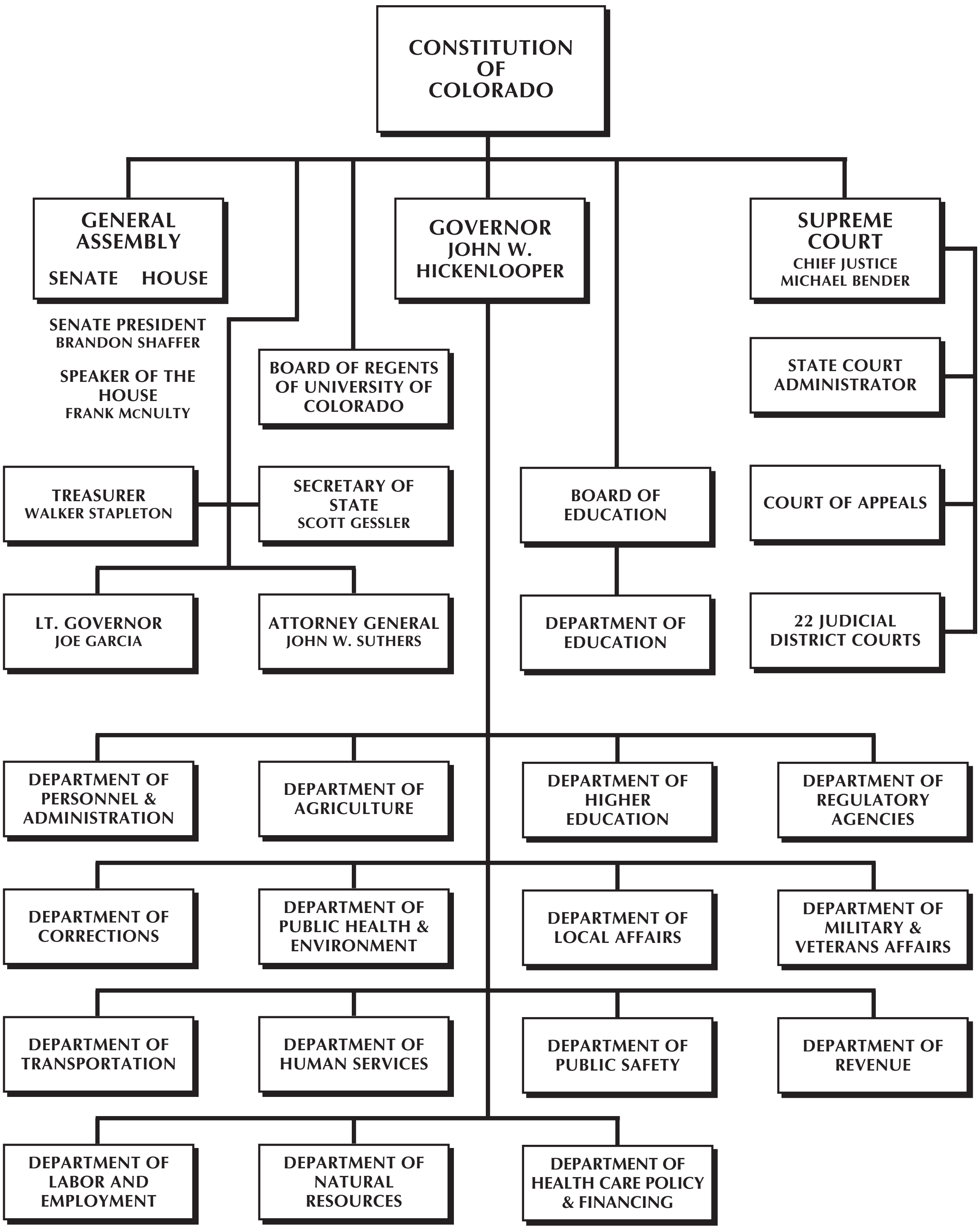
Linda C. Davison

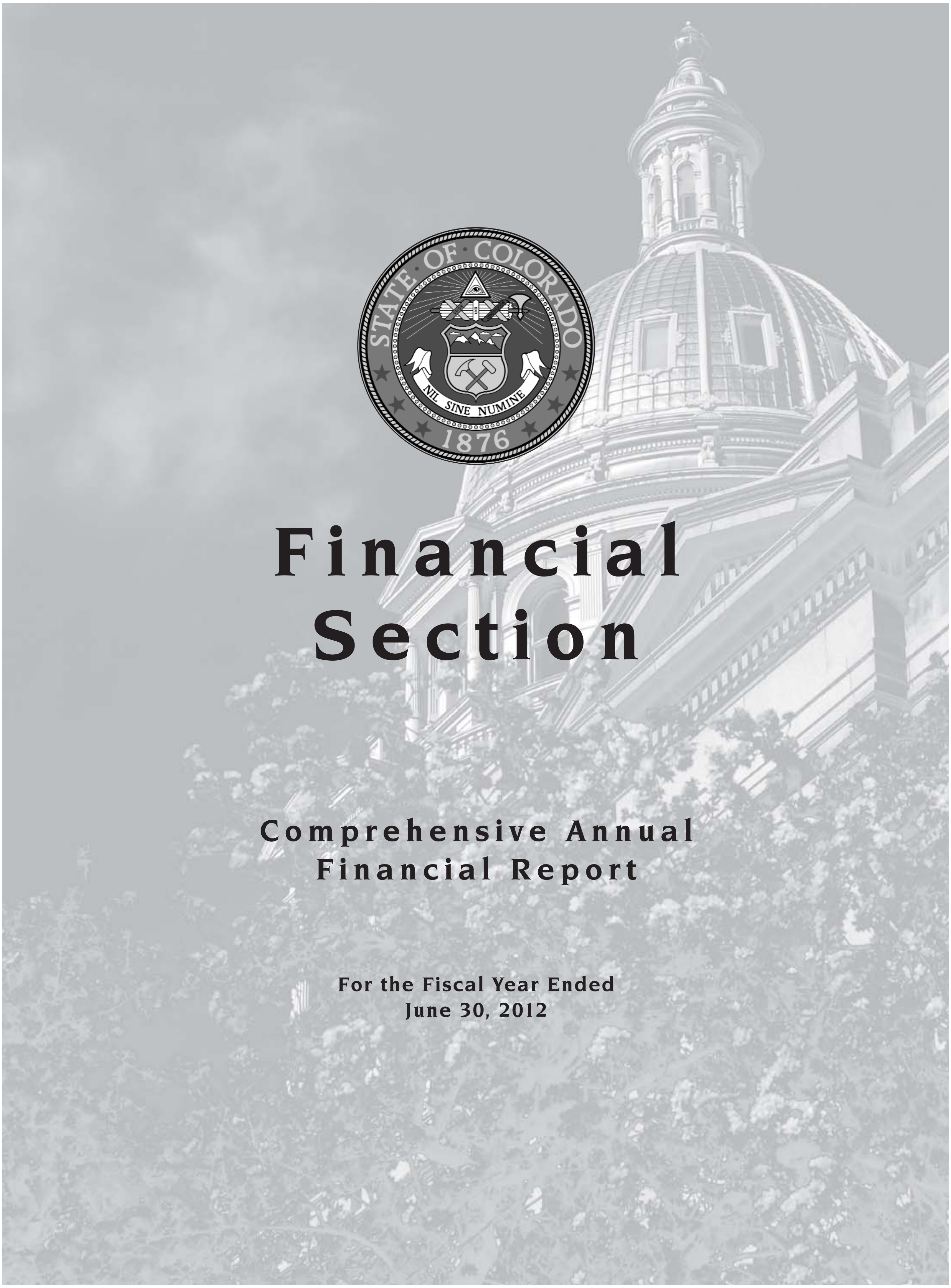
President

Jeffrey R. Esser

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2012

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

December 14, 2012

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, 2012, 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 position, 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, 5 percent of the net position, and 9 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 2 percent of the total assets, 4 percent of the net position, and 6 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 the 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, 2012, 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 the preface to the Notes to the financial statements , the State of Colorado adopted the provisions of Governmental Accounting Standards Board (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 of 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.*

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents beginning on page 1, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted tuition and fees within the *Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position – Budgetary Basis, Budget and Actual - Cash Funded* and the *Reconciling Schedule All Budget Fund Types to All GAAP Fund Types* on pages 155 and 158, respectively, for higher education institutions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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 or provide any assurance 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 $14,179.1 million, an increase of $786.0 million as compared to the prior year amount of $13,393.1 million. Causes of the increase in net position include an increase in cash and restricted cash balances of $564.8 million, the most significant in the General Fund related to increased general-purpose revenue from tax collections. Taxes Receivable, net of refunds payable, also increased by $144.7 million. Investments and restricted investments decreased by $186.2 million from liquidations of financing proceeds for construction activities, offset by additional investment proceeds for public school construction. Capital assets increased by $393.9 million, primarily related to new transportation and public school construction along with construction of the Ralph L. Carr Judicial Complex. The increase also includes infrastructure additions related to prior year errors, offset by $615.9 million in depreciation charges. Assets of the State's business-type activities exceeded liabilities by $6,140.0 million, an increase of $875.3 million as compared to the prior year amount of $5,264.7 million. The overall increase was primarily the result of the following net position changes: an increase of $306.0 million in Higher Education Institutions and an increase of $388.1 million in Other Enterprises (primarily related to the Transportation Enterprise and the merger of the Division of Parks into the Division of Wildlife). In total, net position of the State increased by $1,661.3 million to $20,319.1 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $5,292.9 million (prior year $4,842.0 million). In total, governmental fund balances increased by $450.9 million from the prior year due to increases in the General Fund, the Highway Users Tax Fund (HUTF), and Other Governmental Funds, which were partially offset by reductions in the Resource Extraction Fund, the Capital Projects Fund and in the State Education Fund. The General Fund increase of $622.6 million was due to improved general-purpose tax collections in the General Purpose Revenue Fund that allowed for the transfer of $59.0 million to the State Education Fund. The General Purpose Revenue Fund portion of the General Fund is required to maintain a reserve of four percent of General Purpose Revenue Fund appropriations, $281.1 million for Fiscal Year 2011-12. The reserve is required to increase by 0.5 percent each fiscal year after the personal income growth trigger is met, currently projected to occur in 2014 effective for Fiscal Year 2015-16. Thereafter, the reserve is to be maintained at 6.5 percent. The Resource Extraction Fund increased by $36.1 million due to increased cash and receivables related to severance taxes, mineral leasing, and fees. The HUTF increased by $20.0 million with declines in expenditures outpacing declines in revenue. The Capital Projects Fund decreased by $170.6 million due to the spending of proceeds of Certificates of Participation primarily for the Ralph L. Carr Justice Complex. The State Education Fund decreased by $171.0 million due to expending fund balance associated with the $221.4 million prior year General Fund Surplus transfer. The Other Governmental Funds increased by $114.0 million, largely due to activity in the State Lands Permanent Fund.

Enterprise Fund assets exceeded liabilities resulting in total net position of $6,140.0 million (prior year $5,264.7 million), of which, $4,143.7 million (prior year $3,746.4 million) was restricted or invested in capital assets, and the balance of $1,996.3 million (prior year $1,518.3 million) was unrestricted. The total increase of $875.3 million in Enterprise Fund net position was primarily due to an increase of $306.0 million in Higher Education Institutions, and $388.1 million in Other Enterprises primarily from the Transportation Enterprises and the merger of the Division of Parks with the Division of Wildlife.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2012, were $1,777.0 million (prior year $1,766.9 million), which is 27.6 percent (prior year 29.3 percent) of financial assets (cash, receivables, and investments) and 9.5 percent (prior year 9.8 percent) of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, State buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and State highway revenues, State building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues. The State's Enterprise Funds have revenue bonds outstanding that total $4,181.9 million (prior year $3,196.2 million). The $985.7 million increase in revenue bonds from the prior year is primarily related to the issuance of $624.8 million in bonds by the Division of Unemployment Insurance, secured by future employer insurance premiums. The majority of the remaining outstanding revenue bonds is related to Higher Education Institutions and is 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 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. The State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2011-12, and although it did exceed the TABOR limit by $1,474.5 million, no refund was required because Referendum C replaced the TABOR limit with the Excess State Revenues Cap as the threshold for refunds. The $0.7 million TABOR Refund Liability 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, 2012. (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, liabilities, deferred inflows, and deferred outflows on the *Statement of Net Position* 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 Position* shows the financial position of the State at the end of the fiscal year. Net position measures the difference between assets and deferred outflows and liabilities and deferred inflows. Restrictions reported in net position indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net position from year to year indicate the State is better off financially, while decreases in total net position 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 Position" 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 Position,* 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 69.

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 Position* because Internal Service Funds primarily serve governmental funds. 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.

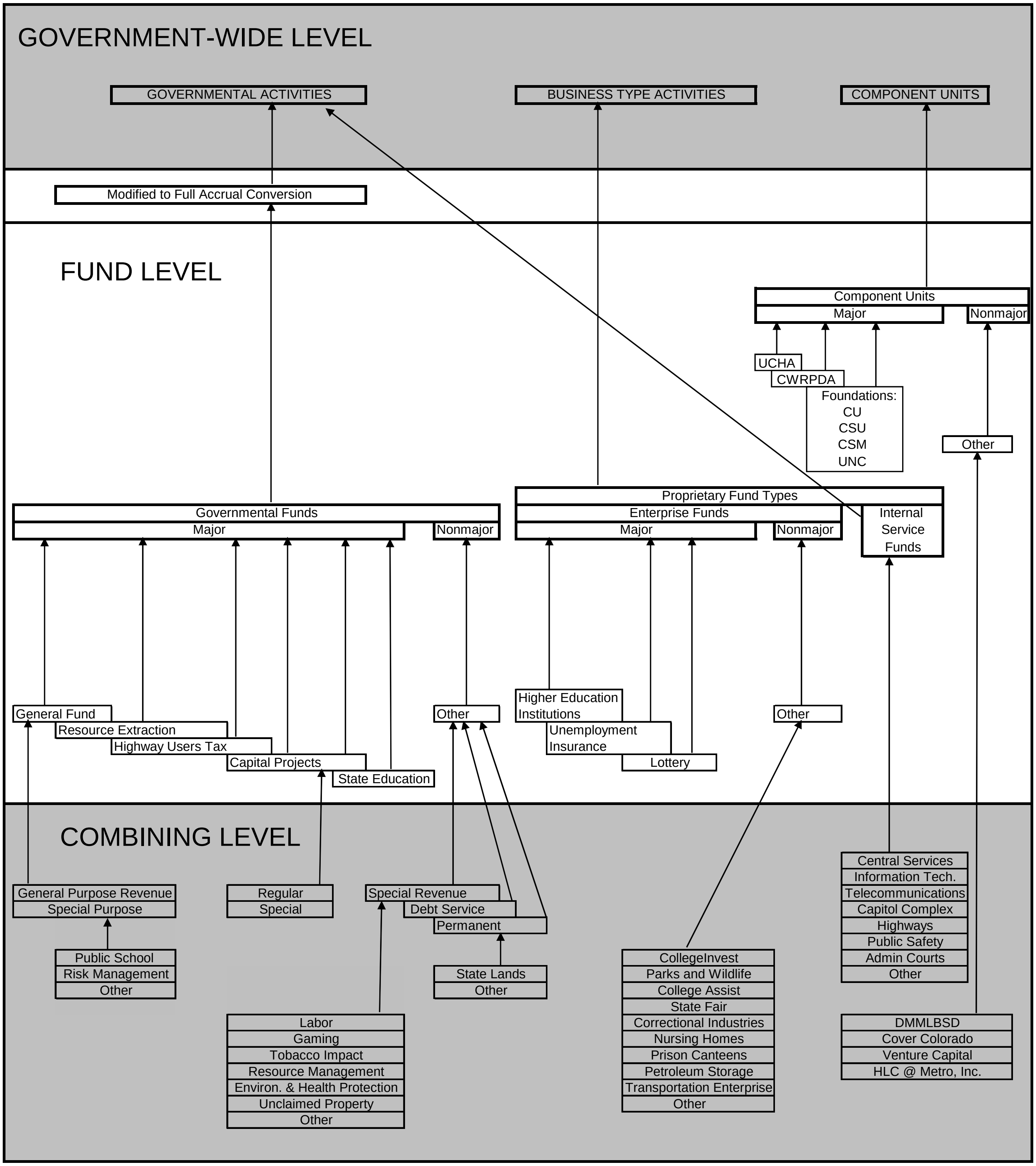
Notes to Basic Financial Statements

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 in this Management's Discussion and Analysis and 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
CSM
UNC
Other
Proprietary Fund Types
Governmental Funds
Enterprise Funds
Major
Nonmajor
Major
Nonmajor
Internal Service Funds
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
Regular
Special
Special Revenue
Debt Service
Permanent
Public School
Risk Management
Other
State Lands
Other
Labor
Gaming
Tobacco Impact
Resource Management
Environ. & Health Protection
Unclaimed Property
Other
CollegeInvest
Parks and 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
HLC @ Metro, Inc.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Noncapital Assets	$ 7,226,747	$ 6,874,659	$ 5,591,121	$ 4,588,450	$ 12,817,868	$11,463,109
Capital Assets	11,506,120	11,112,240	6,269,812	5,600,890	17,775,932	16,713,130
Total Assets	18,732,867	17,986,899	11,860,933	10,189,340	30,593,800	28,176,239
Deferred Outflow of Resources	-	-	5,005	-	5,005	-
Current Liabilities	1,941,714	1,965,976	1,305,517	1,362,845	3,247,231	3,328,821
Noncurrent Liabilities	2,612,089	2,627,815	4,420,423	3,559,806	7,032,512	6,187,621
Total Liabilities	4,553,803	4,593,791	5,725,940	4,922,651	10,279,743	9,516,442
Deferred Inflow of Resources	-	-	-	2,006	-	2,006
Net Investment in Capital Assets	10,107,432	9,836,378	3,386,411	2,990,094	13,493,843	12,826,472
Restricted	2,582,636	2,706,388	757,330	756,305	3,339,966	3,462,693
Unrestricted	1,488,996	850,342	1,996,257	1,518,284	3,485,253	2,368,626
Total Net Position	$14,179,064	$13,393,108	$ 6,139,998	$ 5,264,683	$ 20,319,062	$18,657,791

The amount of total net position is one measure of the health of the State’s finances, and the State reports significant positive balances in all categories of net position. 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 $13,493.8 million or 66.4 percent of the State’s total net position, which represents an increase of $667.4 million from the prior year; capital assets increased in both governmental activities and in the business-type activities. The increase of $271.1 million in governmental capital assets is attributable to transportation projects, public school construction, and the Ralph L. Carr Justice Complex. In addition, prior period adjustments were recorded to correct errors in the Department of Transportation accounts which further increased capital assets, while the capital assets of the Division of Parks were moved to business-type activities with the merger of the Division of Parks and the Division of Wildlife in Fiscal Year 2011-12. Depreciation charges of $615.9 million for bridge and roadway infrastructure would have more than offset increases related to new construction activity had there not been the addition of infrastructure assets of $564.3 million related to the Department of Transportation’s error correction. The current year increase in Net Investment in Capital Assets of $396.3 million in business-type activities, primarily in Higher Education Institutions, 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 $3,340.0 million or 16.4 percent of net position, which represents an decrease of $122.7 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 fund balance, the Highway Users Tax Fund fund balance, and resources pledged to debt service are examples of restrictions on the State’s net position. Governmental activities Restricted Net Position decreased by $123.8 million while business-type activities increased by $1.0 million.

The Unrestricted Net Position of $3,485.3 million represents 17.2 percent of total net position and is the amount by which total assets and deferred outflows exceed total liabilities and deferred inflows after all restrictions and capital asset exclusions are considered. This represents an increase of $1,116.6 million from the prior fiscal year. The governmental activities unrestricted net position increased by $638.6 million and business-type activities increased by $478.0 million. The largest portion of unrestricted net position 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 position from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments, that the governmental activities, expenses and transfers-out were less than revenues and transfers-in resulting in net position increasing by $451.0 million. Program revenue of the governmental activities decreased by $240.6 million (2.8 percent) related to decreasing grants offset somewhat by increasing charges for services, along with increases in general-purpose revenues of $659.8 million (7.7 percent) primarily due to increased tax collections and accruals of taxes receivable of $130.4 million. Expenses decreased by $134.0 million (0.8 percent) from the prior year primarily due to the decline in American Recovery and Reinvestment Act (ARRA) monies along with the restoration of the General Fund Statutory Reserve from 2.3 to 4.0 percent. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	$ 1,785,794	$ 1,632,567	$ 5,083,700	$ 4,808,159	$ 6,869,494	$ 6,440,726
Operating Grants and Contributions	5,884,031	6,218,836	3,165,718	3,689,492	9,049,749	9,908,328
Capital Grants and Contributions	600,300	659,288	132,067	25,432	732,367	684,720
General Revenues:						
Taxes	8,186,128	7,576,943	-	-	8,186,128	7,576,943
Restricted Taxes	965,784	928,260	-	-	965,784	928,260
Unrestricted Investment Earnings	15,015	6,523	-	-	15,015	6,523
Other General Revenues	96,213	91,608	-	-	96,213	91,608
Total Revenues	17,533,265	17,114,025	8,381,485	8,523,083	25,914,750	25,637,108
Expenses:						
General Government	224,382	192,579	-	-	224,382	192,579
Business, Community, and Consumer Affairs	600,068	667,929	-	-	600,068	667,929
Education	5,205,123	5,432,143	-	-	5,205,123	5,432,143
Health and Rehabilitation	703,684	696,539	-	-	703,684	696,539
Justice	1,555,294	1,538,363	-	-	1,555,294	1,538,363
Natural Resources	93,900	149,878	-	-	93,900	149,878
Social Assistance	6,746,574	6,397,426	-	-	6,746,574	6,397,426
Transportation	1,777,488	1,974,009	-	-	1,777,488	1,974,009
Interest on Debt	40,935	32,487	-	-	40,935	32,487
Higher Education Institutions	-	-	5,068,481	4,755,385	5,068,481	4,755,385
Unemployment Insurance	-	-	1,571,321	2,141,728	1,571,321	2,141,728
Lottery	-	-	495,847	470,480	495,847	470,480
Parks and Wildlife	-	-	160,933	108,425	160,933	108,425
College Assist	-	-	403,023	402,648	403,023	402,648
Other Business-Type Activities	-	-	196,542	191,123	196,542	191,123
Total Expenses	16,947,448	17,081,353	7,896,147	8,069,789	24,843,595	25,151,142
Excess (Deficiency) Before Contributions, Transfers, and Other Items	585,817	32,672	485,338	453,294	1,071,155	485,966
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(135,407)	(110,266)	135,407	110,266	-	-
Permanent Fund Additions	595	460	-	-	595	460
Special Item	-	-	-	1,493	-	1,493
Total Contributions, Transfers, and Other Items	(134,812)	(109,806)	135,407	111,759	595	1,953
Total Changes in Net Position	451,005	(77,134)	620,745	565,053	1,071,750	487,919
Net Position - Beginning	13,393,108	13,455,272	5,264,683	4,746,480	18,657,791	18,201,752
Prior Period Adjustment	334,951	14,970	254,570	(46,850)	589,521	(31,880)
Net Position - Ending	$14,179,064	$ 13,393,108	$ 6,139,998	$ 5,264,683	$20,319,062	$18,657,791

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $620.7 million resulting in an increase in net position. From the prior year to the current year, program revenue of the business-type activities decreased by $141.6 million (1.7 percent) and expenses decreased by $173.6 million. Operating Grants and Contributions declined by $523.8 million primarily in Higher Education Institutions and Unemployment Insurance with about half of the reduction related to reduced ARRA funding. The decrease in Operating grants and Contributions was partially offset by $275.5 million in increased Charges for Services, primarily in Higher Education Institutions. The decrease in expenses is primarily attributable to a 26.8 percent decrease in Unemployment Insurance benefits paid, that more than offset increases in all of the other business-type activities, including the largest increase in the Higher Education Institutions.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2011-12 is the nineteenth 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 revenues from 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.

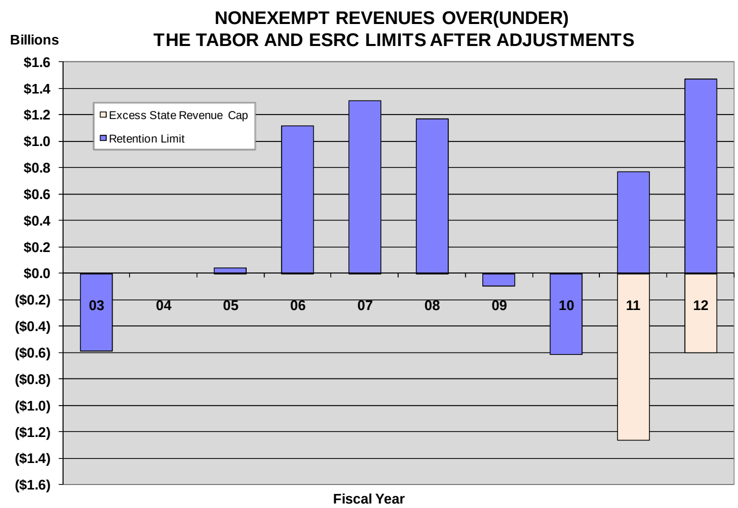
The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations have historically been significant factors in the 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 TABOR 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 was not in effect, the State's ability to retain revenues was 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 2011-12, these amounts totaled to required refunds of $3,291.2 million since TABOR's inception. At June 30 of each applicable fiscal year, the State recorded a liability on the General Fund Balance Sheet, and the amounts were refunded in subsequent years except for the $0.7 million amount currently shown in the financial statements.

After 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, and the ratchet down provision does not apply to the ESRC. For Fiscal Year 2010-12, unaudited State revenues subject to TABOR were $10,273.2 million, which was $597.8 million under the ESRC, and $1,474.5 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 2011-12, the Division of Parks and the Division of Wildlife merged into a new Division of Parks and Wildlife. The former Division of Wildlife was a qualified TABOR enterprise, but the former Division of Parks was a nonexempt TABOR activity. As required by TABOR, the State Controller makes the qualification of new enterprises neutral in the excess revenue calculation by removing the newly qualified enterprise's prior year nonexempt revenues from the TABOR base before adjusting for allowable growth. In Fiscal Year 2011-12, the TABOR limit was decreased by $30.8 million related to the enterprise qualification.



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 limited to five percent of personal income, with certain adjustments.
- 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, and $2,244.5 million from Fiscal Year 2010-11 through 2011-12 due to the increasing ESRC as compared to TABOR limit, for a total of $5,838.1 million of retained Referendum C revenue.

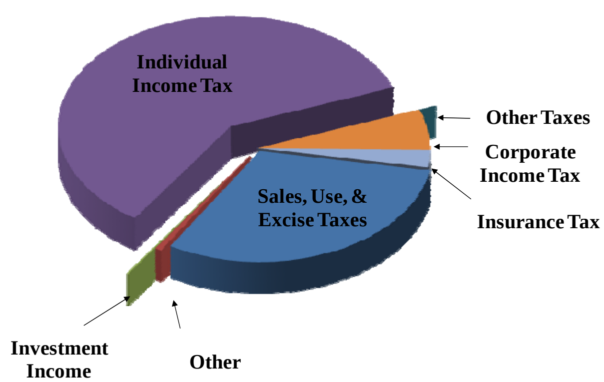
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery, the State's revenues are not expected to exceed the ESRC cap during Fiscal Year 2011-12. Neither the Legislative Council nor the Governor's economic forecast projects nonexempt revenue in excess of the ESRC through Fiscal Year 2014-15.

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. 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, Risk Management, and Other Special Purpose Funds reside in the General Fund. These funds are referred to as Special Purpose General Funds, while the General Purpose Revenue Fund comprises general activities of the State. 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

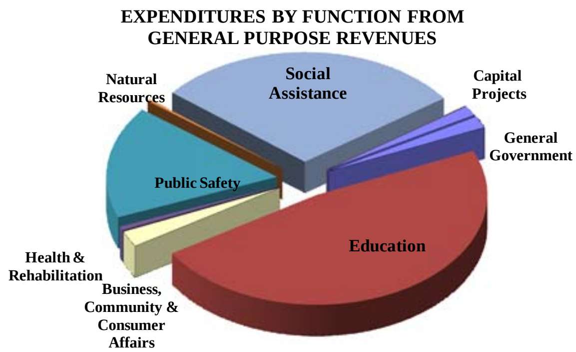


The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $1,225.4 million, $681.1 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. The General Purpose Revenue Fund increased by $648.7 million from the prior year. In Fiscal Year 2011-12, the State was able to fund the General Fund Statutory Reserve of $281.1 million on both a budget basis and on a GAAP basis. After the required reserve, the General Purpose Revenue Fund Unassigned Fund Balance was $359.4 million, an increase of $380.9 million as compared to the prior year. On both the budget basis and the GAAP basis, the General Purpose Revenue Fund received augmenting transfers of $142.1 million in Fiscal Year 2011-12 ($158.1 million Fiscal Year 2010-11) to address the State's budget needs. In Fiscal Year 2011-12 the augmenting transfers were at the General Assembly's discretion rather than to prevent a constitutionally prohibited General Purpose Revenue Fund deficit as was required in recent years. In an improving fiscal environment these transfers have provided additional resources to support current and subsequent years' General Purpose Revenue Fund appropriations. The General Purpose Revenue Fund's $557.6 million year-end unrestricted cash balance increased by $384.0 million from the prior year primarily due to improving tax collections.

General-purpose revenues for Fiscal Years 2011-12 and 2010-11 were $7,736.0 million (see page 161) and $7,085.8 million, respectively – an increase of $650.2 million or 9.2 percent. Individual income tax revenue increased by $479.4 million or 11.5 percent. The major categories of individual income tax, that contributed to the increase, were estimated payments (up 18.9 percent), withholding payments (up 8.2 percent), and refunds (down 9.8 percent). An 8.0 percent decrease in cash with income tax returns offset the increases. 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 $91.7 million or 25.1 percent reflecting strong corporate profits in recent years. Sales, use, and excise taxes increased by $64.7 million or 2.8 percent, which is slightly below the projected 4.3 projected increase in personal income in 2012.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2011-12 and 2010-11 were $7,139.2 million (see page 161) and $6,921.6 million, respectively. For Fiscal Year 2011-12, 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.

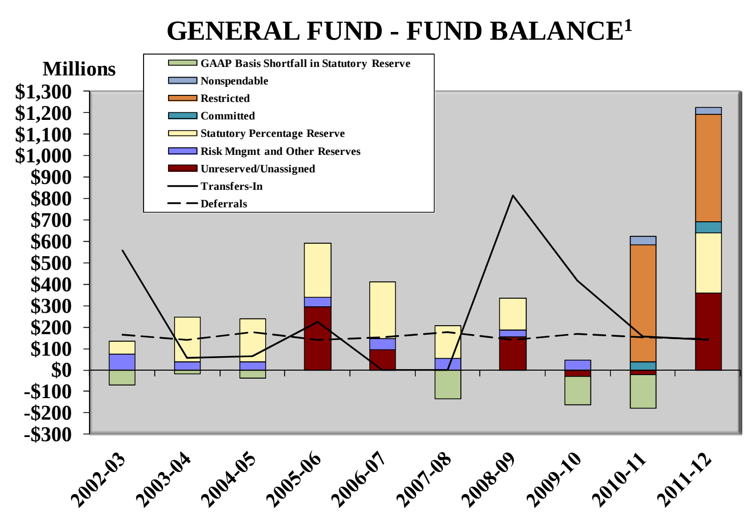
The Special Purpose portion of the General Fund fund balance totaled $544.3 million in Fiscal Year 2011-12. This comprises Risk Management activities, the Public School Fund and Other Special Purpose Funds.



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 80.6 percent of all Fiscal Year 2011-12 general-funded expenditures, which is a decrease of 2.5 percent from the prior year. The Department of Health Care Policy and Financing's general-funded expenditures increased $417.8 million (33.0 percent). The percentage use of general-funded resources by the Department of Health Care Policy and Financing is the result of the phase-out of the enhanced federal matching funds under the American Recovery and Reinvestment Act of 2009 moneys. The Departments of Education, Higher Education, and Corrections general-funded expenditures decreased by $129.5 million (4.4 percent), $81.1 million (11.5 percent), and $10.2 million (1.6 percent), respectively. The percentage reductions of general-funded resources by the Departments of Education and Higher Education were offset by increases in cash sources, including the use of State Education Fund reserves from the prior year general fund surplus transfer, along with tuition increases. The decrease in the Department of Corrections was primarily related to reductions in the use of private prisons to house inmates.

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 2011-12, the State met the statutory required reserve on both a budgetary and GAAP basis. The statutorily required process of deferring expenditures moved $85.5 million of payroll, $138.1 million of Medicaid, and $1.2 million of OIT expenditures into Fiscal Year 2012-13. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $80.6 million. In total, the effect was to increase General Fund budgetary fund balance by $144.2 million, which was $8.9 million less than the effect of deferring Fiscal Year 2010-11 expenditures into Fiscal Year 2011-12. Although Medicaid expenditures and caseloads continue to increase, the Medicaid related deferral declined due to increased drug rebate credits that offset Medicaid expenditures.

The chart shows the changes in the major classifications of fund balance in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes in effect for Fiscal Year 2011-12 require a four percent fund balance reserve of $281.1 million. Statutory compliance was achieved on both a budgetary basis and GAAP basis. On a budgetary basis there were deferrals of $144.2 million of payroll, Medicaid, and other costs into Fiscal Year 2012-13. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03. Additionally, Fiscal Year 2011-12 fund balance includes augmenting transfers-in from cash funds of $142.1 million. The deferrals and transfers-in



[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 and other Special Purpose Funds became part of General Fund fund balance. The General Purpose Revenue portion of the General Fund primarily comprises the Statutory Reserve and Unassigned balances, and the Special Purpose Revenue portion of the General Fund the remaining balances.

have prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06, 2006-07, 2008-09, and 2011-12 when adequate resources were available for a positive budgetary reserve without the deferral. In Fiscal Year 2011-12 the statutorily required reserve was restored to four percent from the previously reduced level of two and three-tenths percent of appropriations.

Resource Extraction Fund

The Resource Extraction Fund fund balance increased by $36.1 million from the prior year. Unrestricted cash and net tax receivables from severance taxes, mineral leasing, and fees associated with regulation of mining activities increased by $38.8 million and $24.2 million, respectively. Expenditures include distributions to local governments, regulatory costs, and construction loans made to local governments and special districts to enhance the use of water resources of the State. A significant portion, $397.6 million, of the fund's fund balance of $904.6 million comprises long-term loans receivables related to the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable decreased by $29.6 million as compared to the prior year.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance increased by $20.0 million (77.8 percent) from the prior year largely due to decreased federal revenue, along with greater reductions in expenditures. 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 $1,223.0 million. This amount includes $1,050.3 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,176.3 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance decreased by $170.6 million (77.7 percent) 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 $213.1 million were primarily related to projects appropriated in previous years. Capital outlay expenditures were consistent with prior year levels with the continued construction of the Ralph L. Carr Justice Complex and the Colorado History Center, as compared to construction activity in Fiscal Year 2010-11. The Capital Projects Fund reported fund balance restrictions of $23.8 million, or 48.9 percent of total fund balance, related to certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance decreased by $171.0 million (46.7 percent) during Fiscal Year 2011-12 primarily related to increased distributions to school districts. 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 2011-12 by $37.0 million from the prior year. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Along with tax receipts, transfers-in from the General Purpose Revenue Fund of $221.4 million in the prior year supported Fiscal Year 2011-12 expenditures. Expenditures of the fund were $645.8 million and $416.0 million in Fiscal Year 2011-12 and 2010-11, respectively. Additionally, transfers-in of $59.0 million from the General Purpose Revenue Fund in Fiscal Year 2011-12 will support Fiscal Year 2012-13 expenditures.

Higher Education Institutions

The net position of the Higher Education Institutions increased by $306.0 million (6.5 percent). 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 $141.7 million, sales of goods and services increased by $15.4 million, federal revenues decreased by $12.4 million, and Other Operating revenues increased by $10.5 million. In addition, investment income (including an increase in fair value of investments) was $60.3 million. Overall, revenues increased by 1.5 percent and expenses increased by 6.2 percent The State made capital contributions of $134.3 million and $86.8 million in Fiscal Years 2011-12 and 2010-11, respectively, that were funded by the Capital Projects Fund and transferred $192.8 million ($185.6 million in Fiscal Year 2010-11) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) was $64.4 million. This represents an increase in net position of $182.3 million and a return to positive net position. Unemployment benefits paid decreased by $572.0 million, or 26.8 percent, after decreasing $364.9 million in the prior year. The reduced benefits paid were caused by a reduction of $423.0 million in federal grants – including ARRA funds that were originally provided to extend the duration of unemployment benefits. Unemployment insurance premiums collected increased by $46.1 million over the prior year. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. Statutes were amended in the 2012 special legislative session allowing UI to issue bonds, through the Colorado Housing and Finance Authority, to stabilize insurance premium taxes, which will be funded by special assessments on employers. Bonds were issued as represented by the $634.0 million of the fund's liabilities. The prior year liability to the federal government for borrowing of $302.5 million to support the State's share of unemployment benefit payments was liquidated in Fiscal Year 2011-12. The fund's cash balance was $523.0 million, as compared to prior year borrowing from the General Purpose Revenue Fund to cover $1.7 million of expenses and to avoid a cash deficit.

State Lottery

The Lottery produced operating income of $122.2 million ($113.3 million in Fiscal Year 2010-11) on sales of $559.3 million ($526.3 million in Fiscal Year 2010-11). The change represents a 7.9 percent increase in operating income. The Lottery distributed $57.1 million ($56.0 million in Fiscal Year 2010-11) to the Great Outdoors Colorado program, a related organization, and transferred $66.7 million ($57.9 million in Fiscal Year 2010-11) to other State funds, of which, $12.3 million was used to fund operations of the State's Division of Parks and Recreation and $53.9 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery's net position is minimal and changes 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 161. 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 $10.0 million.

Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $80.1 million. The primary reasons for the decrease include:

- $101.0 million decrease due to 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 the Tobacco Tax Fund,
- $42.1 million increase related to added caseloads and per-capita charges,
- $18.3 million decrease due to annual supplemental appropriates related to budget reduction items.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $2.6 million for Fiscal Year 2011-12 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 82 at the individual line item appropriation level. In total, State departments reported general-funded appropriations reversions of $11.3 million; the reversion would have been $17.4 million if not for a $6.1 million negative reversion related to the Old Age Pension program at the Department of Revenue. The Department of Revenue negative reversion is not considered an overexpenditure because the Old Age Pension program is continuously appropriated in statute and the negative reversion is shown primarily to inform the General Assembly of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $10.4 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 Health Care Policy and Financing – The department had reversions of $4.0 million (0.2 percent) primarily caused by lower than expected personal services costs because of difficulties hiring qualified applicants in the drug and alcohol treatment and sex offender treatment programs. The number of Medicaid clients served fell short of projections which reduced the program expenses, reduced the staffing requirements, and resulted in lower than expected indirect costs.

- Department of Human Services – The department reverted $8.4 million (1.4 percent) comprising:

  - $6.4 million resulted from the counties implementing practices which resulted in fewer out-of-home child care placements, needing lower Temporary Aid to Needy Families reserves to transfer for other child welfare expenditures, and due to counties spending less overall on human services due to improvements in the general economy.
  - $0.7 million related to the Social Security Administration (SSA) passing on a 3.6 percent Cost of Living Adjustment (COLA) to the State in Fiscal Year 2011-12. The State did not pass the COLA on to the recipients until Fiscal Year 2012-13, reducing the amount of the State General Fund needed in Fiscal Year 2011-12.
  - $0.6 million from reduced pricing negotiated in the latest contract with the Electronic Benefits Transfer vendor. The number of cases has stabilized which decreased the number of new accounts and transactions and allowed the pricing reduction.
  - $0.3 million from the receipt of audit fees from the Community Centered Boards (CCBs) for their share of external audit costs. In Fiscal Year 2011-12, the CCBs were allowed to contract directly with the auditor of their choice which resulted in the elimination of the related departmental audit expenditures. The change provided one-time cash earnings that offset other General Purpose Revenue Fund expenditures in the program.

- Judicial Branch – The Judicial Branch reverted $1.8 million (0.5 percent) including:

  - $0.7 million in the Office of the Child's Representative for court appointed counsel, and
  - $0.6 in the Public Defender's Office for leased space and mandated costs.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2012, was $17.8 billion ($16.7 billion in Fiscal Year 2010-11, $17.3 billion after restatement primarily related to infrastructure at the Department of Transportation). Included in this amount were $14.9 billion of depreciable capital assets after reduction for $7.2 billion of accumulated depreciation. Also included was $2.9 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,593.9 million and $1,440.4 million of capital assets in Fiscal Year 2011-12 and 2010-11, respectively. Of the Fiscal Year 2011-12 additions, $786.2 million was recorded by governmental funds and $807.7 million was recorded by business-type activities. General-purpose revenues funded $53.8 million of capital and controlled maintenance expenditures during Fiscal Year 2011-12 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, 2012 and 2011, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 85	$ 61	$ 500	$ 477	$ 585	$ 538
Collections	9	9	20	19	29	28
Construction in Progress	911	798	497	550	1,408	1,348
Infrastructure	898	881	3	1	901	882
Total Capital Assets Not Being Depreciated	1,903	1,749	1,020	1,047	2,923	2,796
Capital Assets Being Depreciated						
Buildings and Related Improvements	2,070	1,797	7,117	6,493	9,187	8,290
Software	236	210	156	109	392	319
Vehicles and Equipment	679	636	921	863	1,600	1,499
Library Books, Collections, and Other Capital Assets	53	37	512	496	565	533
Infrastructure	10,165	9,913	99	71	10,264	9,984
Total Capital Assets Being Depreciated	13,203	12,593	8,805	8,032	22,008	20,625
Accumulated Depreciation	(3,600)	(2,874)	(3,555)	(3,264)	(7,155)	(6,138)
Total	$ 11,506	$ 11,468	$ 6,270	$ 5,815	$ 17,776	$ 17,283

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2012, the State had commitments of $24.4 million in the Capital Projects Fund ($62.1 million in Fiscal Year 2010-11) and $1,050.3 million in the Highway Users Tax Fund ($854.3 million in Fiscal Year 2010-11). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are generally 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. Through the Colorado Housing and Finance Authority, the Division of Unemployment Insurance, as a TABOR designated enterprise, issued bonds in Fiscal Year 2011-12 to cover the costs of substantial increases in claims that occurred with the recession as an alternative to an immediate substantial increase in employer insurance premiums. The bonds will be repaid through employer insurance premiums collected over the life of the bonds. The State has other forms of borrowing that are small in relation to the revenue bonds and COPs. The schedule on the following page shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for capital leases, bonds and COPS (see Note 24). Revenue bonds in this schedule include net payments on interest rate swap derivatives.

Fiscal Year 2011-12
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 121.4	$ 33.0	$ 739.1	$ 98.7	$ 1,018.5	$ 697.0	$ 1,879.0	$ 828.7
Business-Type Activities	39.0	10.1	3,753.7	2,482.2	421.0	197.1	4,213.7	2,689.4
Total	$ 160.4	$ 43.1	$ 4,492.8	$ 2,580.9	$ 1,439.5	$ 894.1	$ 6,092.7	$ 3,518.1

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

In Fiscal Year 2010-11, the total principal amount of capital leases, revenue bonds, and COPs was 44.6 percent of assets other than capital assets. In Fiscal Year 2011-12, that measure increased to 47.5 percent because noncapital assets increased 11.8 percent while the principal amount of capital leases, revenue bonds, and COPs increased by 19.1 percent. Governmental activities in total did not change significantly; however the increase related to several financed construction projects for local schools under the Build Excellent Schools Today (BEST) program ($146.6 million) was offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($119.4 million). The majority of the increase for business-type activities is related to Higher Education Institutions along with the issuance of bonds by the Unemployment Insurance Program in the Department of Labor and Employment ($624.8 million). Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,180, $1,000 (restated), $1,022, $1,201, and $1,134 per person in Fiscal Years 2011-12, 2010-11, 2009-10, 2008-09, and 2007-08, 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.

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Poor	3.60	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.

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Good/Fair	47	48	48	50	53	59	63	65	61	58
Percent Rated Poor	53	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 2010-11 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2011-12, 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. 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 2011-12, the State was $597.8 million under the ESRC, but absent Referendum C, would have been required to refund $1,474.5 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 economist 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 14.0 percent and 1.9 percent in 2010 and 2011, 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 57.7 percent at December 31, 2011. Because of the four-year smoothing, the full effect of the 2009 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, 2011, the amortization period for the plan was 56 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, 2067. The employer contribution rate of 13.15 percent for most State employees as of June 30, 2012, was 1.7 percentage points (or 14.8 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 2011-12, the State's contribution would have been 15.65 percent – 4.2 percentage points or 36.68 percent above the 1990s' average. However, based on the 2009, 2010, and 2011 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 16.09, 17.77, and 20.01 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.

- 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 former 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 on or after January 1, 2011, to 90 for new hires on or after January 1, 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 June 2011 the lawsuit was dismissed. In July 2011 the case was appealed to the Colorado Court of Appeals. In October 2012 the Court of Appeals remanded the case to the District Court; in November 2012 both the Plaintiff and Defendant filed appeals to the Supreme Court regarding the Court of Appeals' decision.

- 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 was budgeted from the State Education Fund, which included $221.4 million from direct transfers in from the General Purpose Revenue Fund in addition to the exempted portion of revenues collected under Amendment 23. Under current law, direct transfers from the General Purpose Revenue Fund are scheduled to fund appropriations through Fiscal Year 2013-14. 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 Purpose Revenue Fund. 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 ($144.2 million net of related deferred revenue in Fiscal Year 2011-12) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2011-12, legislation was passed to eliminate the deferral of June paydates until July for employees paid on a biweekly basis beginning in Fiscal Year 2012-13. The reversal of the paydate deferrals for biweekly employees is estimated to bring $1.7 million of budgetary expenditures back to a GAAP basis. 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 $557.6 million at June 30, 2012, providing apparent liquidity. However, as noted previously, this amount was augmented by $142.1 million of cash transfers from other funds. Although there were increased tax collections in Fiscal Year 2011-12 and improved liquidity over the prior year, the General Purpose Revenue Fund increasingly comprises tax receivables ($1,195.9 million) net of tax refunds payable ($656.1 million) and deferred revenue ($278.3 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. The General Fund legally has access to short-term borrowing from the cash balances of other funds. Additional cash transfers occurred in Fiscal Year 2011-12 and more are scheduled for Fiscal Year 2012-13 and beyond; however, those transfers become increasingly difficult as accessible cash fund balances are depleted.

- Debt Service

  - Principal and interest payments on the remaining $739.1 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $160.0 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. A pending lawsuit claims that bridge safety surcharge portion of the fees and the bond issuance is unconstitutional. 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 $74.1 million. The majority of the revenue streams to cover the debt service payments comprise 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 $9,085.3 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2011-12 which represents 36.6 percent of the $24,843.6 million shown as expended by the State on the Government-Wide *Statement of*

Activities, which is down slightly from the 38.0 percent reported in Fiscal Year 2010-11. 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 $1.1 trillion for the 2012 federal Fiscal Year, and a $1.5 trillion deficit for federal Fiscal Years 2013-2017. 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. In 2011 the amount was revised to $840 billion. The Act as initially 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. The State has overseen or distributed $6,214.1 million in ARRA funds through Fiscal Year 2011-12. 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. There were significantly fewer ARRA expenditures in Fiscal Year 2011-12 as compared to previous years; $922.0 million in Fiscal Year 2011-12, $2,046.7 million in Fiscal Year 2010-11, $2,708.9 million in Fiscal Year 2009-10, and $536.4 million in Fiscal Year 2008-09. The most significant inception-to-date expenditures under the Act were:

  - $2,955.5 million for unemployment benefits administered by the Department of Labor and Employment ($662.6 million of the total in Fiscal Year 2011-12),
  - $1,078.3 million for increased Medicaid funding in the Department of Health Care Policy and Financing ($17.9 million of the total in Fiscal Year 2011-12),
  - $785.1 million in stabilization and direct grants to Higher Education Institutions ($69.0 million of the total in Fiscal Year 2011-12),
  - $535.2 million distributed to local school districts by the Department of Education ($89.8 million of the total in Fiscal Year 2011-12),
  - $399.2 million to support infrastructure maintenance and improvements in the Department of Transportation ($27.9 million of the total in Fiscal Year 2011-12),
  - $136.7 million in the Governor's Office, primarily for weatherization programs ($30.2 million of the total in Fiscal Year 2011-12),
  - $125.1 million for Social Assistance programs in the Department of Human Services ($5.9 million of the total in Fiscal Year 2011-12),
  - $112.5 million to support daily operations in the Department of Corrections ($0.2 million of the total in Fiscal Year 2011-12).

  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 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	$ 220,656
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	-	-	-	42,846
Other Receivables, net	156,126	330,216	486,342	207,226
Due From Other Governments	318,460	218,667	537,127	2,031
Internal Balances	15,964	(15,964)	-	-
Due From Component Units	137	18,715	18,852	-
Inventories	17,057	53,318	70,375	18,697
Prepaids, Advances, and Deferred Charges	53,961	24,160	78,121	13,846
Total Current Assets	3,544,909	2,959,951	6,504,860	614,289
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,779,413	372,457	2,151,870	131,458
Restricted Investments	591,083	293,711	884,794	414,858
Restricted Receivables	181,932	80,975	262,907	33,771
Restricted Securities Not Held for Investment	-	-	-	18,996
Investments	416,674	1,769,909	2,186,583	2,515,314
Contributions Receivable, net	-	-	-	58,529
Net Pension Asset	-	-	-	6,459
Other Long-Term Assets	712,736	114,118	826,854	1,250,027
Depreciable Capital Assets and Infrastructure, net	9,602,516	5,250,256	14,852,772	655,660
Land and Nondepreciable Infrastructure	1,903,604	1,019,556	2,923,160	289,525
Total Noncurrent Assets	15,187,958	8,900,982	24,088,940	5,374,597
TOTAL ASSETS	18,732,867	11,860,933	30,593,800	5,988,886
DEFERRED OUTFLOW OF RESOURCES:	-	5,005	5,005	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	661,829	-	661,829	-
Accounts Payable and Accrued Liabilities	677,471	623,458	1,300,929	174,112
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	125,174	237,530	362,704	11,270
Accrued Compensated Absences	9,859	14,942	24,801	20,568
Claims and Judgments Payable	44,858	-	44,858	23,309
Leases Payable	14,387	5,853	20,240	821
Notes, Bonds, and COPs Payable	162,670	243,601	406,271	74,174
Other Postemployment Benefits	-	15,721	15,721	-
Other Current Liabilities	16,531	110,667	127,198	196,274
Total Current Liabilities	1,941,714	1,305,517	3,247,231	501,863
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	-	16	271,243
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	1,214
Derivative Instrument Liability	-	12,994	12,994	-
Notes, Bonds, and COPs Payable	1,614,293	3,938,320	5,552,613	1,787,053
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	122,071
Total Noncurrent Liabilities	2,612,089	4,420,423	7,032,512	2,181,581
TOTAL LIABILITIES	4,553,803	5,725,940	10,279,743	2,683,444
NET POSITION:				
Net investment in Capital Assets:	10,107,432	3,386,411	13,493,843	261,531
Restricted for:				
Construction and Highway Maintenance	1,176,269	-	1,176,269	-
Education	280,269	-	280,269	-
Unemployment Insurance	-	64,433	64,433	-
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	733,792
Nonexpendable	684,953	38,798	723,751	679,738
Other Purposes	340,818	629,655	970,473	619,079
Unrestricted	1,488,996	1,996,257	3,485,253	1,011,273
TOTAL NET POSITION	$ 14,179,064	$ 6,139,998	$ 20,319,062	$ 3,305,442

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)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 245,431	$ (21,049)	$ 120,790	$ 283,770	$ 272
Business, Community, and Consumer Affairs	598,056	2,012	127,748	271,671	3
Education	5,203,431	1,692	22,352	805,040	13
Health and Rehabilitation	702,525	1,159	79,516	411,012	-
Justice	1,549,578	5,716	191,439	76,163	366
Natural Resources	92,739	1,161	155,445	55,204	-
Social Assistance	6,743,540	3,034	683,229	3,868,069	-
Transportation	1,775,153	2,335	405,275	113,102	599,646
Interest on Debt	40,935	-	-	-	-
Total Governmental Activities	16,951,388	(3,940)	1,785,794	5,884,031	600,300
Business-Type Activities:					
Higher Education	5,066,169	2,312	3,262,932	1,791,024	128,777
Unemployment Insurance	1,571,321	-	831,765	924,039	-
Lottery	495,240	607	560,375	368	-
Wildlife	160,494	439	133,564	29,374	3,290
College Assist	402,867	156	5,431	402,582	-
Other Business-Type Activities	196,116	426	289,633	18,331	-
Total Business-Type Activities	7,892,207	3,940	5,083,700	3,165,718	132,067
Total Primary Government	24,843,595	-	6,869,494	9,049,749	732,367
Component Units:					
University of Colorado Hospital Authority	821,120	-	941,429	1,431	370
Colorado Water Resources and Power Development Authority	73,467	-	50,956	31,070	-
University of Colorado Foundation	133,249	-	5,100	90,337	-
Colorado State University Foundation	33,235	-	-	26,201	-
Colorado School of Mines Foundation	21,437	-	-	28,232	-
University of Northern Colorado Foundation	11,928	-	-	6,121	-
Other Component Units	136,944	-	102,693	2,931	1,645
Total Component Units	$ 1,231,380	$ -	$ 1,100,178	$ 186,323	$ 2,015

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
(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)
Accounting Changes (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 Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 180,450	$ -	$ 180,450	
(200,646)	-	(200,646)	
(4,377,718)	-	(4,377,718)	
(213,156)	-	(213,156)	
(1,287,326)	-	(1,287,326)	
116,749	-	116,749	
(2,195,276)	-	(2,195,276)	
(659,465)	-	(659,465)	
(40,935)	-	(40,935)	
(8,677,323)	-	(8,677,323)	
-	114,252	114,252	
-	184,483	184,483	
-	64,896	64,896	
-	5,295	5,295	
-	4,990	4,990	
-	111,422	111,422	
-	485,338	485,338	
(8,677,323)	485,338	(8,191,985)	
-	-	-	122,110
-	-	-	8,559
-	-	-	(37,812)
-	-	-	(7,034)
-	-	-	6,795
-	-	-	(5,807)
-	-	-	(29,675)
-	-	-	57,136
2,333,644	-	2,333,644	23
244,624	-	244,624	-
4,653,105	-	4,653,105	-
434,885	-	434,885	-
519,870	-	519,870	-
376,856	-	376,856	-
30,644	-	30,644	-
557,755	-	557,755	-
529	-	529	-
15,015	-	15,015	22,858
96,213	-	96,213	-
-	-	-	43,844
(135,407)	135,407	-	-
595	-	595	-
9,128,328	135,407	9,263,735	66,725
451,005	620,745	1,071,750	123,861
13,393,108	5,264,683	18,657,791	3,201,702
334,951	254,570	589,521	
-	-	-	(20,121)
$ 14,179,064	$ 6,139,998	$ 20,319,062	$ 3,305,442

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	57,391	21,679	3,069
Due From Other Governments	297,027	614	14
Due From Other Funds	64,126	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
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,783,949	$ 996,562	$ 1,404,915
LIABILITIES:			
Tax Refunds Payable	$ 656,124	5,438	$ 131
Accounts Payable and Accrued Liabilities	431,223	6,383	99,993
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	81,213	63,766	61,213
Due To Other Funds	99,137	285	721
Deferred Revenue	280,739	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	1,558,523	91,966	181,922
FUND BALANCES:			
Nonspendable:			
Inventories	6,942	270	8,406
Permanent Fund Principal	-	-	-
Prepaids	24,175	21,003	64
Restricted	503,449	13,675	1,176,269
Committed	331,419	869,648	38,254
Assigned	20	-	-
Unassigned	359,421	-	-
TOTAL FUND BALANCES	1,225,426	904,596	1,222,993
TOTAL LIABILITIES AND FUND BALANCES	$ 2,783,949	$ 996,562	$ 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
1,948	2	71,308	155,397
2,749	-	17,465	317,869
7,465	59,000	18,138	151,513
-	-	-	137
-	-	14	15,632
-	-	7,598	52,840
3,815	139,702	231,885	1,779,413
32,407	-	558,676	591,083
124	-	-	181,932
-	-	128,197	418,400
92	-	19,257	439,015
-	-	52,367	52,367
$ 88,149	$ 198,704	$ 1,901,325	$ 7,373,604
$ -	$ -	$ 136	$ 661,829
34,999	3,867	54,325	630,790
-	-	-	706
-	-	22,037	228,229
4,169	85	53,138	157,535
289	-	70,848	387,809
-	-	-	112
-	-	84	401
-	-	4,302	13,270
-	-	7	16
39,457	3,952	204,877	2,080,697
-	-	14	15,632
-	-	737,239	737,239
-	-	7,598	52,840
23,823	194,752	264,971	2,176,939
24,869	-	686,626	1,950,816
-	-	-	20
-	-	-	359,421
48,692	194,752	1,696,448	5,292,907
$ 88,149	$ 198,704	$ 1,901,325	$ 7,373,604

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	155,397	445	-	-	-	284	-	156,126
Due From Other Governments	317,869	591	-	-	-	-	-	318,460
Due From Other Funds	151,513	1,626	-	-	-	-	(137,175)	15,964
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	3,911,394	31,393	-	-	-	(260,703)	(137,175)	3,544,909
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,779,413	-	-	-	-	-	-	1,779,413
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	13,653	68,685	9,520,178	-	-	-	-	9,602,516
Land and Nondepreciable Infrastructure	38,714	1,040	1,863,850	-	-	-	-	1,903,604
Total Noncurrent Assets	3,462,210	69,731	11,384,028	-	-	271,989	-	15,187,958
TOTAL ASSETS	7,373,604	101,124	11,384,028	-	-	11,286	(137,175)	18,732,867
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	661,829	-	-	-	-	-	-	661,829
Accounts Payable and Accrued Liabilities	630,790	14,697	-	11,574	-	20,410	-	677,471
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	228,229	-	-	-	-	-	-	228,229
Due To Other Funds	157,535	50	-	-	-	(20,410)	(137,175)	-
Deferred Revenue	387,809	78	-	-	-	(262,713)	-	125,174
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	-	160,600	-	-	-	162,670
Other Current Liabilities	13,270	203	-	-	-	3,058	-	16,531
Total Current Liabilities	2,080,681	27,870	-	175,892	33,253	(238,807)	(137,175)	1,941,714
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	-	1,611,667	-	-	-	1,614,293
Other Long-Term Liabilities	-	-	-	-	-	427,828	-	427,828
Total Noncurrent Liabilities	16	62,221	-	1,665,933	106,239	777,680	-	2,612,089
TOTAL LIABILITIES	2,080,697	90,091	-	1,841,825	139,492	538,873	(137,175)	4,553,803
NET POSITION:								
Net investment in Capital Assets:	52,367	1,584	11,384,028	(1,330,547)	-	-	-	10,107,432
Restricted for:								
Construction and Highway Maintenance	1,192,848	-	-	(16,579)	-	-	-	1,176,269
Education	542,946	-	-	(262,677)	-	-	-	280,269
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	340,818	-	-	-	-	-	-	340,818
Unrestricted	2,378,648	9,449	-	(232,022)	(139,492)	(527,587)	-	1,488,996
TOTAL NET POSITION	$ 5,292,907	$ 11,033	$ 11,384,028	$ (1,841,825)	$ (139,492)	$ (527,587)	$ -	$ 14,179,064

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 training services provided by the Department of Personnel & Administration, and 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	$ 4,636,157	$ -	$ -
Corporate Income	462,085	-	-
Sales and Use	2,297,454	-	-
Excise	93,904	-	557,755
Other Taxes	198,135	199,435	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)	28,577	21,381	15,474
Federal Grants and Contracts	5,204,268	174,564	615,172
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	138,506	4,534	77,882
TOTAL REVENUES	13,155,933	408,767	1,726,410
EXPENDITURES:			
Current:			
General Government	275,591	-	10,220
Business, Community, and Consumer Affairs	175,815	3,910	-
Education	600,659	-	-
Health and Rehabilitation	544,105	-	10,160
Justice	1,194,324	-	87,466
Natural Resources	39,065	41,926	-
Social Assistance	5,862,133	-	-
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	13,751,290	143,907	1,482,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(595,357)	264,860	244,388
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,154,079	298	2,165
Transfers-Out	(3,086,962)	(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
Note/Bond/COP Refunding Issuance	-	-	125,725
Bond/COP Premium Refunding Proceeds	-	-	18,617
Bond/COP Refunding Payments	-	-	(143,978)
TOTAL OTHER FINANCING SOURCES (USES)	1,244,209	(226,094)	(224,408)
NET CHANGE IN FUND BALANCES	648,852	38,766	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	$ 1,225,426	$ 904,596	$ 1,222,993

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 378,318	$ -	$ 5,014,475
-	29,182	-	491,267
-	-	39,012	2,336,466
-	-	149,701	801,360
-	-	139,938	538,037
5	-	364,486	724,478
405	-	687,994	891,793
-	-	146,030	147,947
2,490	3,971	48,452	120,345
23,630	-	205,134	6,222,768
-	-	595	595
-	-	42,948	42,948
4,925	258	27,836	253,941
31,455	411,729	1,852,126	17,586,420
12,025	-	61,579	359,415
17	-	182,985	362,727
7,853	31,831	20,689	661,032
328	-	71,561	626,154
2,749	-	37,185	1,321,724
-	-	9,268	90,259
1,413	-	199,209	6,062,755
-	-	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
213,069	645,767	960,588	17,196,643
(181,614)	(234,038)	891,538	389,777
73,521	68,606	323,336	4,622,005
(63,414)	(6,102)	(1,131,254)	(4,745,423)
-	-	9,300	155,935
-	-	-	12,778
-	-	48	17,091
-	-	14,311	14,311
867	-	-	5,865
-	-	-	125,725
-	-	-	18,617
-	-	-	(143,978)
10,974	62,504	(784,259)	82,926
(170,640)	(171,534)	107,279	472,703
219,332	365,801	1,582,479	4,841,972
-	485	6,690	(21,768)
$ 48,692	$ 194,752	$ 1,696,448	$ 5,292,907

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	$ 5,014,475	$ -	$ -	$ -	$ 17,265	$ 5,031,740
Corporate Income	491,267	-	-	-	(27,200)	464,067
Sales and Use	2,336,466	-	-	-	(2,821)	2,333,645
Excise	801,360	-	-	-	1,020	802,380
Other Taxes	538,037	-	-	-	1,348	539,385
Licenses, Permits, and Fines	724,478	-	-	-	(22)	724,456
Charges for Goods and Services	891,793	-	-	-	(6)	891,787
Rents	147,947	-	-	-	-	147,947
Investment Income (Loss)	120,345	96	-	-	1,276	121,717
Federal Grants and Contracts	6,222,768	-	-	-	(116)	6,222,652
Additions to Permanent Funds	595	-	-	-	-	595
Unclaimed Property Receipts	42,948	-	-	-	-	42,948
Other	253,941	-	3	-	(18)	253,926
TOTAL REVENUES	17,586,420	96	3	-	(9,274)	17,577,245
EXPENDITURES:						
Current:						
General Government	359,415	(2,040)	15,952	-	4,498	377,825
Business, Community, and Consumer Affairs	362,727	(499)	3,888	-	(16,539)	349,577
Education	661,032	(132)	5,614	-	191	666,705
Health and Rehabilitation	626,154	(130)	11,580	-	(5)	637,599
Justice	1,321,724	(367)	33,365	-	(382)	1,354,340
Natural Resources	90,259	(352)	2,404	-	71	92,382
Social Assistance	6,062,755	(690)	4,058	-	(43)	6,066,080
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	17,196,643	(1,423)	(8,006)	(157,044)	(12,304)	17,017,866
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	389,777	1,519	8,009	157,044	3,030	559,379
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,622,005	4,430	-	-	-	4,626,435
Transfers-Out	(4,745,423)	(4,895)	-	-	-	(4,750,318)
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
Note/Bond/COP Refunding Issuance	125,725	-	-	(125,725)	-	-
Bond/COP Premium Refunding Proceeds	18,617	-	-	(18,617)	-	-
Bond/COP Refunding Payments	(143,978)	-	-	143,978	-	-
TOTAL OTHER FINANCING SOURCES (USES)	82,926	(465)	(5,422)	(185,768)	-	(108,729)
Internal Service Fund Charges to BTAs	-	355	-	-	-	355
NET CHANGE FOR THE YEAR	472,703	1,409	2,587	(28,724)	3,030	451,005
Prior Period Adjustment (Note 29)	(21,768)	-	356,719	-	-	334,951
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 450,935	$ 1,409	$ 359,306	$ (28,724)	$ 3,030	$ 785,956

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 training services provided by the Department of Personnel & Administration, and 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	276,008	12,019
Due From Other Governments	200,149	10,484
Due From Other Funds	9,217	-
Due From Component Units	18,715	-
Inventories	37,654	-
Prepaids, Advances, and Deferred Charges	13,059	-
Total Current Assets	1,869,599	704,842
Noncurrent Assets:		
Restricted Cash and Pooled Cash	313,475	-
Restricted Investments	293,711	-
Restricted Receivables	-	-
Investments	1,445,783	-
Other Long-Term Assets	107,612	2,328
Depreciable Capital Assets and Infrastructure, net	4,997,228	-
Land and Nondepreciable Infrastructure	549,766	-
Total Noncurrent Assets	7,707,575	2,328
TOTAL ASSETS	9,577,174	707,170
DEFERRED OUTFLOW OF RESOURCES:	5,005	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	558,793	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	-
Leases Payable	5,632	-
Notes, Bonds, and COPs Payable	117,846	124,960
Other Postemployment Benefits	15,721	-
Other Current Liabilities	69,101	8,444
Total Current Liabilities	990,302	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	3,120,748	509,056
Due to Component Units	1,758	-
Other Postemployment Benefits	139,653	-
Other Long-Term Liabilities	15,698	-
Total Noncurrent Liabilities	3,562,628	509,056
TOTAL LIABILITIES	4,552,930	642,737
NET POSITION:		
Net investment in Capital Assets:	2,741,954	-
Restricted for:		
Unemployment Insurance	-	64,433
Debt Service	7,464	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	6,975	-
Nonexpendable	38,798	-
Other Purposes	575,460	-
Unrestricted	1,658,598	-
TOTAL NET POSITION	$ 5,029,249	$ 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	330,162	445
-	8,034	218,667	591
-	7,263	16,480	1,626
-	-	18,715	-
1,027	14,637	53,318	1,425
5,067	6,034	24,160	1,121
59,808	358,092	2,992,341	31,393
-	58,982	372,457	-
-	-	293,711	-
-	80,975	80,975	-
-	324,126	1,769,909	-
-	4,178	114,118	6
2,832	250,196	5,250,256	68,685
-	469,790	1,019,556	1,040
2,832	1,188,247	8,900,982	69,731
62,640	1,546,339	11,893,323	101,124
-	-	5,005	-
4,734	43,958	607,760	14,697
25	53,595	53,622	-
28,984	5,166	46,011	50
-	-	123	-
-	40,526	237,530	78
-	721	14,942	103
-	221	5,853	10,669
-	795	243,601	2,070
-	-	15,721	-
22,825	10,297	110,667	203
56,568	155,279	1,335,830	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	3,938,320	2,626
-	-	1,758	-
-	-	139,653	-
61	23,256	39,015	-
897	349,919	4,422,500	62,221
57,465	505,198	5,758,330	90,091
2,832	641,625	3,386,411	1,584
-	-	64,433	-
-	-	7,464	-
-	10,005	10,005	-
-	-	6,975	-
-	-	38,798	-
-	54,195	629,655	-
2,343	335,316	1,996,257	9,449
$ 5,175	$ 1,041,141	$ 6,139,998	$ 11,033

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	2,243,811	-
Scholarship Allowance for Tuition and Fees	(535,538)	-
Sales of Goods and Services	1,443,761	-
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	249,896	1,230
TOTAL OPERATING REVENUES	4,507,639	1,752,466
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,208,747	522
Operating and Travel	1,224,677	1,559,539
Cost of Goods Sold	145,634	-
Depreciation and Amortization	315,859	-
Intergovernmental Distributions	29,695	-
Debt Service	-	-
Prizes and Awards	356	-
TOTAL OPERATING EXPENSES	4,924,968	1,560,061
OPERATING INCOME (LOSS)	(417,329)	192,405
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	975	1,908
Investment Income (Loss)	58,825	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	(119,297)	(11,260)
Other Expenses	(1,414)	-
Other Revenues	4,323	-
TOTAL NONOPERATING REVENUES (EXPENSES)	404,823	(7,923)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(12,506)	184,482
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	134,279	-
Additions to Permanent Endowments	377	-
Transfers-In	192,801	-
Transfers-Out	(4,949)	(2,141)
TOTAL CONTRIBUTIONS AND TRANSFERS	322,508	(2,141)
CHANGE IN NET POSITION	310,002	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	$ 5,029,249	$ 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	104,018	104,178	-
-	539	2,244,350	-
-	-	(535,538)	-
559,343	205,862	2,208,966	201,086
-	-	(21,874)	-
-	8,625	10,074	-
-	1,778	16,388	11,649
-	-	24,038	-
-	472,001	2,472,005	-
-	24,970	35,063	-
967	7,277	259,370	380
560,375	825,070	7,645,550	213,115
9,452	209,715	3,428,436	105,124
59,020	456,160	3,299,396	80,168
11,958	40,340	197,932	7,812
1,049	14,521	331,429	16,138
-	8,737	38,432	3
-	14,871	14,871	-
356,679	872	357,907	-
438,158	745,216	7,668,403	209,245
122,217	79,854	(22,853)	3,870
-	27,318	27,318	-
-	6,678	9,561	-
368	8,658	69,279	96
-	9,205	48,849	-
-	2,702	136,368	-
(57,066)	-	(76,641)	-
-	-	308,873	250
(34)	155	(1,246)	394
-	(7)	164	-
-	(14,725)	(145,282)	(2,683)
-	(120)	(1,534)	(53)
-	3	4,326	-
(56,732)	39,867	380,035	(1,996)
65,485	119,721	357,182	1,874
-	3,670	137,949	2,167
-	-	377	-
-	20,966	213,767	2,263
(66,679)	(14,761)	(88,530)	(4,895)
(66,679)	9,875	263,563	(465)
(1,194)	129,596	620,745	1,409
6,369	652,974	5,264,683	9,933
-	258,571	254,570	(309)
$ 5,175	$ 1,041,141	$ 6,139,998	$ 11,033

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	$ 1,725,585	$ -
Fees for Service	1,358,578	-
Sales of Products	2,442	-
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	65,723	-
Cash Payments to or for:		
Employees	(3,052,233)	-
Suppliers	(1,219,963)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,544,638)
Scholarships	(115,501)	-
Others for Student Loans and Loan Losses	(401,886)	-
Other Governments	(29,716)	-
Other	(78,275)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	280,806	(89,099)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	192,801	-
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	298,520	610,707
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(579,283)	-
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	(301,391)	-

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	$ 1,726,412	$ -
-	240,539	1,599,117	200,381
559,006	57,130	618,578	982
-	445,669	2,934,176	248
-	-	403,396	-
-	-	535,435	-
-	10,983	65,236	11,673
1,032	88,639	155,394	562
(8,876)	(139,764)	(3,200,873)	(88,944)
(28,527)	(230,037)	(1,478,527)	(99,756)
(407,672)	(4,261)	(411,933)	(608)
-		(1,544,638)	-
-	-	(115,501)	-
-	(343,260)	(745,146)	-
-	(8,772)	(38,488)	(3)
(17)	(14,059)	(92,351)	(125)
114,946	103,634	410,287	24,410
-	20,966	213,767	2,263
(66,679)	(14,761)	(88,530)	(4,895)
-	135	620,443	433
-	(1)	(619,370)	(488)
-	2,111	136,135	-
(53,708)	-	(73,283)	-
-	-	636,072	-
-	(611)	(28,555)	-
(120,387)	7,839	796,679	(2,687)
(132)	(120,154)	(699,569)	(3,731)
-	-	398	-
-	-	72,173	-
-	17	5,747	4,234
-	4,062	681,947	1,397
-	(14,493)	(469,401)	(4,628)
-	(2,672)	(26,058)	(13,249)
(132)	(133,240)	(434,763)	(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	77,592	1,428
Proceeds from Sale/Maturity of Investments	3,962,009	-
Purchases of Investments	(4,267,900)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(626)	-
NET CASH FROM INVESTING ACTIVITIES	(228,925)	1,428
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	49,010	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	$ 1,470,263	$ 523,036
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (417,329)	$ 192,405
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	315,859	-
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	(11,665)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(64,350)	22,878
(Increase) Decrease in Inventories	(8,727)	-
(Increase) Decrease in Other Operating Assets	6,139	-
Increase (Decrease) in Accounts Payable	72,557	(304,448)
Increase (Decrease) in Other Operating Liabilities	21,173	(614)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 280,806	$ (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 Accruals	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
517	15,757	95,294	43
-	62,202	4,024,211	-
-	(2,347)	(4,270,247)	-
(149)	273	(502)	52
368	75,885	(151,244)	95
(5,205)	54,118	620,959	5,841
39,200	259,668	1,716,452	20,344
-	42,814	46,483	-
$ 33,995	$ 356,600	$ 2,383,894	$ 26,185
$ 122,217	$ 79,854	$ (22,853)	$ 3,870
1,049	14,521	331,429	16,138
-	(8,625)	(9,855)	-
-	43,540	400,720	477
-	2,260	2,294	11
30	250	12,125	7
-	(13,917)	(25,582)	161
(313)	(47,571)	(89,356)	610
205	383	(8,139)	(168)
(558)	(4,482)	1,099	874
1,984	31,556	(198,351)	2,789
(9,668)	5,865	16,756	(359)
$ 114,946	$ 103,634	$ 410,287	$ 24,410
-	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	$ 948,875
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:			
Investments:			
Government Securities	-	17,321	-
Repurchase Agreements	-	899	-
Mutual Funds	-	4,261,887	-
Other Investments	-	45,646	-
Other Long-Term Assets	-	-	13,736
TOTAL ASSETS	69,839	4,459,673	$ 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	-	4,442,929	
Unrestricted	6,979	-	
TOTAL NET POSITION	$ 40,809	$ 4,442,929	

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)	1,052	135,870
Employee Participation Fees	1,515	-
Unclaimed Property Receipts	-	32,510
Other Additions	7,768	2,981
Transfers-In	1,128	-
TOTAL ADDITIONS	310,792	996,492
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	-	465,028
Other Deductions	17,442	-
Transfers-Out	210	104
TOTAL DEDUCTIONS	304,279	728,201
CHANGE IN NET POSITION	6,513	268,291
NET POSITION - FISCAL YEAR BEGINNING	34,296	4,174,638
NET POSITION - FISCAL YEAR ENDING	$ 40,809	$ 4,442,929

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	$ 46,225	$ 122,103	$ 13,726
Investments	-	-	-
Restricted Securities Not Held for Investment	-	27,492	-
Contributions Receivable, net	-	-	26,611
Other Receivables, net	116,112	86,912	324
Due From Other Governments	-	1,667	-
Inventories	18,697	-	-
Prepaids, Advances, and Deferred Charges	13,411	-	281
Total Current Assets	194,445	238,174	40,942
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	115,981	-
Restricted Investments	125,334	289,524	-
Restricted Receivables	29,268	4,503	-
Restricted Securities Not Held for Investment	-	18,996	-
Investments	741,096	-	1,127,868
Contributions Receivable, net	-	-	31,372
Net Pension Asset	6,459	-	-
Other Long-Term Assets	10,093	1,227,819	-
Depreciable Capital Assets and Infrastructure, net	533,206	43	2,048
Land and Nondepreciable Infrastructure	226,900	-	-
Total Noncurrent Assets	1,672,356	1,656,866	1,161,288
TOTAL ASSETS	1,866,801	1,895,040	1,202,230
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	137,434	18,397	9,006
Due To Other Governments	-	1,335	-
Deferred Revenue	-	515	375
Compensated Absences Payable	20,568	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	821
Notes, Bonds, and COPs Payable	13,663	60,205	-
Other Current Liabilities	30,735	154,514	11,025
Total Current Liabilities	202,400	234,966	21,227
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	242,195
Capital Lease Payable	-	-	1,214
Notes, Bonds, and COPs Payable	691,740	1,040,369	-
Other Long-Term Liabilities	41,623	30,367	15,828
Total Noncurrent Liabilities	733,363	1,070,736	259,237
TOTAL LIABILITIES	935,763	1,305,702	280,464
NET POSITION:			
Net investment in Capital Assets:	122,026	43	13
Restricted for:			
Emergencies	-	-	-
Permanent Funds and Endowments:			
Expendable	-	-	508,307
Nonexpendable	-	-	350,220
Other Purposes	29,470	521,058	-
Unrestricted	779,542	68,237	63,226
TOTAL NET POSITION	$ 931,038	$ 589,338	$ 921,766

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
$ 460	$ 2,387	$ 2,581	$ 33,174	$ 220,656
-	-	-	81,495	81,495
-	-	-	-	27,492
4,742	6,792	551	4,150	42,846
-	1,758	269	1,851	207,226
-	-	-	364	2,031
-	-	-	-	18,697
154	-	-	-	13,846
5,356	10,937	3,401	121,034	614,289
-	113	-	15,364	131,458
-	-	-	-	414,858
-	-	-	-	33,771
-	-	-	-	18,996
302,173	220,460	90,471	33,246	2,515,314
17,247	9,556	354	-	58,529
-	-	-	-	6,459
563	267	109	11,176	1,250,027
13	23	1,072	119,255	655,660
-	-	-	62,625	289,525
319,996	230,419	92,006	241,666	5,374,597
325,352	241,356	95,407	362,700	5,988,886
1,173	1,354	1,282	5,466	174,112
-	-	-	-	1,335
-	-	-	10,380	11,270
-	-	-	-	20,568
-	-	-	23,309	23,309
-	-	-	-	821
-	-	-	306	74,174
-	-	-	-	196,274
1,173	1,354	1,282	39,461	501,863
13,580	14,793	675	-	271,243
-	-	-	-	1,214
-	-	-	54,944	1,787,053
853	10,156	170	23,074	122,071
14,433	24,949	845	78,018	2,181,581
15,606	26,303	2,127	117,479	2,683,444
13	23	1,072	138,341	261,531
-	-	-	29	29
142,715	67,126	15,644	-	733,792
139,205	126,578	63,735	-	679,738
-	-	-	68,551	619,079
27,813	21,326	12,829	38,300	1,011,273
$ 309,746	$ 215,053	$ 93,280	$ 245,221	$ 3,305,442

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	921,488	-	-
Investment Income (Loss)	-	13,623	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,074
Federal Grants and Contracts	-	6,509	-
Other	19,941	65	1,589
TOTAL OPERATING REVENUES	941,429	71,088	113,763
OPERATING EXPENSES:			
Salaries and Fringe Benefits	364,329	1,264	-
Operating and Travel	197,982	18,012	23,767
Cost of Goods Sold	185,880	-	-
Depreciation and Amortization	46,267	14	-
Debt Service	-	54,176	-
Foundation Program Distributions	-	-	109,482
TOTAL OPERATING EXPENSES	794,458	73,466	133,249
OPERATING INCOME (LOSS)	146,971	(2,378)	(19,486)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(13,038)	-	(3,213)
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(268)	-	-
Debt Service	(25,915)	-	-
Other Expenses	(747)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(39,968)	-	(3,213)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	107,003	(2,378)	(22,699)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	2,069	24,561	-
TOTAL CONTRIBUTIONS AND TRANSFERS	2,069	24,561	-
CHANGE IN NET POSITION	109,072	22,183	(22,699)
NET POSITION - FISCAL YEAR BEGINNING	821,966	567,155	944,465
Accounting Changes (See Note 29)	-	-	-
NET POSITION - FISCAL YEAR ENDING	$ 931,038	$ 589,338	$ 921,766

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
$ -	$ -	$ -	$ 101,747	$ 157,738
-	-	-	-	921,488
-	-	-	3,254	16,877
-	-	-	948	948
25,490	30,949	4,856	-	168,369
-	-	-	2,931	9,440
101	171	597	-	22,464
25,591	31,120	5,453	108,880	1,297,324
-	-	-	-	365,593
2,203	4,043	2,571	129,980	378,558
-	-	-	-	185,880
-	-	-	4,050	50,331
-	-	-	-	54,176
31,032	17,394	9,357	-	167,265
33,235	21,437	11,928	134,030	1,201,803
(7,644)	9,683	(6,475)	(25,150)	95,521
4,376	(3,960)	1,208	668	(13,959)
-	-	-	9,150	9,150
-	-	-	-	(268)
-	-	-	-	(25,915)
-	-	-	(2,913)	(3,660)
-	-	-	36,362	36,362
4,376	(3,960)	1,208	43,267	1,710
(3,268)	5,723	(5,267)	18,117	97,231
-	-	-	-	26,630
-	-	-	-	26,630
(3,268)	5,723	(5,267)	18,117	123,861
313,014	209,330	98,547	247,225	3,201,702
-	-	-	(20,121)	(20,121)
$ 309,746	$ 215,053	$ 93,280	$ 245,221	$ 3,305,442

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 Position* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 157,738	Charges for Services	$ 157,738
Sales of Goods and Services	921,488	Charges for Services	921,488
Investment Income (Loss)	16,877	Unrestricted Investment Earnings	16,877
Rental Income	948	Charges for Services	948
Gifts and Donations	168,369	Operating Grants & Contributions	168,369
Federal Grants and Contracts	9,440	Operating Grants & Contributions	9,440
Other	22,464	Charges for Services	20,006
		Operating Grants & Contributions	2,458
TOTAL OPERATING REVENUES	1,297,324		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	365,593	Expenses	365,593
Operating and Travel	378,558	Expenses	378,558
Cost of Goods Sold	185,880	Expenses	185,880
Depreciation and Amortization	50,331	Expenses	50,331
Debt Service	54,176	Expenses	54,176
Foundation Program Distributions	167,265	Expenses	167,265
TOTAL OPERATING EXPENSES	1,201,803		
OPERATING INCOME (LOSS)	95,521		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(13,959)	Unrestricted Investment Earnings	5,981
		Operating Grants & Contributions	(19,940)
Gifts and Donations	9,150	Payment from State	9,150
Gain/(Loss) on Sale or Impairment of Capital Assets	(268)	Operating Grants & Contributions	(268)
Debt Service	(25,915)	Expenses	(25,915)
Other Expenses	(3,660)	Expenses	(3,660)
Other Revenues	36,362	Payment from State	34,694
		Capital Grants & Contributions	1,645
		Sales and Use Tax	23
TOTAL NONOPERATING REVENUES (EXPENSES)	1,710		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	97,231		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	26,630	Operating Grants & Contributions	26,260
		Capital Grants & Contributions	370
TOTAL CONTRIBUTIONS AND TRANSFERS	26,630		
CHANGE IN NET POSITION	123,861		123,861
NET POSITION - FISCAL YEAR BEGINNING	3,201,702		3,201,702
Accounting Changes (See Note 29)	(20,121)		(20,121)
NET POSITION - FISCAL YEAR ENDING	$ 3,305,442		$ 3,305,442

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
- University of Northern Colorado 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 @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

The four 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

University of Northern Colorado Foundation
Judy Farr Alumni Center
Campus Box 20
Greeley, CO 80639

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, and deferred inflows 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 leases, 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:

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. 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.

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.

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. 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, the payment of unemployment benefits to eligible claimants, and Revenue Bonds issued through a related party, Colorado Housing and Finance Authority, to repay borrowings from the federal government.

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 fund balance 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, Parks and 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, 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, which provides Health, Life, Dental, and Short-Term Disability Benefits to State employees.

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 (liquidated annually), 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 expenses are reported on each of the Statements of Changes in Net Position, or the Statement of Revenues, Expenditures and Changes in Fund Balances.

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. Financial information for the authority is presented as of June 30, 2012.

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, and 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, 2011.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2012.

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, 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 Colorado State University Foundation, the Colorado School of Mines Foundation and the University of Northern Colorado 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 fair value. 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 position of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net position.

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 and Department of Transportation buildings and 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	70
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 reimburses 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 and deferred inflows 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:

Net Investment in Capital Assets – 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.

Restricted for Construction and Highway Maintenance – 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.

Restricted for Education – The entire fund 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 fund balance of the Public School Fund, a Special Purpose fund is restricted for exclusive use pursuant to Article IX, Section 3 of the State Constitution.

Restricted for Unemployment Insurance – 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.

Restricted for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is restricted to be used only for upcoming principal and interest payments. The fund balance of the governmental activities is 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 fund balance 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 the 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 Colorado Real Estate Foundation
- Renewable Energy Authority
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority

See Note 29 for additional information.

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 that was approved by the federal government 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 153. 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 $2,561,534 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 $337,064. 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 161) 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 $597.8 million, and over the TABOR limit by $1,474.5 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $1,474.5 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 $308,195,505.

At June 30, 2012, the financial net position or fund balance 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 since 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 Parks and 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 $14,195,505 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, and $20.0 million receivables from the sale of investments that had not yet been settled.

At June 30, 2012, the State had an accounting system cash deposit balance of $885.7 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 $900.5 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 $46.2 million at June 30, 2012, and a related bank balance of $50.7 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.

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 received in the form of new investments rather than in cash.

- 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 $12.0 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 $486.3 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:

- $276.0 million of student and other receivables of Higher Education Institutions.
- $57.4 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 $4.2 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, $7.1 million of rent and royalty receivables recorded by the State Lands Funds and $3.4 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $921.5 million, which it recorded net of third-party contractual allowances ($1,994.5 million), indigent and charity care ($230.2 million), provision for bad debt ($49.1 million), and self-pay discounts ($45.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by 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 $58.7 million for Fiscal Year 2011-12. 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 $23.0 million out of $627.0 million collected by the State in hospital provider fees for Fiscal Year 2011-12.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (29 percent), Medicaid (13 percent), managed care (41 percent), other commercial insurance (2 percent), and self-pay and medically indigent (10 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 2011-12 was approximately $282.6 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 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 $26.6 million and $31.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2012, the amount reported as contributions receivable includes $67.4 million of unconditional promises to give which were offset by a $8.4 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, 2012, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $25.9 million, which were offset by $3.5 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.4 million of allowance for uncollectible pledges. At June 30, 2012, contributions from two donors represented approximately 70 percent of net contributions receivable for the foundation.

At June 30, 2012, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.3 million was offset by $0.9 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 67 percent of the foundation's contributions receivable at June 30, 2012, consists of pledges from two donors in 2012, and approximately $3.7 million is due from trusts held by others.

At June 30, 2012, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $1.0 million was offset by $0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 16 percent of the foundation's contributions receivable at June 30, 2012 consists of pledges from one donor.

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 $12.5 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.2 million) and Other Long-Term Assets ($8.3 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 Parks and 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. The significant items include:

- $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.
- $8.5 million in Higher Educational Institutions, of which $4.4 million was at Colorado State University that primarily related to library subscriptions.
- $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 39 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)	$	885,709
Investments:		
Governmental Activities		7,551,189
Business-Type Activities		2,223,718
Fiduciary Activities		4,325,753
Pooled Cash Investments Sold But Not Settled		20,000
Total	$	15,006,369
Financial Statement Amounts		
Net Cash and Pooled Cash	$	5,098,212
Add: Warrants Payable Included in Cash		197,332
Total Cash and Pooled Cash		5,295,544
Add: Restricted Cash		2,151,870
Add: Restricted Investments		884,794
Add: Investments		6,674,161
Total	$	15,006,369

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 remaining amount in the sinking fund for BEST issuances ($20.9 million 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	-	203,958	1,259,922
Asset Backed Securities	323,118	-	25,228	348,346
Mortgages Securities	105,698	6,864	289,712	402,274
Mutual Funds	-	-	5,124	5,124
Other	-	283,339	51,566	334,905
TOTAL INVESTMENTS	$ 6,541,707	$290,203	$ 719,279	$ 7,551,189

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 ($14.6 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	$ 290,822	$ 8,081	$ 298,903	$ 17,321
Bank Acceptances	4,050	-	4,050	-
Commercial Paper	1,956	-	1,956	-
Corporate Bonds	170,767	15,811	186,578	-
Corporate Securities	132,853	-	132,853	-
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	4,261,887
Other	157,808	284,089	441,897	45,646
TOTAL INVESTMENTS	$ 1,897,502	$ 326,216	$ 2,223,718	$ 4,325,753
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 353	$ -	$ 353	$ 4,021
Corporate Bonds	2,486	-	2,486	-
Corporate Securities	9,328	-	9,328	-
Repurchase Agreements	-	-	-	899
Mortgages Securities	2	-	2	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 12,169	$ -	$ 12,169	$ 4,920

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.
- Certain trustees, as discussed under Custodial Credit Risk, 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.

(Amounts In Thousands)

	U.S. Govt. Agencies	Bank Acceptances	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
Short-term Ratings											
Highest	2,951,329	-	134,983	-	-	-	-	-	-	-	3,086,312
Higher Education Institutions:											
Long-term Ratings											
Gilt Edge	$ 2,146	$ -	$ -	$ 6,839	$ -	$ 16,893	$ 220,153	$ 442	$ -	$ -	$ 246,473
High Grade	92,016	-	-	32,690	-	6,277	-	70	-	8,153	139,206
Upper Medium	3,628	-	-	90,528	-	6,299	-	51	-	375	100,881
Lower Medium	-	-	-	37,563	-	2,319	-	38	-	-	39,920
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	-	4,050	2,001	49	-	-	-	-	-	-	6,100
High	-	-	-	31	-	-	-	-	-	-	31
Good	-	-	-	162	-	-	-	-	-	-	162
Unrated	32,814	-	-	2,217	199,539	86,093	44,142	138,421	-	1,019	504,245
Fiduciary Funds:											
Long-term Ratings											
Gilt Edge	$ 4,021	$ -	$ -	$ -	$ 899	$ -	$ -	$ -	$ -	$ -	$ 4,920
High Grade	2,860	-	-	-	-	-	-	-	-	-	2,860
Unrated	-	-	-	-	-	-	4,261,887	-	-	-	4,261,887
All Other Funds:											
Long-term Ratings											
Gilt Edge	$ -	$ -	$ -	$ 13,328	$ -	$ 25,228	$ 2,195	$ -	$ -	$ -	$ 40,751
High Grade	88,192	-	-	105,362	-	281,100	3,492	3,520	3,383	-	485,049
Upper Medium	-	-	-	83,555	-	-	-	-	-	-	83,555
Lower Medium	-	-	-	16,489	-	-	-	-	-	-	16,489
Short-term Ratings											
Highest	-	-	-	1,035	-	-	-	-	-	-	1,035
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 $49.8 million that have duration of 8.6 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 14.246-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	14.246	$ 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.

Certain trustees, as discussed under Custodial Credit Risk, 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 trustees' investment in the pool is not segregated, but is a share in the overall 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	8,583	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	$ 2,283	8.560
Colorado Mesa University:		
U.S. Government Securities	$ 880	2.867
Corporate Bonds	770	3.476
Bond Mutual Funds	156	3.350
Taxable Municipal Bonds	$ 117	8.266
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
Bond Mutual Fund-9	167,713	7.600

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	Restated 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	(19,944)	95,536
Lottery	(149)	(246)
NonMajor Funds:		
CollegeInvest	1,254	1,834
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	26,546	562,745
	$ 16,844	$ 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, 2012:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
Cash Equivalents	$	64,369
U.S. Government Securities		108,679
Corporate Bonds		145,289
Corporate Securities		344,277
Asset Backed Securities		14,106
Mutual Funds		220,803
Net Investment Payable		(4,311)
TOTAL INVESTMENTS	$	893,212

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, pool 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, 2012:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Total
Long-term Ratings				
Gilt Edge	$ -	$ 1,195	$ -	$ 1,195
High Grade	21,090	-	14,106	35,196
Upper Medium	-	144,094	-	144,094

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 is not required.

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, 2012:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 42,924	4.274
Corporate Bonds	145,289	1.016
Asset Backed Securities	14,106	2.650

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, 2012, the authority had the following foreign currency exposures in United States dollars: Euro - $16.8 million, British Pound - $13.1 million, Japanese Yen - $6.1 million, Swiss Franc - $4.8 million, Chinese Yuan - $4.4 million, Canadian Dollar - $3.4 million, Brazilian Real - $2.2 million, and South Korean Won - $2.1 million. An additional $11.8 million was held in various international currencies, none of which exceeded $1.5 million.

Concentration of Credit Risk

At June 30, 2012, 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 placed in 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, 2012, the University of Colorado Hospital Authority was party to two floating-to-fixed rate swaps having original notional values of $72.4 million and $110.2 million, and current notional amounts of $70.8 million and $98.4 million respectively. At June 30, 2012, the agreements had fair values of $(16.6), million and $(26.6) million, 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 2011-12, 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 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, 2012, the University of Colorado Foundation held $237.2 million of domestic equity securities, $170.9 million of international equity securities, $174.0 million of fixed income securities, $444.8 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 loss of $5.5 million is net of $6.2 million of investment fees and comprises $10.9 million of interest dividends and other income, $13.3 million of realized gains, and $23.5 million of unrealized losses.

At June 30, 2012, the Colorado State University Foundation held $124.7 million of equity securities, $148.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $14.2 million of fixed income securities, and $15.1 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, 2012, the CSMF held fixed income and fixed income mutual funds totaling $32.7 million, domestic and international equities totaling $62.9 million, investments in hedge funds and venture capital totaling $88.5 million and cash equivalents totaling $11.5 million in its long-term investments pool.

Of the foundation's $220.5 million of investments, $15.7 million, or 7.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.7 million and several long-term trusts valued at $1.2 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-six 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, 2012, the University of Northern Colorado Foundation held $35.0 million of equity securities, $29.2 million of fixed income securities, and $26.2 million of cash and other investments. The foundation's investment income of $1.2 million is net of $0.3 million of management fees and comprises $2.4 million of interest and dividends and $0.9 million of realized and unrealized losses.

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 $826.9 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 $114.1 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 $32.5 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $28.2 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Ft. Lyons Correctional Facility was decommissioned to implement operational efficiencies. It is unknown whether the facility will be repurposed, sold, or leased. As of June 30, 2012, the facility had a carrying value of $16.2 million.

The schedule on the following page shows the capital asset activity for Fiscal Year 2011-12. The restatement of beginning balances was primarily the 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	$ 58,390	$ 21,215	$ -	$ 181	$ 79,786
Land Improvements	2,381	-	2,436	-	4,817
Collections	8,976	-	-	3	8,979
Other Capital Assets		852			852
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	1,748,105	691,320	(528,355)	(7,466)	1,903,604
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	41,557	551	1,785	-	43,893
Buildings	1,755,202	16,221	255,224	(877)	2,025,770
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	16,188	-	(989)	46,246
Infrastructure	9,913,249	-	251,912	(371)	10,164,790
Total Capital Assets Being Depreciated	12,592,895	94,876	528,355	(13,854)	13,202,272
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(24,828)	(1,723)	-	-	(26,551)
Buildings	(667,106)	(45,783)	-	162	(712,727)
Software	(99,405)	(26,178)	-	17	(125,566)
Vehicles and Equipment	(395,458)	(45,607)	-	11,286	(429,779)
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	(2,873,713)	(737,936)	-	11,893	(3,599,756)
Total Capital Assets Being Depreciated, net	9,719,182	(643,060)	528,355	(1,961)	9,602,516
TOTAL GOVERNMENTAL ACTIVITIES	11,467,287	48,260	-	(9,427)	11,506,120
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	450,907	22,875	-	9,561	483,343
Land Improvements	25,905	-	-	(9,388)	16,517
Collections	19,116	1,076	-	(10)	20,182
Construction in Progress (CIP)	549,945	579,081	(624,639)	(7,770)	496,617
Infrastructure	1,048	-	1,849	-	2,897
Total Capital Assets Not Being Depreciated	1,046,921	603,032	(622,790)	(7,607)	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	47,868	549,528	(8,317)	6,583,269
Software	108,855	48,866	259	(1,568)	156,412
Vehicles and Equipment	863,355	84,391	11,031	(38,271)	920,506
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	204,643	622,790	(53,682)	8,805,567
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(248,043)	(21,472)	-	596	(268,919)
Buildings	(1,983,689)	(197,114)	-	3,389	(2,177,414)
Software	(44,508)	(18,082)	-	1,018	(61,572)
Vehicles and Equipment	(619,052)	(71,211)	-	31,500	(658,763)
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)	(331,429)	-	40,451	(3,555,311)
Total Capital Assets Being Depreciated, net	4,767,483	(126,786)	622,790	(13,231)	5,250,256
TOTAL BUSINESS-TYPE ACTIVITIES	5,814,404	476,246	-	(20,838)	6,269,812
TOTAL CAPITAL ASSETS, NET	$ 17,281,691	$ 524,506	$ -	$ (30,265)	$ 17,775,932

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	635,469
Internal Service Funds (Charged to programs and BTAs based on useage)	16,139
Total Depreciation Expense Governmental Activities	737,936
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	315,858
State Lottery	1,049
Other Enterprise Funds	14,522
Total Depreciation Expense Business-Type Activities	331,429
Total Depreciation Expense Primary Government	$ 1,069,365

Component Units

At June 30, 2012, the University of Colorado Hospital Authority reported $226.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $680.3 million and equipment of $257.7 million. Accumulated depreciation related to these capital assets was $404.8 million resulting in net depreciable capital assets of $533.2 million.

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 RTD will proceed with acquiring the land under eminent domain.

HLC @ Metro, Inc., a nonmajor component unit reported nondepreciable capital assets of $42.9 million related to the construction of the Hotel Learning Center.

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 the calendar year preceding the year in which the benefits are 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 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 $82,000 to this plan in Fiscal Year 2011-12. 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 $26.4 million in Fiscal Year 2011-12 to this plan. The amount of the actuarially computed net periodic pension cost was $26.7 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.5 million as of June 30, 2012, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Position – Component Units*. At July 1, 2011, 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. Financial Statements for the plans are available from the University of Colorado Hospital Authority. The Authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development 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, 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 40.1 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 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 0.0 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 up to 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 net position of $484.0 million and 17,821 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 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 position of $1,891.3 million and 71,620 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, 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

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 \$7.0 million in Fiscal Year 2011-12. 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.

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

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 ($5,000 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 $1.0 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 and General Liability				
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 2011-12, the hospital recorded premium and administrative expenses of $614 thousand. The trust had a deficit fund balance of $480 thousand, which was net of approximately $5.7 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	$ 145,551
Business-Type Activities	-	34,533	30,793
Total	$ 735	$ 107,497	$ 176,344

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 $3.2 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	$ 17,995	$ 19,554	$ 7,490
2014	39,817	15,294	18,395	6,320
2015	32,944	13,272	16,853	4,997
2016	24,271	11,637	13,917	4,726
2017	16,288	5,979	11,414	4,119
2018 to 2022	34,318	16,862	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	91,180	154,442	49,179
Less: Imputed Interest Costs			33,013	10,141
Present Value of Minimum Lease Payments	$ 195,350	$ 91,180	$ 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 $5.0 million for Fiscal Year 2011-12. Future minimum lease payments for these leases at June 30, 2012, are:

(Amounts in Thousands)

Fiscal Year	Amount
2013	$ 3,850
2014	3,527
2015	3,199
2016	2,810
2017	2,141
2018-2023	6,461
Total Minimum Obligations	$ 21,988

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 $2.0 million at June 30, 2012. Total minimum lease payments including interest at June 30, 2012, were $2.3 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 net book value of property and equipment under the capital lease was $5.8 million net of accumulated depreciation of $4.5 million as of June 30, 2012.

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, 2012 was $161,489. The total minimum rental commitment under the leases was $0.5 million at June 30, 2012.

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 $9.4 million, 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: Additions	Changes: Reductions	Ending Balance June 30
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 $692.0 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 36.)

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	$ 28,710	$ 43,795	$ 162,670	$ 79,956
2014	140,544	27,295	1,965	400	29,305	42,682	171,814	70,377
2015	146,575	21,267	2,005	359	30,680	41,334	179,260	62,960
2016	156,565	11,275	2,045	317	31,930	39,120	190,540	50,712
2017	125,765	3,104	2,090	275	33,315	37,756	161,170	41,135
2018 to 2022	-	-	11,115	703	140,045	168,734	151,160	169,437
2023 to 2027	-	-	-	-	220,730	139,013	220,730	139,013
2028 to 2032	-	-	-	-	294,240	93,379	294,240	93,379
2033 to 2037	-	-	-	-	59,850	53,155	59,850	53,155
2038 to 2042	-	-	-	-	73,845	31,614	73,845	31,614
2043 to 2047	-	-	-	-	57,295	6,447	57,295	6,447
Subtotals	701,554	98,679	21,075	2,477	999,945	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	$ 739,138	$ 98,679	$ 19,369	$ 2,477	$ 1,018,456	$ 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	$ 221,058	$ 158,871	$ 3,848	$ 304	$ 18,120	$ 20,210	$ 243,026	$ 179,385
2014	207,221	156,809	683	134	18,983	19,539	226,887	176,482
2015	212,397	149,159	710	107	19,834	18,758	232,941	168,024
2016	213,515	144,217	741	78	20,749	17,860	235,005	162,155
2017	215,553	146,239	759	47	21,709	16,897	238,021	163,183
2018 to 2022	502,020	620,141	578	28	125,330	66,820	627,928	686,989
2023 to 2027	583,557	497,608	60	8	143,061	31,890	726,678	529,506
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	19,880	2,337	-	-	-	-	19,880	2,337
Subtotals	3,662,885	2,456,246	7,379	706	419,776	197,069	4,090,040	2,654,021
Unamortized Prem/Discount	62,088	-	(26)	-	1,175	-	63,237	-
Unaccreted Interest	(13,316)	-	-	-	-	-	(13,316)	-
Totals	$ 3,711,657	$ 2,456,246	$ 7,353	$ 706	$ 420,951	$ 197,069	$ 4,139,961	$ 2,654,021

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

In November 2011, the University of Colorado Hospital Authority issued Series 2011B Revenue Bonds. The net proceeds of $103.8 million were used to fully refund the Series 1999A bonds. The revenue bonds have a fixed rate of 3.28% with interest paid semi-annually, and pay principal according to a mandatory sinking fund schedule. The bonds have a ten year term and expire in November 2029.

Also in November 2011, the hospital issued Series 2011C Revenue Bonds with net proceeds of $72.9 million to finance equipment for use at the Anschutz Medical Campus. The revenue bonds have a fixed rate of 2.91% with interest paid semi-annually, and pay principal according to a mandatory sinking fund schedule. The bonds have an eleven year term and expire in November 2022.

During Fiscal Year 2011-12, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2011-12 were $21.7 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2012, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2013	$ 13,663	$ 20,832	$ 34,495
2014	12,748	20,478	33,226
2015	13,180	20,066	33,246
2016	13,450	19,686	33,136
2017	14,185	19,240	33,425
2018 to 2022	82,375	89,004	171,379
2023 to 2027	111,170	71,095	182,265
2028 to 2032	140,565	43,312	183,877
2033 to 2037	118,410	21,067	139,477
2038 to 2041	195,205	5,052	200,257
Total Long-Term Debt Payments	714,951	$ 329,832	$ 1,044,783
Less: Unamortized Discount	(159)		
Deferred Amount on Refunding of			
Series 2008 A Bonds	(6,935)		
Series 2009 A Bonds	(212)		
Series 2011 B Bonds	(2,242)		
Total Carrying Amount of Long-Term Debt	$ 705,403		

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, 2012.

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.

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 debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2012, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2013	$ -	$ 3,226	$ 3,226
2014	-	3,226	3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018 to 2022	6,360	15,167	21,527
2023 to 2027	7,650	13,399	21,049
2028 to 2032	9,220	10,857	20,077
2033 to 2037	11,275	7,574	18,849
2038 to 2042	13,840	3,490	17,330
2043 to 2044	4,595	49	4,644
Total Future Payments	$ 54,885	$ 66,587	$ 121,472

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	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 1,152	$ 2,667	$ (1,139)	$ 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	26,897	(13,056)	121,429	14,387
Bonds Payable	869,283	129,513	(261,364)	737,432	132,105
Certificates of Participation	897,631	168,801	(47,976)	1,018,456	28,710
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	375,139	(369,984)	2,846,527	234,437
Business-Type Activities					
Accrued Compensated Absences	220,200	31,750	(17,982)	233,968	14,942
Claims and Judgments Payable	35,373	7,137	(6,038)	36,472	-
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	1,284,884	(315,797)	3,753,617	221,633
Certificates of Participation	430,535	59,539	(69,124)	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	1,445,573	(458,265)	4,689,816	269,393
Fiduciary Activities					
Deposits Held In Custody For Others	1,106,612	828,893	(1,070,227)	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	829,154	(1,074,159)	871,044	824,251
Total Primary Government Long-Term Liabilities	$ 7,659,929	$2,649,866	$ (1,902,408)	$ 8,407,387	$ 1,328,081

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. In business-type activities a current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, and Other Post Employment Benefits. In governmental and business-type activities a current portion is not identifiable for Other Long-Term Liabilities except for CollegeInvest's prepaid tuition costs.

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 Higher Education Institutions, 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)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 715,660	$ 175,941	$ (186,198)	$ 705,403	$ 13,663
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,110,806	$ 67,080	$ (77,312)	$ 1,100,574	$ 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, charitable remainder trusts held by others, and perpetual trusts. 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 Position – Component Units*. At June 30, 2012, the foundation held $58.3 million of split interest agreement investments with $18.6 million of related liabilities and reported $5.1 million of net beneficial interest in charitable trusts held by others.

At June 30, 2012, the University of Colorado Foundation held $247.5 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.

At June 30, 2012, the foundation held $13.6 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, 2012, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.8 million; related liabilities of $9.9 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 $9.9 million mentioned above and total $4.7 million. At June 30, 2012, CSMF reported $14.8 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.

CoverColorado, a nonmajor component unit, reserved $23.3 million for health policy claims. On the *Statement of Net Position – Component Units,* this liability is reported as Claims and Judgments Payable.

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	68,822
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	$ 765,047

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 (Private Placement) 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 2002B, 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 2003A, 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 23 years and the estimated debt service cash flows decreased by $5,528,039. The defeasance resulted in an economic gain of $3,493,480 and a book loss of $7,509,430 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 Refunding Bonds issued in 2010. 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 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 $334,949,117 due to the following adjustments:

- An increase of $564,282,353 when the Department of Transportation capitalized assets to correct infrastructure recording errors 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 $309,491 when the Department of Personnel & Administration incorrectly duplicated recording of capitalized interest related to performance contracts as building assets. This adjustment also decreases the beginning net position of the Internal Service Fund reported within the fund-level *Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.*

- A decrease of $343,014 when the Department of Personnel & Administration paid Western State College $184,565 and Adams State College $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 $306,572, Adams State College $34,678, and Colorado Mesa University $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 is 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 General Purpose Revenue 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–Proprietary Funds* 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 $3,668,624 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 combining *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, a portion of the nonmajor Other Special Revenue Fund, to the Advance Technology Fund, a portion of the Other Special Purpose Fund in the General 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.

B. ACCOUNTING CHANGES

During Fiscal Year 2011-12, the State implemented GASB Statement No. 61–<u>The Financial Reporting Entity: Omnibus</u>. As a result of the implementation, four of the component units previously reported in the government-wide *Statement of Activities* did not meet the criteria for continued inclusion in the State's financial statements. The Component Units Beginning Net Position decreased by $20,121,000, and comprises the following: University of Colorado Real Estate Foundation, $13,860,000; Renewable Energy Authority, $3,426,000; Higher Education Competitive Research Authority, $1,687,000; and the Statewide Internet Portal Authority, $1,148,000. This accounting change is presented in the *Statement of Net Position –*

Component Units and in the *Statement of Revenues, Expenses, and Changes in Net Position – Component Unit* as Component Units Eliminated With The Implementation of GASB No. 61.

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	$ 307,636	$ 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	1,914	8,683	-
TOTAL	$ 503,449	$ 331,419	$ 20
RESOURCE EXTRACTION:			
General Government	$ -	$ 332,775	$ -
Business, Community and Consumer Affairs	-	99,308	-
Education	-	15,943	-
Natural Resources	13,675	421,622	-
TOTAL	$ 13,675	$ 869,648	$ -
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	$ 1,595	$ 24,865	$ -
Education	9,415	-	-
Justice	12,813	4	-
TOTAL	$ 23,823	$ 24,869	$ -
STATE EDUCATION:			
Education	$ 194,752	$ -	$ -
TOTAL	$ 194,752	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 110,376	$ 177,128	$ -
Business, Community and Consumer Affairs	18,510	231,432	-
Education	67,472	3,055	-
Health and Rehabilitation	11,120	93,388	-
Justice	14,252	131,160	-
Natural Resources	5,652	6,845	-
Social Assistance	-	43,618	-
Transportation	37,589	-	-
TOTAL	$ 264,971	$ 686,626	$ -

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 or 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	6,277	-	-	-	-
Resource Extraction	95	-	4	102	-
Highway Users	390	-	-	-	-
Capital Projects					
Regular Capital Projects	-	-	-	-	-
State Education	59,000	-	-	-	-
Higher Education Institutions	3,021	264	117	4,067	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	-	-	-	-	-
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	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	20,402	-	7	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 99,137	$ 285	$ 721	$ 4,169	$ 85

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 422	$ -	$ 36,966	$ 38,171
-	16,153	3,525	25,955
-	-	1,174	1,375
-	-	1,019	1,409
7,465	-	-	7,465
-	-	-	59,000
-	-	1,663	9,217
3	-	499	5,498
-	-	622	1,305
-	-	-	919
-	-	1,343	1,560
-	-	8,856	8,856
-	-	17	17
362	2,898	142	3,404
-	-	90	90
2,377	-	-	2,697
-	-	-	1,055
16	-	-	18
-	-	19	1,531
-	-	-	77
1,216	-	3	21,628
-	-	4,546	4,546
-	9,933	-	9,933
$ 11,861	$ 28,984	$ 60,485	$ 205,727

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 from the State Lottery consists of a payable 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. This is a statutory distribution of the Lottery net proceeds.

The General Purpose Revenue Fund receivable of $37.0 million from All Other Funds primarily 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 from the State Rail Bank as required in accordance with House Bill 12-1343.

The Special Purpose General Fund receivable of $6.3 million primarily includes legislative reversions of $2.7 million and personal services and operating line item reversions of $2.3 million payable to the Legislative Department Cash Fund and State Employee Reserves Fund as required by House Bill 12-1301 and House Bill 12-1321 respectively.

The State Land Trust Fund receivable of $8.9 million primarily represents June's state land revenues from the State Land Board in the amount of $5.5 million.

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	$ 2,697,971	$ -	$ -
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	146,422	-	-
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	$ 4,154,079	$ 298	$ 2,165

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 49,298	$ 68,604	$ 133,605	$ 53,183	$ 3,002,661
35	-	-	11,155	84,302
-	-	14,883	8,471	226,392
1,877	-	-	168,559	231,299
1,131	-	17,782	18,435	38,383
4,371	-	-	20,657	25,031
-	-	4,971	-	6,102
-	-	-	-	4,949
-	-	-	-	2,141
-	-	-	12,325	66,679
1,213	-	-	218	28,574
4,420	-	6,295	1,105	33,218
8,609	-	14,364	4,012	173,407
-	-	-	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
$ 73,521	$ 68,606	$ 192,801	$ 347,693	$ 4,839,163

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 $142.1 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)

- $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

Nonmajor Special Revenue Funds and Special Purpose General Fund

- $13.6 million from 20 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 Revenue Fund comprise $49.3 million to fund controlled maintenance and capital projects.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $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 $126.4 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 went to the State Lands Trust Nonexpendable.

NOTE 35 – 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 appreciation totaled $10.1 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 36 – 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 $679.4 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.

- $193.1 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	1,093,528	(507,761)	585,767	69,992	114,914	184,906
Labor - Unemployment Insurance	134,564	-	134,564	-	-	-
Statewide Bridge Enterprise	106,258	-	106,258	-	18,234	18,234
	$ 2,439,802	$ (1,446,548)	$ 993,254	$ 195,257	$ 174,548	$ 369,805

NOTE 37 – 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 38 – COMPONENT UNITS

The State reports ten 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 seven 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 2011-12, 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, 2012, the foundation distributed $109.5 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 2011-12, the foundation transferred $30.7 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 2011-12, the foundation granted $6.0 million to the university. At June 30, 2012 the Foundation owed the university $1.2 million.

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 Position - 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, 2011, the VCA has contributed approximately $22.5 million or 103 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, 2011, the VCA has contributed approximately $7.4 million or 29 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 opened in August 2012.

NOTE 39 – 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 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 and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and 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 $34.8 million for these services in Fiscal Year 2011-12. 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 $2.8 million in Fiscal Year 2011-12. In total, the UCD paid the hospital $10.8 million in Fiscal Year 2011-12.

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 $6.1 million of government external funds and paid UPI an additional $55.2 million for services in Fiscal Year 2011-12.

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 $4.6 million were billed to CRC for the cost of these services during Fiscal Year 2011-12. The amount due from University of Colorado Denver, including CRC, was $0.3 million at June 30, 2012.

In 1996 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. 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 Fiscal Year 2011-12. During the year, TriWest lost its contract with the Department of Defense to United Healthcare. The new contract between the Department of Defense and United Healthcare will involve a transition period and an April 1, 2013 start date. TriWest is reviewing its business plan for the future.

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 (a 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 2011-12 the hospital paid premiums of $30.1 million and on June 30, 2012 recorded a liability of $5.5 million for its share of costs in excess of premiums paid.

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, 2011, VCA's investments in Colorado Fund I and Colorado Fund II totaled $25.6 million and $7.6 million respectively.

NOTE 40 – 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, which 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 41 – 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. 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. 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.

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 at issue are estimated at $222.8 million. Eighty one percent of the cases have been settled, or are in process with the remaining 19 percent expected to be referred within the next 18 months. 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. The State anticipates reaching a resolution with the State of Kansas prior to any suit being filed. An agreement has been drafted to begin negotiations in both the North and South Forks of the Republican River. The State is concurrently preparing resolutions for consideration by the Republican River Commission. The estimated potential damages of a suit 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 $20.0 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Year 2008-09. 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.

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. At a November 26, 2012 court status conference several residents and insurance companies expressed intent to bring counterclaims for inverse condemnation and join additional defendants. 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 $73 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 surcharge 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 trial has been set for May 2013.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 41, 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 42 – 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 Purpose Revenue 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 University Enterprise Refunding Revenue Bonds, Series 2012A-2, and used the proceeds to in-substance defease a portion of existing enterprise revenue and refunding bonds and to pay for certain costs related to this bond issuance. The debt carries interest rates ranging from 2.0 percent to 5.0 percent. These fixed rate coupon revenue bonds mature through June 1, 2035.

On October 11, 2012, the Board of Regents of the University of Colorado issued $47,165,000 of University Enterprise Refunding Revenue Bonds, Series 2012A-3, and $95,705,000 of University Enterprise Revenue Bonds, Series 2012B. Proceeds of the Series 2012A-3 Bonds will be used to in-substance defease a portion of existing enterprise revenue and refunding bonds, and to pay certain costs related to this bond issuance. These fixed rate coupon revenue bonds mature through June 1, 2030. Proceeds of the Series 2012B Bonds will be used to defray a portion of the cost of financing capital improvement projects at each campus, and to pay certain costs related to this bond issuance. The debt carries interest rates ranging from 2.0 percent to 5.0 percent. These fixed rate coupon revenue bonds mature through June 1, 2042.

On November 13, 2012, the Board of Trustees of the Colorado School of Mines issued $47,345,000 of Institutional Enterprise Revenue Bonds, Series 2012B (Series 2012B). Proceeds are being used for the purpose of constructing, improving, renovating and equipping of new and existing campus facilities, current refunding of all of the Refunding and Improvement Series 2002 bonds, advance refunding of a portion of the Refunding and Improvement Series 2004 bonds, funding capitalized interest on a portion of the 2012B bonds, and paying costs of issuance of the 2012B bonds. Interest rates on the new debt range from 2.0 percent to 5.0 percent, and the debt matures in December 2042.

On December 4, 2012, the Board of Trustees of the Colorado School of Mines issued $13,000,000 of Subordinate Institutional Enterprise Revenue Bonds (Stadium Loan Project), Series 2012A. Proceeds are being used to construct and equip a new athletic complex. The bonds have a coupon rate of 3.0 percent, and the debt matures in December 2026.

On December 6, 2012, the State Treasurer issued Building Excellent Schools Today Certificates of Participation, Tax-exempt Series 2012H in the amount of $195,965,000. The COPs were issued with a premium of $9,396,419. Proceeds are being used for public school construction. The interest rate ranges from 2.0 to 5.0 percent, and the debt matures in 2035.

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 by October 31, 2012. The financing was not approved; however, the buyer did not exercise its option to terminate the agreement. 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, 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.

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. The proposal was revised in February 2012. 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.

During August 2012, Colorado State University received an in-kind gift of software with a commercial value of $9.5 million. The software will be used in the University's Department of Design and Merchandising.

The south campus of the Centennial Correctional Facility, known as CSPII, located in Canon City, Colorado will be closed during March 2013. The Colorado Department of Corrections funded the CSPII project by the issuance of Certificates of Participation in the approximate amount of $150 million. Currently it is unknown if the facility will be re-purposed to the federal government or leased by the State of Colorado.

Component Units

Effective July 1, 2012 the University of Colorado Hospital Authority (UCHA) and Poudre Valley Health Care Inc. entered into a joint operating agreement, and became members of a joint venture named University of Colorado Health, a newly formed non-profit corporation. Under the joint venture, the University of Colorado Hospital Authority, Poudre Valley Health Care and University of Colorado Health became members of the obligated group under each other's master trust indentures and therefore pledge their gross revenues to secure the other members' obligations.

In August 2012 the voters of Colorado Springs approved a long-term lease and joint operating agreement between Memorial Health System in Colorado Springs and the hospital (on behalf of itself), Poudre Valley Health Care and Children's Hospital Colorado. Memorial Health System will initially be leased by the City of Colorado Springs to Poudre Valley Health Care, and UCHA hospital will guaranty the lease. UCHA has formed a new non-profit corporation, UCH-MHS (of which it is the sole member) that will, under certain conditions, become the lessee in the lease agreement. The Memorial Health System lease is a 40-year capital lease with an option to extend annually after nine years, leaving a remaining lease term of 31 years.

The acquisition cost of Memorial Health System pursuant to the lease agreement is $400 million-$290 million paid to the City of Colorado Springs at closing, and $110 million (net present value) paid over 30 years. The $290 million up-front acquisition cost was financed with a new debt issuance by UCHA that closed on October 1, 2012. Also pursuant to the lease, the University of Colorado Health System will acquire certain assets and liabilities of Memorial Health, excluding cash and investments, which will remain with the City of Colorado Springs.

In July 2012 the hospital initiated an extension of the letter of credit with Citibank, which backs the 2008 Indexed Put Bonds. The new agreement made the put date of the bonds October 21, 2012. The hospital plans to refinance these bonds on a longer term basis.

On August 31, 2012, PERA filed a complaint in Adams County District Court naming the UCHA, University of Colorado Health, Memorial Health System, UCH-MHS, the City of Colorado Springs and Poudre Valley Health Care as defendants. PERA seeks a temporary and permanent injunction prohibiting Colorado Springs from closing on the lease of Memorial Health System to Poudre Valley Health Care. PERA asserts that there must be compliance with applicable provisions of the PERA statute, which includes an affirmative vote of 65% of Memorial Health System employees to leave participation in PERA.

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			$ 2,387,741	
Income Taxes			5,090,596	
Other Taxes			198,086	
Federal Grants and Contracts			27	
Sales and Services			351	
Interest Earnings			14,287	
Other Revenues			24,456	
Transfers-In			219,575	
TOTAL REVENUES AND TRANSFERS-IN			7,935,119	
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	607,533	11,913
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	16,994	16,994	16,984	10
Transfers Not Appropriated by Department	59,000	59,000	59,000	-
SUB-TOTAL OPERATING BUDGETS	7,182,752	7,223,376	7,206,551	16,825
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	50,424	1
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	112,534	145,292	104,214	41,078
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,295,286	$ 7,368,668	7,310,765	$ 57,903
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 624,354	

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 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			415,145	
Other Taxes			1,260,020	
Tuition and Fees			499,930	
Sales and Services			1,556,352	
Interest Earnings			225,638	
Health Care Provider Fees			626,998	
Other Revenues			2,674,019	
Transfers-In			6,202,262	
TOTAL REVENUES AND TRANSFERS-IN			14,210,448	
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	3,781,105	36,459
Governor	252,643	270,964	175,616	95,348
Health Care Policy and Financing	1,701,520	1,706,802	1,686,051	20,751
Higher Education	1,505,174	1,515,494	1,333,717	181,777
Human Services	718,391	313,949	287,895	26,054
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	182,980	216,793	180,279	36,514
Public Safety	154,635	156,118	144,252	11,866
Regulatory Agencies	77,423	77,631	71,174	6,457
Revenue	927,418	927,917	797,491	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	17,243,365	16,913,261	13,366,113	3,547,148
Capital and Multi-Year Budgets:				
Departmental:				
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	12,425	22
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	408,715	206,822
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 17,614,388	$ 17,528,798	13,774,828	$ 3,753,970
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 435,620	

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 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			$ 7,697,337	
TOTAL REVENUES AND TRANSFERS-IN			7,697,337	
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	2,591,373	56,586
Higher Education	19,015	479,964	446,478	33,486
Human Services	688,579	1,713,398	1,519,336	194,062
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	7,691,245	1,494,251
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,524,564	$ 9,185,496	7,691,245	$ 1,494,251
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 6,092	

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	$ 7,878,076	$ -	$ -	$ 57,044	$ -	$ -
Cash	4,832,953	399,639	1,882,470	151,877	481,516	2,507,757
Federal	5,260,398	174,564	615,172	32,317	-	204,488
Sub-Total Revenues and Transfers-In	17,971,427	574,203	2,497,642	241,238	481,516	2,712,245
Expenditures/Expenses and Transfers-Out						
General Funded	7,255,847	-	-	54,918	-	-
Cash Funded	4,824,549	360,472	1,965,416	325,103	652,125	2,243,862
Federally Funded	5,260,327	174,547	615,140	32,317	-	205,470
Expenditures/Expenses and Transfers-Out	17,340,723	535,019	2,580,556	412,338	652,125	2,449,332
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	630,704	39,184	(82,914)	(171,100)	(170,609)	262,913
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	4,007	(140)	(1,451)	468	(925)	6,353
Increase for Budgeted Non-GAAP Expenditures	9,142	24,292	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	148,423	(23,936)	104,374	135,581	-	(39,851)
Increase/(Decrease) for GAAP Revenue Adjustments	(143,424)	(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	648,852	38,766	19,980	(170,640)	(171,534)	107,279
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET POSITION, 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 POSITION, FISCAL YEAR END	$ 1,225,426	$ 904,596	$ 1,222,993	$ 48,692	$ 194,752	$ 1,696,448

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**
$ -	$ -	$ -	$ -	$ -	$ -	$ 7,935,120
598,618	833,192	560,858	460,667	219,134	1,281,767	14,210,448
15,384	922,611	-	472,153	250	-	7,697,337
614,002	1,755,803	560,858	932,820	219,384	1,281,767	29,842,905
-	-	-	-	-	-	7,310,765
615,286	632,906	560,933	344,679	215,651	1,033,846	13,774,828
15,384	922,611	-	465,199	250	-	7,691,245
630,670	1,555,517	560,933	809,878	215,901	1,033,846	28,776,838
(16,668)	200,286	(75)	122,942	3,483	247,921	1,066,067
(99)	-	(149)	1,699	52	26,868	36,683
-	-	133	25,605	762	-	59,934
29,335	(17,945)	(1,103)	(19,822)	(2,799)	15	312,272
-	-	-	(828)	(89)	-	(402,729)
297,434	-	-	-	-	-	297,434
310,002	182,341	(1,194)	129,596	1,409	274,804	1,369,661
4,723,248	(117,908)	6,369	652,974	9,933	4,208,934	14,325,522
(4,001)	-	-	258,571	(309)	-	232,493
$ 5,029,249	$ 64,433	$ 5,175	$ 1,041,141	$ 11,033	$ 4,483,738	$ 15,927,676

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 $681.1 million of the GAAP General Fund balance of $1,225.4 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* in several 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 82 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	93,904		
Individual Income Tax, net	4,272,600	4,559,800	4,633,310		
Corporate Income Tax, net	351,100	440,600	457,288		
Estate Tax	-	-	290		
Insurance Tax	207,300	194,000	197,202		
Parimutuel, Courts, and Other	20,100	24,000	26,291		
Investment Income	9,100	11,700	13,560		
Gaming	20,500	20,200	20,305		
TOTAL GENERAL PURPOSE REVENUES	7,137,200	7,639,700	7,735,987		
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	1,494
Governor	11,276	10,614	9,762	852	472
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	611,516	8,392	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	99
Legislative Branch	35,216	34,685	34,685	-	221
Local Affairs	10,450	10,473	10,448	25	325
Military and Veterans Affairs	5,478	5,429	5,364	65	-
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	7,139,188	$ 11,325	$ 10,356
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
TOTAL ESTIMATED BUDGET	6,767,772	7,144,620	7,139,188		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	369,428	495,080	596,799		
EXCESS AUGMENTING REVENUES			10,356		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	132,700	159,300	142,092		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(48,800)	(48,800)	(48,798)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	-	(59,000)	(59,000)		
Transfers-Out to Various Other Cash Funds	-	(5,000)	(5,000)		
TOTAL TRANSFERS	75,400	38,000	20,794		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	444,828	533,080	627,949		
BEGINNING GENERAL FUND SURPLUS	(22,400)	0	0		
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			10,281		
Budgeted Non-GAAP Expenditures			9,142		
GAAP Revenues/(Expenditures) Not Budgeted			(3,842)		
Contractually Restricted Energy Performance Leases			(4,134)		
Prior Period Adjustment (see Note 29)			(201)		
ENDING GENERAL FUND SURPLUS	$ 299,828	$ 408,680	514,727		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Budget			(138,093)		
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			80,550		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			15,598		
Restricted			4,134		
Committed			290,871		
Assigned			20		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 681,146		

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 154 to 156). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes $1.7 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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 40. 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 remain available in future years through action of the Transportation Commission. In Fiscal Year 2011-12, the Department of Transportation capitalized 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 158) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 154 to 156) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 46 to 63).

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, and 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 108 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.

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 resources 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 and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2012

(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	$ 557,621	$ 1,261	$ 11,174	$ 26,355	$ 596,411
Taxes Receivable, net	1,195,898	-	-	-	1,195,898
Other Receivables, net	56,673	-	369	349	57,391
Due From Other Governments	291,912	5,087	-	28	297,027
Due From Other Funds	38,171	-	-	25,955	64,126
Due From Component Units	137	-	-	-	137
Inventories	2,525	-	-	4,417	6,942
Prepaids, Advances, and Deferred Charges	24,175	-	-	-	24,175
Restricted Cash and Pooled Cash	8,071	82,834	-	151,638	242,543
Restricted Receivables	-	-	-	216	216
Investments	6,864	-	-	283,339	290,203
Other Long-Term Assets	8,880	-	-	-	8,880
TOTAL ASSETS	$ 2,190,927	$ 89,182	$ 11,543	$ 492,297	$ 2,783,949
LIABILITIES:					
Tax Refunds Payable	$ 656,124	$ -	$ -	$ -	$ 656,124
Accounts Payable and Accrued Liabilities	405,172	34	1,619	24,398	431,223
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	62,020	-	-	19,193	81,213
Due To Other Funds	98,043	-	570	524	99,137
Deferred Revenue	278,335	2,404	-	-	280,739
Compensated Absences Payable	112	-	-	-	112
Claims and Judgments Payable	317	-	-	-	317
Other Current Liabilities	8,943	-	-	-	8,943
Deposits Held In Custody For Others	9	-	-	-	9
TOTAL LIABILITIES	1,509,781	2,438	2,189	44,115	1,558,523
FUND BALANCES:					
Nonspendable:					
Inventories	2,525	-	-	4,417	6,942
Prepaids	24,175	-	-	-	24,175
Restricted	4,134	85,517	-	413,798	503,449
Committed	290,871	1,227	9,354	29,967	331,419
Assigned	20	-	-	-	20
Unassigned	359,421	-	-	-	359,421
TOTAL FUND BALANCES	681,146	86,744	9,354	448,182	1,225,426
TOTAL LIABILITIES AND FUND BALANCES	$ 2,190,927	$ 89,182	$ 11,543	$ 492,297	$ 2,783,949

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOLS	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 4,633,309	$ -	$ -	$ 2,848	$ 4,636,157
Corporate Income	457,288	-	-	4,797	462,085
Sales and Use	2,293,837	-	-	3,617	2,297,454
Excise	93,904	-	-	-	93,904
Other Taxes	198,135	-	-	-	198,135
Licenses, Permits, and Fines	19,173	-	-	1,776	20,949
Charges for Goods and Services	29,075	-	46,397	8	75,480
Rents	399	-	-	19	418
Investment Income (Loss)	21,670	5	198	6,704	28,577
Federal Grants and Contracts	5,190,856	-	-	13,412	5,204,268
Other	125,355	5,409	434	7,308	138,506
TOTAL REVENUES	13,063,001	5,414	47,029	40,489	13,155,933
EXPENDITURES:					
Current:					
General Government	222,929	-	49,430	3,232	275,591
Business, Community, and Consumer Affairs	166,941	-	-	8,874	175,815
Education	597,457	217	-	2,985	600,659
Health and Rehabilitation	543,357	-	-	748	544,105
Justice	1,194,324	-	-	-	1,194,324
Natural Resources	39,065	-	-	-	39,065
Social Assistance	5,861,764	-	-	369	5,862,133
Capital Outlay	40,043	-	-	177,315	217,358
Intergovernmental:					
Cities	27,370	-	-	33,728	61,098
Counties	1,079,552	-	-	10,557	1,090,109
School Districts	736,290	2,764,414	-	74,993	3,575,697
Special Districts	31,876	-	-	13,743	45,619
Federal	17	-	-	-	17
Other	40,429	-	-	47	40,476
Debt Service	5,195	-	-	24,029	29,224
TOTAL EXPENDITURES	10,586,609	2,764,631	49,430	350,620	13,751,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,476,392	(2,759,217)	(2,401)	(310,131)	(595,357)
OTHER FINANCING SOURCES (USES):					
Transfers-In	1,147,207	2,784,474	403	221,995	4,154,079
Transfers-Out	(2,992,366)	(59,425)	(1,207)	(33,964)	(3,086,962)
Face Amount of Bond/COP Issuance	-	-	-	146,635	146,635
Bond/COP Premium/Discount	-	-	-	12,778	12,778
Capital Lease Proceeds	17,043	-	-	-	17,043
Insurance Recoveries	636	-	-	-	636
TOTAL OTHER FINANCING SOURCES (USES)	(1,827,480)	2,725,049	(804)	347,444	1,244,209
NET CHANGE IN FUND BALANCES	648,912	(34,168)	(3,205)	37,313	648,852
FUND BALANCE, FISCAL YEAR BEGINNING	32,435	120,912	13,264	436,236	602,847
Prior Period Adjustment (See Note 29)	(201)	-	(705)	(25,367)	(26,273)
FUND BALANCE, FISCAL YEAR END	$ 681,146	$ 86,744	$ 9,354	$ 448,182	$ 1,225,426

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with any 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.

BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 30,071	$ 9,478	$ 39,549
Other Receivables, net	1,948	-	1,948
Due From Other Governments	2,543	206	2,749
Due From Other Funds	7,465	-	7,465
Restricted Cash and Pooled Cash	1,595	2,220	3,815
Restricted Investments	-	32,407	32,407
Restricted Receivables	-	124	124
Other Long-Term Assets	92	-	92
TOTAL ASSETS	$ 43,714	$ 44,435	$ 88,149
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 16,656	$ 18,343	$ 34,999
Due To Other Funds	4,169	-	4,169
Deferred Revenue	-	289	289
TOTAL LIABILITIES	20,825	18,632	39,457
FUND BALANCES:			
Restricted	1,595	22,228	23,823
Committed	21,294	3,575	24,869
TOTAL FUND BALANCES	22,889	25,803	48,692
TOTAL LIABILITIES AND FUND BALANCES	$ 43,714	$ 44,435	$ 88,149

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	5	-	5
Charges for Goods and Services	-	405	405
Investment Income (Loss)	1,359	1,131	2,490
Federal Grants and Contracts	15,564	8,066	23,630
Other	610	4,315	4,925
TOTAL REVENUES	17,538	13,917	31,455
EXPENDITURES:			
Current:			
General Government	11,158	867	12,025
Business, Community, and Consumer Affairs	17	-	17
Education	6,166	1,687	7,853
Health and Rehabilitation	328	-	328
Justice	2,569	180	2,749
Social Assistance	1,413	-	1,413
Capital Outlay	31,642	156,774	188,416
Intergovernmental:			
Other	268	-	268
TOTAL EXPENDITURES	53,561	159,508	213,069
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,023)	(145,591)	(181,614)
OTHER FINANCING SOURCES (USES):			
Transfers-In	68,465	5,056	73,521
Transfers-Out	(38,383)	(25,031)	(63,414)
Insurance Recoveries	867	-	867
TOTAL OTHER FINANCING SOURCES (USES)	30,949	(19,975)	10,974
NET CHANGE IN FUND BALANCES	(5,074)	(165,566)	(170,640)
FUND BALANCE, FISCAL YEAR BEGINNING	27,963	191,369	219,332
FUND BALANCE, FISCAL YEAR END	$ 22,889	$ 25,803	$ 48,692

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, 2012

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 758,571	$ -	$ -	$ 758,571
Taxes Receivable, net	37,849	-	-	37,849
Other Receivables, net	64,191	-	7,117	71,308
Due From Other Governments	17,048	340	77	17,465
Due From Other Funds	9,282	-	8,856	18,138
Inventories	14	-	-	14
Prepaids, Advances, and Deferred Charges	7,593	-	5	7,598
Restricted Cash and Pooled Cash	27,786	218	203,881	231,885
Restricted Investments	68,923	-	489,753	558,676
Investments	107,302	20,895	-	128,197
Other Long-Term Assets	8,273	-	10,984	19,257
Depreciable Capital Assets and Infrastructure, net	-	-	13,653	13,653
Land and Nondepreciable Infrastructure	81	-	38,633	38,714
TOTAL ASSETS	$ 1,106,913	$ 21,453	$ 772,959	$ 1,901,325
LIABILITIES:				
Tax Refunds Payable	$ 136	$ -	$ -	$ 136
Accounts Payable and Accrued Liabilities	53,585	-	740	54,325
Due To Other Governments	22,031	-	6	22,037
Due To Other Funds	40,526	-	12,612	53,138
Deferred Revenue	59,453	-	11,395	70,848
Claims and Judgments Payable	84	-	-	84
Other Current Liabilities	4,302	-	-	4,302
Deposits Held In Custody For Others	7	-	-	7
TOTAL LIABILITIES	180,124	-	24,753	204,877
FUND BALANCES:				
Nonspendable:				
Inventories	14	-	-	14
Permanent Fund Principal	-	-	737,239	737,239
Prepaids	7,593	-	5	7,598
Restricted	237,494	21,453	6,024	264,971
Committed	681,688	-	4,938	686,626
TOTAL FUND BALANCES	926,789	21,453	748,206	1,696,448
TOTAL LIABILITIES AND FUND BALANCES	$ 1,106,913	$ 21,453	$ 772,959	$ 1,901,325

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 39,012	$ -	$ -	$ 39,012
Excise	149,701	-	-	149,701
Other Taxes	139,938	-	-	139,938
Licenses, Permits, and Fines	364,486	-	-	364,486
Charges for Goods and Services	687,994	-	-	687,994
Rents	851	-	145,179	146,030
Investment Income (Loss)	19,708	171	28,573	48,452
Federal Grants and Contracts	204,774	-	360	205,134
Additions to Permanent Funds	-	-	595	595
Unclaimed Property Receipts	42,948	-	-	42,948
Other	27,754	-	82	27,836
TOTAL REVENUES	1,677,166	171	174,789	1,852,126
EXPENDITURES:				
Current:				
General Government	61,385	-	194	61,579
Business, Community, and Consumer Affairs	182,985	-	-	182,985
Education	20,689	-	-	20,689
Health and Rehabilitation	71,561	-	-	71,561
Justice	37,185	-	-	37,185
Natural Resources	985	-	8,283	9,268
Social Assistance	199,209	-	-	199,209
Transportation	2,259	-	-	2,259
Capital Outlay	3,556	-	-	3,556
Intergovernmental:				
Cities	49,982	-	-	49,982
Counties	63,855	-	8	63,863
School Districts	7,514	-	-	7,514
Special Districts	7,429	-	-	7,429
Federal	1,703	-	-	1,703
Other	34,754	-	-	34,754
Debt Service	199	206,853	-	207,052
TOTAL EXPENDITURES	745,250	206,853	8,485	960,588
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	931,916	(206,682)	166,304	891,538
OTHER FINANCING SOURCES (USES):				
Transfers-In	66,860	218,008	38,468	323,336
Transfers-Out	(971,752)	-	(159,502)	(1,131,254)
Face Amount of Bond/COP Issuance	9,300	-	-	9,300
Capital Lease Proceeds	48	-	-	48
Sale of Capital Assets	9,356	-	4,955	14,311
TOTAL OTHER FINANCING SOURCES (USES)	(886,188)	218,008	(116,079)	(784,259)
NET CHANGE IN FUND BALANCES	45,728	11,326	50,225	107,279
FUND BALANCE, FISCAL YEAR BEGINNING	903,942	10,127	668,410	1,582,479
Prior Period Adjustment (See Note 29)	(22,881)	-	29,571	6,690
FUND BALANCE, FISCAL YEAR END	$ 926,789	$ 21,453	$ 748,206	$ 1,696,448

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 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 Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 229 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 228 for a detail listing of these funds that have net position/fund balance in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 78,232	$ 107,370	$ 32,052	$ 2,245
Taxes Receivable, net	11,139	10,900	11,983	-
Other Receivables, net	935	134	44,419	32
Due From Other Governments	55	-	14,804	-
Due From Other Funds	5,498	-	1,305	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	4,151	24	2	-
Restricted Cash and Pooled Cash	3,927	20,756	-	3,103
Restricted Investments	68,923	-	-	-
Investments	17,108	-	-	-
Other Long-Term Assets	-	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 189,968	$ 139,184	$ 104,565	$ 5,380
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	2,625	3,989	21,667	53
Due To Other Governments	2,102	18,171	217	247
Due To Other Funds	9	22,488	4,004	-
Deferred Revenue	-	716	743	-
Claims and Judgments Payable	73	-	-	-
Other Current Liabilities	127	33	-	-
Deposits Held In Custody For Others	-	6	-	-
TOTAL LIABILITIES	4,936	45,403	26,631	300
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	-
Prepaids	4,151	24	2	-
Restricted	72,850	57,813	10,209	3,204
Committed	108,031	35,944	67,723	1,876
TOTAL FUND BALANCES	185,032	93,781	77,934	5,080
TOTAL LIABILITIES AND FUND BALANCES	$ 189,968	$ 139,184	$ 104,565	$ 5,380

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 134,832	$ 46,980	$ 356,860	$ 758,571
-	-	3,827	37,849
7,054	732	10,885	64,191
432	-	1,757	17,048
919	-	1,560	9,282
-	-	14	14
-	67	3,349	7,593
-	-	-	27,786
-	-	-	68,923
-	90,189	5	107,302
-	-	8,273	8,273
-	-	81	81
$ 143,237	$ 137,968	$ 386,611	$ 1,106,913
$ -	$ -	$ 136	$ 136
6,803	104	18,344	53,585
-	-	1,294	22,031
3,793	23	10,209	40,526
3,842	-	54,152	59,453
-	-	11	84
1	-	4,141	4,302
-	-	1	7
14,439	127	88,288	180,124
-	-	14	14
-	67	3,349	7,593
9,794	-	83,624	237,494
119,004	137,774	211,336	681,688
128,798	137,841	298,323	926,789
$ 143,237	$ 137,968	$ 386,611	$ 1,106,913

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	147,208	-
Other Taxes	36,603	102,079	-	-
Licenses, Permits, and Fines	442	1,203	90,462	68
Charges for Goods and Services	199	559	620	1,258
Rents	-	641	-	-
Investment Income (Loss)	4,638	1,056	651	66
Federal Grants and Contracts	-	51	120,842	-
Unclaimed Property Receipts	-	-	-	-
Other	526	99	1,429	415
TOTAL REVENUES	42,408	105,688	361,212	1,807
EXPENDITURES:				
Current:				
General Government	1,040	-	158	-
Business, Community, and Consumer Affairs	22,000	29,252	-	101
Education	-	14,979	180	-
Health and Rehabilitation	-	71	16,973	-
Justice	-	-	-	-
Natural Resources	-	-	-	985
Social Assistance	-	-	188,068	-
Transportation	-	-	-	-
Capital Outlay	8	96	-	5
Intergovernmental:				
Cities	-	16,928	1,231	-
Counties	131	15,798	13,611	331
School Districts	-	821	4,248	-
Special Districts	-	2,545	-	-
Federal	-	-	-	-
Other	2,103	977	1,787	250
Debt Service	-	-	-	-
TOTAL EXPENDITURES	25,282	81,467	226,256	1,672
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,126	24,221	134,956	135
OTHER FINANCING SOURCES (USES):				
Transfers-In	12,340	914	42,674	335
Transfers-Out	(28,574)	(33,218)	(173,407)	(673)
Face Amount of Bond/COP Issuance	-	-	-	-
Capital Lease Proceeds	-	-	-	-
Sale of Capital Assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,234)	(32,304)	(130,733)	(338)
NET CHANGE IN FUND BALANCES	892	(8,083)	4,223	(203)
FUND BALANCE, FISCAL YEAR BEGINNING	184,976	101,864	76,549	24,471
Prior Period Adjustment (See Note 29)	(836)	-	(2,838)	(19,188)
FUND BALANCE, FISCAL YEAR END	$ 185,032	$ 93,781	$ 77,934	$ 5,080

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 39,012	$ 39,012
-	-	2,493	149,701
-	-	1,256	139,938
35,515	-	236,796	364,486
649,890	-	35,468	687,994
-	-	210	851
2,551	7,241	3,505	19,708
3,257	-	80,624	204,774
-	42,948	-	42,948
4,059	2	21,224	27,754
695,272	50,191	420,588	1,677,166
-	37,377	22,810	61,385
1	909	130,722	182,985
-	-	5,530	20,689
48,237	-	6,280	71,561
3	-	37,182	37,185
-	-	-	985
1	-	11,140	199,209
-	-	2,259	2,259
507	99	2,841	3,556
674	-	31,149	49,982
2,037	376	31,571	63,855
256	-	2,189	7,514
236	223	4,425	7,429
65	-	1,638	1,703
2,267	-	27,370	34,754
-	98	101	199
54,284	39,082	317,207	745,250
640,988	11,109	103,381	931,916
2,609	-	7,988	66,860
(639,149)	(2,382)	(94,349)	(971,752)
-	-	9,300	9,300
-	-	48	48
-	-	9,356	9,356
(636,540)	(2,382)	(67,657)	(886,188)
4,448	8,727	35,724	45,728
126,869	129,114	260,099	903,942
(2,519)	-	2,500	(22,881)
$ 128,798	$ 137,841	$ 298,323	$ 926,789

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, 2012

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,117	$ -	$ 7,117
Due From Other Governments	-	77	77
Due From Other Funds	8,856	-	8,856
Prepaids, Advances, and Deferred Charges	5	-	5
Restricted Cash and Pooled Cash	195,580	8,301	203,881
Restricted Investments	489,753	-	489,753
Other Long-Term Assets	10,984	-	10,984
Capital Assets Held as Investments	52,286	-	52,286
TOTAL ASSETS	$ 764,581	$ 8,378	$ 772,959
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 674	$ 66	$ 740
Due To Other Governments	6	-	6
Due To Other Funds	12,612	-	12,612
Deferred Revenue	11,395	-	11,395
TOTAL LIABILITIES	24,687	66	24,753
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	730,309	6,930	737,239
Prepaids	5	-	5
Restricted	6,022	2	6,024
Committed	3,558	1,380	4,938
TOTAL FUND BALANCES	739,894	8,312	748,206
TOTAL LIABILITIES AND FUND BALANCES	$ 764,581	$ 8,378	$ 772,959

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 145,179	$ -	$ 145,179
Investment Income (Loss)	28,472	101	28,573
Federal Grants and Contracts	-	360	360
Additions to Permanent Funds	595	-	595
Other	77	5	82
TOTAL REVENUES	174,323	466	174,789
EXPENDITURES:			
Current:			
General Government	192	2	194
Natural Resources	7,765	518	8,283
Intergovernmental:			
Counties	8	-	8
TOTAL EXPENDITURES	7,965	520	8,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	166,358	(54)	166,304
OTHER FINANCING SOURCES (USES):			
Transfers-In	38,468	-	38,468
Transfers-Out	(159,492)	(10)	(159,502)
Sale of Capital Assets	4,955	-	4,955
TOTAL OTHER FINANCING SOURCES (USES)	(116,069)	(10)	(116,079)
NET CHANGE IN FUND BALANCES	50,289	(64)	50,225
FUND BALANCE, FISCAL YEAR BEGINNING	660,034	8,376	668,410
Prior Period Adjustment (See Note 29)	29,571	-	29,571
FUND BALANCE, FISCAL YEAR END	$ 739,894	$ 8,312	$ 748,206

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.
PARKS AND WILDLIFE	Expenses of this fund are to preserve the State's parks, 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 POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 64,266	$ 55,199	$ 37,125	$ 481
Investments	1,527	-	-	-
Student and Other Receivables, net	448	8,377	136	44
Due From Other Governments	-	797	1,633	-
Due From Other Funds	17	3,404	-	90
Inventories	-	1,168	-	19
Prepaids, Advances, and Deferred Charges	90	5,368	262	105
Total Current Assets	66,348	74,313	39,156	739
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,534	45,425	11,023	-
Restricted Receivables	1,674	4,867	74,434	-
Investments	40,037	-	-	-
Other Long-Term Assets	295	-	-	-
Depreciable Capital Assets and Infrastructure, net	16	160,526	-	13,175
Land and Nondepreciable Infrastructure	-	336,354	-	594
Total Noncurrent Assets	44,556	547,172	85,457	13,769
TOTAL ASSETS	110,904	621,485	124,613	14,508
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	118	14,438	5,665	378
Due To Other Governments	-	-	53,051	-
Due To Other Funds	4,546	594	-	-
Deferred Revenue	-	34,450	-	609
Compensated Absences Payable	-	263	-	13
Leases Payable	-	-	-	57
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	4,997	24	5,129	6
Total Current Liabilities	9,661	49,769	63,845	1,063
Noncurrent Liabilities:				
Due to Other Funds		1,077	-	-
Accrued Compensated Absences	115	6,497	128	126
Capital Lease Payable	-	-	-	1,361
Notes, Bonds, and COPs Payable	-	-	-	-
Other Long-Term Liabilities	23,256	-	-	-
Total Noncurrent Liabilities	23,371	7,574	128	1,487
TOTAL LIABILITIES	33,032	57,343	63,973	2,550
NET POSITION:				
Net investment in Capital Assets:	16	496,880	-	12,351
Restricted for:				
Emergencies	-	10,005	-	-
Other Purposes	-	26,709	27,486	-
Unrestricted	77,856	30,548	33,154	(393)
TOTAL NET POSITION	$ 77,872	$ 564,142	$ 60,640	$ 11,958

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 6,077	$ 10,275	$ 2,016	$ 6,697	$ 103,225	$ 12,257	$ 297,618
-	563	-	-	-	-	2,090
946	250	261	1,898	9,411	645	22,416
476	4,099	-	11	962	56	8,034
2,697	1,055	-	-	-	-	7,263
12,483	170	588	-	-	209	14,637
-	3	-	-	3	203	6,034
22,679	16,415	2,865	8,606	113,601	13,370	358,092
-	-	-	-	-	-	58,982
-	-	-	-	-	-	80,975
-	-	-	-	284,089	-	324,126
1,746	241	-	-	1,758	138	4,178
3,671	26,497	1,927	289	32,195	11,900	250,196
1,139	12,723	-	-	115,023	3,957	469,790
6,556	39,461	1,927	289	433,065	15,995	1,188,247
29,235	55,876	4,792	8,895	546,666	29,365	1,546,339
4,905	3,358	743	2,838	10,188	1,327	43,958
-	544	-	-	-	-	53,595
5	-	2	-	19	-	5,166
26	87	-	-	-	5,354	40,526
36	174	-	-	-	235	721
-	164	-	-	-	-	221
-	430	-	-	-	365	795
15	-	-	-	-	126	10,297
4,987	4,757	745	2,838	10,207	7,407	155,279
-	-	-	-	1,000	-	2,077
1,127	1,631	208	451	13	351	10,647
-	4,062	-	-	-	-	5,423
-	2,419	-	-	300,000	6,097	308,516
-	-	-	-	-	-	23,256
1,127	8,112	208	451	301,013	6,448	349,919
6,114	12,869	953	3,289	311,220	13,855	505,198
4,810	32,119	1,927	289	83,838	9,395	641,625
-	-	-	-	-	-	10,005
-	-	-	-	-	-	54,195
18,311	10,888	1,912	5,317	151,608	6,115	335,316
$ 23,121	$ 43,007	$ 3,839	$ 5,606	$ 235,446	$ 15,510	$ 1,041,141

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 95,639	$ -	$ -
Tuition and Fees	-	2	-	-
Sales of Goods and Services	-	4,235	-	6,423
Investment Income (Loss)	3,492	-	5,133	-
Rental Income	-	-	-	803
Federal Grants and Contracts	-	26,368	397,450	-
Intergovernmental Revenue	-	24,127	-	-
Other	66	1,211	5,431	52
TOTAL OPERATING REVENUES	3,558	151,582	408,014	7,278
OPERATING EXPENSES:				
Salaries and Fringe Benefits	126	83,072	57,572	4,032
Operating and Travel	1,700	61,008	330,428	3,989
Cost of Goods Sold	1,175	324	-	-
Depreciation and Amortization	1	10,590	-	536
Intergovernmental Distributions	-	5,618	-	-
Debt Service	-	-	14,871	-
Prizes and Awards	-	10	-	862
TOTAL OPERATING EXPENSES	3,002	160,622	402,871	9,419
OPERATING INCOME (LOSS)	556	(9,040)	5,143	(2,141)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	591	-	-
Investment Income (Loss)	-	1,298	-	944
Rental Income	-	8,819	-	-
Gifts and Donations	-	1,360	-	591
Gain/(Loss) on Sale or Impairment of Capital Assets	-	26	-	-
Insurance Recoveries from Prior Year Impairments	-	(7)	-	-
Debt Service	-	(280)	-	9
Other Expenses	-	-	-	-
Other Revenues	-	3	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	11,810	-	1,544
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	556	2,770	5,143	(597)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	3,298	-	346
Transfers-In	-	19,542	-	375
Transfers-Out	(95)	(10,962)	(126)	(83)
TOTAL CONTRIBUTIONS AND TRANSFERS	(95)	11,878	(126)	638
CHANGE IN NET POSITION	461	14,648	5,017	41
NET POSITION - FISCAL YEAR BEGINNING	77,896	290,438	55,623	11,917
Prior Period Adjustments (See Note 29)	(485)	259,056	-	-
NET POSITION - FISCAL YEAR ENDING	$ 77,872	$ 564,142	$ 60,640	$ 11,958

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 439	$ -	$ 7,940	$ 104,018
-	-	-	-	-	537	539
48,707	31,062	16,813	4	94,293	4,325	205,862
-	-	-	-	-	-	8,625
-	-	-	-	-	975	1,778
1,503	18,529	-	1,310	26,135	706	472,001
-	843	-	-	-	-	24,970
102	35	29	19	276	56	7,277
50,312	50,469	16,842	1,772	120,704	14,539	825,070
12,147	32,666	3,414	10,805	677	5,204	209,715
9,139	8,062	2,482	26,598	4,218	8,536	456,160
28,235	-	10,473	-	-	133	40,340
419	1,569	111	98	288	909	14,521
-	3,119	-	-	-	-	8,737
-	-	-	-	-	-	14,871
-	-	-	-	-	-	872
49,940	45,416	16,480	37,501	5,183	14,782	745,216
372	5,053	362	(35,729)	115,521	(243)	79,854
-	-	-	27,318	-	-	27,318
-	-	-	6,044	36	7	6,678
14	129	41	125	5,995	112	8,658
383	3	-	-	-	-	9,205
9	2	14	-	-	726	2,702
-	111	-	-	-	18	155
-	-	-	-	-	-	(7)
-	(303)	-	-	(13,932)	(219)	(14,725)
-	(42)	-	-	(67)	(11)	(120)
-	-	-	-	-	-	3
406	(100)	55	33,487	(7,968)	633	39,867
778	4,953	417	(2,242)	107,553	390	119,721
-	26	-	-	-	-	3,670
63	986	-	-	-	-	20,966
(365)	(1,727)	(65)	(1,075)	-	(263)	(14,761)
(302)	(715)	(65)	(1,075)	-	(263)	9,875
476	4,238	352	(3,317)	107,553	127	129,596
22,645	38,769	3,487	8,923	127,893	15,383	652,974
-	-	-	-	-	-	258,571
$ 23,121	$ 43,007	$ 3,839	$ 5,606	$ 235,446	$ 15,510	$ 1,041,141

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ 2	$ -	$ -
Fees for Service	209	95,743	22	4,377
Sales of Products	-	2,116	587	81
Gifts, Grants, and Contracts	-	27,813	368,267	52
Income from Property	-	8,819	-	803
Other Sources	-	34,982	4,844	2,273
Employees	(137)	(76,161)	(1,857)	(2,407)
Suppliers	(4,199)	(53,528)	(51,710)	(5,582)
Sales Commissions and Lottery Prizes	-	(4,260)	-	-
Others for Student Loans and Loan Losses	-	-	(343,260)	-
Other Governments	-	(5,618)	-	-
Other	(1,524)	(11,117)	-	(973)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5,651)	18,791	(23,107)	(1,376)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	-	19,542	-	375
Transfers-Out	(95)	(10,962)	(126)	(83)
Receipt of Deposits Held in Custody	-	13	-	-
Release of Deposits Held in Custody	-	-	-	-
Gifts and Grants for Other Than Capital Purposes	-	1,360	-	-
NonCapital Debt Service Payments	-	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(95)	9,953	(126)	292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(6)	(22,141)	(14)	(1,008)
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	-
Capital Debt Service Payments	-	(3)	-	-
Capital Lease Payments	-	-	-	(373)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(6)	(22,144)	(14)	(1,381)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 288	$ -	$ -	$ -	$ 537	$ 827
12,182	31,059	-	2,050	91,203	3,694	240,539
36,779	47	16,849	-	-	671	57,130
1,503	18,245	-	1,366	27,730	693	445,669
383	3	-	-	-	975	10,983
102	13	29	33,791	36	12,569	88,639
(10,378)	(32,332)	(3,400)	(3,262)	(4,902)	(4,928)	(139,764)
(39,028)	(8,468)	(12,867)	(34,806)	(11,119)	(8,730)	(230,037)
-	-	-	-	-	(1)	(4,261)
-	-	-	-	-	-	(343,260)
-	(3,154)	-	-	-	-	(8,772)
(62)	(37)	(1)	-	(176)	(169)	(14,059)
1,481	5,664	610	(861)	102,772	5,311	103,634
63	986	-	-	-	-	20,966
(365)	(1,727)	(65)	(1,075)	-	(263)	(14,761)
-	-	-	-	-	122	135
-	(1)	-	-	-	-	(1)
9	2	14	-	-	726	2,111
-	(611)	-	-	-	-	(611)
(293)	(1,351)	(51)	(1,075)	-	585	7,839
(842)	(2,469)	(16)	-	(93,364)	(294)	(120,154)
-	-	-	-	-	17	17
-	4,062	-	-	-	-	4,062
-	-	-	-	(13,932)	(558)	(14,493)
-	(2,299)	-	-	-	-	(2,672)
(842)	(706)	(16)	-	(107,296)	(835)	(133,240)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	2,242	1,414	5,388	950
Proceeds from Sale/Maturity of Investments	5,035	-	-	-
Purchases of Investments	(2,347)	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(113)	(116)	(254)	(7)
NET CASH FROM INVESTING ACTIVITIES	4,817	1,298	5,134	943
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(935)	7,898	(18,113)	(1,522)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	68,220	49,427	66,261	2,003
Prior Period Adjustment (See Note 29)	(485)	43,299	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 66,800	$ 100,624	$ 48,148	$ 481
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 556	$ (9,040)	$ 5,143	$ (2,141)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	1	10,590	-	536
Investment/Rental Income and Other Revenue in Operating Income	(3,492)	-	(5,133)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	9,155	-	591
(Gain)/Loss on Disposal of Capital and Other Assets	-	2,247	-	-
Compensated Absences	(14)	42	(12)	2
Interest and Other Expense in Operating Income	-	-	14	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	(32)	5,629	(54,112)	(67)
(Increase) Decrease in Inventories	-	1,406	-	5
(Increase) Decrease in Other Operating Assets	157	(4,841)	86	61
Increase (Decrease) in Accounts Payable	(529)	814	30,233	(150)
Increase (Decrease) in Other Operating Liabilities	(2,298)	2,789	674	(213)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (5,651)	$ 18,791	$ (23,107)	$ (1,376)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	-	-	-	346
Capital Assets Acquired by Grants or Donations and Payable Increases	-	3,298	-	-
Realized/Unrealized Gain/Loss on Investments and Interest Receivable Accruals	1,267	-	-	-
Loss on Disposal of Capital and Other Assets	3,756	2,681	-	-
Assumption of Capital Lease Obligation or Mortgage	-	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
31	53	42	166	5,416	55	15,757
-	58	-	-	57,109	-	62,202
-	-	-	-	-	-	(2,347)
(17)	17	(2)	(41)	749	57	273
14	128	40	125	63,274	112	75,885
360	3,735	583	(1,811)	58,750	5,173	54,118
5,717	6,540	1,433	8,508	44,475	7,084	259,668
-		-				42,814
$ 6,077	$ 10,275	$ 2,016	$ 6,697	$ 103,225	$ 12,257	$ 356,600
$ 372	$ 5,053	$ 362	$ (35,729)	$ 115,521	$ (243)	$ 79,854
419	1,569	111	98	288	909	14,521
-	-	-	-	-	-	(8,625)
383	-	-	33,362	30	19	43,540
-	-	-	-	-	13	2,260
111	(49)	8	119	(6)	49	250
-	-	-	-	(13,991)	60	(13,917)
227	390	34	2,082	(1,770)	48	(47,571)
(931)	30	(100)	-	-	(27)	383
88	2	-	-	(3)	(32)	(4,482)
775	(662)	195	(783)	1,703	(40)	31,556
37	(669)	-	(10)	1,000	4,555	5,865
$ 1,481	$ 5,664	$ 610	$ (861)	$ 102,772	$ 5,311	$ 103,634
-	26	-	-	-	-	372
-	-	-	-	-	-	3,298
-	58	-	-	-	-	1,325
-	57	-	-	-	13	6,507
-	4,062	-	-	-	-	4,062

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 and telecommunications services sold to other State agencies.
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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 5,587	$ 14,435	$ 3,359
Other Receivables, net	341	1	61
Due From Other Governments	346	245	-
Due From Other Funds	18	1,531	-
Inventories	832	7	279
Prepaids, Advances, and Deferred Charges	27	1,093	-
Total Current Assets	7,151	17,312	3,699
Noncurrent Assets:			
Other Long-Term Assets	6	-	-
Depreciable Capital Assets and Infrastructure, net	48,170	2,035	16,605
Land and Nondepreciable Infrastructure	-	-	1,040
Total Noncurrent Assets	48,176	2,035	17,645
TOTAL ASSETS	55,327	19,347	21,344
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,615	10,627	793
Due To Other Funds	4	46	-
Deferred Revenue	-	64	4
Compensated Absences Payable	15	43	21
Leases Payable	9,913	-	756
Notes, Bonds, and COPs Payable	2,070	-	-
Other Current Liabilities	203	-	-
Total Current Liabilities	14,820	10,780	1,574
Noncurrent Liabilities:			
Accrued Compensated Absences	505	5,782	237
Capital Lease Payable	34,862	-	17,914
Notes, Bonds, and COPs Payable	2,626	-	-
Total Noncurrent Liabilities	37,993	5,782	18,151
TOTAL LIABILITIES	52,813	16,562	19,725
NET POSITION:			
Net investment in Capital Assets:	(1,301)	2,035	(1,025)
Unrestricted	3,815	750	2,644
TOTAL NET POSITION	$ 2,514	$ 2,785	$ 1,619

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 253	$ 506	$ 985	$ 1,060	$ 26,185
6	6	23	7	445
-	-	-	-	591
77	-	-	-	1,626
307	-	-	-	1,425
-	-	-	1	1,121
643	512	1,008	1,068	31,393
-	-	-	-	6
110	1,751	8	6	68,685
-	-	-	-	1,040
110	1,751	8	6	69,731
753	2,263	1,016	1,074	101,124
173	23	303	163	14,697
-	-	-	-	50
-	-	-	10	78
-	-	24	-	103
-	-	-	-	10,669
-	-	-	-	2,070
-	-	-	-	203
173	23	327	173	27,870
-	-	264	31	6,819
-	-	-	-	52,776
-	-	-	-	2,626
-	-	264	31	62,221
173	23	591	204	90,091
110	1,751	8	6	1,584
470	489	417	864	9,449
$ 580	$ 2,240	$ 425	$ 870	$ 11,033

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
OPERATING REVENUES:			
Sales of Goods and Services	$ 60,147	$ 131,283	$ -
Rental Income	-	-	11,649
Other	377	2	-
TOTAL OPERATING REVENUES	60,524	131,285	11,649
OPERATING EXPENSES:			
Salaries and Fringe Benefits	7,943	88,385	3,038
Operating and Travel	29,398	41,666	5,445
Cost of Goods Sold	7,812	-	-
Depreciation and Amortization	13,641	745	1,298
Intergovernmental Distributions	-	-	3
TOTAL OPERATING EXPENSES	58,794	130,796	9,784
OPERATING INCOME (LOSS)	1,730	489	1,865
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	13	84	-
Federal Grants and Contracts	-	213	37
Gain/(Loss) on Sale or Impairment of Capital Assets	234	35	125
Debt Service	(1,882)	(18)	(783)
Other Expenses	(53)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,688)	314	(621)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	42	803	1,244
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	1,017	-	-
Transfers-In	266	1,543	27
Transfers-Out	(1,444)	(1,586)	(1,045)
TOTAL CONTRIBUTIONS AND TRANSFERS	(161)	(43)	(1,018)
CHANGE IN NET POSITION	(119)	760	226
NET POSITION - FISCAL YEAR BEGINNING	2,633	2,025	1,702
Prior Period Adjustments (See Note 29)	-	-	(309)
NET POSITION - FISCAL YEAR ENDING	$ 2,514	$ 2,785	$ 1,619

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 1,812	$ 160	$ 4,470	$ 3,214	$ 201,086
-	-	-	-	11,649
-	1	-	-	380
1,812	161	4,470	3,214	213,115
940	205	3,557	1,056	105,124
1,171	318	843	1,327	80,168
-	-	-	-	7,812
16	430	5	3	16,138
-	-	-	-	3
2,127	953	4,405	2,386	209,245
(315)	(792)	65	828	3,870
(7)	-	4	2	96
-	-	-	-	250
-	-	-	-	394
-	-	-	-	(2,683)
-	-	-	-	(53)
(7)	-	4	2	(1,996)
(322)	(792)	69	830	1,874
-	1,150	-	-	2,167
-	427	-	-	2,263
-	(21)	(185)	(614)	(4,895)
-	1,556	(185)	(614)	(465)
(322)	764	(116)	216	1,409
902	1,476	541	654	9,933
-	-	-	-	(309)
$ 580	$ 2,240	$ 425	$ 870	$ 11,033

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Fees for Service	59,890	131,894	-
Sales of Products	14	-	-
Gifts, Grants, and Contracts	-	211	-
Income from Property	-	-	-
Other Sources	330	103	-
Cash Payments to or for:			
Employees	(7,049)	(73,423)	-
Suppliers	(38,163)	(52,417)	-
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(11)	(13)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,011	6,355	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	266	1,543	-
Transfers-Out	(1,444)	(1,586)	-
Receipt of Deposits Held in Custody	433	-	-
Release of Deposits Held in Custody	(488)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,233)	(43)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(1,948)	(443)	-
Proceeds from Sale of Capital Assets	3,155	-	-
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(3,827)	(18)	-
Capital Lease Payments	(12,493)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(15,113)	(461)	-

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	764	170	4,450	3,213	200,381
-	968	-	-	-	982
37	-	-	-	-	248
11,673	-	-	-	-	11,673
125	-	1	-	3	562
(2,973)	(820)	(232)	(3,488)	(959)	(88,944)
(5,936)	(1,270)	(321)	(922)	(727)	(99,756)
-	-	-	-	(608)	(608)
(3)	-	-	-	-	(3)
-	-	-	-	(101)	(125)
2,923	(358)	(382)	40	821	24,410
27	-	427	-	-	2,263
(1,045)	-	(21)	(185)	(614)	(4,895)
-	-	-	-	-	433
-	-	-	-	-	(488)
(1,018)	-	406	(185)	(614)	(2,687)
(233)	(27)	(1,080)	-	-	(3,731)
-	-	1,079	-	-	4,234
1,397	-	-	-	-	1,397
(783)	-	-	-	-	(4,628)
(756)	-	-	-	-	(13,249)
(375)	(27)	(1)	-	-	(15,977)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	13	20	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	63	-
NET CASH FROM INVESTING ACTIVITIES	13	83	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(1,322)	5,934	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	6,909	8,501	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 5,587	$ 14,435	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 1,730	$ 489	$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	13,641	745	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	314	-
(Gain)/Loss on Disposal of Capital and Other Assets	11	-	-
Compensated Absences	(8)	61	-
Interest and Other Expense in Operating Income	36	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(120)	800	-
(Increase) Decrease in Inventories	(188)	30	-
(Increase) Decrease in Other Operating Assets	(8)	873	-
Increase (Decrease) in Accounts Payable	88	3,233	-
Increase (Decrease) in Other Operating Liabilities	(171)	(190)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,011	$ 6,355	$ -
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	1,017	-	-
Loss on Disposal of Capital and Other Assets	11	65	-
Assumption of Capital Lease Obligation or Mortgage	8,811	-	-

CAPITOL COMPLEX		HIGHWAYS		PUBLIC SAFETY		ADMINISTRATIVE COURTS		OTHER INTERNAL SERVICE ACTIVITIES		TOTALS
	-		-		-		8		2	43
	-		(7)		-		(4)		-	52
	-		(7)		-		4		2	95
	1,530		(392)		23		(141)		209	5,841
	1,829		645		483		1,126		851	20,344
$	3,359	$	253	$	506	$	985	$	1,060	$ 26,185
$	1,865	$	(315)	$	(792)	$	65	$	828	$ 3,870
	1,298		16		430		5		3	16,138
	163		-		-		-		-	477
	-		-		-		-		-	11
	(33)		-		-		(13)		-	7
	125		-		-		-		-	161
	24		(79)		6		(19)		(2)	610
	(1)		(9)		-		-		-	(168)
	-		-		-		-		9	874
	(517)		29		(26)		2		(20)	2,789
	(1)		-		-		-		3	(359)
$	2,923	$	(358)	$	(382)	$	40	$	821	$ 24,410
	-		-		1,150		-		-	2,167
	-		-		-		-		-	76
	1,397		-		-		-		-	10,208

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, but are shown in the Basic Financial Statements. 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 Position 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. 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 Certificates of Participation or revenue Bonds 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 POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,994	$ 95,664	$ 17,042
Other Receivables, net	14	-	7,372
Due From Other Funds	-	-	4,546
Noncurrent Assets:			
Investments:			
Government Securities	-	-	4,021
Repurchase Agreements	-	-	899
Mutual Funds	-	-	4,261,887
Other Investments	-	-	45,646
TOTAL ASSETS	4,008	95,664	4,341,413
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	7,404
Due To Other Funds	-	-	17
Deferred Revenue	-	-	2,139
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,534
TOTAL LIABILITIES	-	-	12,094
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	4,008	95,664	4,329,319
TOTAL NET POSITION	$ 4,008	$ 95,664	$ 4,329,319

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ -	$ -	$ 4,085	$ 120,785
-	-	1,203	8,589
-	-	-	4,546
-	12,675	625	17,321
-	-	-	899
-	-	-	4,261,887
-	-	-	45,646
-	12,675	5,913	4,459,673
-	-	709	8,113
-	-	-	17
-	-	3,941	6,080
-	-	-	2,534
-	-	4,650	16,744
-	12,675	1,263	4,442,929
$ -	$ 12,675	$ 1,263	$ 4,442,929

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 551,687
Investment Income/(Loss)	37	(96)	133,039
Unclaimed Property Receipts	-	32,510	-
Other Additions	671	-	711
TOTAL ADDITIONS	708	32,414	685,437
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	219	29,462	422,908
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	219	29,462	422,908
CHANGE IN NET POSITION	489	2,952	262,529
NET POSITION - FISCAL YEAR BEGINNING	3,519	92,712	4,066,790
NET POSITION - FISCAL YEAR ENDING	$ 4,008	$ 95,664	$ 4,329,319

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 262,652	$ -	$ 10,792	$ 825,131
-	2,804	86	135,870
-	-	-	32,510
-	-	1,599	2,981
262,652	2,804	12,477	996,492
262,652	417	-	263,069
-	-	12,439	465,028
-	-	104	104
262,652	417	12,543	728,201
-	2,387	(66)	268,291
-	10,288	1,329	4,174,638
$ -	$ 12,675	$ 1,263	$ 4,442,929

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 95,320	$ 2,318,745	$ 2,310,800	$ 103,265
Taxes Receivable, net	127,811	14,596	22,552	119,855
TOTAL ASSETS	$ 223,131	$ 2,333,341	$ 2,333,352	$ 223,120
LIABILITIES:				
Tax Refunds Payable	$ 4,414	$ 1,049	$ 1,352	$ 4,111
Due To Other Governments	209,922	2,330,086	2,326,535	213,473
Claims and Judgments Payable	129	3,891	3,780	240
Other Long-Term Liabilities	8,666	260	3,630	5,296
TOTAL LIABILITIES	$ 223,131	$ 2,335,286	$ 2,335,297	$ 223,120

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 95,941	$ 196,566	$ 179,771	$ 112,736
Taxes Receivable, net	4,669	715	214	5,170
Other Receivables, net	379	2,224	2,219	384
Inventories	6	34	37	3
Other Long-Term Assets	19,168	432	5,864	13,736
TOTAL ASSETS	$ 120,163	$ 199,971	$ 188,105	$ 132,029
LIABILITIES:				
Tax Refunds Payable	$ 79	$ 96	$ 48	$ 127
Accounts Payable and Accrued Liabilities	1,138	20,914	20,993	1,059
Due To Other Governments	7,650	90,378	89,137	8,891
Due To Other Funds	39	18,384	18,386	37
Deferred Revenue	-	198	198	-
Claims and Judgments Payable	387	49	45	391
Other Current Liabilities	107,726	90,463	78,516	119,673
Deposits Held In Custody For Others	2,427	960	1,969	1,418
Other Long-Term Liabilities	717	-	284	433
TOTAL LIABILITIES	$ 120,163	$ 221,442	$ 209,576	$ 132,029

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 982,410	$ 340,671	$ 590,206	$ 732,875
Due From Other Funds	12,144	9,933	12,144	9,933
TOTAL ASSETS	$ 994,554	$ 350,604	$ 602,350	$ 742,808
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 5	$ 145	$ 146	$ 4
Other Current Liabilities	956,524	341,657	592,452	705,729
Deposits Held In Custody For Others	38,025	3,682	4,632	37,075
TOTAL LIABILITIES	$ 994,554	$ 345,484	$ 597,230	$ 742,808

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 1,173,671	$ 2,855,982	$ 3,080,777	$ 948,876
Taxes Receivable, net	132,480	15,311	22,766	125,025
Other Receivables, net	379	2,224	2,219	384
Due From Other Funds	12,144	9,933	12,144	9,933
Inventories	6	34	37	3
Other Long-Term Assets	19,168	432	5,864	13,736
TOTAL ASSETS	$ 1,337,848	$ 2,883,916	$ 3,123,807	$ 1,097,957
LIABILITIES:				
Tax Refunds Payable	$ 4,493	$ 1,145	$ 1,400	$ 4,238
Accounts Payable and Accrued Liabilities	1,143	21,059	21,139	1,063
Due To Other Governments	217,572	2,420,464	2,415,672	222,364
Due To Other Funds	39	18,384	18,386	37
Deferred Revenue	-	198	198	-
Claims and Judgments Payable	516	3,940	3,825	631
Other Current Liabilities	1,064,250	432,120	670,968	825,402
Deposits Held In Custody For Others	40,452	4,642	6,601	38,493
Other Long-Term Liabilities	9,383	260	3,914	5,729
TOTAL LIABILITIES	$ 1,337,848	$ 2,902,212	$ 3,142,103	$ 1,097,957

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 64. The Component Units Eliminated With The Implementation of GASB No. 61 include the University of Colorado Real Estate Foundation, The Renewable Energy Authority, The Higher Competitive Research Authority, and the Statewide Internet Portal Authority. Descriptions of each of the component units presented can be found in Note 38 on page 145.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2012

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	COMPONENT UNITS ELIMINATED WITH THE IMPLEMENTATION OF GASB NO. 61	TOTAL
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 2,155	$ 13,683	$ 5,524	$ 11,812	$ -	$ 33,174
Investments	-	81,495	-	-	-	81,495
Contributions Receivable, net	-	-	4,150	-	-	4,150
Other Receivables, net	91	1,729	31	-	-	1,851
Due From Other Governments	-	-	-	364	-	364
Total Current Assets	2,246	96,907	9,705	12,176	-	121,034
Noncurrent Assets:						
Restricted Cash and Pooled Cash	15,364	-	-	-	-	15,364
Investments	-	-	33,246	-	-	33,246
Other Long-Term Assets	1,265	-	8,300	1,611	-	11,176
Depreciable Capital Assets and Infrastructure, net	119,250	5	-	-	-	119,255
Land and Nondepreciable Infrastructure	19,743	-	-	42,882	-	62,625
Total Noncurrent Assets	155,622	5	41,546	44,493	-	241,666
TOTAL ASSETS	157,868	96,912	51,251	56,669	-	362,700
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	146	175	25	5,120	-	5,466
Deferred Revenue	-	6,230	4,150	-	-	10,380
Claims and Judgments Payable	-	23,309	-	-	-	23,309
Notes, Bonds, and COPs Payable	306	-	-	-	-	306
Total Current Liabilities	452	29,714	4,175	5,120	-	39,461
Noncurrent Liabilities:						
Notes, Bonds, and COPs Payable	321	-	-	54,623	-	54,944
Other Long-Term Liabilities	14,774	-	8,300	-	-	23,074
Total Noncurrent Liabilities	15,095	-	8,300	54,623	-	78,018
TOTAL LIABILITIES	15,547	29,714	12,475	59,743	-	117,479
NET POSITION:						
Net investment in Capital Assets:	138,336	5	-	-	-	138,341
Restricted for:						
Emergencies	29	-	-	-	-	29
Other Purposes	1,358	67,193	-	-	-	68,551
Unrestricted	2,598	-	38,776	(3,074)	-	38,300
TOTAL NET POSITION	$ 142,321	$ 67,198	$ 38,776	$ (3,074)	$ -	$ 245,221

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	COMPONENT UNITS ELIMINATED WITH THE IMPLEMENTATION OF GASB NO. 61	TOTAL
OPERATING REVENUES:						
Fees	$ -	$ 101,747	$ -	$ -	$ -	$ 101,747
Investment Income (Loss)	-	-	3,254	-	-	3,254
Rental Income	948	-	-	-	-	948
Federal Grants and Contracts	-	2,931	-	-	-	2,931
TOTAL OPERATING REVENUES	948	104,678	3,254	-	-	108,880
OPERATING EXPENSES:						
Operating and Travel	96	129,573	49	262	-	129,980
Depreciation and Amortization	4,040	10	-	-	-	4,050
TOTAL OPERATING EXPENSES	4,136	129,583	49	262	-	134,030
OPERATING INCOME (LOSS)	(3,188)	(24,905)	3,205	(262)	-	(25,150)
NONOPERATING REVENUES AND (EXPENSES):						
Investment Income (Loss)	4	674	127	(137)	-	668
Gifts and Donations	-	5,000	4,150	-	-	9,150
Other Expenses	-	-	-	(2,913)	-	(2,913)
Other Revenues	603	34,694	-	1,065	-	36,362
TOTAL NONOPERATING REVENUES (EXPENSES)	607	40,368	4,277	(1,985)	-	43,267
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,581)	15,463	7,482	(2,247)	-	18,117
CHANGE IN NET POSITION	(2,581)	15,463	7,482	(2,247)	-	18,117
NET POSITION - FISCAL YEAR BEGINNING	144,902	51,735	31,294	(827)	20,121	247,225
Accounting Changes (See Note 29)	-	-	-	-	(20,121)	(20,121)
NET POSITION - FISCAL YEAR ENDING	$ 142,321	$ 67,198	$ 38,776	$ (3,074)	$ -	$ 245,221

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 Position.* 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, 2012

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 29	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,556	5,679	56,579	-
Personnel & Administration	5,739	2,387	70,628	-
Revenue	-	1,425	1,137	-
Subtotal	9,295	9,520	128,344	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	1,822	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	239	6,695	-
Local Affairs	-	81	1,209	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	998	-
State	-	-	-	-
Subtotal	1,181	320	10,724	51
EDUCATION				
Education	152	53	111,532	1,506
Higher Education	1,842	1,013	111,752	8,928
Subtotal	1,994	1,066	223,284	10,434
HEALTH AND REHABILITATION				
Public Health and Environment	188	7	5,642	-
Human Services	3,068	3,794	98,068	-
Subtotal	3,256	3,801	103,710	-
JUSTICE				
Corrections	3,987	3,934	614,633	-
DHS, Division of Youth Services	1,675	584	90,351	-
Judicial	1,605	167	-	587
Law	-	-	-	-
Public Safety	1,399	332	20,806	-
Subtotal	8,666	5,017	725,790	587
NATURAL RESOURCES				
Natural Resources	39,882	147	12,022	-
SOCIAL ASSISTANCE				
Human Services	-	420	2,540	-
Military Affairs	36	1,715	2,143	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,135	4,683	-
TRANSPORTATION				
Transportation	15,476	153	104,486	-
TOTAL CAPITAL ASSETS	$ 79,786	$ 22,159	$ 1,313,043	$ 11,072

[1]Governor's Office, Colorado Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 21,046	$ 2,982	$ 281	$ -	$ -	$ 24,338
324	78	-	-	-	402
453	10	-	13,178	-	79,455
45,418	57	-	5,824	-	130,053
2,107	17,008	-	6,669	-	28,346
69,348	20,135	281	25,671	-	262,594
1,548	345	-	457	-	4,274
47	-	-	-	-	98
1,713	1,468	1,193	7,781	-	19,632
175	179	-	-	-	1,644
167	48	-	-	-	215
96	25	-	-	-	1,655
749	392	-	-	-	1,141
4,495	2,457	1,193	8,238	-	28,659
1,329	1,265	-	199,475	-	315,312
1,531	-	-	(119)	56	125,003
2,860	1,265	-	199,356	56	440,315
4,487	1,320	6,324	-	-	17,968
1,867	-	61	5,926	-	112,784
6,354	1,320	6,385	5,926	-	130,752
9,974	504	873	19,713	-	653,618
380	-	-	1,373	-	94,363
6,235	621	-	225,026	-	234,241
655	-	-	-	-	655
7,950	6,751	112	3,264	-	40,614
25,227	7,876	985	249,376	-	1,023,524
1,150	116	13,151	635	-	67,103
3,222	69,765	-	9,654	-	85,601
14	-	-	-	-	3,908
100	481	-	-	-	581
3,336	70,246	-	9,654	-	90,090
135,957	7,419	-	412,554	8,787,038	9,463,083
$ 248,727	$ 110,834	$ 21,995	$ 911,410	$ 8,787,094	$ 11,506,120

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 position/fund balance 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 POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2012

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,099	-	6,099
Wildlife for Future Generations (Expendable)	33-1-112	1,446	66	1,380
Other Permanent-Nonexpendable	VARIOUS	754	-	754
Veterans Monument Preservation	24-80-1401	71	-	71
Hall Historical Marker-Nonexpendable	24-80-209	$ 8	$ -	$ 8
Total Other Permanent Funds		$ 8,378	$ 66	$ 8,312
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	625	-	625
Early Intervention Services	27-10.5-706	4,998	4,597	401
Brand Estray Fund	35-41-102	226	15	211
Colorado Combined Campaign Administration	RESTRICTED	64	38	26
Total Other Private Purpose Funds		$ 5,913	$ 4,650	$ 1,263
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	NONE	15,156	6,673	8,483
Grounds Cash Fund	26-1-133.5(2	3,967	74	3,893
Brand Inspection Fund	35-41-102	7,791	6,376	1,415
Enterprise Services	24-80-209	896	92	804
Business Enterprise Program	26-8.5-107	846	156	690
Clean Screen Authority	42-3-304(19)	592	454	138
Work Therapy	NONE	72	30	42
Other Enterprise Funds	VARIOUS	32	-	32
Conference & Training	NONE	13	-	13
Total Other Enterprise Funds		$ 29,365	$ 13,855	$ 15,510
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	405,057	20,662	384,395
School Capital Construction Assistance	22-43.7-104	36,097	7,879	28,218
Economic Development Fund	24-46-105	9,314	97	9,217
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Ballot Information Publication & District Fund	1-40-124.5	3,677	-	3,677
Legislative Department Cash	2-2-1601(1)	3,523	-	3,523
State Employee Reserve Fund	24-50-104	2,373	-	2,373
Housing Development Grant Fund	24-32-721	2,275	390	1,885
State Supplemental Security Income Stabilization	26-2-210(1)	2,037	516	1,521
Persistent Drunk Driver	42-3-130.5	1,804	351	1,453
Tax Amnesty Cash Fund	39-21-202	1,093	2	1,091
Colorado Health Care Services	25.5-3-112	1,057	-	1,057
Charter School Institute Fund	22-30.5-506	1,888	1,159	729
Drug Offender Treatment Fund	18-19-103	474	-	474
Diseased Livestock Fund	35-50-140.5	469	-	469
Charter School Assistance Fund	22-30.5-515	458	-	458
Colorado Family Support Loan	27-10.5-502	415	-	415
Legislative Expenses Fund	2-3-1002(1)	389	-	389
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	361	-	361
Colorado National Guard Tuition Fund	23-5-111.4	295	25	270
Conservation Trust Fund	24-35-210(10	11,925	11,686	239
Start Smart Nutrition Program	22-82.7-105	268	37	231
Real Estate Proceeds	28-3-106	193	1	192
Highway Crossing	43-4-201	175	-	175

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2012

(Dollars in Thousands)

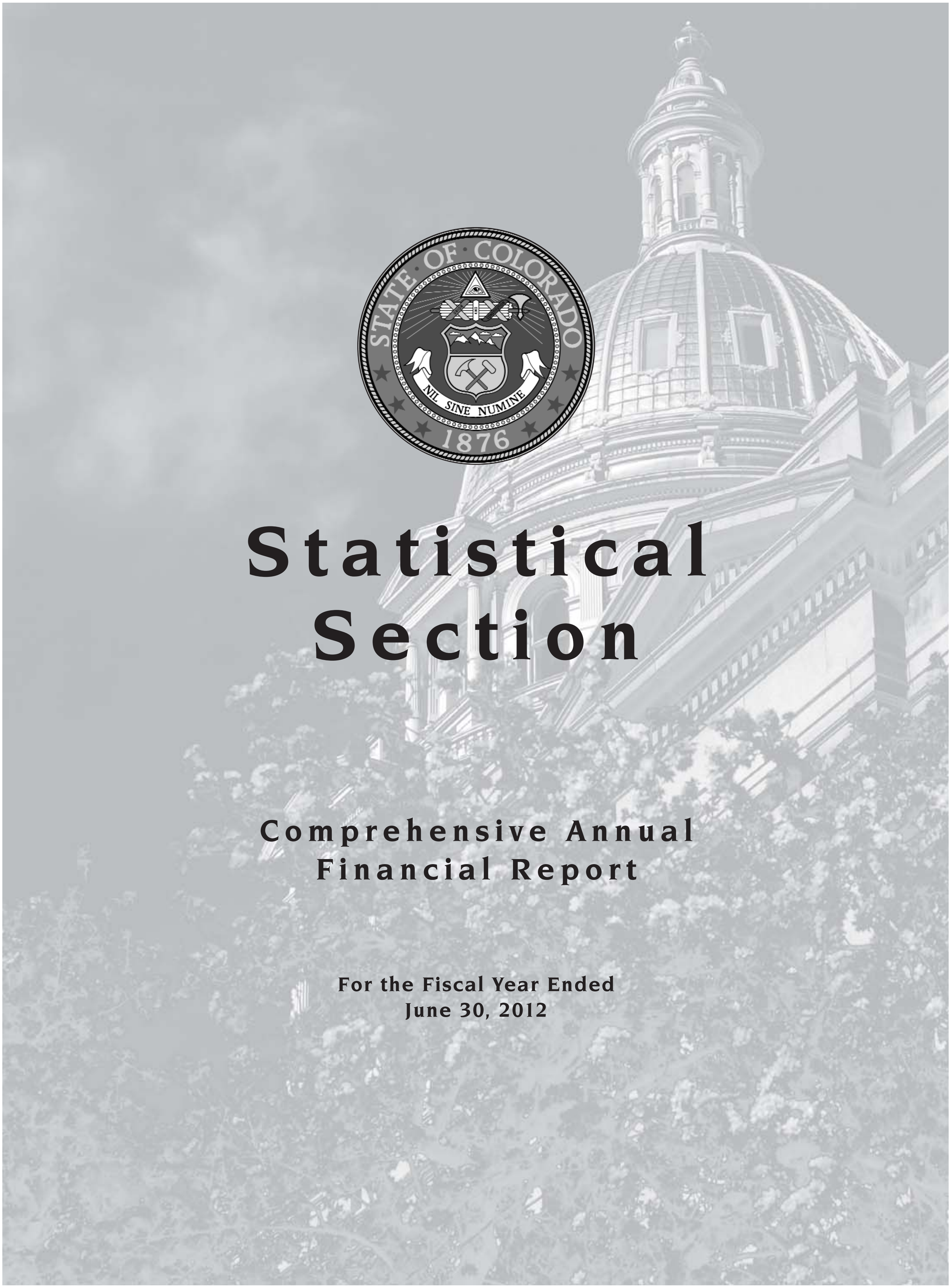
FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Colo Heritage Communities Fund	24-32-3207	161	-	161
Advance Technology Fund	25-16.5-105(	160	-	160
Older Coloradans Cash Fund	26-11-205.5	832	784	48
Child Protection Ombudsman Program	19-3.3-107(1	86	85	1
COFRS Warehouse Inventory	NONE	435	435	-
Youth Advisory Council Cash	2-2-1306	6	6	-
		$ 492,297	$ 44,115	$ 448,182
OTHER SPECIAL REVENUE FUNDS				
Justice Center Cash Fund	13-32-101(7)	41,570	128	41,442
Aviation Fund	43-10-109	38,121	531	37,590
Judicial Stabilization Cash	13-32-101	25,002	-	25,002
Gear Up Scholarship Trust Fund	RESTRICTED	21,619	-	21,619
Supreme Court Committee	CRT RULE 227	16,207	4,994	11,213
Victims Assistance	24-4.2-104	10,814	38	10,776
Consumer Protection Custodial Funds	6-1-103	11,744	1,716	10,028
Energy Efficiency Project Fund	24-38.5-106(	9,347	-	9,347
Offender Services	16-11-214	9,305	-	9,305
Victims Compensation	24-4.1-117	9,117	11	9,106
Secretary Of State Fees	24-21-104	8,702	1,693	7,009
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,460	2,370	4,090
Help America Vote Fund	HAVA 2002	4,139	126	4,013
Conveyance Safety Fund	9-5.5-111(2)	4,005	1	4,004
Process & End Users Fund	25-17-202.5	3,932	255	3,677
Division Of Registrations Cash Fund	24-34-105	17,757	14,268	3,489
Supportive Housing and Homeless Programs Section 8	29-4-708(K)	3,718	375	3,343
Other Expendable Trusts	VARIOUS	15,884	12,776	3,108
Creative Industries Cash Fund	24-48.5-301(	3,141	75	3,066
Federal Tax Relief Act - 2003	RESTRICTED	3,171	130	3,041
Disabled Telephone Users Fund	40-17-104	3,094	158	2,936
Electronic Procurement Program	24-102-202.5	3,024	95	2,929
Mortgage Fraud Settlement Fund	NONE	2,704	-	2,704
Medical Marijuana License Fund	12-43.3-501	2,606	201	2,405
Fixed Utilities	40-2-114	3,010	655	2,355
Housing Rehabilitation Revolving Loans	29-4-728	2,327	-	2,327
Travel And Tourism Additional	24-49.7-106	2,460	174	2,286
Victims Assistance	24-33.5-506	2,176	139	2,037
Patient Benefit	NONE	1,957	4	1,953
Public School Construction & Inspection	24-33.5-1207	1,969	67	1,902
Inspection & Consumer Service Cash Fund	35-1-106.5	3,295	1,425	1,870
Judicial Information Technology Cash Fund	13-32-114	1,864	-	1,864
Court Security Cash Fund	13-1-204(1)	2,455	608	1,847
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1	3,815	2,010	1,805
Hazardous Materials	42-20-107	1,768	-	1,768
Texaco Oil Overcharge Fund	NONE	1,711	-	1,711
Section 8 Pre Federal Fiscal Year 04	NONE	1,625	-	1,625
HUD Section 8 Housing Choice Vouchers- HAP/URP	29-4-708(K)	1,877	288	1,589
Law Examiners Board Fund Balance	CRT RULE 201	1,439	-	1,439
Donations	Ex. Order 56-87	6,107	4,812	1,295
Judicial Collection Enhancement Fund	16-11-101.6(	1,133	-	1,133
Attorney's Fees and Costs	24-31-108(2)	1,125	-	1,125
Organ and Tissue Donation Awareness	22-51-103(1)	1,595	510	1,085
Mortgage Company and Loan Originator	12-61-908(2)	1,263	217	1,046

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2012

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Supportive Housing and Homeless Programs Section 8	29-4-708(K)	1,294	305	989
CBI Identification Unit	24-33.5-426	1,345	358	987
Uniform Consumer Credit Code Custodial Funds	RESTRICTED	999	81	918
Liquor Law Enforcement	24-35-401	1,045	146	899
Continuing Legal Education Fund Balance	CRT RULE 260	856	-	856
Commercial Vehicle Enterprise	42-1-225(1)	823	-	823
P.O.S.T. Board Cash Fund	24-31-303(2)	1,330	519	811
Library Trust Fund	24-90-105	801	6	795
Violent Offender Identification Fund	24-33.5-415.	1,201	411	790
Collaborative Management Incentive	24-1.9-104(1	1,817	1,111	706
Howard Fund	None	659	4	655
Uniform Consumer Credit Code	5-6-204	753	107	646
Real Estate Cash Fund	12-61-111.5	2,875	2,265	610
Inspection & Consumer Service Cash Fund	12-6-123	781	177	604
Historical Society Unrestricted	24-80-209	568	-	568
Traumatic Brain Injury Fund	26-1-210(1)	856	290	566
Judicial Performance Cash Fund	13-5.5-107	622	79	543
Correctional Treatment Cash Fund	18-19-103(4)	987	462	525
State Patrol Contraband	24-33.5-225	532	32	500
Alcohol/Drug Driving Safety	42-4-1301.3	490	-	490
Building Regulation Fund	24-32-3309	532	49	483
Public Deposit Administration	11-10.5-112	825	345	480
HUD Section 8 Housing Choice Vouchers- Administration	29-4-708(K)	559	87	472
Criminal Alien Assistance Cash	17-1-107.5	461	-	461
Property Tax Exemption Fund	39-2-117(3)	541	92	449
Notary Administration Cash Fund	12-55-102.5	441	4	437
Exxon Oil Overcharge Funds	NONE	425	-	425
Domestic Abuse Program	39-22-802	481	72	409
Racing Cash Fund	12-60-205	576	168	408
Financial Services Cash Fund	11-40-106(2)	859	453	406
Educator Licensure Cash Fund	22-60.5-112	534	150	384
Motor Carrier	40-2-110.5	496	145	351
Home Grant Revolving Loan Fund	NONE	8,751	8,406	345
Community Development Block Grant	24-76-101	344	-	344
HUD Section 8 VA Support Housing	29-4-708(K)	346	2	344
Agricultural Products Inspection	35-23-114(3)	611	297	314
Patient Benefit Fund	26-12-108(2)	289	-	289
Food Distribution Prog Service	26-1-121(4B)	290	25	265
Collection Agency Board Custodial	24-31-108	257	5	252
Diamond Shamrock Settlement	NONE	248	-	248
Western Slope Military Veterans Cemetary	28-5-708	254	10	244
Public Safety Inspection	8-1-151	227	-	227
Insurance Fraud Cash Fund	10-3-207.5(2	227	-	227
Vickers Oil Overcharge Funds	EX ORD 56-87	225	-	225
Supplier Database Cash Fund	24-102-202.5	223	5	218
140 Funds with Net Assets Below $200,000		26,801	20,770	6,031
Total Other Special Revenue Funds		$ 386,611	$ 88,288	$ 298,323



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2012

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 POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2011-12	2010-11	2009-10	2008-09
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,969,331	$ 1,548,435	$ 1,962,934	$ 2,217,711
Investments	1,726	45,548	15,224	1,498
Taxes Receivable, net	1,012,147	830,730	857,246	920,086
Other Receivables, net	156,126	147,768	158,060	182,540
Due From Other Governments	318,460	486,655	516,248	475,997
Internal Balances	15,964	18,620	14,153	14,617
Due From Component Units	137	62	84	66
Inventories	17,057	19,837	16,468	16,183
Prepaids, Advances, and Deferred Charges	53,961	56,543	38,591	33,244
Total Current Assets	3,544,909	3,154,198	3,579,008	3,861,942
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,779,413	1,635,476	1,572,925	1,813,365
Restricted Investments	591,083	1,097,797	687,314	694,311
Restricted Receivables	181,932	173,347	195,753	184,120
Investments	416,674	52,343	529,059	98,815
Other Long-Term Assets	712,736	761,498	644,867	600,020
Depreciable Capital Assets and Infrastructure, net	9,602,516	9,331,295	9,689,916	2,360,036
Land and Nondepreciable Infrastructure	1,903,604	1,780,945	1,637,224	10,480,438
Total Noncurrent Assets	15,187,958	14,832,701	14,957,058	16,231,105
TOTAL ASSETS	18,732,867	17,986,899	18,536,066	20,093,047
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	661,829	625,145	664,781	633,722
Accounts Payable and Accrued Liabilities	677,471	785,496	847,550	779,008
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	228,229	216,956	181,684	223,415
Due To Component Units	-	-	-	-
Deferred Revenue	125,174	111,506	128,404	150,632
Accrued Compensated Absences	9,859	9,741	10,287	8,930
Claims and Judgments Payable	44,858	44,641	44,181	36,936
Leases Payable	14,387	12,872	11,384	8,227
Notes, Bonds, and COPs Payable	162,670	145,165	642,445	637,066
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	16,531	13,748	20,432	9,818
Total Current Liabilities	1,941,714	1,965,976	2,551,854	2,488,460
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	14	13	16
Accrued Compensated Absences	132,394	137,139	138,224	140,675
Claims and Judgments Payable	330,516	340,003	347,394	358,371
Capital Lease Payable	107,042	94,716	85,746	83,586
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,614,293	1,621,749	1,554,964	1,146,960
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	427,828	434,194	402,599	397,774
Total Noncurrent Liabilities	2,612,089	2,627,815	2,528,940	2,127,382
TOTAL LIABILITIES	4,553,803	4,593,791	5,080,794	4,615,842
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET POSITION:				
Net investment in Capital Assets:	10,107,432	9,836,378	10,118,621	11,631,061
Restricted for:				
Construction and Highway Maintenance	1,176,269	1,160,789	1,198,849	1,220,524
Education	280,269	485,171	194,586	338,365
Unemployment Insurance	-	-	-	-
Debt Service	21,453	10,127	4,093	558
Emergencies	72,850	85,400	94,000	93,550
Permanent Funds and Endowments:				
Expendable	6,024	8,017	11,130	8,588
Nonexpendable	684,953	641,802	643,148	623,619
Other Purposes	340,818	315,082	138,826	197,918
Unrestricted	1,488,996	850,342	1,052,019	1,363,022
TOTAL NET POSITION	$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205

GOVERNMENTAL ACTIVITIES

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 2,632,601	$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256
565	998	12,637	10,440	10,209	-
946,077	956,149	845,241	731,647	738,769	758,887
188,347	153,218	153,916	146,906	143,717	104,475
355,519	280,637	264,688	307,704	282,252	515,860
14,545	13,756	26,313	18,122	22,070	(98,203)
63	65	56	110	-	-
16,703	14,053	14,906	18,266	16,696	17,580
23,790	28,527	28,735	23,700	29,628	27,413
4,178,210	3,902,828	3,681,440	3,201,646	2,630,810	2,038,268
2,061,543	1,689,703	1,349,184	1,199,258	1,360,083	1,236,865
620,325	552,211	491,780	465,819	408,790	571,970
187,018	279,140	335,774	311,462	347,245	-
96,743	80,695	48,173	24,162	4,055	152,495
442,911	425,886	395,612	356,325	325,376	332,964
2,282,645	1,288,308	1,322,945	1,348,957	1,208,235	1,191,785
10,291,250	11,799,975	11,649,792	11,613,109	11,583,157	11,032,850
15,982,435	16,115,918	15,593,260	15,319,092	15,236,941	14,518,929
20,160,645	20,018,746	19,274,700	18,520,738	17,867,751	16,557,197
-	-	-	-	-	-
561,117	486,576	457,124	476,445	425,610	431,132
837,311	694,602	633,685	679,425	687,136	684,956
706	727	2,917	41,064	-	-
183,696	176,864	247,548	192,611	172,239	151,989
-	-	-	-	-	-
97,174	65,389	66,290	73,609	84,431	114,149
9,776	9,533	9,437	7,900	7,992	7,394
37,775	40,948	49,415	38,738	12,084	14,743
6,002	2,807	1,461	3,403	2,821	3,492
574,150	457,250	526,235	628,395	419,778	21,125
-	-	-	-	-	-
11,794	9,615	10,318	25,092	37,152	33,987
2,319,501	1,944,311	2,004,430	2,166,682	1,849,243	1,462,967
16	17	17	16	10	8
128,760	116,262	112,860	111,418	112,104	113,548
335,636	295,874	343,452	430,978	29,200	29,200
54,029	27,649	16,021	18,905	13,219	5,054
-	-	-	-	-	-
-	-	-	-	-	-
1,274,720	1,390,671	1,503,686	1,467,924	1,540,053	1,309,153
-	-	-	-	-	-
-	-	-	-	-	-
217,793	206,972	210,369	198,520	516,756	501,390
2,010,954	2,037,445	2,186,405	2,227,761	2,211,342	1,958,353
4,330,455	3,981,756	4,190,835	4,394,443	4,060,585	3,421,320
-	-	-	-	-	-
11,348,995	11,804,908	11,662,529	11,771,877	11,747,276	11,444,442
1,350,485	1,196,903	824,698	679,440	559,450	509,354
353,149	225,818	153,043	123,867	147,286	218,545
-	-	-	-	-	-
558	558	580	3,298	7,965	5,241
93,000	85,760	79,800	71,000	172,202	150,762
2,333	1,782	1,642	1,953	1,297	986
587,733	515,997	460,473	433,538	392,542	378,369
231,532	299,777	198,996	141,933	134,658	95,135
1,862,405	1,905,487	1,702,104	899,389	644,490	333,043
$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2011-12	2010-11	2009-10	2008-09
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,011,437	$ 1,306,800	$ 1,176,181	$ 1,220,190
Investments	160,099	273,605	253,270	386,948
Taxes Receivable, net	159,303	186,161	90,005	73,326
Other Receivables, net	330,216	302,042	282,053	245,768
Due From Other Governments	218,667	177,822	158,787	142,961
Internal Balances	(15,964)	(18,620)	(14,153)	(14,617)
Due From Component Units	18,715	19,736	14,474	12,630
Inventories	53,318	43,600	42,779	42,467
Prepaids, Advances, and Deferred Charges	24,160	18,018	19,244	20,091
Total Current Assets	2,959,951	2,309,164	2,022,640	2,129,764
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	372,457	409,652	353,164	368,308
Restricted Investments	293,711	98,146	239,719	201,025
Restricted Receivables	80,975	24,980	239,041	1,916,974
Investments	1,769,909	1,623,569	1,206,671	1,154,901
Other Long-Term Assets	114,118	122,939	119,387	123,599
Depreciable Capital Assets and Infrastructure, net	5,250,256	4,662,346	3,912,771	3,594,383
Land and Nondepreciable Infrastructure	1,019,556	938,544	1,207,048	928,243
Total Noncurrent Assets	8,900,982	7,880,176	7,277,801	8,287,433
TOTAL ASSETS	11,860,933	10,189,340	9,300,441	10,417,197
DEFERRED OUTFLOW OF RESOURCES:	5,005	-	7,778	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	623,458	556,294	596,926	506,318
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	53,622	331,246	406,275	182,922
Due To Component Units	123	524	466	930
Deferred Revenue	237,530	234,662	232,371	207,551
Accrued Compensated Absences	14,942	14,579	13,035	12,753
Claims and Judgments Payable	-	-	-	-
Leases Payable	5,853	4,950	6,672	6,282
Notes, Bonds, and COPs Payable	243,601	79,106	100,329	85,456
Other Postemployment Benefits	15,721	-	-	-
Other Current Liabilities	110,667	141,484	126,232	241,129
Total Current Liabilities	1,305,517	1,362,845	1,482,306	1,243,341
Noncurrent Liabilities:				
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	219,026	205,621	196,295	185,420
Claims and Judgments Payable	36,472	35,373	29,461	27,541
Capital Lease Payable	33,185	43,466	76,702	83,206
Capital Lease Payable To Component Units	-	-	-	4,285
Derivative Instrument Liability	12,994	6,182	7,778	-
Notes, Bonds, and COPs Payable	3,938,320	3,117,100	2,682,987	3,917,559
Due to Component Units	1,758	2,374	2,501	723
Other Postemployment Benefits	139,653	105,876	47,259	31,689
Other Long-Term Liabilities	39,015	43,814	36,450	43,321
Total Noncurrent Liabilities	4,420,423	3,559,806	3,079,433	4,293,744
TOTAL LIABILITIES	5,725,940	4,922,651	4,561,739	5,537,085
DEFERRED INFLOW OF RESOURCES:	-	2,006	-	-
NET POSITION:				
Net investment in Capital Assets:	3,386,411	2,990,094	2,854,803	2,665,270
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	64,433	-	-	392,984
Debt Service	7,464	6,753	6,100	111,778
Emergencies	10,005	12,368	16,257	21,282
Permanent Funds and Endowments:				
Expendable	6,975	5,936	6,825	6,935
Nonexpendable	38,798	73,956	71,738	70,420
Other Purposes	629,655	657,292	630,890	582,006
Unrestricted	1,996,257	1,518,284	1,159,867	1,029,437
TOTAL NET POSITION	$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112

BUSINESS-TYPE ACTIVITIES

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 1,555,782	$ 1,430,836	$ 1,188,953	$ 872,618	$ 678,233	$ 754,879
272,804	326,087	328,466	670,346	182,572	-
82,431	81,745	105,973	103,598	92,485	46,597
239,790	219,488	209,497	206,946	180,707	219,048
125,894	126,391	99,040	95,170	86,355	98,017
(14,545)	(13,756)	(26,313)	(18,122)	(22,070)	98,203
16,348	15,334	11,141	9,294	5,406	-
42,271	38,000	35,747	34,797	33,065	33,861
17,055	15,751	13,148	13,723	18,396	19,138
2,337,830	2,239,876	1,965,652	1,988,370	1,255,149	1,269,743
446,681	149,811	187,895	160,283	121,764	114,642
259,115	555,310	424,826	453,876	243,390	114,292
1,716,722	1,408,588	1,173,312	1,015,134	889,108	-
1,008,382	972,922	887,302	225,329	577,619	888,232
119,650	112,693	108,606	119,359	99,358	832,622
3,464,979	2,851,692	2,718,135	2,719,778	2,623,814	2,259,846
576,755	835,182	561,525	403,037	371,552	520,085
7,592,284	6,886,198	6,061,601	5,096,796	4,926,605	4,729,719
9,930,114	9,126,074	8,027,253	7,085,166	6,181,754	5,999,462
-	-	-	-	-	-
-	-	-	-	-	-
467,741	413,788	380,194	350,347	334,136	332,990
-	-	-	-	-	-
26,885	38,501	30,749	38,472	37,120	26,570
1,112	273	1,067	1,607	703	-
190,528	183,805	171,411	145,432	131,496	138,313
12,745	12,578	14,284	14,103	9,719	10,582
7,398	11,717	7,430	8,233	-	-
5,976	4,950	4,851	6,039	5,537	5,283
75,567	62,998	83,271	85,672	80,127	60,105
-	-	-	-	-	-
208,542	126,574	94,214	107,228	107,611	92,272
996,494	855,184	787,471	757,133	706,449	666,115
-	-	-	-	-	-
166,402	153,320	136,837	131,883	128,635	124,853
28,482	28,220	48,396	20,019	-	-
83,113	63,671	55,873	84,101	80,994	80,636
4,285	-	-	-	-	-
-	-	-	-	-	-
3,466,484	3,100,764	2,488,738	2,062,837	1,578,762	1,546,903
1,233	-	-	-	-	-
15,775	-	-	-	-	-
40,756	54,097	53,138	52,022	70,174	76,251
3,806,530	3,400,072	2,782,982	2,350,862	1,858,565	1,828,643
4,803,024	4,255,256	3,570,453	3,107,995	2,565,014	2,494,758
-	-	-	-	-	-
2,411,662	2,256,929	2,256,602	2,238,068	2,195,837	2,142,940
-	-	-	-	-	-
-	-	-	-	-	-
765,533	675,574	548,780	321,725	200,311	322,423
180,409	125,656	105,348	122,290	103,602	2,048
33,716	37,472	29,883	27,247	39,277	32,881
9,592	5,313	4,757	16,483	17,449	17,746
74,479	97,821	82,698	76,460	49,659	46,851
491,492	411,112	364,310	303,714	297,765	189,466
1,160,207	1,260,941	1,064,422	871,184	712,840	750,349
$ 5,127,090	$ 4,870,818	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2011-12	2010-11	2009-10	2008-09
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 3,980,768	$ 2,855,235	$ 3,139,115	$ 3,437,901
Investments	161,825	319,153	268,494	388,446
Taxes Receivable, net	1,171,450	1,016,891	947,251	993,412
Other Receivables, net	486,342	449,810	440,113	428,308
Due From Other Governments	537,127	664,477	675,035	618,958
Internal Balances	-	-	-	-
Due From Component Units	18,852	19,798	14,558	12,696
Inventories	70,375	63,437	59,247	58,650
Prepaids, Advances, and Deferred Charges	78,121	74,561	57,835	53,335
Total Current Assets	6,504,860	5,463,362	5,601,648	5,991,706
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,151,870	2,045,128	1,926,089	2,181,673
Restricted Investments	884,794	1,195,943	927,033	895,336
Restricted Receivables	262,907	198,327	434,794	2,101,094
Investments	2,186,583	1,675,912	1,735,730	1,253,716
Other Long-Term Assets	826,854	884,437	764,254	723,619
Depreciable Capital Assets and Infrastructure, net	14,852,772	13,993,641	13,602,687	5,954,419
Land and Nondepreciable Infrastructure	2,923,160	2,719,489	2,844,272	11,408,681
Total Noncurrent Assets	24,088,940	22,712,877	22,234,859	24,518,538
TOTAL ASSETS	30,593,800	28,176,239	27,836,507	30,510,244
DEFERRED OUTFLOW OF RESOURCES:	5,005	-	7,778	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	661,829	625,145	664,781	633,722
Accounts Payable and Accrued Liabilities	1,300,929	1,341,790	1,444,476	1,285,326
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	281,851	548,202	587,959	406,337
Due To Component Units	123	524	466	930
Deferred Revenue	362,704	346,168	360,775	358,183
Accrued Compensated Absences	24,801	24,320	23,322	21,683
Claims and Judgments Payable	44,858	44,641	44,181	36,936
Leases Payable	20,240	17,822	18,056	14,509
Notes, Bonds, and COPs Payable	406,271	224,271	742,774	722,522
Other Postemployment Benefits	15,721	-	-	-
Other Current Liabilities	127,198	155,232	146,664	250,947
Total Current Liabilities	3,247,231	3,328,821	4,034,160	3,731,801
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	14	13	16
Accrued Compensated Absences	351,420	342,760	334,519	326,095
Claims and Judgments Payable	366,988	375,376	376,855	385,912
Capital Lease Payable	140,227	138,182	162,448	166,792
Capital Lease Payable To Component Units	-	-	-	4,285
Derivative Instrument Liability	12,994	6,182	7,778	-
Notes, Bonds, and COPs Payable	5,552,613	4,738,849	4,237,951	5,064,519
Due to Component Units	1,758	2,374	2,501	723
Other Postemployment Benefits	139,653	105,876	47,259	31,689
Other Long-Term Liabilities	466,843	478,008	439,049	441,095
Total Noncurrent Liabilities	7,032,512	6,187,621	5,608,373	6,421,126
TOTAL LIABILITIES	10,279,743	9,516,442	9,642,533	10,152,927
DEFERRED INFLOW OF RESOURCES:	-	2,006	-	-
NET POSITION:				
Net investment in Capital Assets:	13,493,843	12,826,472	12,973,424	14,296,331
Restricted for:				
Construction and Highway Maintenance	1,176,269	1,160,789	1,198,849	1,220,524
Education	280,269	485,171	194,586	338,365
Unemployment Insurance	64,433	-	-	392,984
Debt Service	28,917	16,880	10,193	112,336
Emergencies	82,855	97,768	110,257	114,832
Permanent Funds and Endowments:				
Expendable	12,999	13,953	17,955	15,523
Nonexpendable	723,751	715,758	714,886	694,039
Other Purposes	970,473	972,374	769,716	779,924
Unrestricted	3,485,253	2,368,626	2,211,886	2,392,459
TOTAL NET POSITION	$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317

TOTAL PRIMARY GOVERNMENT

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 4,188,383	$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135
273,369	327,085	341,103	680,786	192,781	-
1,028,508	1,037,894	951,214	835,245	831,254	805,484
428,137	372,706	363,413	353,852	324,424	323,523
481,413	407,028	363,728	402,874	368,607	613,877
-	-	-	-	-	-
16,411	15,399	11,197	9,404	5,406	-
58,974	52,053	50,653	53,063	49,761	51,441
40,845	44,278	41,883	37,423	48,024	46,551
6,516,040	6,142,704	5,647,092	5,190,016	3,885,959	3,308,011
2,508,224	1,839,514	1,537,079	1,359,541	1,481,847	1,351,507
879,440	1,107,521	916,606	919,695	652,180	686,262
1,903,740	1,687,728	1,509,086	1,326,596	1,236,353	-
1,105,125	1,053,617	935,475	249,491	581,674	1,040,727
562,561	538,579	504,218	475,684	424,734	1,165,586
5,747,624	4,140,000	4,041,080	4,068,735	3,832,049	3,451,631
10,868,005	12,635,157	12,211,317	12,016,146	11,954,709	11,552,935
23,574,719	23,002,116	21,654,861	20,415,888	20,163,546	19,248,648
30,090,759	29,144,820	27,301,953	25,605,904	24,049,505	22,556,659
-	-	-	-	-	-
561,117	486,576	457,124	476,445	425,610	431,132
1,305,052	1,108,390	1,013,879	1,029,772	1,021,272	1,017,946
706	727	2,917	41,064	-	-
210,581	215,365	278,297	231,083	209,359	178,559
1,112	273	1,067	1,607	703	-
287,702	249,194	237,701	219,041	215,927	252,462
22,521	22,111	23,721	22,003	17,711	17,976
45,173	52,665	56,845	46,971	12,084	14,743
11,978	7,757	6,312	9,442	8,358	8,775
649,717	520,248	609,506	714,067	499,905	81,230
-	-	-	-	-	-
220,336	136,189	104,532	132,320	144,763	126,259
3,315,995	2,799,495	2,791,901	2,923,815	2,555,692	2,129,082
16	17	17	16	10	8
295,162	269,582	249,697	243,301	240,739	238,401
364,118	324,094	391,848	450,997	29,200	29,200
137,142	91,320	71,894	103,006	94,213	85,690
4,285	-	-	-	-	-
-	-	-	-	-	-
4,741,204	4,491,435	3,992,424	3,530,761	3,118,815	2,856,056
1,233	-	-	-	-	-
15,775	-	-	-	-	-
258,549	261,069	263,507	250,542	586,930	577,641
5,817,484	5,437,517	4,969,387	4,578,623	4,069,907	3,786,996
9,133,479	8,237,012	7,761,288	7,502,438	6,625,599	5,916,078
-	-	-	-	-	-
13,760,657	14,061,837	13,919,131	14,009,945	13,943,113	13,587,382
1,350,485	1,196,903	824,698	679,440	559,450	509,354
353,149	225,818	153,043	123,867	147,286	218,545
765,533	675,574	548,780	321,725	200,311	322,423
180,967	126,214	105,928	125,588	111,567	7,289
126,716	123,232	109,683	98,247	211,479	183,643
11,925	7,095	6,399	18,436	18,746	18,732
662,212	613,818	543,171	509,998	442,201	425,220
723,024	710,889	563,306	445,647	432,423	284,601
3,022,612	3,166,428	2,766,526	1,770,573	1,357,330	1,083,392
$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2011-12	2010-11	2009-10	2008-09
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 442,793	$ 454,633	$ 419,866	$ 386,311
Service Fees	901,950	735,820	589,795	184,327
Education - Tuition, Fees, and Sales	-	-	-	53
Fines and Forfeits	187,344	200,432	218,892	203,259
Rents and Royalties	147,946	128,588	79,518	85,811
Sales of Products	1,626	4,974	3,854	5,040
Unemployment Surcharge	19,307	18,611	19,329	19,369
Other	84,828	89,509	67,460	61,168
Operating Grants and Contributions	5,884,031	6,218,836	5,885,657	5,065,429
Capital Grants and Contributions	600,300	659,288	607,383	485,711
TOTAL PROGRAM REVENUES	8,270,125	8,510,691	7,891,754	6,496,478
EXPENSES:				
General Government	224,382	192,579	189,865	308,410
Business, Community, and Consumer Affairs	600,068	667,929	662,854	705,037
Education	5,205,123	5,432,143	5,096,032	5,208,705
Health and Rehabilitation	703,684	696,539	659,187	644,699
Justice	1,555,294	1,538,363	1,527,857	1,543,310
Natural Resources	93,900	149,878	144,445	137,159
Social Assistance	6,746,574	6,397,426	6,091,958	5,220,295
Transportation	1,777,488	1,974,009	2,105,688	1,376,215
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	40,935	32,487	33,203	20,393
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	16,947,448	17,081,353	16,511,089	15,164,223
NET (EXPENSE) REVENUE	(8,677,323)	(8,570,662)	(8,619,335)	(8,667,745)
GENERAL REVENUES AND				
OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,333,644	2,280,693	1,987,576	2,093,113
Excise Taxes	244,624	236,945	244,344	251,209
Individual Income Tax	4,653,105	4,151,119	3,770,597	4,024,105
Corporate Income Tax	434,885	441,778	360,852	322,683
Other Taxes	519,870	466,408	376,388	655,478
Restricted Taxes	965,784	928,260	873,287	880,625
Unrestricted Investment Earnings (Losses)	15,015	6,523	10,215	22,591
Other General Revenues	96,213	91,608	112,138	119,748
Special and/or Extraordinary Items	-	-	-	(5,616)
(Transfers-Out) / Transfers-In	(135,407)	(110,266)	(94,993)	(114,685)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	595	460	357	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	9,128,328	8,493,528	7,640,761	8,249,251
TOTAL CHANGES IN NET POSITION	451,005	(77,134)	(978,574)	(418,494)
NET POSITION - BEGINNING	13,393,108	13,455,272	15,477,205	15,830,190
Prior Period Adjustment	334,951	14,970	(594,624)	(118,647)
Accounting Changes	-	-	(448,735)	184,156
NET POSITION - ENDING	$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205

[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.

GOVERNMENTAL ACTIVITIES

RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 374,521	$ 352,819	$ 339,779	$ 357,241	$ 353,628	$ 327,134
132,822	129,980	123,392	128,101	132,644	117,253
-	-	-	-	-	-
155,692	126,612	121,859	117,666	109,341	99,654
78,889	68,270	68,920	61,524	45,340	32,314
4,592	3,703	3,100	2,841	3,164	2,296
21,512	22,346	22,399	21,524	20,112	19,500
57,622	64,964	79,810	54,254	55,216	47,264
4,222,670	4,122,360	3,909,382	3,684,878	3,601,808	3,552,745
439,693	414,602	447,283	409,458	487,442	410,070
5,488,013	5,305,656	5,115,924	4,837,487	4,808,695	4,608,230
217,939	163,412	164,276	141,320	161,588	244,062
667,381	565,769	449,411	367,553	343,589	327,935
5,017,551	4,771,218	4,394,236	194,723	173,823	194,436
603,296	560,153	524,736	475,668	477,572	475,405
1,436,009	1,313,767	1,197,334	1,026,282	936,374	971,227
131,658	138,457	112,753	62,638	81,114	103,888
4,660,287	4,496,696	4,348,466	3,016,668	2,954,217	2,830,164
1,459,295	1,213,138	1,205,556	919,388	746,153	890,081
-	-	-	[1] 3,283,590	3,131,486	2,946,679
-	-	-	[1] 1,848,922	1,674,416	1,687,006
37,567	42,269	31,969	26,925	9,625	16,219
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,230,983	13,264,879	12,428,737	11,363,677	10,689,957	10,687,102
(8,742,970)	(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)
2,357,807	2,244,000	2,148,981	1,980,785	1,920,934	1,829,380
257,908	261,711	266,747	182,726	112,741	86,048
4,591,481	4,508,845	4,044,581	3,450,493	3,253,027	2,996,597
461,390	470,853	422,656	291,583	220,236	205,569
510,442	484,408	568,184	491,214	465,826	371,089
986,274	946,757	922,872	868,251	835,680	731,138
42,478	43,638	35,372	29,736	16,534	16,577
113,603	84,328	84,335	95,912	99,200	146,516
(6,843)	(25,915)	(13,534)	(1,112)	-	-
(77,732)	(98,926)	(80,894)	[2] (545,175)	(546,580)	(634,674)
-	-	-	(431)	(20)	(22,855)
-	-	-	-	-	-
9,236,808	8,919,699	8,399,300	6,843,982	6,377,578	5,725,385
493,838	960,476	1,086,487	317,792	496,316	(353,487)
16,036,990	15,083,865	14,126,295	13,807,166	13,135,877	13,617,705
(393,912)	(7,351)	(128,917)	1,337	174,973	(128,341)
(306,726)	-	-	-	-	-
$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2011-12	2010-11	2009-10	2008-09
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 131,496	$ 120,910	$ 106,946	$ 119,611
Service Fees	865,326	874,990	607,485	681,807
Education - Tuition, Fees, and Sales	2,406,696	2,243,375	1,999,358	1,957,505
Fines and Forfeits	9,561	1,945	2,836	1,118
Rents and Royalties	65,236	29,507	24,648	29,908
Sales of Products	624,407	592,794	590,758	560,364
Unemployment Surcharge	828,530	791,317	491,716	363,241
Other	152,448	153,321	167,930	173,354
Operating Grants and Contributions	3,165,718	3,689,492	3,957,310	2,214,186
Capital Grants and Contributions	132,067	25,432	24,619	20,220
TOTAL PROGRAM REVENUES	8,381,485	8,523,083	7,973,606	6,121,314
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	5,068,481	4,755,385	4,451,541	4,153,282
Unemployment Insurance	1,571,321	2,141,728	2,496,188	1,138,621
CollegeInvest[3]	-	-	68,650	78,647
Lottery	495,847	470,480	456,352	435,156
Wildlife[4]	160,933	108,425	105,037	112,369
College Assist	403,023	402,648	410,027	399,576
Other Business-Type Activities	196,542	191,123	170,410	171,635
TOTAL EXPENSES	7,896,147	8,069,789	8,158,205	6,489,286
NET (EXPENSE) REVENUE	485,338	453,294	(184,599)	(367,972)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	-	-
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	135,407	110,266	94,993	114,685
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	135,407	111,759	15,418	114,685
TOTAL CHANGES IN NET POSITION	620,745	565,053	(169,181)	(253,287)
NET POSITION - BEGINNING	5,264,683	4,746,480	4,880,112	5,127,090
Prior Period Adjustment	254,570	(46,850)	35,549	6,309
Accounting Changes	-	-	-	-
NET POSITION - ENDING	$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112

[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

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 84,395	$ 84,302	$ 75,388	$ 64,864	$ 66,196	$ 59,426
667,504	575,555	536,261 [1]	273,541	242,809	188,614
1,867,806	1,734,996	1,622,045 [1]	1,294,488	1,227,187	1,143,890
999	1,174	729	596	554	1,025
32,399	26,271	28,765	21,527	44,783	16,576
579,935	520,838	522,715	467,088	449,910	440,902
398,046	403,641	504,039	462,416	338,063	190,461
165,804	140,376	162,045	120,145	117,682	130,239
1,728,669	1,685,417	1,466,045	1,403,928	1,344,191	1,398,401
9,426	22,263	16,856	16,667	73,952	28,662
5,534,983	5,194,833	4,934,888	4,125,260	3,905,327	3,598,196
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,865,244	3,661,270	3,446,716	3,294,154	3,128,126	3,108,493
354,967	316,577	305,447	352,712	591,789	742,745
116,286	96,720	73,745	54,453	37,355	45,213
447,101	401,969	402,391	367,474	354,159	341,907
109,800	96,515	91,221 [2]			
326,080	199,677	115,200 [2]	-	-	-
173,928	163,727	138,773	267,408	246,988	253,633
5,393,406	4,936,455	4,573,493	4,336,201	4,358,417	4,491,991
141,577	258,378	361,395	(210,941)	(453,090)	(893,795)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36,963	39,446	34,728	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(707)	-	-	-
77,732	98,926	80,894 [1]	545,175	546,580	634,674
-	-	-	10,303	15,330	76,210
-	-	-	-	-	-
114,695	138,372	114,915	555,478	561,910	710,884
256,272	396,750	476,310	344,537	108,820	(182,911)
4,870,818	4,456,800	3,977,171	3,616,740	3,504,704	3,614,667
-	17,267	3,319	15,894	3,216	72,948
-	-	-	-	-	-
$ 5,127,090	$ 4,870,817	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704

[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.

[4]– Parks and Wildlife after Fiscal Year 2010-11.

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2011-12	2010-11	2009-10	2008-09
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 574,289	$ 575,543	$ 526,812	$ 505,922
Service Fees	1,767,276	1,610,810	1,197,280	866,134
Education - Tuition, Fees, and Sales	2,406,696	2,243,375	1,999,358	1,957,558
Fines and Forfeits	196,905	202,377	221,728	204,377
Rents and Royalties	213,182	158,095	104,166	115,719
Sales of Products	626,033	597,768	594,612	565,404
Unemployment Surcharge	847,837	809,928	511,045	382,610
Other	237,276	242,830	235,390	234,522
Operating Grants and Contributions	9,049,749	9,908,328	9,842,967	7,279,615
Capital Grants and Contributions	732,367	684,720	632,002	505,931
TOTAL PROGRAM REVENUES	16,651,610	17,033,774	15,865,360	12,617,792
EXPENSES:				
General Government	224,382	192,579	189,865	308,410
Business, Community, and Consumer Affairs	600,068	667,929	662,854	705,037
Education	5,205,123	5,432,143	5,096,032	5,208,705
Health and Rehabilitation	703,684	696,539	659,187	644,699
Justice	1,555,294	1,538,363	1,527,857	1,543,310
Natural Resources	93,900	149,878	144,445	137,159
Social Assistance	6,746,574	6,397,426	6,091,958	5,220,295
Transportation	1,777,488	1,974,009	2,105,688	1,376,215
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	40,935	32,487	33,203	20,393
Higher Education	5,068,481	4,755,385	4,451,541	4,153,282
Unemployment Insurance	1,571,321	2,141,728	2,496,188	1,138,621
CollegeInvest	-	-	68,650	78,647
Lottery	495,847	470,480	456,352	435,156
Wildlife	160,933	108,425	105,037	112,369
College Assist	403,023	402,648	410,027	399,576
Other Business-Type Activities	196,542	191,123	170,410	171,635
TOTAL EXPENSES	24,843,595	25,151,142	24,669,294	21,653,509
NET (EXPENSE) REVENUE	(8,191,985)	(8,117,368)	(8,803,934)	(9,035,717)
GENERAL REVENUES AND				
OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,333,644	2,280,693	1,987,576	2,093,113
Excise Taxes	244,624	236,945	244,344	251,209
Individual Income Tax	4,653,105	4,151,119	3,770,597	4,024,105
Corporate Income Tax	434,885	441,778	360,852	322,683
Other Taxes	519,870	466,408	376,388	655,478
Restricted Taxes	965,784	928,260	873,287	880,625
Unrestricted Investment Earnings (Losses)	15,015	6,523	10,215	22,591
Other General Revenues	96,213	91,608	112,138	119,748
Special and/or Extraordinary Items	-	1,493	(79,575)	(5,616)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	595	460	357	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	9,263,735	8,605,287	7,656,179	8,363,936
TOTAL CHANGES IN NET POSITION	1,071,750	487,919	(1,147,755)	(671,781)
NET POSITION - BEGINNING	18,657,791	18,201,752	20,357,317	20,957,280
Prior Period Adjustment	589,521	(31,880)	(559,075)	(112,338)
Accounting Changes	-	-	(448,735)	184,156
NET POSITION - ENDING	$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317

TOTAL PRIMARY GOVERNMENT

RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 458,916	$ 437,121	$ 415,167	$ 422,105	$ 419,824	$ 386,560
800,326	705,535	659,653	401,642	375,453	305,867
1,867,806	1,734,997	1,622,045	1,294,488	1,227,187	1,143,890
156,691	127,786	122,588	118,262	109,895	100,679
111,288	94,541	97,685	83,051	90,123	48,890
584,527	524,541	525,815	469,929	453,074	443,198
419,558	425,987	526,438	483,940	358,175	209,961
223,426	205,340	241,855	174,399	172,898	177,503
5,951,339	5,807,777	5,375,427	5,088,806	4,945,999	4,951,146
449,119	436,865	464,139	426,125	561,394	438,732
11,022,996	10,500,490	10,050,812	8,962,747	8,714,022	8,206,426
217,939	163,412	164,276	141,320	161,588	244,062
667,381	565,769	449,411	367,553	343,589	327,935
5,017,551	4,771,218	4,394,236	194,723	173,823	194,436
603,296	560,153	524,736	475,668	477,572	475,405
1,436,009	1,313,767	1,197,334	1,026,282	936,374	971,227
131,658	138,457	112,753	62,638	81,114	103,888
4,660,287	4,496,696	4,348,466	3,016,668	2,954,217	2,830,164
1,459,295	1,213,138	1,205,556	919,388	746,153	890,081
			3,283,590	3,131,486	2,946,679
			1,848,922	1,674,416	1,687,006
37,567	42,269	31,969	26,925	9,625	16,219
3,865,244	3,661,270	3,446,716	3,294,154	3,128,126	3,108,493
354,967	316,577	305,447	352,712	591,789	742,745
116,286	96,720	73,745	54,453	37,355	45,213
447,101	401,969	402,391	367,474	354,159	341,907
109,800	96,515	91,221			
326,080	199,677	115,200		-	
173,928	163,727	138,773	267,408	246,988	253,633
19,624,389	18,201,334	17,002,230	15,699,878	15,048,374	15,179,093
(8,601,393)	(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)
2,357,807	2,244,000	2,148,981	1,980,785	1,920,934	1,829,380
257,908	261,711	266,747	182,726	112,741	86,048
4,591,481	4,508,845	4,044,581	3,450,493	3,253,027	2,996,597
461,390	470,853	422,656	291,583	220,236	205,569
547,405	523,854	602,912	491,214	465,826	371,089
986,274	946,757	922,872	868,251	835,680	731,138
42,478	43,638	35,372	29,736	16,534	16,577
113,603	84,328	84,335	95,912	99,200	146,516
(6,843)	(25,915)	(14,241)	(1,112)	-	-
-	-	-	-	-	-
-	-	-	9,872	15,310	53,355
-	-	-	-	-	-
9,351,503	9,058,071	8,514,215	7,399,460	6,939,488	6,436,269
750,110	1,357,227	1,562,797	662,329	605,136	(536,398)
20,907,808	19,540,665	18,103,466	17,423,906	16,640,581	17,232,372
(393,912)	9,916	(125,598)	17,231	178,189	(55,393)
(306,726)	-	-	-	-	-
$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2011-12	2010-11[3]	2009-10	2008-09[2]
REVENUES:				
Taxes	$ 9,182	$ 8,430	$ 7,640	$ 8,231
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	724	745	734	701
Charges for Goods and Services	892	730	552	150
Rents (reported in 'Other' prior to FY05)	148	129	80	86
Investment Income	120	97	199	258
Federal Grants and Contracts	6,223	6,917	7,023	5,480
Unclaimed Property Receipts	43	40	42	58
Other	254	221	192	195
TOTAL REVENUES	17,586	17,309	16,462	15,159
EXPENDITURES:				
Current:				
General Government	359	560	775	511
Business, Community and Consumer Affairs	363	388	369	332
Education	661	778	855	879
Health and Rehabilitation	626	592	583	608
Justice	1,322	1,314	1,315	1,285
Natural Resources	90	132	126	121
Social Assistance	6,065	5,655	4,454	3,836
Transportation	982	1,064	1,017	1,074
Capital Outlay	459	329	240	308
Intergovernmental:				
Cities	287	300	281	294
Counties	1,371	1,478	2,253	2,043
School Districts	4,199	4,303	4,364	4,143
Other	177	185	219	185
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	236	208	194	189
TOTAL EXPENDITURES	17,197	17,286	17,045	15,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	389	23	(583)	(649)
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,622	4,776	5,333	5,179
Transfers-Out:				
Higher Education	-	-	-	(121)
Other	(4,745)	(4,866)	(5,389)	(5,162)
Face Amount of Debt Issued	156	218	559	-
Bond Premium/Discount	13	-	8	-
Capital Lease Debt Issuance	17	17	-	11
Sale of Capital Assets	14	-	-	-
Insurance Recoveries	6	2	4	2
Debt Refunding Issuance	126	-	-	-
Debt Refunding Premium Proceeds	19	-	-	-
Debt Refunding Payments	(144)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	84	147	515	(91)
NET CHANGE IN FUND BALANCE	473	170	(68)	(740)
FUND BALANCE - BEGINNING	4,842	4,085	4,785	5,312
Prior Period Adjustments	(22)	(4)	(41)	(1)
Accounting Changes	-	591	-	214
FUND BALANCE - ENDING	$ 5,293	$ 4,842	$ 4,676	$ 4,785

[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 258.

[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.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 9,203	$ 8,936	$ 8,396	$ 7,323	$ 6,794	$ 6,261
-	-	-	(41)	-	-
643	575	541	565	551	517
104	99	99	99	108	108
79	68	69	62	-	-
316	272	117	126	54	259
4,308	4,073	4,054	3,831	3,880	3,471
-	-	-	-	-	-
179	320	341	321	358	351
14,832	14,343	13,617	12,286	11,745	10,967
123	251	256	278	267	229
311	303	274	277	296	317
802	713	673	129	119	116
561	530	486	443	450	450
1,195	1,088	998	978	897	933
112	107	97	90	85	82
3,669	3,400	3,263	3,026	2,969	2,851
1,055	950	962	983	1,098	1,105
243	124	82	92	74	136
289	239	251	218	211	198
1,799	1,721	1,616	1,474	1,319	1,328
3,814	3,719	3,455	3,284	3,131	2,947
258	242	197	157	144	160
-	-	-	-	-	-
208	213	204	114	92	99
14,439	13,600	12,814	11,543	11,152	10,951
393	743	803	743	593	16
4,298	4,202	3,645	3,198	2,819	3,507
(131)	(120)	(128)	(597)	(605)	(695)
(4,237)	(4,137)	(3,580)	(3,136)	(2,750)	(3,406)
-	-	-	-	235	-
-	-	-	-	53	-
18	4	132	27	2	12
1	-	4	10	12	3
2	1	1	-	-	-
-	-	-	-	280	443
-	-	-	-	-	-
-	-	-	-	(311)	(436)
(49)	(50)	74	(498)	(265)	(572)
344	693	877	245	328	(556)
5,012	4,319	3,441	3,196	2,827	3,383
(44)	-	1	-	41	-
-	-	-	-	-	-
$ 5,312	$ 5,012	$ 4,319	$ 3,441	$ 3,196	$ 2,827

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2011-12	2010-11	2009-10	2008-09
Income Tax:				
Individual	$ 4,633	$ 4,154	$ 3,777	$ 4,021
Corporate	457	366	350	265
Net Income Tax	5,090	4,520	4,127	4,286
Sales, Use, and Excise Taxes	2,387	2,323	2,072	1,982
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,387	2,323	2,072	1,982
Estate Taxes	-	-	-	-
Insurance Tax	197	190	187	192
Gaming and Other Taxes	20	20	16	-
Investment Income	14	8	10	9
Medicaid Provider Revenues	-	-	-	-
Other	26	25	44	56
TOTAL GENERAL REVENUES	$ 7,734	$ 7,086	$ 6,456	$ 6,525
Percent Change From Previous Year	9.1%	9.8%	-1.1%	-13.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	65.8%	63.8%	63.9%	65.7%
Sales, Use, and Excise Taxes	30.9	32.7	32.1	30.4
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.5	2.7	2.9	2.9
Other Taxes	0.3	0.3	0.2	0.0
Interest	0.2	0.1	0.2	0.1
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.3	0.4	0.7	0.9
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 4,600	$ 4,510	$ 4,044	$ 3,421	$ 3,189	$ 2,945
474	464	422	293	218	214
5,074	4,974	4,466	3,714	3,407	3,159
2,173	2,076	1,995	2,146	2,005	1,915
-	-	-	(41)	-	-
2,173	2,076	1,995	2,105	2,005	1,915
-	1	7	26	47	53
188	179	175	189	176	171
-	7	18	40	40	38
18	28	33	28	20	51
-	-	-	-	-	16
52	48	52	59	72	74
$ 7,505	$ 7,313	$ 6,746	$ 6,161	$ 5,767	$ 5,477
2.6%	8.4%	9.5%	6.8%	5.3%	-1.7%
67.6%	68.0%	66.2%	60.3%	59.1%	57.7%
29.0	28.4	29.5	34.1	34.8	34.9
0.0	0.0	0.1	0.4	0.8	1.0
2.5	2.4	2.6	3.1	3.1	3.1
0.0	0.1	0.3	0.6	0.7	0.7
0.2	0.4	0.5	0.5	0.3	0.9
0.0	0.0	0.0	0.0	0.0	0.3
0.7	0.7	0.8	1.0	1.2	1.4
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)

	2011-12	RESTATED 2010-11	2009-10	2008-09
Department:[1]				
Agriculture	$ 5,152	$ 4,658	$ 5,915	$ 6,809
Corrections	647,313	657,559	563,570	637,292
Education	2,833,433	2,962,954	3,238,879	3,214,951
Governor	9,699	11,600	13,781	13,342
Health Care Policy and Financing	1,685,679	1,267,889	1,152,245	1,311,702
Higher Education	623,963	705,085	428,784	661,974
Human Services	703,676	710,966	751,149	776,394
Judicial Branch	337,039	325,173	323,146	328,056
Labor and Employment	-	-	-	-
Law	9,341	9,313	9,133	8,705
Legislative Branch	34,672	31,736	32,504	34,944
Local Affairs	10,448	10,579	10,854	12,276
Military and Veterans Affairs	5,355	4,969	5,263	5,637
Natural Resources	23,400	26,233	25,515	30,558
Personnel & Administration	3,935	4,823	5,139	5,337
Public Health and Environment	27,742	27,165	26,548	26,634
Public Safety	81,993	80,239	79,459	78,874
Regulatory Agencies	1,597	1,529	1,429	1,451
Revenue	55,596	52,540	54,187	67,092
Treasury	4,914	4,140	7,784	10,643
Transfer to Capital Construction Fund	49,298	11,985	169	39,396
Transfer to Various Cash Funds	72,000	296,872	8,000	10,281
Transfer to the Highway Users Tax Fund	-	-	-	28,965
Other Transfers and Nonoperating Disbursements	25,479	19,422	20,555	102,966
TOTALS	$ 7,251,724	$ 7,227,429	$ 6,764,008	$ 7,414,279
Percent Change	0.3%	3.0%	-8.8%	-4.0%
(AS PERCENT OF TOTAL)				
Education	39.1%	41.0%	47.9%	43.4%
Health Care Policy and Financing	23.2	17.5	17.0	17.7
Higher Education	8.6	9.8	6.3	8.9
Human Services	9.7	9.8	11.1	10.5
Corrections	8.9	9.1	8.3	8.6
Transfer to Capital Construction Fund	0.7	0.2	0.0	0.5
Transfer to Various Cash Funds	1.0	4.1	0.1	0.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.4
Judicial	4.6	4.5	4.8	4.4
Revenue	0.8	0.7	0.8	0.9
All Others	3.4	3.3	3.7	4.6
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.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 7,124	$ 5,197	$ 4,038	$ 4,107	$ 3,716	$ 8,700
626,246	577,482	534,233	495,234	467,207	476,972
3,023,255	2,882,876	2,718,667	2,514,427	2,417,490	2,313,588
17,346	11,991	15,862	15,808	13,317	31,465
1,482,803	1,369,321	1,362,893	1,247,254	1,142,620	1,132,643
747,717	693,999	636,341	587,958	591,221	685,686
749,974	718,366	590,071	568,461	534,759	551,299
300,674	265,161	237,673	219,612	207,432	213,939
-	108	-	-	-	-
8,474	8,975	7,143	6,738	6,266	8,141
31,139	29,880	27,633	26,745	26,818	28,100
10,895	9,973	8,500	8,573	4,565	7,419
5,407	5,050	4,324	3,883	3,739	4,273
30,086	28,550	22,806	22,481	19,337	23,599
10,934	9,385	8,181	7,805	7,457	12,282
23,596	23,081	20,586	13,061	12,359	16,573
72,806	67,169	58,785	56,315	53,895	54,465
1,400	1,273	1,390	1,047	1,028	1,582
73,593	65,398	57,928	57,702	57,066	66,898
13,902	12,403	18,443	15,027	690	62,171
183,443	291,467	104,841	40,759	12,270	9,489
327	3,748	67,100	185,628	-	-
166,182	291,179	65,345	81,212	5,559	-
137,747	130,598	49,190	20,264	34,257	58,746
$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101	$ 5,623,068	$ 5,768,030
3.0%	13.3%	6.8%	10.3%	-2.5%	0.9%
39.1%	38.4%	41.1%	40.6%	43.0%	40.1%
19.2	18.3	20.6	20.1	20.3	19.6
9.7	9.3	9.6	9.5	10.5	11.9
9.7	9.6	8.9	9.2	9.5	9.6
8.1	7.7	8.1	8.0	8.3	8.3
2.4	3.9	1.6	0.7	0.2	0.2
0.0	0.0	1.0	3.0	0.0	-
2.2	3.9	1.0	-	-	-
3.9	3.5	3.6	3.5	3.7	3.7
1.0	0.9	0.9	0.9	1.0	1.2
4.7	4.5	3.6	4.5	3.5	5.4
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)

	2011-12	2010-11[2]	2009-10	2008-09
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ 5,721	$ 2,195
Noncurrent Assets	-	-	-	1
Statutory Purposes	-	-	-	148,212
Risk Management	-	-	23,031	18,650
Unreserved Undesignated:				
General Fund	-	-	(30,822)	155,436
Unreserved:				
General Fund	-	-	17,854	10,939
Nonspendable:				
Inventories	6,942	8,742		
Prepaids	24,175	33,009		
Restricted	503,449	542,997		
Committed	331,419	39,458		
Assigned	20	109		
Unassigned	359,421	(21,468)		
TOTAL RESERVED	-	-	28,752	169,058
TOTAL UNRESERVED	-	-	(12,968)	166,375
TOTAL FUND BALANCE	1,225,426	602,847	15,784	335,433
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ 1,052,572	$ 1,043,396
Noncurrent Assets	-	-	584,828	515,062
Debt Service	-	-	4,093	558
Statutory Purposes	-	-	325,463	40,921
Emergencies	-	-	94,000	93,550
Funds Reported as Restricted	-	-	1,151,448	1,445,739
Unreserved, Reported in:				
Special Revenue Funds	-	-	57,148	53,498
Capital Projects Funds	-	-	(35,611)	54,687
Nonmajor Special Revenue Funds	-	-	1,302,178	1,117,248
Nonmajor Permanent Funds	-	-	10,586	8,500
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	34,487	30,327
Reported in Nonmajor Special Revenue Funds	-	-	40,778	23,719
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	38,541	22,875
Nonspendable:				
Inventories	8,690	9,839		
Permanent Fund Principal	738,091	658,883		
Prepaids	28,665	21,540		
Restricted	1,673,490	1,988,088		
Committed	1,618,545	1,560,775		
TOTAL RESERVED	-	-	3,212,404	3,179,226
TOTAL UNRESERVED	-	-	1,448,107	1,310,454
TOTAL FUND BALANCE	4,067,481	4,239,125	4,660,511	4,449,680
TOTAL RESERVED	-	-	3,241,156	3,308,284
TOTAL UNRESERVED	-	-	1,435,139	1,476,829
TOTAL FUND BALANCE	$ 5,292,907	$ 4,841,972	$ 4,676,295	$ 4,785,113

[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.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 16,487	$ 11,912	$ 12,233	$ 3,497	$ 2,106	$ 3,684
7	13	91	192	300	231
151,721	267,020	251,704	198,751	207,003	60,731
35,559	38,593	32,851	36,473	33,301	39,412
-	95,779	295,882	-	-	-
3,639	-	-	-	4,272	30,657
203,774	317,538	296,879	238,913	242,710	104,058
3,639	95,779	295,882	-	4,272	30,657
207,413	413,317	592,761	238,913	246,982	134,715
$ 966,477	$ 821,112	$ 814,811	$ 629,430	$ 795,414	$ 916,053
425,830	385,248	342,341	292,336	278,843	278,006
558	558	580	3,298	7,965	5,137
109,322	130,000	137,530	10,263	11,565	10,929
93,000	85,760	79,800	71,000	172,202	150,762
1,902,755	1,669,326	1,233,272	1,104,061	998,428	770,874
54,676	72,870	872,212	812,706	41,589	27,692
134,470	199,126	(47,740)	(12,545)	(39,986)	4,555
1,391,483	1,233,276	291,488	274,941	664,258	448,766
2,326	1,782	1,642	1,954	1,291	961
13,385	-	-	4,484	6,964	30,944
8,751	-	-	347	5,491	20,380
-	-	-	-	-	-
1,571	-	-	9,926	4,718	27,429
3,497,942	3,092,004	2,608,334	2,110,388	2,264,417	2,131,761
1,606,662	1,507,014	1,117,602	1,091,813	684,325	560,727
5,104,604	4,599,018	3,725,936	3,202,201	2,948,742	2,692,488
3,701,716	3,409,542	2,905,213	2,349,301	2,507,127	2,235,819
1,610,301	1,602,873	1,413,484	1,091,813	688,597	591,384
$ 5,312,017	$ 5,012,335	$ 4,318,697	$ 3,441,114	$ 3,195,724	$ 2,827,203

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Twelve Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2011-12	2010-11	2009-10	2008-09
DISTRICT REVENUES:				
Exempt District Revenues	$ 15,017,772	$ 15,532,632	$ 16,056,039	$ 14,496,192
Nonexempt District Revenues	10,273,184	9,424,764	8,567,941	9,102,354
TOTAL DISTRICT REVENUES	25,290,956	24,957,396	24,623,980	23,598,546
Percent Change In Nonexempt District Revenues	9.0%	10.0%	-5.9%	-9.0%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	15,017,772	15,532,632	16,056,039	14,496,192
Nonexempt District Expenditures	9,791,616	9,330,892	8,638,571	10,168,409
TOTAL DISTRICT EXPENDITURES	24,809,388	24,863,524	24,694,610	24,664,601
Percent Change In Nonexempt District Expenditures	4.9%	8.0%	-15.0%	6.7%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 481,568	$ 93,872	$ (70,630)	$ (1,066,055)
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 8,654,192	$ 8,567,941	$ 9,102,354	$ 8,829,131
Adjustments To Prior Year Limit[2]	(28,059)	(16,368)	(422,016)	(10,365)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,626,133	8,551,573	8,680,338	8,818,766
Allowable Growth Rate (Population Plus Inflation)	2.0%	1.2%	5.8%	4.1%
Current Fiscal Year Spending Limitation	8,798,655	8,654,192	9,183,797	9,180,336
Adjustments To Current Year Limit	-	-	-	23,505
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,798,655	8,654,192	9,183,797	9,203,841
EXCESS STATE REVENUE CAP (ESRC)[3]	10,870,948	10,684,856		
NONEXEMPT DISTRICT REVENUES	10,273,184	9,424,764	8,567,941	9,102,354
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,474,529	770,572	(615,856)	(101,488)
Amount Over(Under) Excess State Revenue Cap	(597,764)	(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	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
2000 to 2009

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2009[2]		2008		2007		2006		2005	
	# 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	33,536	0.2%	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%
$0 to $5,000	82,340	0.0%	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%
$5,001 to $10,000	119,531	0.2%	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%
$10,001 to $15,000	139,504	0.3%	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%
$15,001 to $20,000	143,006	0.7%	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%
$20,001 to $25,000	139,626	1.2%	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%
$25,001 to $35,000	245,832	3.7%	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%
$35,001 to $50,000	278,767	7.2%	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%
$50,001 to $75,000	311,321	13.3%	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%
$75,001 to $100,000	199,941	13.3%	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%
$100,000 and Over	319,821	60.0%	317,476	57.8%	330,337	65.7%	290,548	61.2%	256,424	59.2%
TOTAL	2,013,225	100%	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	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 2011[1]

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2011		2010		2009		2008	
	# 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	4,995	0.1%	3,787	0.1%	2011-12	0.1%	3,653	0.1%
Mining	9,775	1.7%	5,543	1.4%	5,324	1.9%	4,491	1.9%
Public Utilities	14,073	3.9%	10,177	3.6%	9,721	3.5%	9,517	3.9%
Construction Trades	45,046	1.2%	33,065	1.1%	31,811	1.3%	31,949	1.5%
Manufacturing	152,038	4.7%	96,062	4.2%	88,504	4.7%	84,393	4.8%
Wholesale Trade	112,066	5.8%	72,331	5.7%	72,914	6.6%	72,432	6.7%
Retail Trade	542,876	51.4%	385,914	51.8%	385,320	49.5%	395,100	49.9%
Transportation & Warehousing	4,616	0.2%	3,831	0.2%	3,916	0.3%	4,014	0.3%
Information Producers/Distributors	264,926	5.6%	167,660	6.3%	171,984	6.3%	174,348	5.9%
Finance & Insurance	59,750	0.8%	35,443	1.4%	35,103	1.4%	33,499	1.5%
Real Estate, Rental, & Leasing Services	123,870	3.3%	84,376	3.4%	82,509	3.7%	79,541	3.8%
Professional, Scientific, & Technical Services	106,421	1.8%	64,231	1.5%	64,002	1.6%	65,592	1.6%
Bus. Admin., Support, Waste/Remediation Services	35,700	0.6%	24,102	0.6%	24,615	0.7%	23,401	0.7%
Educational Services	8,674	0.2%	5,914	0.2%	6,068	0.2%	6,526	0.2%
Health Care & Social Assistance Services	19,084	0.2%	16,018	0.2%	15,572	0.2%	13,013	0.2%
Arts, Entertainment, & Recreation Services	21,477	0.6%	17,230	0.6%	17,301	0.6%	17,391	0.6%
Hotel & Other Accommodation Services	24,183	3.6%	21,282	3.5%	21,153	3.6%	21,221	3.6%
Food & Drinking Services	143,273	11.8%	130,911	11.8%	129,780	11.4%	129,123	10.5%
Other Personal Services	101,431	2.2%	86,316	2.2%	86,861	2.3%	86,647	2.2%
Government Services	2,731	0.2%	6,290	0.2%	5,655	0.1%	6,044	0.1%
TOTAL	1,797,005	100%	1,270,483	100%	1,258,113	100%	1,261,895	100%

Source: Colorado Department of Revenue

1 – Data is not available in this format prior to calendar year 2003.

2004		2003		2002		2001		2000	
# 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 Ta
24,570	0.0%	24,632	0.0%	22,477	0.0%	16,539	0.0%	13,946	0.0%
73,929	0.0%	74,854	0.0%	73,714	0.0%	75,710	0.0%	73,929	0.0%
112,776	0.0%	114,615	0.1%	115,045	0.1%	113,237	0.1%	116,422	0.1%
129,339	0.4%	132,540	0.5%	134,152	0.5%	131,411	0.5%	134,898	0.5%
134,988	1.0%	137,195	1.1%	139,267	1.2%	139,013	1.2%	144,220	1.2%
131,424	1.6%	133,960	1.8%	136,897	1.9%	136,429	1.9%	140,010	1.9%
236,162	4.7%	239,657	5.3%	243,253	5.6%	244,586	5.5%	243,715	5.2%
266,625	8.6%	268,253	9.6%	271,283	9.9%	269,802	9.3%	263,657	8.7%
289,548	15.1%	286,609	16.5%	291,227	17.1%	290,662	15.9%	283,693	14.9%
171,170	14.0%	163,572	14.7%	161,047	14.7%	159,483	13.5%	150,626	12.2%
227,936	54.6%	202,886	50.4%	196,065	49.0%	203,312	52.1%	203,040	55.3%
1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%	1,768,156	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.

2007		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	# of Tax Returns	% of Sales Tax
3,632	0.1%	3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
4,104	1.7%	3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
8,725	3.0%	7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
30,929	1.5%	32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
87,475	4.9%	85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
74,498	6.7%	78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
399,395	51.5%	409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
4,733	0.3%	5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
170,488	5.8%	163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
34,308	1.2%	37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
71,969	3.8%	72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
66,352	1.8%	71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,014	0.7%	23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
5,566	0.2%	5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
12,233	0.2%	12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
17,196	0.6%	16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
20,995	3.5%	20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
125,682	10.2%	121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
85,361	2.1%	85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
7,445	0.2%	10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,254,100	100%	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)

	2011-12	2010-11	2009-10	RESTATED 2008-09
DEBT SERVICE EXPENDITURES:				
Principal	$ 150,689	$ 124,993	$ 116,083	$ 109,801
Interest	85,586	82,829	77,919	78,719
TOTAL DEBT SERVICE EXPENDITURES	$ 236,275	$ 207,822	$ 194,002	$ 188,520
Percent Change Over Previous Year	13.7%	7.1%	2.9%	-9.2%
TOTAL NONCAPITAL EXPENDITURES	16,470,142	16,654,138	16,566,769	15,448,232
TOTAL CAPITAL EXPENDITURES	726,501	631,546	478,179	359,518
TOTAL GOVERNMENTAL EXPENDITURES	17,196,643	17,285,684	17,044,948	15,807,750
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.9%	0.7%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.5%
Total Debt Service Expenditures	1.4%	1.2%	1.2%	1.2%

TOTAL OUTSTANDING DEBT[1 2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2011-12	2010-11	2009-10	2008-09
Governmental Activities:				
Revenue Backed Debt	$ 739,138	$ 869,282	$ 992,436	$ 1,106,973
Certificates of Participation	1,018,456	897,632	689,973	162,053
Capital Leases	121,429	107,588	97,130	91,813
Notes and Mortgages	19,369	-	515,000	515,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,898,392	1,874,502	2,294,539	1,875,839
Business-Type Activities:				
Revenue Backed Debt	3,753,617	2,762,166	2,306,693	3,551,588
Certificates of Participation	420,951	430,537	432,698	446,656
Capital Leases	39,038	48,416	83,374	93,773
Notes and Mortgages	7,353	3,503	43,925	4,771
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,220,959	3,244,622	2,866,690	4,096,788
Total Primary Government:				
Revenue Backed Debt	4,492,755	3,631,448	3,299,129	4,658,561
Certificates of Participation	1,439,407	1,328,169	1,122,671	608,709
Capital Leases	160,467	156,004	180,504	185,586
Notes and Mortgages	26,722	3,503	558,925	519,771
TOTAL OUTSTANDING DEBT[1]	$ 6,119,351	$ 5,119,124	$ 5,161,229	$ 5,972,627
Percent Change Over Previous Year	19.5%	-0.8%	-13.6% [3]	7.7%
Colorado Population (In Thousands) Restated for Censu	5,188	5,117	5,048	4,972
Per Capita Debt (Dollars Per Person) Restated for Censı	$1,180	$1,000	$1,022	$1,201
Per Capita Income (Thousands Per Person)	$44.8	$44.0	$42.1	$41.2
Per Capita Debt as a Percent of Per Capita Income	2.6%	2.3%	2.4%	2.9%

[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.

2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04	RESTATED 2002-03
$ 104,924	$ 100,681	$ 97,583	$ 15,574	$ 11,932	$ 16,581
102,652	112,145	106,322	98,829	80,281	82,116
$ 207,576	$ 212,826	$ 203,905	$ 114,403	$ 92,213	$ 98,697
-2.5%	4.4%	78.2%	24.1%	-6.6%	15.7%
14,196,496	13,365,782	12,586,379	11,298,334	10,664,540	10,541,507
242,572	233,914	228,077	244,178	488,140	409,971
14,439,068	13,599,696	12,814,456	11,542,512	11,152,680	10,951,478
0.7%	0.8%	0.8%	0.1%	0.1%	0.2%
0.7%	0.8%	0.8%	0.9%	0.8%	0.7%
1.4%	1.6%	1.6%	1.0%	0.9%	0.9%

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
$ 1,216,006	$ 1,319,718	$ 1,418,446	$ 1,512,987	$ 1,518,564	$ 1,273,146
172,864	183,203	196,475	63,332	44,244	57,132
60,031	30,456	17,482	22,308	16,040	8,546
460,000	345,000	415,000	520,000	397,023	-
1,908,901	1,878,377	2,047,403	2,118,627	1,975,871	1,338,824
3,325,690	2,935,383	2,304,485	2,063,378	1,578,903	1,553,595
210,150	218,916	260,578	75,729	73,724	46,811
93,374	68,621	60,724	90,140	86,531	85,919
6,211	9,463	6,946	9,402	6,262	6,602
3,635,425	3,232,383	2,632,733	2,238,649	1,745,420	1,692,927
4,541,696	4,255,101	3,722,931	3,576,365	3,097,467	2,826,741
383,014	402,119	457,053	139,061	117,968	103,943
153,405	99,077	78,206	112,448	102,571	94,465
466,211	354,463	421,946	529,402	403,285	6,602
$ 5,544,326	$ 5,110,760	$ 4,680,136	$ 4,357,276	$ 3,721,291	$ 3,031,751
8.5%	9.2%	7.4%	17.1%	22.7%	12.5%
4,890	4,804	4,720	4,632	4,575	4,529
$1,134	$1,064	$992	$941	$813	$669
$44.2	$42.7	$41.2	$38.8	$36.9	$35.3
2.6%	2.5%	2.4%	2.4%	2.2%	1.9%

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	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2011-12	$ 1,105,452	$ 938,787	$ 166,665	$ 125,265	$ 41,400	$ 166,665	1.00
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
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance[2]							
2011-12	$ 240,822	$ -	$ 240,822	$ -	$ 18,234	$ 18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
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
Higher Education Institutions							
2011-12	$ 1,093,528	$ 507,761	$ 585,767	$ 69,992	$ 114,914	$ 184,906	3.17
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

[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. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[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. In Fiscal Year 2011-12, Unemployment Insurance issued revenue bonds requiring pledged revenues.

COLORADO DEMOGRAPHIC DATA
2003 to 2012

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 %
2012 est	5,188	1.65%	$ 232.4	$ 44,796	105.3%	*	8.0%
2011	5,117	1.64	225.4	44,049	106.0	2,497	8.3
2010	5,048	1.63	212.5	42,096	105.8	2,481	8.9
2009	4,972	1.62	204.6	41,150	106.5	2,514	8.1
2008	4,890	1.61	216.0	44,172	107.9	2,601	4.8
2007	4,804	1.59	205.2	42,714	108.1	2,583	3.8
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

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate

* – Data is not available.

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2003 to 2012
(AMOUNTS IN THOUSANDS)

Industry	2012 est	2011 est	2010	2009	2008	2007	2006	2005	2004	2003
Natural Resources and Mining	28.9	27.8	24.4	24.2	28.5	25.2	21.1	17.2	14.4	13.2
Construction	114.0	111.1	115.1	131.3	161.8	167.8	167.8	160.0	151.3	149.9
Manufacturing	126.1	128.0	125.2	129.6	144.1	147.0	149.1	150.4	151.8	153.9
Transportation, Trade, and Utilities	404.9	402.5	397.8	403.8	429.3	429.2	419.3	413.0	406.6	404.5
Information	70.6	71.1	71.7	74.7	76.8	76.4	75.4	76.9	81.2	84.6
Financial Activities	142.5	143.5	144.0	148.0	155.6	159.5	160.4	158.5	154.6	154.1
Professional and Business Services	343.8	337.0	329.8	330.2	351.9	347.9	331.8	316.8	304.1	292.0
Educational and Health Services	280.1	272.6	264.6	257.2	250.5	240.4	231.2	224.6	218.5	213.0
Leisure and Hospitality	274.3	270.5	263.1	262.4	272.9	270.4	264.9	257.5	251.3	245.6
Other Services	94.8	93.3	92.5	93.7	94.8	92.9	90.8	88.5	87.4	85.9
Government	392.6	392.2	393.9	390.5	384.1	374.7	367.2	362.6	358.5	356.2
Total	2,272.6	2,249.6	2,222.1	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7	2,152.9

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
2012 est	$ 3,088	$ 3,200	$ 2,200	$ 8,488
2011 est	2,698	3,100	2,049	7,847
2010	2,903	2,967	2,215	8,085
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

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
2012 est	69.2	8.56
2011 est	66.2	8.56
2010	62.4	7.07
2009	58.5	6.80
2008	66.7	7.27
2007	67.3	7.48
2006	61.7	6.76
2005	58.7	6.76
2004	55.9	6.45
2003	52.8	5.71

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]

	2012	Restated 2011	2010	2009
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	626	616	601	593
Employees (calculated Average Employment)	67,872	66,691	65,325	64,535
Balance in Treasury Pool (in millions)	$6,546.6	$6,076.2	$5,902.0	$5,663.2
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	705,205	703,695	702,498	679,836
Unemployment Rate (percent) [4]	8.0	8.3	8.9	8.1
Employment Level [4]	2,540,729	2,497,297	2,481,447	2,514,236
Education:				
Public Schools	1,806	1,786	1,817	1,769
Primary School Students	854,265	843,316	832,368	818,443
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	501	511	554	569
Average Daily Population of Regional Centers [3,5]	302	307	329	378
Justice:				
District Court Cases Filed [3]	238,766	190,531	188,822	191,749
County Court Cases Filed [3]	541,439	562,185	562,570	554,165
Inmate Admissions	9,935	10,704	10,992	10,992
Inmate Releases	10,161	11,033	10,803	10,803
Average Daily Inmate Population	22,009	22,814	22,980	23,210
Citations Issued by the State Patrol	84,637 [6]	149,015	170,988	170,570
Crashes Covered by the State Patrol	18,093 [6]	24,878	24,123	26,159
Natural Resources:				
Active Oil and Gas Wells [3]	45,300	45,500	45,000	36,000
Oil and Gas Drilling Permits [3]	4,800	5,250	5,000	7,400
Annual State Park Visitors [3]	12,651,919	12,463,495	11,666,912	13,680,012
Water Loans	281	288	278	269
Social Assistance:				
Medicaid Recipients [3]	613,148	553,407	476,632	381,390
Average Cash Assistance Payments per Month [3]	66,472	63,742	58,119	57,200
Transportation:				
Lane Miles	*	23,023,070	22,982,320	23,060,630
Bridges	3,447	3,447	3,447	3,429
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	160,944	160,160	146,531	136,900
Nonresident Students [3]	26,934	26,225	24,869	23,166
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	585,724	615,548	652,570	350,000
Initial Unemployment Claims [3]	302,418	389,769	408,644	120,074
CollegeInvest:[7]				
Loans Issued or Purchased				268,745 [7]
Average Balance per Loan				$6,326 [7]
Lottery:				
Scratch Tickets Sold	99,988,581	98,545,733	99,657,606	104,217,790
Lotto Tickets Sold	33,276,914	39,257,585	41,620,408	43,552,521
Powerball Tickets Sold	64,285,665	70,047,258	101,568,085	100,733,520
Other Lottery Tickets Sold	65,916,303	50,464,834	26,833,674	20,831,732
Wildlife:				
Hunting & Fishing Licenses Sold [3]	2,333,000	1,380,000	1,630,000	2,300,000
College Assist:				
Guaranteed Loans - In State	-	61,076 [8]	107,402	115,486
Guaranteed Loans - Out of State	-	4,961 [8]	41,616	47,892

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.

2008	2007	2006	2005	2004	2003
556	515	492	484	465	444
61,915	59,873	58,468	58,046	57,643	58,239
$6,159.4	$5,250.7	$4,615.3	$3,951.1	$3,174.6	$2,241.4
640,332	575,124	576,982	517,597	*	*
4.8	3.8	4.3	5.1	5.6	6.1
2,601,059	2,583,404	2,541,828	2,455,773	2,392,952	2,339,532
1,771	1,771	1,731	1,667	1,728	1,613
802,639	794,026	780,708	766,657	757,021	751,862
548	528	539	539	570	688
403	403	403	403	411	400
199,681	189,884	187,498	*	*	165,467
579,069	552,592	547,143	*	*	461,847
11,038	10,625	10,168	9,433	8,165	7,799
10,565	10,110	8,954	8,249	7,504	6,977
22,887	22,424	21,438	20,228	19,478	18,636
221,544	226,324	234,052	246,918	206,052	176,869
27,260	28,277	28,648	30,645	33,635	34,133
35,000	34,000	30,000	25,300	24,000	23,423
6,780	4,200	3,800	2,200	*	*
11,272,418	11,475,000	11,869,897	11,190,201	11,565,810	11,170,000
258	255	244	241	227	213
383,784	429,233	446,341	375,410	362,654	326,058
62,647	66,728	68,822	68,150	85,339	*
23,036,480	22,999,470	23,105,769	23,029,858	23,138,578	23,061,021
3,406	3,775	3,757	3,754	3,714	3,698
135,275	136,108	140,601	141,692	135,392	127,632
22,069	20,670	21,380	22,729	22,809	22,824
300,000	270,000	270,000	240,000	200,000	194,000
119,561	120,290	132,337	176,270	156,594	132,657
239,060	218,518	200,332	189,522	174,724	168,453
$6,328	$6,057	$5,546	$5,098	$4,871	$4,486
101,604,127	99,199,686	111,883,645	119,441,166	114,543,013	111,793,347
41,071,837	39,835,761	38,332,996	38,266,176	40,818,461	48,272,866
109,565,516	101,570,695	119,757,642	80,912,792	85,041,776	75,705,463
19,148,564	17,407,163	16,858,542	15,052,291	14,508,537	13,245,564
1,545,659	1,399,978	1,409,064	1,450,000	1,235,551	1,525,679
140,232	146,616	*	*	*	*
18,859	5,080	*	*	*	*

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.
[5] – This represented Regional Center Residential Beds.
[6] – Calendar data through September 30, 2012
[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] –In Fiscal Year 2010-11, 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

	2011-12	2010-11	2009-10	2008-09
General Government	3,042	2,991	2,399	2,454
Business, Community, and Consumer Affairs	2,404	2,458	2,564	2,437
Education	39,097	38,038	37,093	36,042
Health and Rehabilitation	3,953	3,965	4,019	3,944
Justice	13,149	13,093	12,848	13,000
Natural Resources	1,597	1,579	1,607	1,587
Social Assistance	1,605	1,579	1,704	1,671
Transportation	3,024	2,988	3,091	3,400
TOTAL AVERAGE EMPLOYMENT	67,871	66,691	65,325	64,535
TOTAL CLASSIFIED	32,449	32,927	32,799	32,820
AVERAGE MONTHLY SALARY	$ 4,314	$ 4,324	$ 4,367	$ 4,390
TOTAL NON-CLASSIFIED	35,422	33,764	32,526	31,715
AVERAGE MONTHLY SALARY	$ 5,840	$ 5,786	$ 5,735	$ 5,723

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.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
2,392	2,322	2,255	2,219	2,180	2,300
2,372	2,335	2,342	2,367	2,343	2,344
34,469	33,464	32,680	32,664	32,595	32,435
3,865	3,774	3,729	3,681	3,717	3,803
12,467	11,791	11,372	11,083	10,767	11,257
1,583	1,522	1,485	1,472	1,446	1,453
1,656	1,593	1,520	1,462	1,482	1,567
3,111	3,072	3,085	3,098	3,113	3,080
61,915	59,873	58,468	58,046	57,643	58,239
31,995	31,075	30,677	30,967	30,770	31,857
$ 4,278	$ 4,108	$ 4,036	$ 3,955	$ 3,867	$ 3,913
29,920	28,798	27,791	27,079	26,873	26,382
$ 5,467	$ 5,214	$ 5,066	$ 4,926	$ 4,759	$ 4,788

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
2002 TO 2011

Mileage Type	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
CenterLine Miles[1]:										
Urban	1,385	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421	1,038
Rural	7,720	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736	8,105
TOTAL CENTERLINE MILES	9,105	9,109	9,146	9,144	9,134	9,161	9,148	9,157	9,157	9,143
Percent Change	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%
Lane Miles[2]:										
Urban	5,330	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236	4,058
Rural	17,693	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825	18,792
TOTAL LANE MILES	23,023	22,981	23,061	23,036	22,999	23,106	23,031	23,137	23,061	22,850
Percent Change	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%

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
2003 to 2012

Functional Classification	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Principal Arterial[1]	1,303	1,299	1,376	1,368	1,341	1,686	1,678	1,680	1,676	1,949
Other Principal Arterial[2]	791	785	801	794	795	911	884	943	894	321
Minor Arterial	749	752	759	761	773	802	798	787	798	818
Collector	442	446	431	426	404	350	368	319	326	403
Local	162	165	80	80	93	26	29	25	20	207
TOTAL BRIDGES	3,447	3,447	3,447	3,429	3,406	3,775	3,757	3,754	3,714	3,698
Percent Change	0%	0%	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%	0.0%

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.

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS

Last Five Years[2]

	2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:					
General Government	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	980,198	980,198	980,198	981,809	937,389
Education	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	1,839,506	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:					
Higher Education	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	1,078,055	1,131,841	1,109,004	1,065,240	901,526
TOTAL	70,452,709	69,864,089	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 Five Years[2]

	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:					
General Government	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	575,591	585,944	517,447	515,708	508,439
Education	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	465,649	458,959	455,218	420,272	434,469
Justice	321,920	463,506	857,026	868,060	850,185
Natural Resources	73,375	81,926	65,735	73,546	49,495
Social Assistance	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:					
Higher Education	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	7,517	8,544	18,983	15,318	15,318
Lottery	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	79,112	73,064	73,064	15,267	75,944
College Assist	8,825	10,139	12,807	12,807	12,807
TOTAL	3,459,662	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 Columbines 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

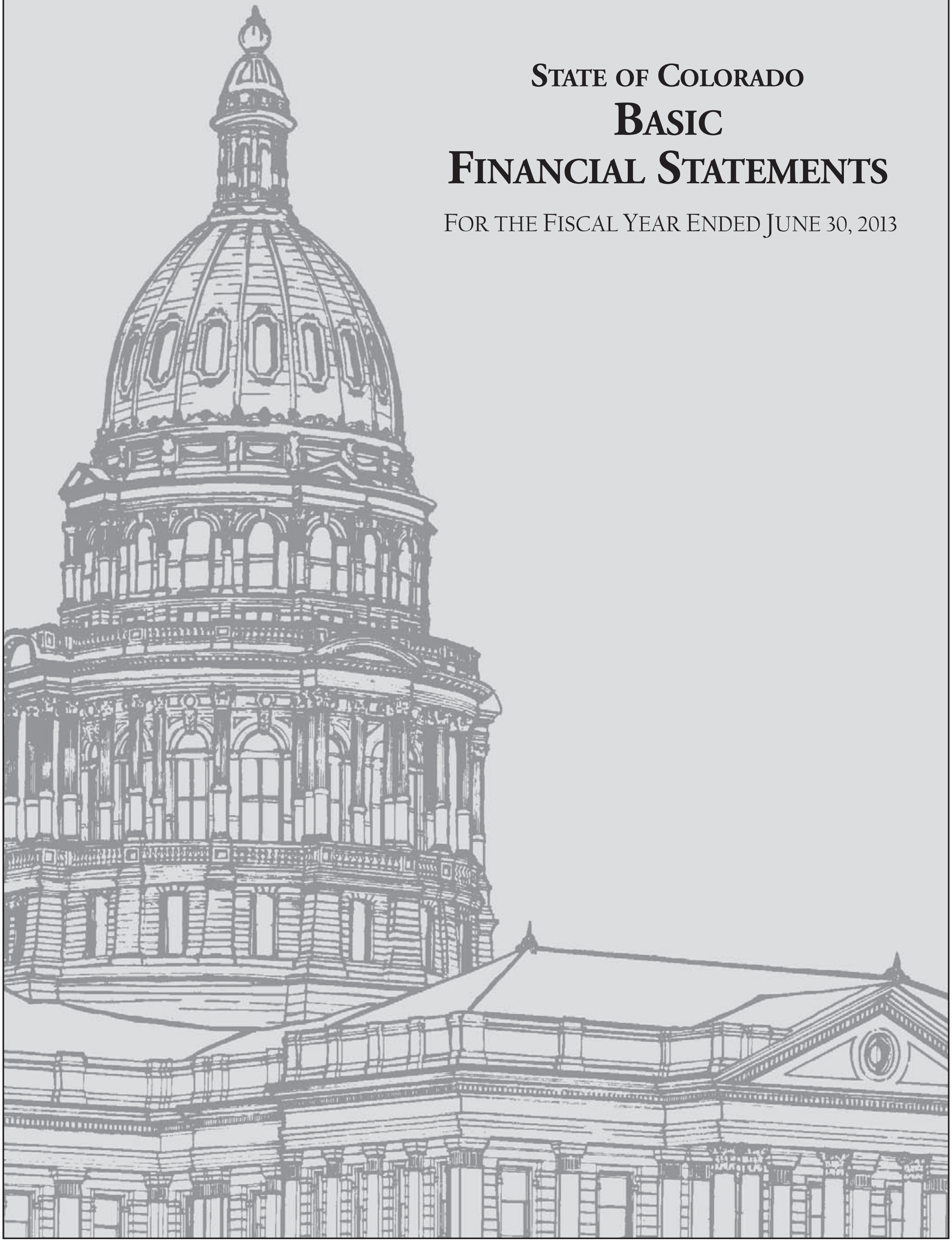
State Amphibian - Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State of Colorado
Basic Financial Statements

For the Fiscal Year Ended June 30, 2013



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Colorado
Department of Personnel
& Administration
Office of the State Controller

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Robert Jaros
State Controller

September 20, 2013

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Mark Ferrandino
Speaker of the House
Colorado General Assembly

The Honorable John P. Morse
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 services 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 2013 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2013.

If you have questions, please contact me.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

cc: Kathy Nesbitt, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting

Office of the State Controller
633 17th St., Suite 1500
Denver, CO 80202
O: 303-866-6200 | F: 303-866-4138
www.colorado.gov/dpa

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CONTENTS

UNAUDITED

STATEMENT OF NET POSITION
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,550,983	$ 2,180,351	$ 4,731,334	$ 241,771
Investments	3,497	285,348	288,845	115,330
Restricted Securities Not Held for Investment	-	-	-	13,301
Taxes Receivable, net	1,118,329	137,970	1,256,299	-
Contributions Receivable, net	-	-	-	42,846
Other Receivables, net	180,410	382,699	563,109	197,219
Due From Other Governments	369,249	155,190	524,439	2,034
Internal Balances	23,805	(23,805)	-	-
Due From Component Units	119	18,969	19,088	-
Inventories	55,319	52,826	108,145	18,697
Prepaids, Advances, and Deferred Charges	57,465	24,238	81,703	13,846
Total Current Assets	4,359,176	3,213,786	7,572,962	645,044
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,797,070	349,102	2,146,172	137,725
Restricted Investments	598,209	292,283	890,492	408,436
Restricted Receivables	176,055	45,264	221,319	33,567
Investments	464,535	1,742,552	2,207,087	2,515,314
Contributions Receivable, net	-	-	-	58,529
Net Pension Asset	-	-	-	6,459
Other Long-Term Assets	740,503	126,973	867,476	1,029,302
Depreciable Capital Assets and Infrastructure, net	9,312,959	5,463,058	14,776,017	652,976
Land and Nondepreciable Infrastructure	2,171,949	1,230,769	3,402,718	289,525
Total Noncurrent Assets	15,261,280	9,250,001	24,511,281	5,131,833
TOTAL ASSETS	19,620,456	12,463,787	32,084,243	5,776,877
DEFERRED OUTFLOW OF RESOURCES:	-	551	551	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	-	718,077	-
Accounts Payable and Accrued Liabilities	732,767	607,318	1,340,085	170,510
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	198,953	34,169	233,122	2,240
Due To Component Units	81	343	424	-
Unearned Revenue	103,486	244,969	348,455	25,084
Accrued Compensated Absences	10,954	16,609	27,563	20,568
Claims and Judgments Payable	46,873	-	46,873	17,575
Leases Payable	20,004	6,154	26,158	821
Notes, Bonds, and COPs Payable	174,340	232,930	407,270	69,419
Other Postemployment Benefits	-	17,052	17,052	-
Other Current Liabilities	14,834	142,336	157,170	156,506
Total Current Liabilities	2,021,075	1,301,880	3,322,955	462,723
Noncurrent Liabilities:				
Deposits Held In Custody For Others	17	-	17	271,243
Accrued Compensated Absences	138,413	236,329	374,742	-
Claims and Judgments Payable	323,451	38,993	362,444	-
Capital Lease Payable	131,006	35,573	166,579	1,214
Derivative Instrument Liability	-	8,333	8,333	-
Notes, Bonds, and COPs Payable	1,611,220	3,895,988	5,507,208	1,567,773
Due to Component Units	-	1,755	1,755	-
Other Postemployment Benefits	-	177,176	177,176	-
Other Long-Term Liabilities	444,118	11,972	456,090	109,474
Total Noncurrent Liabilities	2,648,225	4,406,119	7,054,344	1,949,704
TOTAL LIABILITIES	4,669,300	5,707,999	10,377,299	2,412,427
NET POSITION:				
Net investment in Capital Assets:	10,081,730	3,576,612	13,658,342	259,162
Restricted for:				
Construction and Highway Maintenance	1,145,997	-	1,145,997	-
Education	1,280,535	-	1,280,535	-
Unemployment Insurance	-	221,592	221,592	-
Debt Service	33,113	8,439	41,552	-
Emergencies	161,350	34,000	195,350	48
Permanent Funds and Endowments:				
Expendable	6,328	11,716	18,044	733,792
Nonexpendable	694,562	61,159	755,721	679,738
Other Purposes	389,142	630,391	1,019,533	577,293
Unrestricted	1,158,399	2,212,430	3,370,829	1,113,974
TOTAL NET POSITION	$ 14,951,156	$ 6,756,339	$ 21,707,495	$ 3,364,007

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 573,792	$ (18,072)	$ 136,759	$ 182,564	$ 191
Business, Community, and Consumer Affairs	582,480	2,181	136,475	244,402	-
Education	5,186,781	1,372	27,633	755,752	2
Health and Rehabilitation	696,951	927	80,508	398,738	-
Justice	1,668,942	5,349	259,556	107,518	230
Natural Resources	76,919	1,102	144,744	15,563	-
Social Assistance	7,171,954	2,560	763,126	4,075,723	-
Transportation	1,767,400	1,602	411,100	83,312	700,192
Interest on Debt	15,315	-	-	-	-
Total Governmental Activities	17,740,534	(2,979)	1,959,901	5,863,572	700,615
Business-Type Activities:					
Higher Education	5,256,314	1,614	3,446,482	1,800,753	87,867
Unemployment Insurance	1,051,633	-	729,236	481,840	-
Lottery	500,603	406	576,213	77	-
Parks and Wildlife	177,100	443	141,450	31,038	8,859
College Assist	407,113	116	6,254	403,907	-
Other Business-Type Activities	186,775	400	350,002	12,046	53
Total Business-Type Activities	7,579,538	2,979	5,249,637	2,729,661	96,779
Total Primary Government	25,320,072	-	7,209,538	8,593,233	797,394
Component Units:					
University of Colorado Hospital Authority	821,120	-	941,429	1,431	370
Colorado Water Resources and Power Development Authority	84,335	-	60,007	28,820	-
University of Colorado Foundation	133,249	-	5,100	90,337	-
Colorado State University Foundation	33,235	-	-	26,201	-
Colorado School of Mines Foundation	21,437	-	-	28,232	-
University of Northern Colorado Foundation	11,929	-	-	6,121	-
Other Component Units	124,020	-	115,257	825	2,023
Total Component Units	$ 1,229,325	$ -	$ 1,121,793	$ 181,967	$ 2,393

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
(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 Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (236,206)	$ -	$ (236,206)	
(203,784)	-	(203,784)	
(4,404,766)	-	(4,404,766)	
(218,632)	-	(218,632)	
(1,306,987)	-	(1,306,987)	
82,286	-	82,286	
(2,335,665)	-	(2,335,665)	
(574,398)	-	(574,398)	
(15,315)	-	(15,315)	
(9,213,467)	-	(9,213,467)	
-	77,174	77,174	
-	159,443	159,443	
-	75,281	75,281	
-	3,804	3,804	
-	2,932	2,932	
-	174,926	174,926	
-	493,560	493,560	
(9,213,467)	493,560	(8,719,907)	
-	-	-	122,110
-	-	-	4,492
-	-	-	(37,812)
-	-	-	(7,034)
-	-	-	6,795
-	-	-	(5,808)
-	-	-	(5,915)
-	-	-	76,828
2,498,010	-	2,498,010	-
240,895	-	240,895	-
5,154,624	-	5,154,624	-
606,883	-	606,883	-
453,305	-	453,305	-
445,704	-	445,704	-
40,634	-	40,634	-
552,285	-	552,285	-
482	-	482	-
16,821	-	16,821	21,727
97,402	-	97,402	-
-	-	-	48,806
(128,631)	128,631	-	-
741	-	741	-
9,979,155	128,631	10,107,786	70,533
765,688	622,191	1,387,879	147,361
14,179,064	6,139,998	20,319,062	3,216,646
6,404	(5,850)	554	-
$ 14,951,156	$ 6,756,339	$ 21,707,495	$ 3,364,007

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 1,112,977	$ 513,890	$ 39,687
Taxes Receivable, net	1,356,100	13,370	-
Other Receivables, net	74,032	21,077	2,701
Due From Other Governments	341,138	1,278	-
Due From Other Funds	63,941	1,448	2,973
Due From Component Units	119	-	-
Inventories	9,931	35,868	8,249
Prepaids, Advances, and Deferred Charges	22,654	20,126	4,210
Restricted Cash and Pooled Cash	181,857	66,000	1,139,988
Restricted Investments	-	-	-
Restricted Receivables	310	-	175,415
Investments	327,941	-	-
Other Long-Term Assets	-	383,003	10,589
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,491,000	$ 1,056,060	$ 1,383,812
LIABILITIES:			
Tax Refunds Payable	$ 707,855	9,528	$ 107
Accounts Payable and Accrued Liabilities	472,369	6,315	107,710
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	68,068	48,895	60,755
Due To Other Funds	1,136,362	359	1,068
Due To Component Units	21	-	-
Unearned Revenue	307,897	1,212	16,587
Compensated Absences Payable	74	-	17
Claims and Judgments Payable	291	-	-
Other Current Liabilities	7,000	-	25
Deposits Held In Custody For Others	10	-	-
TOTAL LIABILITIES	2,700,653	66,309	186,269
FUND BALANCES:			
Nonspendable:			
Inventories	9,931	35868	8,249
Permanent Fund Principal	-	-	-
Prepaids	22,654	20,126	4,210
Restricted	484,311	13,537	1,145,997
Committed	435,891	920,220	39,087
Assigned	7	-	-
Unassigned	(162,447)	-	-
TOTAL FUND BALANCES	790,347	989,751	1,197,543
TOTAL LIABILITIES AND FUND BALANCES	$ 3,491,000	$ 1,056,060	$ 1,383,812

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 48,370	$ -	$ 773,488	$ 2,488,412
-	-	42,755	1,412,225
1,050	-	79,987	178,847
2,586	-	23,740	368,742
2,910	1,088,551	11,434	1,171,257
-	-	-	119
-	-	145	54,193
11	-	8,350	55,351
2,220	190,853	216,152	1,797,070
7,317	-	590,892	598,209
330	-	-	176,055
785	-	139,306	468,032
81	-	40,836	434,509
-	-	65,677	65,677
$ 65,660	$ 1,279,404	$ 1,992,762	$ 9,268,698
$ -	$ -	$ 587	$ 718,077
10,265	7,167	75,261	679,087
-	-	-	706
-	10	21,225	198,953
2,009	-	35,818	1,175,616
-	-	60	81
967	-	68,655	395,318
-	-	35	126
-	-	93	384
155	-	4,450	11,630
-	-	7	17
13,396	7,177	206,191	3,179,995
-	-	145	54,193
-	-	760,158	760,158
11	-	8,350	55,351
10,221	1,272,226	329,418	3,255,710
42,032	-	688,500	2,125,730
-	-	-	7
-	-	-	(162,447)
52,264	1,272,227	1,786,571	6,088,703
$ 65,660	$ 1,279,404	$ 1,992,762	$ 9,268,698

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2013

(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	$ 2,488,412	$ 62,558	$ -	$ -	$ -	$ 13	$ -	$ 2,550,983
Investments	-	-	-	-	-	3,497	-	3,497
Taxes Receivable, net	1,412,225	-	-	-	-	(293,896)	-	1,118,329
Other Receivables, net	178,847	542	-	-	-	1,021	-	180,410
Due From Other Governments	368,742	507	-	-	-	-	-	369,249
Due From Other Funds	1,171,257	7,222	-	-	-	(920)	(1,153,754)	23,805
Due From Component Units	119	-	-	-	-	-	-	119
Inventories	54,193	1,126	-	-	-	-	-	55,319
Prepaids, Advances, and Deferred Charges	55,351	2,114	-	-	-	-	-	57,465
Total Current Assets	5,729,146	74,069	-	-	-	(290,285)	(1,153,754)	4,359,176
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,797,070	-	-	-	-	-	-	1,797,070
Restricted Investments	598,209	-	-	-	-	-	-	598,209
Restricted Receivables	176,055	-	-	-	-	-	-	176,055
Investments	468,032	-	-	-	-	(3,497)	-	464,535
Other Long-Term Assets	434,509	65	-	-	-	305,929	-	740,503
Depreciable Capital Assets and Infrastructure, net	20,883	65,617	9,226,459	-	-	-	-	9,312,959
Land and Nondepreciable Infrastructure	44,794	12,091	2,115,064	-	-	-	-	2,171,949
Total Noncurrent Assets	3,539,552	77,773	11,341,523	-	-	302,432	-	15,261,280
TOTAL ASSETS	9,268,698	151,842	11,341,523	-	-	12,147	(1,153,754)	19,620,456
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,077	-	-	-	-	-	-	718,077
Accounts Payable and Accrued Liabilities	679,087	20,669	-	10,944	-	22,067	-	732,767
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	198,953	-	-	-	-	-	-	198,953
Due To Other Funds	1,175,616	205	-	-	-	(22,067)	(1,153,754)	-
Due To Component Units	81	-	-	-		-		81
Unearned Revenue	395,318	2,064	-	-	-	(293,896)	-	103,486
Compensated Absences Payable	126	101	-	-	-	10,727	-	10,954
Claims and Judgments Payable	384	-	-	-	37,487	9,002	-	46,873
Leases Payable	-	15,718	-	4,286	-	-	-	20,004
Notes, Bonds, and COPs Payable	-	1,685	-	172,655	-	-	-	174,340
Other Current Liabilities	11,630	114	-	-	-	3,090	-	14,834
Total Current Liabilities	3,179,978	40,556	-	187,885	37,487	(271,077)	(1,153,754)	2,021,075
Noncurrent Liabilities:								
Deposits Held In Custody For Others	17	-	-	-	-	-	-	17
Accrued Compensated Absences	-	7,002	-	-	-	131,411	-	138,413
Claims and Judgments Payable	-	-	-	-	111,396	212,055	-	323,451
Capital Lease Payable	-	80,277	-	50,729	-	-	-	131,006
Notes, Bonds, and COPs Payable	-	898	-	1,610,322	-	-	-	1,611,220
Other Long-Term Liabilities	-	-	-	-	-	444,118	-	444,118
Total Noncurrent Liabilities	17	88,177	-	1,661,051	111,396	787,584	-	2,648,225
TOTAL LIABILITIES	3,179,995	128,733	-	1,848,936	148,883	516,507	(1,153,754)	4,669,300
NET POSITION:								
Net investment in Capital Assets:	65,677	(20,870)	11,341,523	(1,304,600)	-	-	-	10,081,730
Restricted for:								
Construction and Highway Maintenance	1,153,292	-	-	(7,295)	-	-	-	1,145,997
Education	1,581,335	-	-	(300,800)	-	-	-	1,280,535
Debt Service	33,113	-	-	-	-	-	-	33,113
Emergencies	161,350	-	-	-	-	-	-	161,350
Permanent Funds and Endowments:								
Expendable	6,328	-	-	-	-	-	-	6,328
Nonexpendable	694,562	-	-	-	-	-	-	694,562
Other Purposes	389,142	-	-	-	-	-	-	389,142
Unrestricted	2,003,904	43,979	-	(236,241)	(148,883)	(504,360)	-	1,158,399
TOTAL NET POSITION	$ 6,088,703	$ 23,109	$ 11,341,523	$ (1,848,936)	$ (148,883)	$ (504,360)	$ -	$ 14,951,156

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 training services provided by the Department of Personnel & Administration, and 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 unearned revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related unearned 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, 2013

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,148,793	$ -	$ -
Corporate Income	597,441	-	-
Sales and Use	2,454,455	-	-
Excise	93,063	-	552,286
Other Taxes	211,170	129,674	482
Licenses, Permits, and Fines	17,871	1,515	338,212
Charges for Goods and Services	71,718	7,091	123,585
Rents	308	-	4,149
Investment Income (Loss)	12,523	12,514	(502)
Federal Grants and Contracts	5,340,165	130,137	721,266
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	156,217	4,150	63,380
TOTAL REVENUES	14,103,724	285,081	1,802,858
EXPENDITURES:			
Current:			
General Government	259,004	-	11,351
Business, Community, and Consumer Affairs	187,528	3,683	-
Education	614,620	-	-
Health and Rehabilitation	547,434	-	10,175
Justice	1,255,769	-	101,916
Natural Resources	42,306	47,188	-
Social Assistance	6,253,998	-	-
Transportation	-	-	1,061,861
Capital Outlay	189,516	(11,940)	33,523
Intergovernmental:			
Cities	61,542	24,666	157,398
Counties	1,204,174	31,332	186,589
School Districts	3,767,623	1,945	-
Special Districts	44,577	9,835	40,496
Federal	117	601	-
Other	169,966	1,343	620
Debt Service	31,952	-	-
TOTAL EXPENDITURES	14,630,126	108,653	1,603,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(526,402)	176,428	198,929
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,242,193	318	1,045
Transfers-Out	(4,356,702)	(90,720)	(225,056)
Face Amount of Bond/COP Issuance	195,965	-	-
Bond/COP Premium/Discount	9,396	-	-
Capital Lease Proceeds	427	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	65	-	143
Note/Bond/COP Refunding Issuance	-	-	30,925
Bond/COP Refunding Payments	-	-	(31,312)
TOTAL OTHER FINANCING SOURCES (USES)	91,343	(90,402)	(224,255)
NET CHANGE IN FUND BALANCES	(435,059)	86,026	(25,326)
FUND BALANCE, FISCAL YEAR BEGINNING	1,225,426	904,596	1,222,993
Prior Period Adjustment (See Note 29)	(20)	(871)	(124)
FUND BALANCE, FISCAL YEAR END	$ 790,347	$ 989,751	$ 1,197,543

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 447,486	$ -	$ 5,596,279
-	38,852	-	636,293
-	-	42,826	2,497,281
-	-	146,103	791,452
-	-	154,400	495,726
7	-	431,380	788,985
63	-	794,158	996,615
202	-	129,252	133,911
(297)	923	(5,663)	19,498
16,473	-	213,826	6,421,867
-	-	741	741
-	-	36,986	36,986
4,512	349	26,616	255,224
20,960	487,610	1,970,625	18,670,858
8,961	-	45,966	325,282
1	-	183,681	374,893
7,003	31,525	21,139	674,287
69	-	83,735	641,413
9,522	-	72,689	1,439,896
-	-	9,947	99,441
32	-	232,340	6,486,370
-	-	3,071	1,064,932
62,774	-	13,140	287,013
-	-	53,792	297,398
-	-	82,060	1,504,155
-	458,566	7,313	4,235,447
-	-	10,375	105,283
-	-	2,013	2,731
-	360	42,523	214,812
540	-	213,558	246,050
88,902	490,451	1,077,342	17,999,403
(67,942)	(2,841)	893,283	671,455
136,659	1,088,551	316,349	5,785,115
(66,182)	(8,235)	(1,157,718)	(5,904,613)
-	-	-	195,965
-	-	-	9,396
-	-	180	607
-	-	30,604	30,604
1,037	-	6	1,251
-	-	-	30,925
-	-	-	(31,312)
71,514	1,080,316	(810,579)	117,937
3,572	1,077,475	82,704	789,392
48,692	194,752	1,696,448	5,292,907
-	-	7,419	6,404
$ 52,264	$ 1,272,227	$ 1,786,571	$ 6,088,703

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

(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	$ 5,596,279	$ -	$ -	$ -	$ 5,817	$ 5,602,096
Corporate Income	636,293	-	-	-	9,441	645,734
Sales and Use	2,497,281	-	-	-	724	2,498,005
Excise	791,452	-	-	-	1,729	793,181
Other Taxes	495,726	-	-	-	(16,199)	479,527
Licenses, Permits, and Fines	788,985	-	-	-	55	789,040
Charges for Goods and Services	996,615	-	-	-	(22)	996,593
Rents	133,911	-	-	-	-	133,911
Investment Income (Loss)	19,498	(169)	-	-	(1,481)	17,848
Federal Grants and Contracts	6,421,867	-	-	-	943	6,422,810
Additions to Permanent Funds	741	-	-	-	-	741
Unclaimed Property Receipts	36,986	-	-	-	-	36,986
Other	255,224	-	15	-	71	255,310
TOTAL REVENUES	18,670,858	(169)	15	-	1,078	18,671,782
EXPENDITURES:						
Current:						
General Government	325,282	(4,074)	1,172	-	8,174	330,554
Business, Community, and Consumer Affairs	374,893	(1,263)	3,497	-	(10,252)	366,875
Education	674,287	(297)	9,385	-	117	683,492
Health and Rehabilitation	641,413	(315)	13,625	-	542	655,265
Justice	1,439,896	(1,438)	33,819	-	2,961	1,475,238
Natural Resources	99,441	(756)	1,614	-	(27)	100,272
Social Assistance	6,486,370	(2,631)	22,360	-	83	6,506,182
Transportation	1,064,932	1	220,376	-	289	1,285,598
Capital Outlay	287,013	-	(277,046)	-	-	9,967
Intergovernmental:						
Cities	297,398	-	-	-	-	297,398
Counties	1,504,155	-	-	-	-	1,504,155
School Districts	4,235,447	-	-	-	-	4,235,447
Special Districts	105,283	-	-	-	-	105,283
Federal	2,731	-	169	-	-	2,900
Other	214,812	-	-	-	-	214,812
Debt Service	246,050	2,499	-	(197,290)	-	51,259
TOTAL EXPENDITURES	17,999,403	(8,274)	28,971	(197,290)	1,887	17,824,697
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	671,455	8,105	(28,956)	197,290	(809)	847,085
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,785,115	8,047	-	-	-	5,793,162
Transfers-Out	(5,904,613)	(4,390)	-	-	-	(5,909,003)
Face Amount of Bond/COP Issuance	195,965	-	-	(195,965)	-	-
Bond/COP Premium/Discount	9,396	-	-	(8,484)	-	912
Capital Lease Proceeds	607	-	-	(607)	-	-
Sale of Capital Assets	30,604	-	1,365	-	-	31,969
Insurance Recoveries	1,250	-	-	-	-	1,250
Note/Bond/COP Refunding Issuance	30,925	-	-	(30,925)	-	-
Bond/COP Refunding Payments	(31,312)	-	-	31,312	-	-
TOTAL OTHER FINANCING SOURCES (USES)	117,937	3,657	1,365	(204,669)	-	(81,710)
Internal Service Fund Charges to BTAs	-	313	-	-	-	313
NET CHANGE FOR THE YEAR	789,392	12,075	(27,591)	(7,379)	(809)	765,688
Prior Period Adjustment (Note 29)	6,404	-	-	-	-	6,404
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 795,796	$ 12,075	$ (27,591)	$ (7,379)	$ (809)	$ 772,092

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 training services provided by the Department of Personnel & Administration, and 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 and 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 unearned 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 unearned 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, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,142,195	$ 589,617
Investments	263,840	-
Premiums Receivable, net	-	137,970
Student and Other Receivables, net	307,930	6,475
Due From Other Governments	139,268	2,777
Due From Other Funds	5,550	-
Due From Component Units	18,969	-
Inventories	36,987	-
Prepaids, Advances, and Deferred Charges	13,734	-
Total Current Assets	1,928,473	736,839
Noncurrent Assets:		
Restricted Cash and Pooled Cash	292,120	-
Restricted Investments	292,283	-
Restricted Receivables	-	-
Investments	1,556,772	-
Other Long-Term Assets	123,080	-
Depreciable Capital Assets and Infrastructure, net	5,133,374	-
Land and Nondepreciable Infrastructure	647,196	-
Total Noncurrent Assets	8,044,825	-
TOTAL ASSETS	9,973,298	736,839
DEFERRED OUTFLOW OF RESOURCES:	551	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	531,884	7,732
Due To Other Governments	-	-
Due To Other Funds	7,623	-
Due To Component Units	343	-
Unearned Revenue	204,713	-
Compensated Absences Payable	15,776	-
Leases Payable	5,810	-
Notes, Bonds, and COPs Payable	107,130	124,960
Other Postemployment Benefits	17,052	-
Other Current Liabilities	76,777	7,670
Total Current Liabilities	967,108	140,362
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	224,588	-
Claims and Judgments Payable	38,993	-
Capital Lease Payable	30,505	-
Derivative Instrument Liability	8,333	-
Notes, Bonds, and COPs Payable	3,213,420	374,885
Due to Component Units	1,755	-
Other Postemployment Benefits	177,176	-
Other Long-Term Liabilities	11,911	-
Total Noncurrent Liabilities	3,706,681	374,885
TOTAL LIABILITIES	4,673,789	515,247
NET POSITION:		
Net investment in Capital Assets:	2,857,651	-
Restricted for:		
Unemployment Insurance	-	221,592
Debt Service	8,439	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	11,716	-
Nonexpendable	61,159	-
Other Purposes	579,515	-
Unrestricted	1,781,580	-
TOTAL NET POSITION	$ 5,300,060	$ 221,592

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
$ 44,343	$ 404,196	$ 2,180,351	$ 62,558
-	21,508	285,348	-
-	-	137,970	-
20,390	47,836	382,631	542
-	13,145	155,190	507
-	8,502	14,052	7,222
-	-	18,969	-
1,172	14,667	52,826	1,126
4,993	5,511	24,238	2,114
70,898	515,365	3,251,575	74,069
-	56,982	349,102	-
-	-	292,283	-
-	45,264	45,264	-
-	185,780	1,742,552	-
-	3,893	126,973	65
1,900	327,784	5,463,058	65,617
-	583,573	1,230,769	12,091
1,900	1,203,276	9,250,001	77,773
72,798	1,718,641	12,501,576	151,842
-	-	551	-
4,576	46,557	590,749	20,669
6	34,163	34,169	-
37,298	6,160	51,081	205
-	-	343	-
-	40,256	244,969	2,064
-	833	16,609	101
-	344	6,154	15,718
-	840	232,930	1,685
-	-	17,052	-
26,207	31,682	142,336	114
68,087	160,835	1,336,392	40,556
-	3,276	3,276	-
858	10,883	236,329	7,002
-	-	38,993	-
-	5,068	35,573	80,277
-	-	8,333	-
-	307,683	3,895,988	898
-	-	1,755	-
-	-	177,176	-
61	-	11,972	-
919	326,910	4,409,395	88,177
69,006	487,745	5,745,787	128,733
1,900	717,061	3,576,612	(20,870)
-	-	221,592	-
-	-	8,439	-
-	34,000	34,000	-
-	-	11,716	-
-	-	61,159	-
-	50,878	630,393	-
1,892	428,958	2,212,430	43,979
$ 3,792	$ 1,230,896	$ 6,756,340	$ 23,109

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 714,152
License and Permits	-	114
Tuition and Fees	2,338,757	-
Scholarship Allowance for Tuition and Fees	(549,483)	-
Sales of Goods and Services	1,560,621	-
Scholarship Allowance for Sales of Goods & Services	(22,096)	-
Investment Income (Loss)	1,315	-
Rental Income	15,473	-
Gifts and Donations	23,239	-
Federal Grants and Contracts	991,704	466,920
Intergovernmental Revenue	12,630	-
Other	259,442	11,918
TOTAL OPERATING REVENUES	4,631,602	1,193,104
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,408,430	60
Operating and Travel	1,178,694	1,039,034
Cost of Goods Sold	139,345	-
Depreciation and Amortization	361,562	-
Intergovernmental Distributions	31,866	-
Debt Service	-	-
Prizes and Awards	389	-
TOTAL OPERATING EXPENSES	5,120,286	1,039,094
OPERATING INCOME (LOSS)	(488,684)	154,010
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	19	3,052
Investment Income (Loss)	145,300	14,921
Rental Income	22,155	-
Gifts and Donations	138,845	-
Intergovernmental Distributions	(19,860)	-
Federal Grants and Contracts	302,202	-
Gain/(Loss) on Sale or Impairment of Capital Assets	8,419	-
Insurance Recoveries from Prior Year Impairments	9	-
Debt Service	(131,987)	(12,539)
Other Expenses	4,908	-
Other Revenues	6,649	-
TOTAL NONOPERATING REVENUES (EXPENSES)	476,659	5,434
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(12,025)	159,444
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	95,800	-
Additions to Permanent Endowments	3,145	-
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
TOTAL CONTRIBUTIONS AND TRANSFERS	288,686	(2,285)
CHANGE IN NET POSITION	276,661	157,159
NET POSITION - FISCAL YEAR BEGINNING	5,029,249	64,433
Prior Period Adjustments (See Note 29)	(5,850)	-
Accounting Changes (See Note 29)	-	-
NET POSITION - FISCAL YEAR ENDING	$ 5,300,060	$ 221,592

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
$ -	$ -	$ 714,152	$ -
65	106,593	106,772	-
-	680	2,339,437	-
-	-	(549,483)	-
575,243	263,498	2,399,362	225,600
-	-	(22,096)	-
-	4,385	5,700	-
-	1,345	16,818	11,445
-	-	23,239	-
-	477,348	1,935,972	-
-	31,138	43,768	-
904	10,157	282,421	412
576,212	895,144	7,296,062	237,457
9,437	218,173	3,636,100	121,529
59,712	466,898	2,744,338	84,757
12,108	35,491	186,944	7,607
977	15,292	377,831	16,382
-	11,634	43,500	3
-	17,028	17,028	-
359,217	890	360,496	-
441,451	765,406	7,366,237	230,278
134,761	129,738	(70,175)	7,179
-	26,541	26,541	-
-	9,700	12,771	-
77	3,628	163,926	(168)
-	8,908	31,063	-
-	1,826	140,671	-
(59,172)	-	(79,032)	-
-	-	302,202	3,550
(3)	835	9,251	318
-	102	111	-
-	(6,705)	(151,231)	(2,455)
-	(156)	4,752	(6)
-	12	6,661	-
(59,098)	44,691	467,686	1,239
75,663	174,429	397,511	8,418
-	10,208	106,008	597
-	-	3,145	-
-	21,217	215,421	7,450
(77,046)	(16,099)	(99,893)	(4,389)
(77,046)	15,326	224,681	3,658
(1,383)	189,755	622,192	12,076
5,175	1,041,141	6,139,998	11,033
-	-	(5,850)	-
-	-	-	-
$ 3,792	$ 1,230,896	$ 6,756,340	$ 23,109

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,805,218	$ -
Fees for Service	1,482,522	-
Sales of Products	6,595	-
Gifts, Grants, and Contracts	1,583,579	474,624
Loan and Note Repayments	378,629	-
Unemployment Insurance Premiums	-	744,193
Income from Property	37,636	-
Other Sources	80,746	-
Cash Payments to or for:		
Employees	(3,231,077)	-
Suppliers	(1,266,190)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,039,201)
Scholarships	(113,185)	-
Others for Student Loans and Loan Losses	(379,959)	-
Other Governments	(31,866)	-
Other	(66,536)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	286,112	179,616
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
Receipt of Deposits Held in Custody	675,103	-
Release of Deposits Held in Custody	(671,702)	-
Gifts and Grants for Other Than Capital Purposes	161,889	-
Intergovernmental Distributions	(19,860)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(3,408)	(125,671)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	331,763	(127,956)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(580,042)	-
Capital Contributions	1,061	-
Capital Gifts, Grants, and Contracts	53,534	-
Proceeds from Sale of Capital Assets	13,303	-
Capital Debt Proceeds	296,180	-
Capital Debt Service Payments	(353,770)	-
Capital Lease Payments	(8,286)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(578,020)	-

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
$ -	$ 764	$ 1,805,982	$ 3
-	261,169	1,743,691	227,081
574,590	50,399	631,584	1,573
-	486,629	2,544,832	3,568
-	1,467	380,096	-
-	-	744,193	-
-	10,254	47,890	11,488
969	110,896	192,611	265
(8,988)	(146,591)	(3,386,656)	(94,355)
(29,580)	(238,649)	(1,534,419)	(112,817)
(398,723)	(6,264)	(404,987)	(822)
-		(1,039,201)	-
-	-	(113,185)	-
-	(342,830)	(722,789)	-
-	(11,713)	(43,579)	(3)
(43)	(21,624)	(88,203)	(157)
138,225	153,907	757,860	35,824
-	21,270	215,474	889
(77,046)	(16,152)	(99,946)	(4,389)
-	5	675,108	314
-	-	(671,702)	(403)
-	1,404	163,293	-
(50,860)	-	(70,720)	-
-	82	82	-
-	(631)	(129,710)	-
(127,906)	5,978	81,879	(3,589)
(48)	(180,486)	(760,576)	(14,236)
-	-	1,061	-
-	-	53,534	-
-	1,099	14,402	9,393
-	4,062	300,242	26,467
-	(6,496)	(360,266)	(2,037)
-	(578)	(8,864)	(15,271)
(48)	(182,399)	(760,467)	4,316

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	90,800	14,921
Proceeds from Sale/Maturity of Investments	2,765,514	-
Purchases of Investments	(2,978,721)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	52,285	-
NET CASH FROM INVESTING ACTIVITIES	(70,122)	14,921
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(30,267)	66,581
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,470,263	523,036
Prior Period Adjustment (See Note 29)	(5,681)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,434,315	$ 589,617
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (488,684)	$ 154,010
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	361,562	-
Investment/Rental Income and Other Revenue in Operating Income	-	(11,918)
Rents, Fines, Donations, and Grants and Contracts in NonOperating	332,854	3,052
(Gain)/Loss on Disposal of Capital and Other Assets	166	-
Compensated Absences	18,425	-
Interest and Other Expense in Operating Income	(4,236)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	32,355	34,585
(Increase) Decrease in Inventories	764	-
(Increase) Decrease in Other Operating Assets	(841)	-
Increase (Decrease) in Accounts Payable	(13,897)	661
Increase (Decrease) in Other Operating Liabilities	47,644	(774)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 286,112	$ 179,616
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	7,942	-
Capital Assets Acquired by Grants or Donations and Payable Increases	55,901	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	24,775	-
Loss on Disposal of Capital and Other Assets	24,424	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	42,809	-
Assumption of Capital Lease Obligation or Mortgage	9,643	-
Financed Debt Issuance Costs	1069	-
Fair Value Change in Derivative Instrument	4,661	-

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

UNAUDITED

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
469	13,014	119,204	19
-	118,463	2,883,977	-
-	-	(2,978,721)	-
(392)	(4,385)	47,508	(188)
77	127,092	71,968	(169)
10,348	104,578	151,240	36,382
33,995	356,600	2,383,894	26,185
-	-	(5,681)	-
$ 44,343	$ 461,178	$ 2,529,453	$ 62,567
$ 134,761	$ 129,738	$ (70,175)	$ 7,179
977	15,292	377,831	16,382
-	(4,385)	(16,303)	-
-	46,253	382,159	3,555
-	4,014	4,180	-
21	345	18,791	183
-	(24,841)	(29,077)	409
(671)	3,792	70,061	1,180
(144)	(30)	590	187
74	652	(115)	(993)
(178)	(15,983)	(29,397)	5,757
3,385	(940)	49,315	1,985
$ 138,225	$ 153,907	$ 757,860	$ 35,824
-	1,398	9,339	597
-	-	55,901	-
-	-	24,775	-
3,411	-	27,835	-
-	-	42,809	-
-	-	9,643	40,320
-	-	1,069	-
-	-	4,661	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 61,569	$ 145,832	$ 850,874
Investments	-	618	-
Taxes Receivable, net	-	-	146,810
Other Receivables, net	64	8,183	380
Due From Other Funds	23,588	5,042	10,005
Inventories	-	-	7
Noncurrent Assets:			
Investments:			
Government Securities	-	15,016	-
Corporate Bonds	-	5,503	-
Repurchase Agreements	-	5,265	-
Asset Backed Securities	-	95	-
Mortgages	-	2,062	-
Mutual Funds	-	4,555,100	-
Other Investments	-	57,860	-
Other Long-Term Assets	-	-	14,325
TOTAL ASSETS	85,221	4,800,576	$ 1,022,401
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,357
Accounts Payable and Accrued Liabilities	15,413	9,433	1,142
Due To Other Governments	-	-	263,167
Due To Other Funds	4	-	978
Unearned Revenue	-	6,181	-
Claims and Judgments Payable	12,647	-	430
Other Current Liabilities	-	-	731,209
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,762	21,472
Accrued Compensated Absences	37	-	-
Other Long-Term Liabilities	-	-	645
TOTAL LIABILITIES	28,101	18,376	$ 1,022,400
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	-	4,782,200	
Unrestricted	57,120	-	
TOTAL NET POSITION	$ 57,120	$ 4,782,200	

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, 2013

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 924,090
Member Contributions	83,862	-
Employer Contributions	226,545	-
Investment Income/(Loss)	(114)	134,844
Employee Participation Fees	938	-
Unclaimed Property Receipts	-	49,162
Other Additions	2,634	3,304
Transfers-In	1,183	-
TOTAL ADDITIONS	315,048	1,111,400
DEDUCTIONS:		
Distributions to Participants	-	256,813
Health Insurance Premiums Paid	139,315	-
Health Insurance Claims Paid	127,033	-
Other Benefits Plan Expense	18,810	-
Payments in Accordance with Trust Agreements	-	515,161
Other Deductions	13,460	-
Transfers-Out	119	155
TOTAL DEDUCTIONS	298,737	772,129
CHANGE IN NET POSITION	16,311	339,271
NET POSITION - FISCAL YEAR BEGINNING	40,809	4,442,929
NET POSITION - FISCAL YEAR ENDING	$ 57,120	$ 4,782,200

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2013

(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	$ 46,225	$ 137,806	$ 13,726
Investments	-	-	-
Restricted Securities Not Held for Investment	-	13,301	-
Contributions Receivable, net	-	-	26,611
Other Receivables, net	116,112	76,765	324
Due From Other Governments	-	1,670	-
Inventories	18,697	-	-
Prepaids, Advances, and Deferred Charges	13,411	-	281
Total Current Assets	194,445	229,542	40,942
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	123,334	-
Restricted Investments	125,334	283,102	-
Restricted Receivables	29,268	4,299	-
Investments	741,096	-	1,127,868
Contributions Receivable, net	-	-	31,372
Net Pension Asset	6,459	-	-
Other Long-Term Assets	10,093	1,008,034	-
Depreciable Capital Assets and Infrastructure, net	533,206	37	2,048
Land and Nondepreciable Infrastructure	226,900	-	-
Total Noncurrent Assets	1,672,356	1,418,806	1,161,288
TOTAL ASSETS	1,866,801	1,648,348	1,202,230
DEFERRED OUTFLOW OF RESOURCES:	-	520	-
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	137,434	14,982	9,006
Due To Other Governments	-	2,240	-
Unearned Revenue	-	-	375
Compensated Absences Payable	20,568	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	821
Notes, Bonds, and COPs Payable	13,663	55,435	-
Other Current Liabilities	30,735	114,746	11,025
Total Current Liabilities	202,400	187,403	21,227
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	242,195
Capital Lease Payable	-	-	1,214
Notes, Bonds, and COPs Payable	691,740	821,410	-
Other Long-Term Liabilities	41,623	32,532	15,828
Total Noncurrent Liabilities	733,363	853,942	259,237
TOTAL LIABILITIES	935,763	1,041,345	280,464
DEFERRED INFLOW OF RESOURCES:	-	963	-
NET POSITION:			
Net investment in Capital Assets:	122,026	37	13
Restricted for:			
Emergencies	-	-	-
Expendable	-	-	508,307
Nonexpendable	-	-	350,220
Other Purposes	29,470	546,881	-
Unrestricted	779,542	59,642	63,226
TOTAL NET POSITION	$ 931,038	$ 606,560	$ 921,766

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
$ 460	$ 2,387	$ 2,581	$ 38,586	$ 241,771
-	-	-	115,330	115,330
-	-	-	-	13,301
4,742	6,792	551	4,150	42,846
-	1,758	269	1,991	197,219
-	-	-	364	2,034
-	-	-	-	18,697
154	-	-	-	13,846
5,356	10,937	3,401	160,421	645,044
-	113	-	14,278	137,725
-	-	-	-	408,436
-	-	-	-	33,567
302,173	220,460	90,471	33,246	2,515,314
17,247	9,556	354	-	58,529
-	-	-	-	6,459
563	267	109	10,236	1,029,302
13	23	1,072	116,577	652,976
-	-	-	62,625	289,525
319,996	230,419	92,006	236,962	5,131,833
325,352	241,356	95,407	397,383	5,776,877
-	-	-	-	520
1,173	1,354	1,282	5,279	170,510
-	-	-	-	2,240
-	-	-	24,709	25,084
-	-	-	-	20,568
-	-	-	17,575	17,575
-	-	-	-	821
-	-	-	321	69,419
-	-	-	-	156,506
1,173	1,354	1,282	47,884	462,723
13,580	14,793	675	-	271,243
-	-	-	-	1,214
-	-	-	54,623	1,567,773
853	10,156	170	8,312	109,474
14,433	24,949	845	62,935	1,949,704
15,606	26,303	2,127	110,819	2,412,427
-	-	-	-	963
13	23	1,072	135,978	259,162
-	-	-	48	48
142,715	67,126	15,644	-	733,792
139,205	126,578	63,735	-	679,738
-	-	-	942	577,293
27,813	21,326	12,829	149,596	1,113,974
$ 309,746	$ 215,053	$ 93,280	$ 286,564	$ 3,364,007

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 59,867	$ 5,100
Sales of Goods and Services	921,488	-	-
Investment Income (Loss)	-	12,730	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,074
Federal Grants and Contracts	-	6,384	-
Other	19,941	139	1,589
TOTAL OPERATING REVENUES	941,429	79,120	113,763
OPERATING EXPENSES:			
Salaries and Fringe Benefits	364,329	1,300	-
Operating and Travel	197,982	20,776	23,767
Cost of Goods Sold	185,880	-	-
Depreciation and Amortization	46,267	14	-
Debt Service	-	62,245	-
Foundation Program Distributions	-	-	109,482
TOTAL OPERATING EXPENSES	794,458	84,335	133,249
OPERATING INCOME (LOSS)	146,971	(5,215)	(19,486)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(13,038)	-	(3,213)
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(268)	-	-
Debt Service	(25,915)	-	-
Other Expenses	(747)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(39,968)	-	(3,213)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	107,003	(5,215)	(22,699)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	2,069	22,437	-
TOTAL CONTRIBUTIONS AND TRANSFERS	2,069	22,437	-
CHANGE IN NET POSITION	109,072	17,222	(22,699)
NET POSITION - FISCAL YEAR BEGINNING	821,966	589,338	944,465
NET POSITION - FISCAL YEAR ENDING	$ 931,038	$ 606,560	$ 921,766

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
$ -	$ -	$ -	$ 114,075	$ 179,042
-	-	-	-	921,488
-	-	-	3,254	15,984
-	-	-	1,182	1,182
25,490	30,949	4,856	-	168,369
-	-	-	825	7,209
101	171	597	-	22,538
25,591	31,120	5,453	119,336	1,315,812
-	-	-	-	365,629
2,203	4,043	2,571	116,994	368,336
-	-	-	-	185,880
-	-	-	4,112	50,393
-	-	-	-	62,245
31,032	17,394	9,357	-	167,265
33,235	21,437	11,928	121,106	1,199,748
(7,644)	9,683	(6,475)	(1,770)	116,064
4,376	(3,960)	1,208	432	(14,195)
-	-	-	8,806	8,806
-	-	-	-	(268)
-	-	-	-	(25,915)
-	-	-	(2,913)	(3,660)
-	-	-	42,024	42,024
4,376	(3,960)	1,208	48,349	6,792
(3,268)	5,723	(5,267)	46,579	122,856
-	-	-	-	24,506
-	-	-	-	24,506
(3,268)	5,723	(5,267)	46,579	147,362
313,014	209,330	98,547	239,985	3,216,645
$ 309,746	$ 215,053	$ 93,280	$ 286,564	$ 3,364,007

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Position* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 179,042	Charges for Services	$ 179,043
Sales of Goods and Services	921,488	Charges for Services	921,488
Investment Income (Loss)	15,984	Unrestricted Investment Earnings	15,984
Rental Income	1,182	Charges for Services	1,182
Gifts and Donations	168,369	Operating Grants & Contributions	168,368
Federal Grants and Contracts	7,209	Operating Grants & Contributions	7,209
Other	22,538	Charges for Services	20,080
		Operating Grants & Contributions	2,458
		Payment from State	-
TOTAL OPERATING REVENUES	1,315,812		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	365,629	Expenses	365,629
Operating and Travel	368,336	Expenses	368,336
Cost of Goods Sold	185,880	Expenses	185,880
Depreciation and Amortization	50,393	Expenses	50,393
Debt Service	62,245	Expenses	62,245
Foundation Program Distributions	167,265	Expenses	167,265
TOTAL OPERATING EXPENSES	1,199,748		
OPERATING INCOME (LOSS)	116,064		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(14,195)	Unrestricted Investment Earnings	5,743
		Operating Grants & Contributions	(19,938)
Gifts and Donations	8,806	Payment from State	8,806
Gain/(Loss) on Sale or Impairment of Capital Assets	(268)	Operating Grants & Contributions	(268)
Debt Service	(25,915)	Expenses	(25,915)
Other Expenses	(3,660)	Expenses	(3,660)
Other Revenues	42,024	Payment from State	40,000
		Capital Grants & Contributions	2,024
		Sales and Use Tax	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,792		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	122,856		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	24,506	Operating Grants & Contributions	24,136
		Capital Grants & Contributions	370
TOTAL CONTRIBUTIONS AND TRANSFERS	24,506		
CHANGE IN NET POSITION	147,362		147,362
NET POSITION - FISCAL YEAR BEGINNING	3,216,645		3,216,645
NET POSITION - FISCAL YEAR ENDING	$ 3,364,007		$ 3,364,007

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 2012-13, the State implemented GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, and Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

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
- University of Northern Colorado Foundation
- Other Component Units (Nonmajor):
  - Denver Metropolitan Major League 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	Financial 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 services through the University of Colorado's psychiatric 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 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 in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
CoverColorado	Appointment by the Governor, with consent of 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 @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

The four 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

University of Northern Colorado Foundation
Judy Farr Alumni Center
Campus Box 20
Greeley, CO 80639

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street, Suite 300
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 include proprietary funds 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 inflows, 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 leases, 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.

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:

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. 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.

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.

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. 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, the payment of unemployment benefits to eligible claimants, and Revenue Bonds issued through a related party, Colorado Housing and Finance Authority.

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 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 as supplementary information include CollegeInvest, Parks and 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, 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, which provides Health, Life, Dental, and Short-Term Disability Benefits to State employees.

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 (liquidated annually), 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 expenses are reported on each of the statements of changes in net position, or the Statement of Revenues, Expenditures and Changes in Fund Balances

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. Financial information for the authority is presented as of June 30, 2012.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2012.

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, and 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, 2012, except the Venture Capital Authority which is presented as of December 31, 2011.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2012.

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.

<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>

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 outflows, liabilities, and deferred inflows 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.

<u>FUND-LEVEL FINANCIAL STATEMENTS</u>

<u>Governmental Funds</u>

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.

<u>Proprietary and Fiduciary Funds</u>

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, <u>Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting</u>. 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.

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, 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 Colorado State University Foundation, the Colorado School of Mines Foundation and the University of Northern Colorado 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 fair value. 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 position.

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.

(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

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.

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 and Department of Transportation buildings and 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	70
Leasehold Improvements	3	45
Vehicles and Equipment	3	50
Software	2	23
Library Books	3	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. UNEARNED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are not earned 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 not earned. 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 and sick leave 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 reimburses 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.

NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflow of resources in excess of liabilities and deferred inflows 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: Net Investment in Capital Assets – 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.

Restricted for Construction and Highway Maintenance – 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.

Restricted for Education – The entire net asset 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 fund is restricted for exclusive use pursuant to Article IX, Section 3 of the State Constitution.

Restricted for Unemployment Insurance – 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.

Restricted for Debt Service – 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 is 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 consists 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 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 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. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General 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(1) (d) to reserve five 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 reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The 5.0 percent statutory reserve of $373.0 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 the 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.

<u>Assigned</u> – This classification represents the portion of the fund balance related to certain Fiscal Year 2012-13 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 2013-14.

<u>Unassigned</u> – 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.

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 that was approved by the federal government during Fiscal Year 2012-13. 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 2009-10 that were incorporated in State agency budgets in Fiscal Year 12-13. 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 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.*

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 3. 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 generally 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, 2013, were $8,105,377 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicaid Mental Health Fee for Service Payments – The Department of Health Care Policy and Financing overexpended this line item by $142,285 of general funds. This appropriation includes Medicaid covered mental health services that are paid on a fee-for-service basis to providers. The Department believes that the increase in expenditures was due to an unanticipated increase in utilization of services, estimated at about 4.5 percent.

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $5,290,984 of general funds. This appropriation includes Medicaid covered services. The Department believes that this increase in expenditures was due to an unanticipated caseload increase of approximately 0.82 percent. Additionally, the Center for Medicare and Medicaid Services disallowed approximately $3.0 million of cost previously reimbursed by the federal government, requiring the General Purpose Revenue Fund to absorb the disallowance.

- Nursing Facility Provider Fee Cash Fund – The Department of Public Health and Environment overexpended this line item by $462,861 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. 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:

Workers Compensation Premiums – The Department of Personnel and Administration overexpended this line item by $139,145 of cash funds. In June 2013, the Department requested and received approval for an emergency supplemental to increase the budget in this line item by $1.5 million. The supplemental request was based on conservative projections of expenditures. Actual claims billings exceed the conservative estimate.

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

- Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest had a deficit fund balance related to this line item of $146,946. CollegeInvest determines a liability for tuition payments using actuarial cash flows to project future obligations of participants. In July 2013, CollegeInvest notified participants that this fund will close no later than November 15, 2013. In the event that cash outflows for participant withdrawals and expenses exceed cash inflows from the liquidation of investments, CollegeInvest holds a reserve in its administration fund.

- Integrated Document Solutions (IDS) Operating – The Department of Personnel and Administration, Division of Central Services, had a deficit fund balance related to this line item of $319,504. The deficit fund balance was partially due to insufficient revenue earnings as a result of depreciation errors that will be corrected in Fiscal Year 2013-14. Additionally, vendor software updates resulted in the unrecoverable loss of billing data for a two week period.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $1,603,651. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

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 2013-14 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, 2013:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $2,091,195

  Medicaid Buy-In Cash Fund - $11,853

The General Fund Surplus Schedule (page 123) shows a negative reversion of $19.1 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 $20.3 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 2012-13 ESRC of $11.46 billion. TABOR revenue was below the ESRC by $350.7 million, and over the TABOR limit by $1,862.1 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $1,862.1 million that would have occurred related to Fiscal Year 2012-13 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $7.7 billion, $3.6 billion during the initial five year revenue retention period, and an additional $4.1 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2012-13.

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 2012-13 that amount was $333,286,456.

At June 30, 2013, the financial net position or fund balance 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 – $92,500,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- The perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000.
- The Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.
- The Controlled Maintenance Trust Fund, a portion of the major General Fund - $23,000,000. The $23,000,000 designation by the Legislature has been reduced by $20,150,000 since 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).
- The Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $,5,000,000.
- The 2012 legislative session Long Appropriations Act designated up to $102,200,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2012 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 $10,586,456 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 2012-13, under the direction of the Governor's Executive Orders, the State transferred $20.15 million from the Controlled Maintenance Trust Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- High Park Fire- $6.0 million
- Wetmore Fire - $3.27 million
- West Fork Fire - $3.0 million
- Waldo Canyon Fire - $2.67 million
- Black Forest Fire - $2.1 million
- Royal Gorge Fire - $1.5 million
- Lime Gulch Fire - $0.55 million
- Pine Ridge Fire - $0.5 million
- Rio Blanco Fire - $0.21 million
- Bull Basin Fire - $0.2 million
- Highway 13 Fire - $0.15 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 $7,243.7 million ($7,251.2 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2013, the treasurer had invested $7,260.8 million (fair value) of the pool and held $2.0 million of certificates of deposit. The invested balance includes $11.6 million that resulted from the overinvestment of available cash on June 30.

The State had an accounting system cash deposit balance of $887.3 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $28.7 million of the State's total bank balance of $757.5 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 $46.2 million at June 30, 2012, and a related bank balance of $50.7 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 of $592,583 with a bank balance of $628,502 at December 31, 2012. Of the booked amount, $250,000 was federally insured; $369,443 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name; and $9,059 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 $42.9 million held by the State Treasurer, $171.7 million held in COLOTRUST and $45.9 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at $1.00. Shares of COLOTRUST are not evidenced by securities, and therefore, are not subject to custodial risk classification. Both COLOTRUST and the third party investment fund have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

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 received in the form of new investments rather than in cash.

- 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 $1,256.3 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,062.2 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 Position.* These long-term receivables are offset by unearned revenue on the *Balance Sheet – Governmental Funds*.
- $138.0 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $13.4 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $42.8 million recorded in nonmajor special revenue funds, of which, approximately $11.4 million is from gaming tax, $14.7 million is insurance premium tax, and $12.7 million is tobacco tax.

In addition, $54.2 million of Taxes Receivable, $33.4 million of Other Receivables, and $87.8 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 $563.1 million shown on the government-wide *Statement of Net Position* are net of $264.1 million in allowance for doubtful accounts and primarily comprise the following:

- $303.9 million of student and other receivables of Higher Education Institutions.
- $73.3 million of receivables recorded in the General Fund, of which $17.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $45.8 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.8 million of patient receivables.
- $21.1 million recorded by the Resource Extraction Fund.
- $80.0 million of receivables recorded by Other Governmental Funds including $45.2 million of tobacco settlement revenues expected within the following year, $8.0 million of rent and royalty receivables recorded by the State Lands Funds and $5.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $921.5 million, which it recorded net of third-party contractual allowances ($1,994.5 million), indigent and charity care ($230.2 million), provision for bad debt ($49.1 million), and self-pay discounts ($45.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by 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 $58.7 million for Fiscal Year 2011-12. 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 $23.0 million out of $627.0 million collected by the State in hospital provider fees for Fiscal Year 2011-12.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (29 percent), Medicaid (13 percent), managed care (41 percent), other commercial insurance (2 percent), and self-pay and medically indigent (10 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 2011-12 was approximately $282.6 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 Colorado Water Resources and Power Development Authority had loans receivable of $1.1 billion at December 31, 2012. During 2012, the authority made new loans of $39.9 million and canceled or received repayments for existing loans of $264.6 million.

The University of Colorado Foundation contributions receivable of $26.6 million and $31.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2012, the amount reported as contributions receivable includes $67.4 million of unconditional promises to give which were offset by a $8.4 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, 2012, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $25.9 million, which were offset by $3.5 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.4 million of allowance for uncollectible pledges. At June 30, 2012, contributions from two donors represented approximately 70 percent of net contributions receivable for the foundation.

At June 30, 2012, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.3 million was offset by $0.9 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 67 percent of the foundation's contributions receivable at June 30, 2012, consists of pledges from two donors in 2012, and approximately $3.7 million is due from trusts held by others.

At June 30, 2012, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $1.0 million was offset by $0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 16 percent of the foundation's contributions receivable at June 30, 2012 consists of pledges from one donor.

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 $12.5 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.2 million) and Other Long-Term Assets ($8.3 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 $108.1 million shown on the government-wide *Statement of Net Position* at June 30, 2013, primarily comprise:

- $12.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $67.2 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $28.5 million, and
- $20.2 million of consumable supplies inventories, of which, $8.5 million was recorded by the Higher Education Institutions, $8.2 million was recorded by the Highway Users Tax Fund, $1.9 million by the General Purpose Revenue Fund, and $0.9 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $81.7 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $18.5 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $9.0 million in Higher Educational Institutions, of which $4.3 million was at Colorado State University that primarily related to library subscriptions.
- $5.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $4.1 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 2012-13, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $246,855, for the Unclaimed Property Tourism Trust Fund of $28,898, for the Major Medical Fund of $96,337, for the Colorado Prepaid Tuition Fund of $231,738, and for the Treasurer's pooled cash of $439,810.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2013 and 2012, the treasurer had $29.0 million and $22.9 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 $7.1 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, 2013. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,004,610 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 $2,287,091 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2012-13.

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)	$	887,348
Investments:		
Governmental Activities		8,338,141
Business-Type Activities		2,320,184
Fiduciary Activities		4,630,411
Total	$	16,176,084
Financial Statement Amounts		
Net Cash and Pooled Cash	$	5,789,609
Add: Warrants Payable Included in Cash		212,360
Total Cash and Pooled Cash		6,001,969
Add: Restricted Cash		2,146,172
Add: Restricted Investments		890,492
Add: Investments		7,137,451
Total	$	16,176,084

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 $320.8 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 BEST issuances ($32.5 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Complex ($3.6 million reported in a Special Capital Projects Fund). This category also includes $3.4 million related to investments in the Public School 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	$ 4,636,504	$ -	$ 256,730	$ 4,893,234
Commercial Paper	74,998	-	-	74,998
Corporate Bonds	1,388,801	-	230,433	1,619,234
Asset Backed Securities	1,123,068	-	22,703	1,145,771
Mortgages Securities	37,421	7,105	195,506	240,032
Mutual Funds	-	-	4,500	4,500
Other	-	320,836	39,536	360,372
TOTAL INVESTMENTS	$ 7,260,792	$327,941	$ 749,408	$ 8,338,141

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 ($39.0 million), Absolute Return Funds ($57.3 million), Real Estate ($22.4 million), Venture Capital ($14.5 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($8.9 million), and Municipal Bonds ($7.6 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 $168.4 million bond issuance.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($57.9 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	$ 298,735	$ 6,654	$ 305,389	$ 12,186
Bank Acceptances	-	-	-	-
Commercial Paper	10,147	-	10,147	-
Corporate Bonds	177,803	14,343	192,146	-
Corporate Securities	170,041	-	170,041	-
Repurchase Agreements	237,264	-	237,264	5,265
Asset Backed Securities	40,200	-	40,200	-
Mortgages Securities	98,436	-	98,436	-
Mutual Funds	898,121	16,832	914,953	4,555,100
Other	182,149	169,459	351,608	57,860
TOTAL INVESTMENTS	$ 2,112,896	$ 207,288	$ 2,320,184	$ 4,630,411

INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 144	$ -	$ 144	$ -
Corporate Bonds	1,495	-	1,495	-
Corporate Securities	14,181	-	14,181	-
Repurchase Agreements	-	-	-	5,265
TOTAL SUBJECT TO CUSTODIAL RISK	$ 15,820	$ -	$ 15,820	$ 5,265

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 $57.9 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- Certain trustees, as discussed under Custodial Credit Risk, 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.

(Amounts In Thousands)

	U.S. Govt. Agencies	Bank Acceptances	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	$ -	$ -	$ -	$ 48,020	$ -	$ 1,123,068	$ -	$ -	$ -	$ -	$ 1,171,088
High Grade	1,158,254	-	-	530,255	-	37,421	-	-	-	-	1,725,930
Upper Medium	-	-	-	769,452	-	-	-	-	-	-	769,452
Lower Medium	-	-	-	41,074	-	-	-	-	-	-	41,074
Short-term Ratings											
Highest	2,639,799	-	74,998	-	-	-	-	-	-	-	2,714,797
Higher Education Institutions:											
Long-term Ratings											
Gilt Edge	$ -	$ -	$ -	$ 17,294	$ -	$ 24,891	$ 250,166	$ 304	$ -	$ 54	$ 292,709
High Grade	105,389	-	-	35,228	-	7,749	-	226	-	7,015	155,607
Upper Medium	1,325	-	-	81,588	-	5,218	-	56	-	-	88,187
Lower Medium	-	-	-	36,326	-	4,231	-	64	-	-	40,621
Speculative	-	-	-	4,577	-	1,827	-	35	-	-	6,439
Very Speculative	-	-	-	98	-	1,166	-	21	-	-	1,285
High Default Risk	-	-	-	-	-	4,993	-	-	-	-	4,993
Default	-	-	-	-	-	1,529	-	-	-	-	1,529
Short-term Ratings											
Highest	-	-	2,002	-	-	-	-	-	-	-	2,002
Unrated	5,722	-	8,145	2,692	237,264	86,260	14,591	110,934	-	3,408	469,016
Fiduciary Funds:											
Long-term Ratings											
Gilt Edge	$ -	$ -	$ -	$ -	$ 5,265	$ -	$ -	$ -	$ -	$ -	$ 5,265
High Grade	2,683	-	-	-	-	-	-	-	-	-	2,683
Short-term Ratings											
Unrated	1,975	-	-	-	-	-	4,555,100	-	-	-	4,557,075
All Other Funds:											
Long-term Ratings											
Gilt Edge	$ -	$ -	$ -	$ 14,395	$ -	$ 22,703	$ 5,063	$ -	$ -	$ -	$ 42,161
High Grade	202,355	-	-	137,175	-	185,820	-	-	3,380	-	528,730
Upper Medium	-	-	-	74,644	-	-	-	-	-	-	74,644
Lower Medium	-	-	-	17,543	-	-	-	-	-	-	17,543
Short-term Ratings											
Highest	-	-	-	1,019	-	-	-	-	-	-	1,019
Unrated	-	-	-	-	-	16,791	13,971	2,298	-	-	33,060

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 $55.7 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 13.393-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	$ 4,692,388	1.370	$ 10,318	0.742	$ 11,567,677	13.393	$ 263,384	5.609
Commercial Paper	83,143	0.053	2,002	0.497	-	-	-	-
Corporate Bonds	1,437,483	3.110	-	-	-	-	244,776	6.172
Asset Backed Securities	1,174,558	3.388	-	-	-	-	218,209	3.435
Municipal Bonds	-	-	-	-	-	-	3,380	11.460
Total Investments	$ 7,387,572		$ 12,320		$ 11,567,677		$ 729,749	

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 $237,263,699 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 $237.3 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.1 years.

The University of Colorado has invested $12,246,991 in U.S. Treasury Inflation Protected Securities with duration of 10.8 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.

Certain trustees, as discussed under Custodial Credit Risk, 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 trustees' investment in the pool is not segregated, but is a share in the overall 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	$ 102,172,120	5.720
U.S. Treasury Strips	3,898,462	0.380
U.S. Government Agency Notes	106,449,038	5.290
U.S. Government Agency Strips	4,628,200	1.520
Municipal Bonds	7,608,367	5.800
Corporate Bonds	126,619,491	6.450
Certificates of Deposit	2,480,240	3.520
Asset Backed Securities	123,795,320	16.100
Bond Mutual Funds	110,934,169	3.460
Colorado State University:		
Bond Mutual Funds	$ 706,130	3.500
Colorado School of Mines:		
Bond Mutual Funds-1	$ 677,763	2.210
Bond Mutual Funds-2	652,666	5.700
Colorado Mesa University:		
U.S. Government Securities	$ 841,409	4.150
Corporate Bonds	1,170,739	3.820
Bond Mutual Funds	213,117	3.290
Taxable Municipal Bonds	$ 387,602	5.570
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 89,597,627	4.280
Bond Mutual Fund-2	38,465,813	5.500
Bond Mutual Fund-3	594,293,345	5.500
Bond Mutual Fund-4	577,612,190	5.750
Bond Mutual Fund-5	321,481,979	0.160
Bond Mutual Fund-6	308,159,845	1.850
Bond Mutual Fund-7	184,864,445	7.530
Bond Mutual Fund-8	908,293	4.420

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 - $51.0, British Pound - $33.5, Japanese Yen - $28.9, Swiss Franc - $17.7, Brazilian Real - $4.8, Chinese Yuan - $8.7, Korean Won - $6.5, Canadian Dollar - $6.0, Australian Dollar - $5.7, Swedish Kroner - $5.9, and Russian Ruble - $2.2, Denmark Kroner - $4.3, Honk-Kong Dollar - $11.1, Indian Rupee - $2.5, Mexican Peso - $2.8, Norwegian Kroner $1.4, Singapore Dollar - $2.2, South African Rand - $5.0, Taiwan Dollar - $3.8, Turkish Lira $2.2, Indonesia Rupiah $1.3 and various other currencies totaling $4.2 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.

The State Treasurer purchases investments separate of the Treasurer's Pool for the Public School Permanent Fund. The Public School Permanent Fund has a concentration of credit risk because of the below listed corporate bond holding exceed 5 percent of the total investment in the fund category; General Electric Capital Corporation – 5.4 percent.

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 2012-13	Fiscal Year 2011-12
Governmental Activities:		
Major Funds		
General-General Purpose	$ (12,770)	$ 3,738
General-Special Purpose	(2,118)	268
Resource Extraction	(5,752)	(140)
Highway Users Tax	(14,367)	(1,459)
Capital Projects-Regular	(1,006)	633
Capital Projects-Special	(84)	(165)
State Education	(1,625)	(924)
NonMajor Funds:		
State Lands	(27,612)	4,095
Other Permanent Trusts	(112)	(12)
Labor	(3,598)	(569)
Gaming	(1,486)	(303)
Tobacco Impact Mitigation	(191)	(30)
Resource Management	(56)	(10)
Environment Health Protection	(1,758)	182
Other Special Revenue	(2,329)	(253)
Unclaimed Property	(6,773)	3,214
Information Technology	(172)	63
Highways (Internal Service)	(3)	(7)
Administrative Courts	(11)	(4)
Other Internal Service	(2)	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	52,328	(19,893)
Lottery	(392)	(149)
NonMajor Funds:		
CollegeInvest	(1,194)	1,254
Wildlife	(1,328)	(116)
College Assist	(736)	(254)
State Fair Authority	(5)	(7)
Correctional Industries	(65)	(17)
State Nursing Homes	(110)	75
Prison Canteens	(21)	(2)
Petroleum Storage Tank	(90)	(41)
Transportation Enterprise	(1,097)	749
Other Enterprise Activities	(100)	57
Fiduciary:		
Pension/Benefits Trust	(781)	323
Private Purpose Trust	(23,945)	26,546
	$ (59,362)	$ 16,842

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, 2012:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
Cash Equivalents	$ 64,369
U.S. Government Securities	108,679
Corporate Bonds	145,289
Corporate Securities	344,277
Asset Backed Securities	14,106
Mutual Funds	220,803
Net Investment Payable	(4,311)
TOTAL INVESTMENTS	$ 893,212

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, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2012, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 117,460
Repurchase Agreements	165,642
TOTAL INVESTMENTS	$ 283,102

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, pool 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, 2012:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ -	$ 1,195	$ -	$ -	$ 1,195
High Grade	21,090	-	14,106	-	35,196
Upper Medium	-	144,094	-	-	144,094

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 is not required.

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, 2012:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 42,924	4.274
Corporate Bonds	145,289	1.016
Asset Backed Securities	14,106	2.650

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 $283.1 million of investments subject to interest rate risk with the following maturities; one year or less – 9 percent, two to five years – 28 percent, six to ten years – 30 percent, eleven to fifteen years – 22 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 $115.3 million of investments subject to interest rate risk with the following maturities; one year or less – 76 percent, and one to two years – 24 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, 2012, the authority had the following foreign currency exposures in United States dollars: Euro - $16.8 million, British Pound - $13.1 million, Japanese Yen - $6.1 million, Swiss Franc - $4.8 million, Chinese Yuan - $4.4 million, Canadian Dollar - $3.4 million, Brazilian Real - $2.2 million, and South Korean Won - $2.1 million. An additional $11.8 million was held in various international currencies, none of which exceeded $1.5 million.

Concentration of Credit Risk

At June 30, 2012, 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, 2012, all of its investments were placed in 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, 2012, the University of Colorado Hospital Authority was party to two floating-to-fixed rate swaps having original notional values of $72.4 million and $110.2 million, and current notional amounts of $70.8 million and $98.4 million respectively. At June 30, 2012, the agreements had fair values of $(16.6), million and $(26.6) million, 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 2011-12, 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 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, 2012, the University of Colorado Foundation held $237.2 million of domestic equity securities, $170.9 million of international equity securities, $174.0 million of fixed income securities, $444.8 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 loss of $5.5 million is net of $6.2 million of investment fees and comprises $10.9 million of interest dividends and other income, $13.3 million of realized gains, and $23.5 million of unrealized losses.

At June 30, 2012, the Colorado State University Foundation held $124.7 million of equity securities, $148.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $14.2 million of fixed income securities, and $15.1 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, 2012, the CSMF held fixed income and fixed income mutual funds totaling $32.7 million, domestic and international equities totaling $62.9 million, investments in hedge funds and venture capital totaling $88.5 million and cash equivalents totaling $11.5 million in its long-term investments pool.

Of the foundation's $220.5 million of investments, $15.7 million, or 7.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.7 million and several long-term trusts valued at $1.2 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-six 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, 2012, the University of Northern Colorado Foundation held $35.0 million of equity securities, $29.2 million of fixed income securities, and $26.3 million of cash and other investments. The foundation's investment income of $1.2 million is net of $0.3 million of management fees and comprises $2.4 million of interest and dividends and $0.9 million of realized and unrealized losses.

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 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 $867.5 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 $293.9 million and $54.2 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 Unearned Revenue.

The $434.5 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 ($10.6 million), a major special revenue fund, and the Resource Extraction Fund ($383.0 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 $127.0 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 2012 the Colorado Water Resources and Power Development Authority reported $13.3 million in short-term securities not held for investment. 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 borrowers' projected construction cost schedules and the borrowers retain the risk of loss related to the value of the securities.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2012-13 the State capitalized $37.6 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $25.3 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Department of Corrections decommissioned Fort Lyons Correctional Facility to implement operational efficiencies. Subsequently, the Colorado General Assembly authorized the Department of Local Affairs to prepare and operate the facility in Fiscal Year 2013-14 as a supportive residential community for the homeless. As of June 30, 2013, the facility had a carrying value of $16.2 million. An estimate of asset impairment has not yet been calculated, and is subject to change.

The schedule on the following page shows the capital asset activity for Fiscal Year 2012-13.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 79,786	$ 8,578	$ -	$ (1,426)	$ 86,938
Land Improvements	4,817	-	1,431	-	6,248
Collections	8,979	2,023	-	-	11,002
Other Capital Assets	898,612	15	-	(852)	15
Construction in Progress (CIP)	911,410	609,411	(357,656)	(16,553)	1,146,612
Infrastructure	-	91	23,283	-	921,134
Total Capital Assets Not Being Depreciated	1,903,604	620,118	(332,942)	(18,831)	2,171,949
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	43,893	404	2,339	(1,741)	44,895
Buildings	2,025,770	29,222	77,591	(10,471)	2,122,112
Software	236,400	4,331	8,293	(3,951)	245,073
Vehicles and Equipment	678,506	65,172	2,345	(31,154)	714,869
Library Materials and Collections	6,667	460	-	(1,096)	6,031
Other Capital Assets	46,246	3,102	10	(11,148)	38,210
Infrastructure	10,164,790	517	242,364	(1,651)	10,406,020
Total Capital Assets Being Depreciated	13,202,272	103,208	332,942	(61,212)	13,577,210
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(26,551)	(1,588)	-	1,393	(26,746)
Buildings	(712,727)	(48,102)	-	(386)	(761,215)
Software	(125,566)	(25,363)	-	3,946	(146,983)
Vehicles and Equipment	(429,779)	(46,492)	-	21,103	(455,168)
Library Materials and Collections	(4,574)	(434)	-	1,096	(3,912)
Other Capital Assets	(25,103)	(3,203)	-	-	(28,306)
Infrastructure	(2,275,456)	(568,116)	-	1,651	(2,841,921)
Total Accumulated Depreciation	(3,599,756)	(693,298)	-	28,803	(4,264,251)
Total Capital Assets Being Depreciated, net	9,602,516	(590,090)	332,942	(32,409)	9,312,959
TOTAL GOVERNMENTAL ACTIVITIES	11,506,120	30,028	-	(51,240)	11,484,908
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	483,343	15,893	-	1,601	500,837
Land Improvements	16,517	-	450	(342)	16,625
Collections	20,182	2,221	160	(108)	22,455
Construction in Progress (CIP)	496,617	633,367	(425,587)	(22,466)	681,931
Other Capital Assets	-	-	-	-	-
Infrastructure	2,897	34	5,990	-	8,921
Total Capital Assets Not Being Depreciated	1,019,556	651,515	(418,987)	(21,315)	1,230,769
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	534,179	6,908	25,844	(4,266)	562,665
Buildings	6,583,269	58,246	318,445	(21,124)	6,938,836
Software	156,412	20,903	249	447	178,011
Vehicles and Equipment	920,506	78,763	12,818	(91,074)	921,013
Library Materials and Collections	493,456	20,540	-	(11,463)	502,533
Other Capital Assets	18,851	376	-	-	19,227
Infrastructure	98,894	-	61,631	-	160,525
Total Capital Assets Being Depreciated	8,805,567	185,736	418,987	(127,480)	9,282,810
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(268,919)	(23,100)	-	1,257	(290,762)
Buildings	(2,177,414)	(224,163)	-	17,188	(2,384,389)
Software	(61,572)	(28,500)	-	255	(89,817)
Vehicles and Equipment	(658,763)	(78,121)	-	84,412	(652,472)
Library Materials and Collections	(360,667)	(21,397)	-	10,279	(371,785)
Other Capital Assets	(711)	(114)	-	-	(825)
Infrastructure	(27,265)	(2,437)	-	-	(29,702)
Total Accumulated Depreciation	(3,555,311)	(377,832)	-	113,391	(3,819,752)
Total Capital Assets Being Depreciated, net	5,250,256	(192,096)	418,987	(14,089)	5,463,058
TOTAL BUSINESS-TYPE ACTIVITIES	6,269,812	459,419	-	(35,404)	6,693,827
TOTAL CAPITAL ASSETS, NET	$ 17,775,932	$ 489,447	$ -	$ (86,644)	$ 18,178,735

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	$ 18,590
Business, Community, and Consumer Affairs	3,455
Education	9,383
Health and Rehabilitation	9,934
Justice	33,933
Natural Resources	1,060
Social Assistance	13,420
Transportation	587,141
Internal Service Funds (Charged to programs and BTAs based on useage)	16,382
Total Depreciation Expense Governmental Activities	693,298
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	361,562
State Lottery	977
Other Enterprise Funds	15,292
Total Depreciation Expense Business-Type Activities	377,831
Total Depreciation Expense Primary Government	$ 1,071,129

Component Units

At June 30, 2012, the University of Colorado Hospital Authority reported $226.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $680.3 million and equipment of $257.7 million. Accumulated depreciation related to these capital assets was $404.8 million resulting in net depreciable capital assets of $533.2 million.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $136.3 million, net of accumulated depreciation of $75.0 million, at December 31, 2012. 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 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. After the District's fiscal year end, a final settlement was reached whereupon the District received $24.72 million from RTD, $24 million for the land taken and $720 thousand in interest. Net unearned income recognized on the Statement of Net Position, after costs, is $14.4 million.

HLC@Metro, Inc., a nonmajor component unit reported nondepreciable capital assets of $42.9 million related to the construction of the Hotel Learning Center.

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 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 the calendar year preceding the year in which the benefits are 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 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, 2013.

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 8.0 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 10.0 percent. From July 1, 2010 through June 30, 2012, member and State Trooper (including Colorado Bureau of Investigation agents) rates were 10.5 and 12.5 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 2012-13				
1-1-13 to 6-30-13	17.36	19.25	16.55	100
7-1-12 to 12-31-12	17.36	18.35	15.65	100
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

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 also reflects the 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 2012-13 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, 2012, to December 31, 2013, 14.63 percent was allocated to the defined benefit plan, and
- From January 1, 2013, to June 30, 2013 15.53 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, 2012, the State Division of PERA had a funded ratio of 59.2 percent and a 53-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

The State made the following retirement contributions:

- Fiscal Year 2012-13 - $368.5 million
- 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

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
2012	$393,991	16.52%	83%
2011	$326,274	13.63%	85%
2010	$452,821	18.93%	62%

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 June 30, 2012, 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 2012-13 and 2011-12, the Department of Local Affairs transferred $4.2 and $4.4 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, and in Fiscal Year 2012-13 transferred $142.4 million in supplemental contributions eliminating the State's share of the unfunded liability.

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 $82,000 to this plan in Fiscal Year 2011-12. 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 $26.4 million in Fiscal Year 2011-12 to this plan. The amount of the actuarially computed net periodic pension cost was $26.7 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.5 million as of June 30, 2012, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Position – Component Units*. At July 1, 2011, 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. Financial Statements for the plans are available from the University of Colorado Hospital Authority. The Authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development 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, 2012, 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 $24.9 million, $24.1, million, $24.3 million, $24.0 million, and $24.6 million, in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, 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 2012. As of December 31, 2012, there were 51,666 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, 2012, 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 an aggregate four and one-quarter percent projection of salary increases, both assuming a three and three-half percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at various rates up to 6.36 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 2012-13, the University contributed $13.5 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 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	$ 49,553
Interest on net OPEB obligation	5,918
Adjustment to annual required contribution	(8,073)
Annual OPEB cost (expense)	47,398
Contributions made	(13,513)
Increase/(Decrease) in net OPEB obligation	33,885
Net OPEB obligation - beginning of year	131,508
Net OPEB obligation - end of year	$ 165,393

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2012-13 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
20102-13	$ 47,398	28.5%	$ 165,393

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $406.8 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $406.8 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 $1.1 billion, and the ratio of UAAL to covered payroll was 35.6 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 health care trend rates ranging from 6.5 to 8.0 percent in 2013, down to 5.0 percent in 2022. 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 2012-13, the university contributed $626,227 to the RMPR, $1,294,919 to the RMPS, $94,142 to the URX and $991,018 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	$ 2,533	$ 4,142
Interest on net OPEB obligation	364	549
Adjustment to annual required contribution	(303)	(854)
Annual OPEB cost (expense)	2,594	3,837
Contributions made	(626)	(1,295)
Increase/(Decrease) in net OPEB obligation	1,968	2,542
Net OPEB obligation - beginning of year	9,097	13,727
Net OPEB obligation - end of year	$ 11,065	$ 16,269

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 198	$ 1,353
Interest on net OPEB obligation	16	25
Adjustment to annual required contribution	(26)	(21)
Annual OPEB cost (expense)	188	1,357
Contributions made	(94)	(991)
Increase/(Decrease) in net OPEB obligation	94	366
Net OPEB obligation - beginning of year	410	631
Net OPEB obligation - end of year	$ 504	$ 997

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 2012-13 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2012-13	$ 2,594	24.2%	$ 11,065
RMPS	2012-13	$ 3,837	33.7%	$ 16,269
URX	2012-13	$ 188	50.0%	$ 504
LTD	2012-13	$ 1,357	73.0%	$ 997

As of the most recent actuarial valuation date of July 1, 2012, all four plans were 0.0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $31.1 million, $45.8 million, $2.6 million, and $15.5 million respectively, resulting in unfunded actuarial accrued liabilities of $31.1 million, $45.8 million, $2.6 million and $15.5 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 $259.3 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 12.0 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 all except URX used a three percent inflation adjustment. No inflation adjustment was assumed for URX. The RMPR and LTD plans also used a four percent salary increase assumption, while the RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR assumed no health care cost trend adjustment, and RMPS 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-five 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 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2011-12 and 2011-12) to a maximum of $17,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had net position of $544.5 million and 17,469 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 year 2012, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $22,500. Contributions and earnings are tax deferred. On December 31, 2012, the plan had net position of $2,105.7 million and 69,559 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. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). At December 31, 2012, the plan had a net position of $83,267 and 4,362 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 $112.0 million and $106.2 million during Fiscal Years 2012-13 and 2011-12, respectively. In addition, the State paid $89.0 million and $83.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2012-13 and 2011-12, respectively.

Component Units

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 $7.0 million in Fiscal Year 2011-12. 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.

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

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 $6.2 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). Individual department property claims have a $5,000 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 Colorado University, Adams State University, 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 through the workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and 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 $350,000 per individual. In Fiscal Year 2012-13, the State recovered approximately $1.9 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 $5.8 million of insurance recoveries during Fiscal Year 2012-13. Of that amount approximately $443,947 was related to asset impairments that occurred in prior years. The remaining $5.4 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.9 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education ($1.8 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, $1.0 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal

Year 2012-13 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 2012-13, 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 $250,000 per person and $9.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2012-13 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected $203,099 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2011 through 2013. 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 2012-13, however, the university collected $73,817 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2011 through 2013.

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 reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2012-13 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 $15.0 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. The university also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The university also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1,000,000 of unmanned aerial vehicles liability insurance, There were no significant reductions in insurance coverage in Fiscal Year 2012-13, 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 ($5,000 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 2012-13, 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 $500,000 of 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 2012-13, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $410.0 million ($10,000 deductible), $2.0 million of general liability ($0 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 $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in Fiscal Year 2011-12 or 2012-13.

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 2012-13, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

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 2012-13, and the amount of settlements has not exceeded insurance coverage in the Fiscal Years 2011-12 or 2012-13.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 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 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 Fiscal Years 2011-12 or 2012-13.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $1,000,000 ($10,000 deductible). Before Fiscal Year 2012-13, 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 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2011-12 or 2012-13.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. 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 2011-12 or 2012-13.

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				
2012-13	29,883	4,715	5,404	29,194
2011-12	24,733	9,981	4,831	29,883
2010-11	22,938	6,885	5,090	24,733
Workers' Compensation				
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
2010-11	100,787	44,977	35,442	110,322
Group Benefit Plans:				
2012-13	13,695	138,851	139,899	12,647
2011-12	13,904	146,285	146,494	13,695
2010-11	17,873	133,109	137,078	13,904
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2012-13	10,015	7,694	6,747	10,962
2011-12	9,977	4,722	4,684	10,015
2010-11	11,561	4,659	6,243	9,977
University of Colorado Denver:				
Medical Malpractice				
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
2010-11	4,589	1,864	1,327	5,126
Graduate Medical Education Health Benefits Program				
2012-13	1,408	6,806	6,828	1,386
2011-12	1,291	7,121	7,004	1,408
2010-11	1,321	6,319	6,349	1,291
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
2010-11 (Restated)	24,855	33,015	27,588	30,282
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2012-13	57	133	89	101
2011-12	21	108	72	57
2010-11	25	92	96	21
Fort Lewis College:				
Worker's Compensation				
2012-13	301	(298)	-	3
2011-12	315	133	147	301
2010-11	288	124	97	315
General Liability				
2012-13	167	(167)	-	-
2011-12	307	-	140	167
Adams State University				
Workers' Compensation				
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2012-13	11	(11)	-	-
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2012-13	67	56	56	67
2011-12	140	(6)	67	67
2010-11	282	303	445	140
General Liability				
2012-13	118	259	259	118
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Lliability				
2012-13	-	20	-	20

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 2011-12, the hospital recorded premium and administrative expenses of $614 thousand. The trust had a fund balance of $480 thousand, which was net of approximately $5.7 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, 2013, 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	$ 82,047	$ 180,986
Business-Type Activities	-	30,081	36,369
Total	$ 735	$ 112,128	$ 217,355

At June 30, 2013, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 185	$ 416	$ 601
Business-Type Activities	-	125	125
Total	$ 185	$ 541	$ 726

During the year ended June 30, 2013, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 25	$ 25
Total	$ -	$ 25	$ 25

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. 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, 2013, the total obligation for the space was $3.7 million, with an average annual lease payment of $598,181, and the total obligation for the vehicles and equipment was $6.2 million, with total annual lease payments of $1.7 million.

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 Northeastern Junior College Foundation paid $20,000 to Northeastern Junior College for certain rent expenses.

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 2012-13, the State recorded building and land rent of $50.4 million and $21.5 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $12.3 million and $30.9 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 $4.1 million of lease interest costs in the governmental activities and $1.6 million in the business-type activities.

The State entered into approximately $11.0 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, 2013, 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
2014	$ 47,079	$ 22,845	$ 24,484	$ 7,374
2015	38,502	19,546	22,863	6,853
2016	34,000	14,834	20,335	6,570
2017	23,032	11,301	17,065	5,864
2018	21,381	9,127	15,168	4,448
2019 to 2023	74,560	26,698	56,646	11,752
2024 to 2028	20,681	4,575	18,462	6,658
2029 to 2033	712	1,473	6,218	1,006
2034 to 2038	720	959	-	-
2039 to 2043	729	629	-	-
2044 to 2048	707	566	-	-
2049 to 2053	661	-	-	-
Total Minimum Lease Payments	262,764	112,553	181,241	50,525
Less: Imputed Interest Costs			30,231	8,798
Present Value of Minimum Lease Payments	$ 262,764	$ 112,553	$ 151,010	$ 41,727

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.0 million for Fiscal Year 2011-12. Future minimum lease payments for these leases at June 30, 2012, are:

(Amounts in Thousands)

Fiscal Year	Amount
2013	$ 3,850
2014	3,527
2015	3,199
2016	2,810
2017	2,141
2018-2023	6,461
Total Minimum Obligations	$ 21,988

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2012 was $119,750. The total minimum rental commitment as of December 31, 2012 is $694,166.

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 $2.0 million at June 30, 2012. Total minimum lease payments including interest at June 30, 2012, were $2.3 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 net book value of property and equipment under the capital lease was $5.8 million net of accumulated depreciation of $4.5 million as of June 30, 2012.

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, 2012 was $161,489. The total minimum rental commitment under the leases was $0.5 million at June 30, 2012.

NOTE 23 – SHORT-TERM DEBT

On July 17, 2012**,** the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2012A. The notes were due and payable on June 27, 2013, at a coupon rate of 2.37 percent. The total interest related to this issuance was $11.2 million, however, the notes were issued at a premium of $10.3 million resulting in net interest costs (including the cost of issuance) of $989,341 and a yield of 0.18 percent. The notes were issued for cash management purposes and were repaid before June 30, 2013, 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 11, 2012, the State Treasurer issued $125.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B. The notes were due and payable on June 27, 2013, at a coupon rate of 2.00 percent. The total interest related to this issuance was $2.4 million, however, the notes were issued at a premium of $2.2 million, resulting in net interest costs (including cost of issuance) of $471,900 or 0.20 percent. The notes matured on June 27, 2013 and were repaid.

On January 3, 2013, the State Treasurer issued $160.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012C. The notes were due and payable on June 27, 2013, at a coupon rate of 1.88 percent. The total interest related to this issuance was $1.5 million, however, the notes were issued at a premium of $1.3 million, resulting in net interest costs (including cost of issuance) of $254,299 or 0.16 percent. The notes matured on June 27, 2013, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2013:

(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	$ -	285,000	$ (285,000)	-
Total Governmental Activities Short-Term Financing	-	785,000	(785,000)	-
Total Short-Term Financing	$ -	$ 785,000	$ (785,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, 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 2012-13 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 $1,182.4 million of available net revenue after operating expenses to meet the $752.5 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 36.)

During Fiscal Year 2012-13 the State recorded $28.1 million of interest costs, of which, $21.8 million was recorded by governmental activities and $6.3 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $35.4 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $18.0 million of interest on Certificates of Participation issued by the Judicial Branch, and $16.5 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 $131.9 million of interest on revenue bonds issued by institutions of higher education, $17.0 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $5.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $12.5 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, 2013, 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
2014	$ 141,260	$ 26,205	$ 1,965	$ 400	$ 31,115	$ 51,418	$ 174,340	$ 78,023
2015	147,224	20,104	2,005	359	34,460	48,151	183,689	68,614
2016	157,220	10,268	2,045	317	35,825	45,820	195,090	56,405
2017	126,100	2,680	2,090	275	37,320	44,339	165,510	47,294
2018	-	-	2,135	231	36,815	42,826	38,950	43,057
2019 to 2023	-	-	8,980	472	151,700	192,217	160,680	192,689
2024 to 2028	-	-	-	-	355,965	157,431	355,965	157,431
2029 to 2033	-	-	-	-	238,590	101,039	238,590	101,039
2034 to 2038	-	-	-	-	127,820	52,417	127,820	52,417
2039 to 2043	-	-	-	-	77,060	26,667	77,060	26,667
2044 to 2048	-	-	-	-	40,530	3,194	40,530	3,194
Subtotals	571,804	59,257	19,220	2,054	1,167,200	765,519	1,758,224	826,830
Unamortized Prem/Discount	2,343	-	-	-	24,897	-	27,240	-
Accrued Capital Appreciation Certificates	-	-	-	-	96	-	96	-
Totals	$ 574,147	$ 59,257	$ 19,220	$ 2,054	$ 1,192,193	$ 765,519	$ 1,785,560	$ 826,830

(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
2014	$ 212,715	$ 158,960	$ 685	$ 133	$ 18,930	$ 19,363	$ 232,330	$ 178,456
2015	220,682	155,189	711	106	19,834	18,575	241,227	173,870
2016	222,183	150,130	742	77	20,749	17,677	243,674	167,884
2017	223,144	144,477	766	47	21,679	16,712	245,589	161,236
2018	105,491	150,786	545	16	22,749	15,652	128,785	166,454
2019 to 2023	546,897	622,521	72	19	131,614	59,398	678,583	681,938
2024 to 2028	620,681	488,111	22	1	129,406	23,849	750,109	511,961
2029 to 2033	636,761	327,756	-	-	36,330	2,465	673,091	330,221
2034 to 2038	546,985	165,400	-	-	-	-	546,985	165,400
2039 to 2043	265,760	43,733	-	-	-	-	265,760	43,733
2044 to 2048	12,305	1,092	-	-	-	-	12,305	1,092
Subtotals	3,613,604	2,408,155	3,543	399	401,291	173,691	4,018,438	2,582,245
Unamortized Prem/Discount	79,514	-	(21)	-	1,598	-	81,091	-
Unaccreted Interest	(11,996)	-	-	-	-	-	(11,996)	-
Totals	$ 3,681,122	$ 2,408,155	$ 3,522	$ 399	$ 402,889	$ 173,691	$ 4,087,533	$ 2,582,245

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, 2013, the Colorado School of Mines' 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
2014	$ 600	$ 54	$ 1,420	$ 2,074
2015	625	53	1,398	2,076
2016	625	52	1,377	2,054
2017	675	51	1,354	2,080
2018	975	50	1,325	2,350
2019 to 2023	3,475	237	6,278	9,990
2024 to 2028	6,500	206	5,472	12,178
2029 to 2033	13,300	138	3,658	17,096
2034 to 2038	14,610	46	1,229	15,885
2039 to 2043	-	-	-	-
Totals	$ 41,385	$ 887	$ 23,511	$ 65,783

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	$ 1,488,500	$ 21,075	$ 1,054,081	$ 2,563,656
Business Type Activities	4,280,688	7,439	475,373	$ 4,763,500
Total	$ 5,769,188	$ 28,514	$ 1,529,454	$ 7,327,156

Component Units

In November 2011, the University of Colorado Hospital Authority issued Series 2011B Revenue Bonds. The net proceeds of $103.8 million were used to fully refund the Series 1999A bonds. The revenue bonds have a fixed rate of 3.28% with interest paid semi-annually, and pay principal according to a mandatory sinking fund schedule. The bonds have a ten year term and expire in November 2029.

Also in November 2011, the hospital issued Series 2011C Revenue Bonds with net proceeds of $72.9 million to finance equipment for use at the Anschutz Medical Campus. The revenue bonds have a fixed rate of 2.91% with interest paid semi-annually, and pay principal according to a mandatory sinking fund schedule. The bonds have an eleven year term and expire in November 2022.

During Fiscal Year 2011-12, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2011-12 were $21.7 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2012, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2013	$ 13,663	$ 20,832	$ 34,495
2014	12,748	20,478	33,226
2015	13,180	20,066	33,246
2016	13,450	19,686	33,136
2017	14,185	19,240	33,425
2018 to 2022	82,375	89,004	171,379
2023 to 2027	111,170	71,095	182,265
2028 to 2032	140,565	43,312	183,877
2033 to 2037	118,410	21,067	139,477
2038 to 2041	195,205	5,052	200,257
Total Long-Term Debt Payments	714,951	$ 329,832	$ 1,044,783
Less: Unamortized Discount	(159)		
Deferred Amount on Refunding of			
Series 2008 A Bonds	(6,935)		
Series 2009 A Bonds	(212)		
Series 2011 B Bonds	(2,242)		
Total Carrying Amount of Long-Term Debt	$ 705,403		

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, 2012.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2012, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2013	$ 55,435	$ 40,385	$ 95,820
2014	55,555	37,937	93,492
2015	51,120	35,412	86,532
2016	52,425	33,086	85,511
2017	52,125	30,675	82,800
2018 to 2022	225,760	118,869	344,629
2023 to 2027	174,090	72,056	246,146
2028 to 2032	124,460	38,150	162,610
2033 to 2037	83,175	9,433	92,608
2038 to 2041	2,700	312	3,012
2043 to 2044	-	-	-
Total Future Payments	$ 876,845	$ 416,315	$ 1,293,160

The original principal amount for the outstanding bonds was $1,692.3 million. Total interest paid during 2012 amounted to $62.2 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 Water Resources Revenue Bonds, Series 2003A, 2004B, 2004C, 2004D, 2004E, 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, 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, 2012, it had $20.2 million of these bonds outstanding.

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 debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2012, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2013	$ -	$ 3,226	$ 3,226
2014	-	3,226	3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018 to 2022	6,360	15,167	21,527
2023 to 2027	7,650	13,399	21,049
2028 to 2032	9,220	10,857	20,077
2033 to 2037	11,275	7,574	18,849
2038 to 2042	13,840	3,490	17,330
2043 to 2044	4,595	49	4,644
Total Future Payments	$ 54,885	$ 66,587	$ 121,472

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2012-13:

(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	$ 2,680	$ 3,398	$ (2,665)	$ 3,413	$ 3,396
Accrued Compensated Absences	142,253	18,507	(11,393)	149,367	10,953
Claims and Judgments Payable	375,374	5,157	(10,207)	370,324	46,873
Capital Lease Obligations	121,429	40,497	(10,916)	151,010	20,003
Bonds Payable	737,432	37,729	(201,013)	574,148	141,260
Certificates of Participation	1,018,456	205,318	(31,582)	1,192,192	31,115
Notes, Anticipation Warrants, Mortgages	21,075	110	(1,965)	19,220	1,965
Other Long-Term Liabilities	427,828	93,480	(77,190)	444,118	-
Total Governmental Activities Long-Term Liabilities	2,846,527	404,196	(346,931)	2,903,792	255,565
Business-Type Activities					
Accrued Compensated Absences	233,968	40,082	(21,112)	252,938	16,609
Claims and Judgments Payable	36,472	5,785	(3,264)	38,993	-
Capital Lease Obligations	39,038	9,643	(6,954)	41,727	6,154
Derivative Instrument Liabilities	12,994	-	(4,661)	8,333	-
Bonds Payable	3,753,617	371,252	(402,360)	3,722,509	213,315
Certificates of Participation	420,950	83,368	(101,430)	402,888	18,930
Notes, Anticipation Warrants, Mortgages	7,354	-	(3,833)	3,521	685
Other Postemployment Benefits	139,653	37,523	-	177,176	-
Other Long-Term Liabilities	45,770	27,172	(34,540)	38,402	24,675
Total Business-Type Activities Long-Term Liabilities	4,689,816	574,825	(578,154)	4,686,487	280,368
Fiduciary Activities					
Deposits Held In Custody For Others	865,278	732,801	(843,625)	754,454	730,220
Accrued Compensated Absences	37	3	(3)	37	-
Other Long-Term Liabilities	5,729	25	(5,109)	645	-
Total Fiduciary Activities Long-Term Liabilities	871,044	732,829	(848,737)	755,136	730,220
Total Primary Government Long-Term Liabilities	$ 8,407,387	$1,711,850	$ (1,773,822)	$ 8,345,415	$ 1,266,153

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 amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, and Other Post Employment Benefits in business-type activities, and Other Long-Term Liabilities except for CollegeInvest's prepaid tuition costs.

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, 2013, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $444.1 million shown for governmental activities primarily comprises:

- $287.3 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.
- $154.4 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.4 million of unclaimed property liabilities estimated to be due to claimants.

The $13.7 million (including $1.8 million Due to Component Units) shown for business-type activities primarily comprises $11.9 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($4.7 million and $5.3 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 715,660	$ 175,941	$ (186,198)	$ 705,403	$ 13,663
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,100,140	$ 17,970	$ (241,265)	$ 876,845	$ 55,435
Other Long-Term Liabilities	$ 196,959	$ 45,902	$ (80,560)	$ 162,301	$ 114,746

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Water Operations Fund, accounting for $24.9 million of the $32.5 million total. Other long-term liabilities of the Water Pollution Control Fund and Drinking Water Fund were $0.9 million and $6.7 million respectively. Seventy percent of total, other long-term liabilities ($22.9 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, charitable remainder trusts held by others, and perpetual trusts. 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 Position – Component Units*. At June 30, 2012, the foundation held $58.3 million of split interest agreement investments with $18.6 million of related liabilities and reported $5.1 million of net beneficial interest in charitable trusts held by others.

At June 30, 2012, the University of Colorado Foundation held $247.5 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.

At June 30, 2012, the foundation held $13.6 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, 2012, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.8 million; related liabilities of $9.9 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 $9.9 million mentioned above and total $4.7 million. At June 30, 2012, CSMF reported $14.8 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.

CoverColorado, a nonmajor component unit, reserved $17.6 million for health policy claims. On the *Statement of Net Position – Component Units*, this liability is reported as Claims and Judgments Payable.

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 2012-13, debt was defeased in both governmental and business-type activities.

At June 30, 2013, 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	$ 153,855
Department of Treasury	$ 18,240
Department of Corrections	$ 18,100
Business-Type Activities:	
University of Colorado	$ 388,690
Colorado State University	$ 254,835
Colorado Mesa University	$ 45,190
Colorado School of Mines	$ 6,935
Western State College	$ 16,270
Adams State College	$ 7,420
Community College System	$ 4,740
Total	$ 914,275

The Department of Transportation issued $30,925,000 of its Transportation Revenue Anticipation Notes, Taxable Refunding Series 2013 to fully defease $28,570,000 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 0.40 percent. The remaining term of the debt was 4 years and the estimated debt service cash flows decreased by $2,044,062. The defeasance resulted in an economic gain of $2,013,305 and a book loss of $1,301,695 that will be amortized as an adjustment of interest expense over the remaining 4 years of the new debt.

The Board of Regents of the University of Colorado, issued $100,165,000 of its Enterprise Refunding Revenue Bonds, Series 2012A-2 ($53,000,000) and Enterprise Refunding Revenue Bonds, Series 2012A-3 (47,165,000) to defease a total of $100,115,000 comprising a portion of its Series 2004 Enterprise Revenue Bonds, Series 2005A Enterprise Revenue Bonds, Series 2005B Enterprise Revenue Bonds, Series 2006A Enterprise Revenue Bonds, and Series 2007B Enterprise Revenue Bonds. The defeased debt had interest rates ranging from 4.80 to 4.93 percent, and the new debt had interest rates ranging from 2.77 to of 3.55 percent. The remaining term of the debt was 20 years, and the estimated debt service cash flows decreased by $5,565,655. The defeasance resulted in an economic gain of $4,332,484 and a book loss of $12,283,576 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The State of Colorado, acting through the Board of Regents of the University of Colorado issued $70,910,000 of its Refunding Certificates of Participation, Series 2013 to fully defease $71,275,000 of its Certificates of Participation, Series 2005B, University of Colorado Health Sciences Center Project. The defeased debt had an interest rate of 4.90 percent, and the new debt has an interest rate of 4.60 percent. The remaining term of the debt was 17.5 years and the estimated debt service cash flows decreased by $4,764,734. The defeasance resulted in an economic gain of $8,322,066 and a book loss of $7,856,934 that will be amortized as an adjustment of interest expense over the remaining 17.5 years of the new debt.

The Board of Governors of the Colorado State University System issued $176,105,000 of its Tax-Exempt System Enterprise Revenue Bonds, Series 2013A and $16,690,000 of its Taxable System Enterprise Revenue Refunding Bonds, Series 2013B to fully defease its Auxiliary Enterprise Revenue Bonds, Series 2005B, its Tax-Exempt System Enterprise Revenue Bonds, Series 2007A and 2009A, and its Taxable System Enterprise Revenue Refunding Bonds, Series 2007C. The defeased debt had interest rates ranging from 4.94 percent to 5.67 percent, and the new debt has interest rates ranging from 1.44 to 4.97 percent. The remaining term of the debt was 26 years and the estimated debt service cash flows decreased by $54,584,555. The defeasance resulted in an economic gain of $24,616,338 and a book loss of

$37,241,562 that will be amortized as an adjustment of interest expense over the remaining 30 years of the new debt.

The Auraria Higher Education Center issued $17,040,000 of its Student Fee Revenue Refunding Bonds, Series 2013 to current refund its Student Fee Revenue Bonds (Tivoli Student Center Revitalization Project), Series 2003. The old debt had an interest rate of 4.45 percent, and the new debt has an interest rate of 3.39 percent. The remaining term of the debt was 12 years and the estimated debt service cash flows decreased by $1,618,461. The defeasance resulted in an economic gain of $1,583,423 and a book loss of $238,045 that will be amortized as an adjustment of interest expense over the remaining 12 years of the new debt.

The Board of Trustees of the Colorado School of Mines issued $6,770,000 of its Institutional Enterprise Revenue Bonds, Series 2012B to fully defease its Refunding and Improvement Revenue Bonds, Series 2002 and 2004. The defeased debt had an interest of 4.90 percent, and the new debt has an interest rate of 4.80 percent. The remaining term of the debt was 12 years and the term of the new debt was 13 years. The estimated debt service cash flows decreased by $994,417. The refunding resulted in an economic gain of $879,739 and a book loss of $ 312,120 that will be amortized as an adjustment of interest expense over 30 years.

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, 2013 was $158.6 million ($4.2 million of which was a current liability). Superfund sites account for approximately $157.4 million ($3.0 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally 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 $73.1 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, 2013, the State has received $7.4 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $53.1 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 commenced 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 $5.4 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. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. 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.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $16.7 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 Refunding Bonds issued in 2010. 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 Position*, and accordingly, the State recognized a Deferred Outflow of Resources of $0.6 million as of June 30, 2013.

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 $41.3 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 0.13 percent at June 30, 2013. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2013 was $8.3 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 BALANCE

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position/fund balance was restated as a result of the following prior period adjustments.

	Government-Wide Statements		Fund-Level Statements				
			Major Governmental Fund				Major Proprietary Fund
Subject	Governmental Activities	Business-Type Activities	General Fund	Highway Users Tax Fund	Resource Extraction	Other Special Revenue Funds	Higher Education Institutions
Wildfire Functions	6,721,283	(6,721,283)				6,721,283	(6,721,283)
Geological Survey	(870,662)	870,662			(870,662)		870,662
State Land Board	578,975					578,975	
Risk Management	(19,777)		(19,777)				
Waste Tire						-	
Merit Reversions			-				
Fund Reclass				(123,890)		123,890	
	6,409,819	(5,850,621)	(19,777)	(123,890)	(870,662)	7,424,148	(5,850,621)

A total of $6,721,283 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when Colorado State University transferred the forestry functions related to fire and wildfire preparedness, response, suppression, coordination and management to the Department of Public Safety. The transfer also required an decrease of $6,260,261 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

A total of $870,662 moved from governmental activity in the Resource Extraction Fund to business-type activity in Higher Education Institutions when the Colorado Geological Survey was moved from the Department of Natural Resources to the Colorado School of Mines on January 31, 2013. The transfer required an increase of $578,713 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

Governmental activities increased by $578,975 in Other Special Revenue Funds when the State Land Board (a portion of nonmajor Permanent Funds), within the Department of Natural Resources, failed to record leasing activity for the Loveland Technology Center and the School Fund in Fiscal Year 2011-12.

Governmental activities decreased by $19,777 in the General Fund when the Risk Management Fund in the Department of Personnel and Administration (a nonmajor Special Purpose component of the General Fund) paid Western State Colorado University 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 2012-13. This transaction had no effect on the Higher Education Institutions because Western State Colorado University received a cash equivalent to the newly assumed current liability.

Within governmental funds on the Fund-Level Statements, as part of the Other Special Revenue Funds, the Department of Public Health and Environment moved $896,235 from the Waste Tire Cleanup Fund (a portion of the nonmajor Environment and Health Protection Fund) into the Process and End Users Fund (a portion of the nonmajor Other Special Revenue Funds).

Within governmental funds on the Fund-Level Statements, as part of the General Fund, $84,000 he moved from the General Purpose Revenue Fund (a component of the General Fund) to the State Employee Reserve Fund (a portion of the Special Purpose General Fund component of the General Fund) for a merit pay reversion that should have occurred in Fiscal Year 2011-12.

Within governmental funds on the Fund-Level Statements, $123,890 moved from Highway Users Tax Fund to Other Special Revenue Funds when the Law Enforcement Assistance Fund was reclassified as an Other Special Revenue Fund (a portion of the nonmajor Environment and Health Protection 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	$ -	$ 402,812	$ 7
Business, Community and Consumer Affairs	-	13,272	-
Education	-	2,691	-
Health and Rehabilitation	-	1,207	-
Justice	321,386	-	-
Natural Resources	154,616	262	-
Social Assistance	-	15,647	-
Transportation	8,309	-	-
TOTAL	$ 484,311	$ 435,891	$ 7
RESOURCE EXTRACTION:			
General Government	$ -	$ 297,017	$ -
Business, Community and Consumer Affairs	-	150,716	-
Education	-	4,321	-
Natural Resources	13,537	468,166	-
TOTAL	$ 13,537	$ 920,220	$ -
HIGHWAY USERS TAX:			
General Government	$ 508	$ 10,949	$ -
Health and Rehabilitation	8	1,651	-
Justice	-	64	-
Transportation	1,145,481	26,423	-
TOTAL	$ 1,145,997	$ 39,087	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 34,838	$ -
Education	4,167	4,623	-
Health and Rehabilitation	-	95	-
Justice	6,054	2,437	-
Natural Resources	-	39	-
TOTAL	$ 10,221	$ 42,032	$ -
STATE EDUCATION:			
Education	$ 1,272,226	$ -	$ -
TOTAL	$ 1,272,226	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 104,195	$ 214,870	$ -
Business, Community and Consumer Affairs	72,834	208,889	-
Education	68,087	6,444	-
Health and Rehabilitation	15,080	93,181	-
Justice	37,619	103,377	-
Natural Resources	11,321	7,968	-
Social Assistance	468	53,384	-
Transportation	19,814	387	-
TOTAL	$ 329,418	$ 688,500	$ -

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 five 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 2012-13 there was no use of the reserve. As of June 30, 2013, on a legal budgetary basis and on a GAAP basis the reserve was $373.0 million or 5.0 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 2012-13 the reserve was $10.5 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, 2013, 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	$ 257	$ 90	$ 847	$ -	$ -
Special Purpose	12,739	-	-	-	-
Resource Extraction	35	-	-	92	-
Highway Users	310	-	-	-	-
Regular Capital Projects	420	-	-	-	-
Special Capital Construction	-	-	-	-	-
State Education	1,088,551	-	-	-	-
Higher Education Institutions	2,518	269	217	-	-
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor	182	-	-	-	-
Gaming	-	-	-	-	-
Tobacco Impact Mitigation	52	-	-	-	-
Resource Management	-	-	-	-	-
Environment and Health Protection	327	-	-	-	-
Unclaimed Property	-	-	-	-	-
Other Special Revenue	21	-	3	-	-
PERMANENT FUNDS:					
State Lands Trust	-	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-	-
OTHER GOVERNMENTAL FUNDS:					
Debt Service	-		-	1,917	-
ENTERPRISE FUNDS:					
Wildlife	-	-	-	-	
College Assist	-	-	-	-	-
State Fair Authority	-	-	-	-	-
Correctional Industries	273	-	-	-	-
State Nursing Homes	1,419	-	-	-	-
INTERNAL SERVICE FUNDS:					
Central Services	-	-	-	-	-
Information Technology	7,186	-	-	-	-
Other Internal Service	6	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	22,066	-	1	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 1,136,362	$ 359	$ 1,068	$ 2,009	$ -

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	Unemploy-ment Insurance	Unemployment Insurance	State Lottery	All Other Funds	Total
$ 1,343	$ -	$ -	$ -	$ 21,120	$ 23,657
-	-	-	23,563	3,982	40,284
-	-	-	-	1,321	1,448
-	-	-	-	2,663	2,973
1,935	-	-	-	-	2,355
-	-	-	-	555	555
-	-	-	-	-	1,088,551
-	-	-	-	2,546	5,550
-	-	-	-	-	182
-	-	-	-	21	21
-	-	-	-	1,064	1,116
-	-	-	-	-	-
-	-	-	-	169	496
-	-	-	-	-	-
-	-	-	-	1,964	1,989
-	-	-	-	4,138	4,138
-	-	-	-	1,570	1,570
-	-	-	-	-	1,917
296	-		3,730	244	4,270
-	-	-	-	-	-
-	-	-	-	-	-
2,506	-	-	-	34	2,813
-	-	-	-	-	1,419
25	-	-	-	-	25
-	-	-	-	5	7,191
-	-	-	-	-	6
1,518	-	-	-	3	23,588
-	-	-	-	5,042	5,042
-	-	-	10,005	-	10,005
$ 7,623		$ -	$ 37,298	$ 46,441	$ 1,231,161

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 $1,088.6 million represents a transfer of the General Fund Surplus for Fiscal Year 2012-13 required in accordance with CRS 24-75-220. The cash transfer will occur upon the issuance of the State's Fiscal Year 2012-13 Comprehensive Annual Financial Report in December 2013.

The General Purpose Revenue Fund receivable of $21.1 million from All Other Funds primarily includes $12.1 million of receivables from the Limited Gaming Fund, $5.5 million from various cash funds to support incurred Medicaid expenditures, $1.2 million to eliminate the presentation of deficit cash balances in the Debt Service Fund and the State Fair Fund, and $0.9 million to support the Family Support Registry in the Department of Human Services.

The Special Purpose General Fund receivable of $12.7 million primarily includes $6.4 million in transfers to the Developmental Disabilities Fund, $3.0 million legislative reversions and $3.1 million in personal services and operating line item reversions, payable to the Legislative Department Cash Fund and State Employee Reserves Fund, respectively.

The Special Purpose General Fund receivable of $23.6 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $14.9 million, and in the Building Excellent Schools Today Grant Program in the amount of $8.6 million.

The Information Technology receivable of $7.2 million is primarily related to $6.7 million in information technology related General Purpose Revenue Fund reversions in Fiscal Year 2012-13 that statutorily payable to the Governor's Office of Information Technology

The Group Benefits Plan Fund receivable of $22.1 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 $5.0 million College Savings Plan receivable due from All Other Funds consists of revenue for marketing, scholarship commitments and administrative fees for the CollegeInvest Trust Funds.

The Other Fiduciary Fund receivable of $10.0 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2013, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 2,908,847	$ -	$ -
Special Purpose	72,218	-	-
Resource Extraction	65,250	-	-
Highway Users Tax	51,651	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	3	-	-
State Education	1,810	-	-
Higher Education Institutions	4,463	-	-
Unemployment	2,285	-	-
Lottery	63,483	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	29,449	-	-
Gaming	13,211	-	-
Tobacco Impact Mitigation	83,065	-	-
Resource Management	743	-	-
Environment and Health Protection	682,698	-	-
Unclaimed Property	2,633	-	-
Other Special Revenue	121,743	20	545
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	301	-	-
State Lands Trust Expendable	118,262	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	51	-	-
Wildlife	11,622	298	-
College Assist	106	-	-
State Fair	88	-	-
Correctional Industries	557	-	-
State Nursing Homes	1,802	-	-
Prison Canteens	49	-	-
Petroleum Storage	1,039	-	-
Other Enterprise	241	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,769	-	-
Information Technology	134	-	-
Capitol Complex	831	-	-
Public Safety	14	-	-
Administrative Courts	16	-	-
Other Internal Service	1,511	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	119	-	-
Other Fiduciary	129	-	-
TOTAL	$ 4,242,193	$ 318	$ 1,045

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 62,526	$ 1,088,551	$ 135,044	$ 57,494	$ 4,252,462
-	-	-	32,022	104,240
-	-	16,547	8,923	90,720
2,263	-	-	171,142	225,056
734	-	14,983	20,348	36,565
7,016	-	-	22,598	29,617
-	-	6,425	-	8,235
-	-	-	-	4,463
-	-	-	-	2,285
-	-	-	13,563	77,046
-	-	-	-	29,449
6,338	-	6,063	2,000	27,612
7,265	-	14,171	1,432	105,933
-	-	-	75	818
11	-	-	13,597	696,306
-	-	-	500	3,133
49,075	-	-	1,642	173,025
1,409	-	871	479	3,060
-	-	100	12	118,374
-	-	-	8	8
-	-	-	-	51
-	-	-	224	12,144
-	-	-	-	106
-	-	-	-	88
-	-	-	-	557
-	-	-	-	1,802
-	-	-	-	49
22	-	-	-	1,061
-	-	-	-	241
-	-	-	-	1,769
-	-	-	-	134
-	-	-	114	945
-	-	-	-	14
-	-	-	-	16
-	-	-	-	1,511
-	-	-	-	119
-	-	-	26	155
$ 136,659	$ 1,088,551	$ 194,204	$ 346,199	$ 6,009,169

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 $2,852.3 million (a Special Purpose General Fund), and into the Higher Education Institutions of $135.0 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2012-13, the remaining General Fund Surplus was accrued in the amount of $1088.6 million for transfer to the State Education fund upon publication of the CAFR in December of 2013.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

The Transfers-out from the General Purpose Revenue Fund include $61.4 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily include $29.8 million to support the Children's Basic Health Plan, and $9.9 million for deposit into the Correctional Treatment Cash Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $64.2 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the Special-Purpose Funds to All Other Funds primarily includes $20.2 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $55.9 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $40.4 million transferred to the Department of Revenue and $8.6 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 $169.4 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 $54.3 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 $24.7 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 $72.4 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $682.7 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($629.3 million) and the Medicaid Nursing Facility Cash Fund ($42.5 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $112.8 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 transfer, and $49.1 million in construction and debt service costs for the newly completed Ralph L. Carr Justice Complex.

The State Lands Trust Expendable transfer-out to the General Fund includes $117.9 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – 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 appreciation totaled $10.1 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $9.4 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 $0.42 million of net appreciation on its donor-restricted endowments primarily held by its foundation that 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 36 – 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 2012-13, the following pledges were in place:

The Department of Transportation pledged $167.1 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 13.9 percent of the total revenue stream, and $631.1 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $108.6 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 $679.9 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $499.8 million of Unemployment Insurance (UI) collections to secure $522.6 of current year principal and interest on debt issued to stabilize unemployment insurance rates. The debt will be issued in Fiscal Year 2012-13, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $522.6 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 2002-03 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 $673.8 million. Individually significant Higher Education Institution pledges include:

- $288.5 million pledged by the University of Colorado to secure $111.1 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 2003-04 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 49.2 percent of the revenue stream, and $2.1 billion of the pledge (principal and interest) remains outstanding.
- $193.5 million pledged by Colorado State University to secure $37.0 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 $930.3 billion of the pledge (principal and interest) remains outstanding.
- $41.2 million pledged by the Colorado School of Mines to secure $12.9 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt will be issued in Fiscal Year 2013-14 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents approximately 81.7 percent of the total revenue stream, and $404.8 million of the pledge (principal and interest) remains outstanding.
- $26.6 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 $121.1 million of the pledge (principal and interest) remains outstanding.
- $20.3 million pledged by Colorado Mesa University to secure $8.9 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 56.9 percent of the revenue stream, and

$325.1 million of the pledge (principal and interest) remains outstanding.

- $15.2 million pledged by the Auraria Higher Education Center to secure $4.6 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 2033-34. The pledged revenue represents 100 percent of the total revenue stream, and $107.4 million of the pledge (principal and interest) remains outstanding.
- $30.5 million pledged by the University of Northern Colorado to secure $10.1 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 36.3 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $239.0 million of the pledge (principal and interest) remains outstanding.
- $8.5 million pledged by Colorado State University – Pueblo to secure $3.6 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 2007-08 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents 48.4 percent of the revenue stream, and $127.5 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	$ 1,204,153	$ (1,037,025)	$ 167,128	$ 132,105	$ 35,023	$ 167,128
Higher Education Institutions	1,116,881	(542,950)	573,930	80,134	131,552	211,686
Labor - Unemployment Insurance	499,845	-	499,845	499,845	22,731	522,576
Statewide Bridge Enterprise	108,648	-	108,648	-	18,234	18,234
	$ 2,929,527	$ (1,579,975)	$ 1,349,551	$ 712,084	$ 207,540	$ 919,624

NOTE 37 – 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 following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2013

	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 171,736	$ 25,120	$ 11,092
Other Assets	107,146	5,586	414
Capital Assets	45,226	33,084	26,861
Total Assets	324,108	63,790	38,367
LIABILITIES:			
Current Liabilities	39,084	2,902	3,888
Noncurrent Liabilities	15,488	44,370	27,578
Total Liabilities	54,572	47,272	31,466
NET POSITION:			
Net Investment in Capital Assets	28,639	(12,709)	(1,861)
Restricted Net Position	-	-	1,956
Unrestricted	240,897	24,732	6,806
Total Net Position	$ 269,536	$ 16,518	$ 6,901

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,589
Sales of Goods and Services	550,813	9,392	19,176
Other	-	-	65
Total Operating Revenues	550,813	9,392	24,830
OPERATING EXPENSES:			
Depreciation	3,342	1,656	2,006
Other	496,811	5,520	20,333
Total Operating Expenses	500,153	7,176	22,339
OPERATING INCOME (LOSS)	50,660	2,216	2,491
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	5,682	208	28
Other Nonoperating Revenues	-	(4)	(44)
Debt Service	(42)	(1,498)	(1,242)
Other Nonoperating Expenses	(1)	-	(38)
Total Nonoperating Revenues(Expenses)	(7,324)	(1,294)	(1,296)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Total Contributions, Transfers, and Other	-	(775)	(2,088)
CHANGE IN NET POSITION	43,336	147	(893)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	226,200	16,371	7,794
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 269,536	$ 16,518	$ 6,901

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 44,987	$ 4,012	$ 3,982
Noncapital Financing Activities	(12,963)	775	(2,054)
Capital and Related Financing Activities	(6,454)	11,004	(424)
Investing Activities	(3,556)	130	6
NET INCREASE (DECR.) IN CASH AND POOLED CASH	22,014	15,921	1,510
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	44,889	8,823	6,017
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 66,903	$ 24,744	$ 7,527

NOTE 38 – COMPONENT UNITS

The State reports ten 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 seven 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. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its 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 $1.7 million during 2012 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 2011-12, 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, 2012, 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 2011-12, the foundation transferred $30.7 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 2011-12, the foundation granted $6.0 million to the university. At June 30, 2012 the Foundation owed the university $1.2 million.

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 has developed a program wind down plan for ceasing operations in 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 Position - 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, 2011, the VCA has contributed approximately $22.5 million or 103 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, 2011, the VCA has contributed approximately $7.4 million or 29 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 opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

The Colorado State University - Pueblo Foundation was established to benefit Colorado State University - Pueblo. The foundation transferred $1.9 million to the university during Fiscal Year 2012-13 and owed the university $1.5 million at June 30, 2013.

The Adams State University 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 University. The foundation provided $1.1 million in scholarships and grants during Fiscal Year 2012-13.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2012-13, the foundation awarded $541,656 of scholarships directly to Colorado Mesa University students and provided approximately $2.2 million in property.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.8 million of funding to the college in Fiscal Year 2012-13. The foundation also reimbursed the college $212,703 for services provided by college employees in Fiscal Year 2012-13. At June 30, 2013, the foundation owed the college $341,293. As of this date, the college also had payables to the foundation of $5,245.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The foundation transferred $3.2 million to the college in Fiscal Year 2012-13.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided $2.0 million in support during Fiscal Year 2012-13. The Fort Lewis College Foundation owed the College $85,118 at June 30, 2013.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Pueblo Community College, Red Rocks Community College and Northeastern Junior 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 $1.1 million in the form of scholarships, rental properties, construction funds and discretionary funds. Pueblo Community College paid the Foundation $20,359 for Legacy Magazine and fundraiser events. At June 30, 2013 the Pueblo Community College Foundation owed the Community College $47,156.

The Northeastern Junior College Foundation provided Northeastern Junior College with $900,057 for various activities, $874,130 of which was for funding of student scholarships and instructional grants.

The Red Rocks Community College Foundation provided $584,722 to Red Rocks Community College. Most of this funding, in the amount of $310,941, was for scholarships.

The remainder was spent for various programs, operating expenses and special programs of the Community College. During the year, the Community College expended $204,230 in support of the Foundation. At June 30, 2013 the Foundation owed the Community College $64,385 and the Community College owed the Foundation $15,663.

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 2012-13, the board funded $30.4 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2013, GOCO owed the Department of Natural Resources $8.6 million.

Colorado Housing and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and 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, 2013, 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. .
- 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 $34.8 million for these services in Fiscal Year 2011-12. 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 $2.8 million in Fiscal Year 2011-12. In total, the UCD paid the hospital $10.8 million in Fiscal Year 2011-12.

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 $6.1 million of government external funds and paid UPI an additional $55.2 million for services in Fiscal Year 2011-12.

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 $4.6 million were billed to CRC for the cost of these services during Fiscal Year 2011-12. The amount due from University of Colorado Denver, including CRC, was $0.3 million at June 30, 2012.

In 1996 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. 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 Fiscal Year 2011-12. During the year, TriWest lost its contract with the Department of Defense to United Healthcare. The new contract between the Department of Defense and United Healthcare will involve a transition period and an April 1, 2013 start date. TriWest is reviewing its business plan for the future.

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 (a 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 2011-12 the hospital paid premiums of $30.1 million and on June 30, 2012 recorded a liability of $5.5 million for its share of costs in excess of premiums paid.

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, 2011, VCA's investments in Colorado Fund I and Colorado Fund II totaled $25.6 million and $7.6 million respectively.

NOTE 40 – 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 $24.6 million and $1,073.4 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund ($5.6 million), State Education Fund ($8.7 million), and Resource Extraction Fund ($0.8 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 41 – CONTINGENCIES

Primary Government

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. 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. 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.

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 $128.0 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 $2.4 billion, of the $9.7 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 $63.6 million.

At June 30, 2013, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $318.9 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 at issue are estimated at $222.8 million. A significant number of cases have been settled, or are in progress, with the remainder to be heard by June 30, 2016. 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 $7.96 billion are outstanding. Of this amount, $2.61 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 $5.0 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 to repaying the Centers for Medicare and Medicaid Services (CMS) approximately $7.4 million in federal matching funds. CMS alleges that the department began paying claims related to expanded eligibility for Child Health Plan prior to CMS approval. Informal negotiation has been unsuccessful, and as a result, the State is formally appealing the disallowance. The likelihood of an unfavorable outcome is uncertain.

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 12-1283 and 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. 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. On April 23, 2013, the State filed a motion to dismiss all non-CGIA claims. Estimates of potential liability range from $600,000 to more than $68 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 surcharge 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. On July 19, 2013, a final order was issued in favor of the Colorado Bridge Enterprise. The TABOR Foundation has appealed the ruling.

Colorado State University has received forty claims for damages related to a fire in July of 2011 in its Equine Reproduction Laboratory. The fire destroyed the building and property of approximately 175 clients stored at the facility. The courts ruled that claims are not barred by the Colorado Governmental Immunity Act, and the university is appealing the decision. The likelihood of an unfavorable outcome is uncertain, with the potential loss ranging from $650,000 to $30.0 million.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 41, 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 42 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 10, 2013, the State issued General Fund Tax and Revenue Anticipation Notes, Series 2013A. The notes mature on June 27, 2014. The notes were issued with a premium of $5,559,150, an average coupon rate of 1.33 percent, and a true interest cost of 0.18 percent. The total due upon maturity includes $500.0 million in principal and $6,409,861 in interest.

On July 16, 2013, the State issued Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes mature on June 27, 2014. The notes were issued with a premium of $1,331,200, a coupon rate of 1.25 percent, and a true interest cost of 0.17 percent. The total due upon maturity includes $130.0 million in principal and $1,539,236 in interest. By statute, interest on the notes is payable from the General Purpose Revenue Fund.

B. OTHER

On July 1, 2013, approximately 140 employees of the University of Colorado Foundation, a major component unit, became employees of the University of Colorado, a portion of Higher Education Institutions. An additional 60 foundation employees became university employees effective August 1, 2013. This change in employment status is part of a restructuring of the university's donor cultivation, solicitation, and stewardship efforts. The restructuring resulted in significantly all foundation employees and fundraising activities transitioning to the university. The foundation continues to exist as a separate legal entity and maintain its investment portfolio.

In July 2013, CollegeInvest, a nonmajor enterprise fund, notified its Prepaid Tuition Fund account owners that it would close the fund permanently on November 15, 2013. CollegeInvest will freeze accounts on October 15, 2013, and liquidate all of its fixed income investments by October 31, 2013. As of September 6, 2013, approximately $6.9 million in disbursements had been paid. The liability recorded as of June 30, 2013, reflects the liquidation value of the contracts.

The Enterprise submitted a Voluntary Flexible Agreement (VFA) proposal in accordance with Federal Register, Vol. 78, No. 157 issued August 14, 2013. In response to the Federal Register, the Enterprise submitted a VFA proposal in September 2013, in partnership with Nelnet. The Enterprise is awaiting communication regarding the proposal. If accepted, the VFA will operate under the requirements of the VFA in lieu of the guaranty agency agreements established under sections 428(b) and (c) of the HEA.

In September 2013, significant flooding occurred in various parts of the State. Infrastructure damage to roadways and bridges is preliminarily estimated at $152.7 million. The University of Colorado experienced damage to approximately 25 percent of its campus buildings, and anticipates that majority of the repairs will be covered by University insurance policies. Damage to property covered by State Risk Management is estimated at $7.5 million. State Risk Management properties are insured and carry a deducible of $1.0 million.

Component Units

After its financial reporting year ended December 31, 2012, the Denver Metropolitan Major League Baseball Stadium District (the "District") settled with RTD in RTD's acquisition of land from the District for construction of a light rail line. The District received $24.7 million -- $24.0 million for the land and $0.7 million in interest. The net gain or loss on the transaction will be recognized as an extraordinary item when final costs have been determined.

On February 21, 2013 the Colorado Water Resources and Power Development Authority issued refunding revenue bonds (Clean Water Refunding Revenue Bonds 2013 Series A) in its Water Pollution Control program. The total amount of bonds refunded was $94.4 million. Interest rates on the new issue range from 2.0 percent to 5.0 percent. The bonds mature serially through September 1, 2025.

On the same date the Authority issued refunding revenue bonds (Drinking Water Refunding Revenue Bonds 2013 Series A) in its Drinking Water program. The total amount of bonds refunded was $61.3 million. Interest rates on the new issue range from 2.0 percent to 5.0 percent. The bonds mature serially through September 1, 2025.

On March 14, 2013 the Authority issued Water Resources Revenue Bonds 2013 Series A with a par value of $11.6 million. Interest rates on the bonds range from 2.0 percent to 5 percent and mature serially through September 1, 2027. Term bonds, also issued in this financing, mature through September 1, 2043. Selected bonds with varying maturities are insured by Assured Guaranty Municipal Corporation.

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, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,547,518	
Income Taxes			5,746,235	
Other Taxes			211,118	
Federal Grants and Contracts			64	
Sales and Services			580	
Interest Earnings			17,995	
Other Revenues			17,980	
Transfers-In			82,886	
TOTAL REVENUES AND TRANSFERS-IN			8,624,376	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 6,860	$ 6,864	6,803	$ 61
Corrections	651,332	654,245	651,987	2,258
Education	3,015,437	3,015,441	3,014,926	515
Governor	18,320	18,525	18,415	110
Health Care Policy and Financing	1,857,116	1,844,917	1,845,276	(359)
Higher Education	619,262	628,902	628,568	334
Human Services	642,211	654,311	649,939	4,372
Judicial Branch	352,087	353,411	352,875	536
Law	9,896	10,452	10,280	172
Legislative Branch	35,960	35,963	35,959	4
Local Affairs	11,098	11,074	10,976	98
Military and Veterans Affairs	6,681	6,682	6,562	120
Natural Resources	23,740	23,768	23,757	11
Personnel & Administration	6,596	6,623	6,590	33
Public Health and Environment	30,725	31,143	30,084	1,059
Public Safety	84,624	86,458	85,439	1,019
Regulatory Agencies	1,714	1,716	1,690	26
Revenue	166,573	166,298	185,202	(18,904)
Treasury	251,384	274,366	274,295	71
Transfers Not Appropriated by Department	1,091,551	1,091,551	1,091,551	-
SUB-TOTAL OPERATING BUDGETS	8,883,167	8,922,710	8,931,174	(8,464)
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	989	769	288	481
Corrections	27,225	21,110	17,817	3,293
Education	519	1,005	102	903
Governor	6,271	8,793	2,106	6,687
Higher Education	112,543	49,074	13,462	35,612
Human Services	4,523	4,475	1,171	3,304
Military and Veterans Affairs	388	4,492	3,996	496
Personnel & Administration	14,979	15,303	3,729	11,574
Public Health and Environment	-	-	-	-
Public Safety	793	12	-	12
Revenue	752	9,665	5,471	4,194
Transportation	500	500	500	-
Treasury	18,588	420	420	-
Budgets/Transfers Not Recorded by Department	61,983	61,983	61,983	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	250,053	177,601	111,045	66,556
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,133,220	$ 9,100,311	9,042,219	$ 58,092
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (417,843)	

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 POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 741,214	
Income Taxes			486,338	
Other Taxes			1,101,246	
Tuition and Fees			418,070	
Sales and Services			2,393,004	
Interest Earnings			270,914	
Other Revenues			2,734,282	
Transfers-In			7,566,525	
TOTAL REVENUES AND TRANSFERS-IN			15,711,593	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,740	$ 31,109	27,294	$ 3,815
Corrections	104,939	101,805	86,169	15,636
Education	4,016,414	4,009,239	3,917,783	91,456
Governor	307,996	335,511	197,146	138,365
Health Care Policy and Financing	1,765,439	1,775,450	1,736,458	38,992
Higher Education	1,606,995	1,614,076	1,315,995	298,081
Human Services	746,694	345,767	301,114	44,653
Judicial Branch	296,256	291,716	268,410	23,306
Labor and Employment	1,098,706	1,106,588	726,559	380,029
Law	76,012	136,822	108,949	27,873
Legislative Branch	6,494	6,487	2,741	3,746
Local Affairs	227,179	245,418	141,355	104,063
Military and Veterans Affairs	6,113	5,763	3,291	2,472
Natural Resources	838,290	831,381	409,479	421,902
Personnel & Administration	463,742	469,657	453,354	16,303
Public Health and Environment	194,529	216,843	181,498	35,345
Public Safety	263,759	259,769	172,599	87,170
Regulatory Agencies	79,105	79,429	71,643	7,786
Revenue	909,791	909,569	798,238	111,331
State	20,176	23,562	20,104	3,458
Transportation	3,288,804	3,293,280	859,205	2,434,075
Treasury	1,884,954	1,885,131	1,720,886	164,245
Budgets/Transfers Not Recorded by Department	-	2,400	982	1,418
SUB-TOTAL OPERATING BUDGETS	18,233,127	17,976,772	13,521,252	4,455,520
Capital and Multi-Year Budgets:				
Departmental:				
Corrections	2,117	3,282	1,515	1,767
Education	-	561	153	408
Governor	7,114	16,309	6,657	9,652
Higher Education	40,613	72,401	32,239	40,162
Human Services	470	3,604	1,810	1,794
Judicial Branch	46,967	74,393	71,693	2,700
Labor and Employment	-	686	41	645
Military and Veterans Affairs	-	588	-	588
Natural Resources	69,950	57,343	20,162	37,181
Personnel & Administration	585	8,568	6,963	1,605
Public Health and Environment	1,417	31,066	2,817	28,249
Public Safety	1,500	3,926	658	3,268
Transportation	500	500	500	-
Treasury	420	18,585	18,507	78
Budgets/Transfers Not Recorded by Department	8,238	8,238	8,238	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	182,691	300,050	171,953	128,097
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,415,818	$ 18,276,822	13,693,205	$ 4,583,617
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 2,018,388	

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 POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,431,179	
TOTAL REVENUES AND TRANSFERS-IN			7,431,179	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,887	$ 9,906	5,446	$ 4,460
Corrections	3,048	6,856	4,615	2,241
Education	628,704	859,966	614,164	245,802
Governor	6,830	91,741	52,009	39,732
Health Care Policy and Financing	2,770,513	2,904,733	2,805,250	99,483
Higher Education	20,828	434,851	453,463	(18,612)
Human Services	639,420	1,712,497	1,507,844	204,653
Judicial Branch	10,280	18,737	12,170	6,567
Labor and Employment	97,476	1,044,607	581,360	463,247
Law	1,576	2,617	1,947	670
Local Affairs	102,624	124,271	78,620	45,651
Military and Veterans Affairs	214,888	30,174	19,227	10,947
Natural Resources	21,400	76,428	42,751	33,677
Personnel & Administration	-	4,162	3,366	796
Public Health and Environment	246,168	386,246	299,979	86,267
Public Safety	55,041	179,715	88,925	90,790
Regulatory Agencies	1,314	6,942	3,373	3,569
Revenue	824	5,741	1,627	4,114
State	-	2,558	1,294	1,264
Transportation	680,182	521,833	721,512	(199,679)
Treasury	-	133,664	133,665	(1)
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,505,003	8,558,245	7,432,607	1,125,638
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,505,003	$ 8,558,245	7,432,607	$ 1,125,638
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (1,428)	

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013

(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	$ 8,555,132	$ -	$ -	$ 69,244	$ -	$ -
Cash	5,186,514	315,145	1,754,331	86,282	1,578,045	2,685,809
Federal	5,382,899	130,137	721,266	20,214	-	212,742
Sub-Total Revenues and Transfers-In	19,124,545	445,282	2,475,597	175,740	1,578,045	2,898,551
Expenditures/Expenses and Transfers-Out						
General Funded	8,992,500	-	-	49,634	-	-
Cash Funded	5,178,950	256,470	1,900,856	101,225	498,945	2,396,219
Federally Funded	5,383,251	130,119	721,282	20,214	-	207,542
Expenditures/Expenses and Transfers-Out	19,554,701	386,589	2,622,138	171,073	498,945	2,603,761
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(430,156)	58,693	(146,541)	4,667	1,079,100	294,790
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(14,888)	(5,752)	(14,366)	(1,090)	(1,625)	(43,912)
Increase for Budgeted Non-GAAP Expenditures	-	54,959	-	-	-	2,598
Increase/(Decrease) for GAAP Expenditures Not Budgeted	145,186	(19,676)	135,581	15,903	-	(48,860)
Increase/(Decrease) for GAAP Revenue Adjustments	(135,203)	(2,198)	-	(15,908)	-	(121,912)
Increase/(Decrease) for Non-Budgeted Funds	2	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(435,059)	86,026	(25,326)	3,572	1,077,475	82,704
GAAP BASIS FUND BALANCES/NET POSITION:						
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,225,426	904,596	1,222,993	48,692	194,752	1,696,448
Prior Period Adjustments (See Note 29)	(20)	(871)	(124)	-	-	7,419
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 790,347	$ 989,751	$ 1,197,543	$ 52,264	$ 1,272,227	$ 1,786,571

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**
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,624,376
546,462	754,860	576,678	528,260	246,460	1,452,748	15,711,594
15,913	466,920	-	477,539	3,550	-	7,431,180
562,375	1,221,780	576,678	1,005,799	250,010	1,452,748	31,767,150
-	-	-	-	-	-	9,042,134
537,800	586,998	576,720	345,232	241,435	1,072,440	13,693,290
31,826	466,920	-	467,899	3,550	-	7,432,603
569,626	1,053,918	576,720	813,131	244,985	1,072,440	30,168,027
(7,251)	167,862	(42)	192,668	5,025	380,308	1,599,123
(130)	-	(391)	(4,747)	(187)	(24,726)	(111,814)
-	-	49	23,864	1,427	-	82,897
21,463	-	(999)	(21,568)	5,844	-	232,874
-	(10,703)	-	(462)	(33)	-	(286,419)
262,580	-	-	-	-	-	262,582
276,662	157,159	(1,383)	189,755	12,076	355,582	1,779,243
5,029,249	64,433	5,175	1,041,141	11,033	4,483,738	15,927,676
(5,851)	-	-	-	-	0	553
$ 5,300,060	$ 221,592	$ 3,792	$ 1,230,896	$ 23,109	$ 4,839,320	$ 17,707,472

UNAUDITED

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 $244.8 million of the GAAP General Fund balance of $790.3 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, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,340,700	$ 2,421,900	$ 2,454,455		
Other Excise Taxes	93,100	92,800	93,063		
Individual Income Tax, net	4,532,800	5,186,900	5,148,793		
Corporate Income Tax, net	455,000	630,600	597,441		
Estate Tax	45,000	-	14		
Insurance Tax	197,800	206,600	210,415		
Parimutuel, Courts, and Other	23,100	25,400	21,121		
Investment Income	8,800	14,700	17,435		
Gaming	20,300	12,800	12,102		
TOTAL GENERAL PURPOSE REVENUES	7,716,600	8,591,700	8,554,839		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	6,860	6,864	6,803	$ 61	$ -
Corrections	651,184	654,682	652,424	2,258	3
Education	3,015,430	3,015,447	3,014,932	515	544
Governor	13,968	18,525	18,432	93	38
Health Care Policy and Financing	1,858,057	1,843,220	1,843,579	(359)	(1)
Higher Education	619,572	628,570	628,565	5	27
Human Services	637,576	650,329	648,302	2,027	1,856
Judicial Branch	352,087	353,412	352,875	537	80
Labor and Employment	-	-	-	-	19
Law	9,887	10,452	10,280	172	67
Legislative Branch	35,891	35,963	35,963	-	64
Local Affairs	11,098	11,074	10,976	98	10
Military and Veterans Affairs	6,681	6,693	6,562	131	-
Natural Resources	23,512	23,768	23,757	11	-
Personnel & Administration	6,639	6,603	6,570	33	3,288
Public Health and Environment	27,843	31,143	31,142	1	250
Public Safety	84,082	86,452	85,545	907	191
Regulatory Agencies	1,714	1,716	1,690	26	2
Revenue	180,270	158,298	177,355	(19,057)	12
State	-	-	-	-	52
Treasury	109,332	272,805	272,735	70	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,651,683	7,816,016	7,828,487	$ (12,471)	$ 6,502
Variance Between Actual and Estimated Budgets	893,817	(3,304)	-		
TOTAL ESTIMATED BUDGET	8,545,500	7,812,712	7,828,487		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(828,900)	778,988	726,352		
EXCESS AUGMENTING REVENUES			6,502		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	(2,500)	279	293		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(61,000)	(60,900)	(60,911)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	-	(1,088,551)	(1,088,551)		
Transfers-Out to Various Other Cash Funds	-	(4,560)	(4,560)		
TOTAL TRANSFERS	(72,000)	(1,162,232)	(1,162,229)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(900,900)	(383,244)	(429,375)		
BEGINNING GENERAL FUND SURPLUS	664,800	573,700	514,727		
Release of Prior Year Statutory Reserve (2.3%)	281,100	281,100	281,116		
Establish Current Year Statutory Reserve (5.0%)	(297,500)	(373,000)	(372,965)		
Release of Contractually Restricted Energy Performance Leases			4,134		
GAAP Revenues/(Expenditures) Not Budgeted			2,998		
Contractually Restricted Energy Performance Leases			(551)		
Prior Period Adjustment (see Note 29)			(84)		
ENDING GENERAL FUND SURPLUS	$ (252,500)	$ 98,556	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2013-14 for Budget			(122,755)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2013-14 for Budget			(86,944)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2013-14 for Budget			(1,166)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			73,651		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,828		
Restricted			551		
Committed			378,607		
Assigned			7		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 244,779		

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 116 to 118). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes $1.9 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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 paid on a monthly basis 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 40. 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 remain available in future years through action of the Transportation Commission. In Fiscal Year 2012-13, the Department of Transportation capitalized project expenditures of $376.0 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 120) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 116 to 118) 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 related to loan activity and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June by employees paid on a monthly basis, June general-funded purchases of service from the Office of Information Technology, and 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:							
2012-13	7/1/2012	-	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12 restated	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,089,502,474	31.5%
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%
Colorado State University:							
RMPR							
2012-13	7/1/2012	-	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
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%
RMPS							
2012-13	7/1/2012	-	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
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
URX							
2012-13	7/1/2012	-	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
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
LTD							
2012-13	7/1/2012	-	$ 15,465,978	$ 15,465,978	0.0%	N/A	N/A
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

[1] –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

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APPENDIX D

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 as of June 2013 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will 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 A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

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 eastern 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's capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State's population and 61% of its jobs are located in the Denver/Boulder metropolitan area, which is a 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 A – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST."

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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%
2012	5.19	1.4%	313.91	0.7%

Note: Figures for 2000 through 2011 are estimates. The U.S. 2012 count is an estimate, and the 2012 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, 2012

	Colorado		United States	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.24	24.0%	73.73	23.5%
18 to 24	0.50	9.6%	31.36	10.0%
25 to 44	1.46	28.2%	82.83	26.4%
45 to 64	1.37	26.4%	82.85	26.4%
65+	0.61	11.8%	43.15	13.7%
Total	5.19	100.0%	313.91	100.0%
Median Age	36.4		37.4	

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
2008	$44,180		$39,469		$40,947	
2009	$41,154	-6.8%	$36,675	-7.1%	$38,637	-5.6%
2010	$42,107	2.3%	$37,532	2.3%	$39,791	3.0%
2011	$44,053	4.6%	$39,249	4.6%	$41,560	4.4%
2012	$45,135	2.5%	$40,321	2.7%	$42,693	2.7%

[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
2008	2,731.1		2,599.7		4.8%	5.8%
2009	2,732.8	0.1%	2,511.2	-3.4%	8.1%	9.3%
2010	2,720.5	-0.4%	2,475.8	-1.4%	9.0%	9.6%
2011	2,723.1	0.1%	2,490.0	0.6%	8.6%	8.9%
2012	2,743.3	0.7%	2,523.5	1.3%	8.0%	8.1%
Year-to-date averages through May:						
2012	2,725.4		2,496.6		8.4%	8.3%
2013	2,748.6	0.9%	2,550.2	2.1%	7.2%	7.7%

[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 2008 to fourth quarter 2012. 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

						Most Recent Quarter		
Industry	**2008**	**2009**	**2010**	**2011**	**2012**	**2011Q4**	**2012Q4**	**% Change**
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	14,087	13,737	13,670	14,015	14,513	13,808	13,709	-0.7%
Mining	28,335	24,004	24,232	27,789	30,225	29,584	30,017	1.5%
Utilities	8,221	8,404	8,266	8,138	8,037	8,115	7,959	-1.9%
Construction	161,814	131,001	115,111	112,232	115,753	114,826	120,784	5.2%
Manufacturing	144,157	129,635	125,499	129,165	131,978	130,614	133,109	1.9%
Wholesale Trade	100,144	93,275	90,853	92,192	94,262	93,001	95,881	3.1%
Retail Trade	252,691	238,417	236,726	239,985	243,699	246,693	251,499	1.9%
Transportation and Warehousing	63,635	59,072	57,134	57,863	59,850	59,048	62,204	5.3%
Information	76,963	74,679	71,694	71,950	69,733	71,946	69,569	-3.3%
Finance and Insurance	104,926	100,856	98,229	98,056	99,754	98,575	101,331	2.8%
Real Estate and Rental and Leasing	46,874	42,930	41,348	41,194	41,895	41,390	42,399	2.4%
Professional and Technical Services	176,440	169,561	167,505	172,096	178,313	174,700	182,057	4.2%
Management of Companies and Enterprises	28,652	28,550	28,818	29,914	31,761	30,131	32,344	7.3%
Administrative and Waste Services	146,446	132,028	133,522	137,331	145,383	139,404	149,517	7.3%
Educational Services	27,701	28,049	28,979	30,145	31,494	31,278	32,010	2.3%
Health Care and Social Assistance	219,879	225,933	232,262	239,967	246,951	243,420	250,886	3.1%
Arts, Entertainment, and Recreation	45,656	44,555	44,621	45,564	46,704	43,193	44,513	3.1%
Accommodation and Food Services	227,251	217,785	217,976	225,702	232,875	224,452	232,399	3.5%
Other Services	68,503	65,701	65,278	66,134	67,988	65,966	68,352	3.6%
Unclassified	779	761	434	492	745	659	754	14.4%
Government	367,712	372,472	374,911	373,154	374,628	375,935	379,108	0.8%
Total*	**2,310,868**	**2,201,406**	**2,177,069**	**2,213,075**	**2,266,539**	**2,236,737**	**2,300,401**	**2.8%**

*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 May 2013. 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 (2013)

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	25,200
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
Centura Health	Healthcare	12,500
University of Colorado Health[2]	Healthcare	10,500
HCA - HealthONE LLC	Healthcare	10,300
SCL Health System	Healthcare	9,300
Safeway Inc	Supermarkets	9,100
Lockheed Martin	Aerospace & Defense Related Systems	8,800
Target Coporation	General Merchandise	7,200
CenturyLink	Telecommunications	6,800
Home Depot	Building Materials Retailer	6,800
Wells Fargo	Banking/Financial Services	6,200
Kaiser Permanente	Health Maintenance Organization	6,200
University of Denver	Private University	6,000
Vail Resorts	Leisure & Hospitality	6,000
Comcast Corporation	Telecommunications	5,500
Children's Hospital Colorado	Healthcare	5,000
United Airlines	Air Transportation	4,900
JBS Swift & Company	Beef Processing/Corporate Office	4,500
DISH Network LLC	Satellite TV & Equipment	4,400
Oracle Corporation	Software & Network Computer Systems	4,400
Banner Health	Healthcare	4,300
IBM Corporation	Computer Systems & Services	4,200
Xcel Energy	Utility	3,800
Lowe's	Building Materials Retailer	3,700

[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 2013.

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The following table shows the largest public sector employers in Colorado as of 2012.

Estimated Largest Public Sector Employers in Colorado (2012)

Employer	Estimated Employees[1]
Federal Government (except USPS)	44,100
State of Colorado	38,000
University of Colorado System[2]	16,900
Denver Public Schools	13,100
Jefferson County Public Schools	11,300
City & County of Denver	10,800
U.S. Postal Service	10,500
Cherry Creek School District No 5	7,500
Colorado State University	6,900
Douglas County School District RE-1	6,800
Denver Health	5,700
Adams 12 Five Star Schools	4,900
Colorado Springs School District 11	4,500
Boulder Valley School District RE-2	4,200
Colorado Springs Memorial Hospital	4,100
Aurora Public Schools	4,000
Poudre School District R-1	4,000
St. Vrain Valley School District RE-1J	3,800
City of Aurora	3,300
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,000
Jefferson County	2,800
City of Colorado Springs	2,500
Regional Transportation District (RTD)	2,500
Thompson School District R2J	2,400

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for University of Colorado Health (previous table).
Source: Compiled by Development Research Partners from various sources, May 2013.

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
2008	$212.88		$152.81	
2009	$184.56	-13.3%	$134.17	-12.2%
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$222.43	4.1%	$163.07	5.2%
Year-to-date totals through March:				
2012	$48.78		$37.59	
2013	$49.80	2.1%	$38.35	2.0%

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

Industry	2008	% Change	2009	% Change	2010	% Change	2011	% Change	2012	% Change	Year-to-date totals through March 2012	Year-to-date totals through March 2013	% Change
Agriculture/Forestry/Fishing	303.8	-10.9%	283.6	-6.7%	336.3	18.6%	411.7	22.4%	394.1	-4.3%	53.8	53.2	-1.1%
Mining	3,414.2	15.5%	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,748.1	20.5%	875.4	896.0	2.4%
Utilities	7,094.1	12.4%	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,386.4	0.5%	2,058.0	2,032.7	-1.2%
Construction	3,770.0	2.3%	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,219.2	13.8%	609.7	628.0	3.0%
Manufacturing	11,757.8	3.1%	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	17,929.5	12.7%	3,926.3	4,048.6	3.1%
Wholesale Trade	14,491.1	0.0%	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	13,859.8	5.9%	2,849.1	2,761.5	-3.1%
Retail Trade													
Motor Vehicle and Auto Parts	12,156.8	-14.3%	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,393.1	10.8%	3,340.5	3,446.8	3.2%
Furniture and Furnishings	2,353.2	-8.6%	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,250.5	9.8%	519.0	545.8	5.2%
Electronics and Appliances	2,244.0	-2.6%	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,105.8	-5.3%	490.5	456.1	-7.0%
Building Materials/Nurseries	5,281.0	-8.4%	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,789.9	6.1%	944.1	1,020.1	8.0%
Food/Beverage Stores	12,927.4	6.9%	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,185.7	5.2%	3,466.3	3,591.2	3.6%
Health and Personal Care	2,268.8	6.1%	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,709.3	-0.1%	673.1	693.8	3.1%
Gas Stations	5,764.6	10.2%	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	5,962.7	3.2%	1,358.1	1,319.7	-2.8%
Clothing and Accessories	3,108.1	-2.4%	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,481.2	4.3%	777.5	794.5	2.2%
Sporting/Hobby/Books/Music	2,579.4	-4.2%	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,668.8	-0.4%	650.8	703.5	8.1%
General Merchandise/Warehous	11,334.9	3.1%	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,160.3	3.7%	2,736.2	2,790.5	2.0%
Misc Store Retailers	2,364.4	-3.5%	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,437.9	17.0%	659.6	759.9	15.2%
Non-Store Retailers	4,299.7	15.7%	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,516.5	-2.2%	376.4	371.5	-1.3%
Total Retail Trade	**66,682.2**	**-1.0%**	**58,477.1**	**-12.3%**	**61,770.6**	**5.6%**	**66,927.5**	**8.3%**	**70,661.7**	**5.6%**	**15,992.1**	**16,493.4**	**3.1%**
Transportation/Warehouse	756.2	-8.8%	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	662.3	11.7%	149.4	175.1	17.2%
Information	6,983.6	12.1%	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,258.9	-1.0%	1,494.3	1,400.7	-6.3%
Finance/Insurance	3,085.9	34.2%	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,252.4	5.4%	776.6	782.2	0.7%
Real Estate/Rental/Lease	3,607.7	-1.1%	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,207.7	1.7%	831.8	859.7	3.4%
Professional/Scientific/Technical	6,861.0	3.6%	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,448.5	-4.7%	1,479.5	1,482.8	0.2%
Admin/Support/Waste/Remediatio	1,955.5	12.0%	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,832.0	-2.7%	400.6	423.9	5.8%
Education	461.6	8.6%	421.8	-8.6%	480.0	13.8%	487.1	1.5%	443.1	-9.0%	121.9	108.9	-10.7%
Health Care/Social Assistance	5,275.3	15.6%	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,265.2	0.7%	1,605.1	1,681.0	4.7%
Arts/Entertainment/Recreation	971.5	2.0%	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,016.0	2.9%	265.3	279.2	5.2%
Accommodation	3,033.8	4.4%	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,161.5	4.9%	802.6	863.3	7.6%
Food/Drinking Services	8,229.0	2.3%	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,327.5	5.1%	2,304.5	2,389.1	3.7%
Other Services	3,825.2	0.0%	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,750.9	-0.3%	939.6	930.9	-0.9%
Government	249.6	-16.6%	242.5	-2.8%	262.4	8.2%	268.2	2.2%	243.0	-9.4%	55.2	57.3	3.8%
Total All Industries	**152,809.2**	**2.6%**	**134,166.8**	**-12.2%**	**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**163,067.8**	**5.2%**	**37,590.8**	**38,347.5**	**2.0%**

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]						Skier Visits[3]	
			Conventions		*Delegates*		*Spending*			
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2008	5.45		75		293.4		$584.5		12.54	
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%
2012	5.90	0.3%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%

[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
2008	11,147	290	181	7,380	18,998	
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%
2012	12,617	304	97	10,283	23,301	72.6%
Year-to-date totals through April:						
2012	3,398	78	49	2,477	6,002	
2013	5,011	98	8	3,382	8,499	
% change	*47.5%*	*25.6%*	*-83.7%*	*36.5%*	*41.6%*	

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
2008	39,333		21,306	
2009	46,394	18.0%	20,437	-4.1%
2010	42,692	-8.0%	23,891	16.9%
2011	31,975	-25.1%	19,617	-17.9%
2012	28,579	-10.6%	15,903	-18.9%
Year-to-date totals through first quarter:				
2012	7,785		4,221	
2013	4,571	-41.3%	2,935	-30.5%

[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.

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APPENDIX E

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, 2012 (the "PERA 2012 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 2012 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 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement and Note 8 to the PERA 2012 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2011-12 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2011. However, the information in this Appendix, as well as the information in the State's Fiscal Year 2012-13 Unaudited BFS, is based on the PERA 2012 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 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement, the PERA 2012 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 2012-13. See Note 18 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 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 2011-12 CAFR and the State's Fiscal Year 2012-13 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 53-year amortization period (at December 31, 2012, 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, 2012, (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 2003 through 2005; State Division 2006 through 2012
(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	2012	$393,991	$335,073 [4]	$335,073	83.00%	$58,918
State Division	2011	326,274	283,222 [5]	283,222	86.81 [6]	43,052
State Division	2010	452,821	287,624 [7]	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

[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 53 years as of December 31, 2012, based upon an investment return assumption of 8%. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed interest rates.

[5] Results in amortization of UAAL over 56 years as of December 31, 2011.

[6] Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.

[7] Results in amortization of UAAL over 47 years as of December 31, 2010.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010, 2011 and 2012

Plan Assets, Liabilities and Funding Levels

At December 31, 2012, based on PERA's 2012 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately $12.5 billion and $21.2 billion, respectively, resulting in a UAAL of approximately $8.6 billion and a funded ratio of 59.2%, assuming an investment rate of return of 8%. The UAAL would amortize over a 53-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 59.2%. At December 31, 2012, the funded ratio of the Plan based on the market value of assets was 60.2%, representing a UAAL of $8.4 billion. Table 2 below sets forth for each of the ten years through December 31, 2012, 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, 2012, 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 2012 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 4.25% to 9.92%; (5) the rate of inflation is assumed to be 3.50% 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 8.00% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2012 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 2003 and 2004; State Division 2005 through 2012
(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	2012	$12,538,675	$21,191,495	$ 8,652,820	59.2%	$2,384,934	362.8%
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

[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, 2011 and 2012

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2003 through 2005; State Division 2006 through 2012
(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	2012	$12,766,459	$21,191,495	$ 8,425,036	60.2%	$2,384,934	362.8%
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

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 2003 through 2012

The following table sets forth PERA's change in net position for Fiscal Years 2003 through 2012.

Table 4
PERA Changes in Net Position[1]
(Dollar Amounts in Thousands)

State and School Division Trust Fund[2]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ADDITIONS										
Employer contributions	$ 387,920	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222	$ 335,073
Member contributions	405,715	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678	227,058
Purchased service	695,516	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277	16,358
Investment income (loss)	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	1,511,244
Other	3	30	(9)	1	4	7	3	1	331	150
Total additions	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	2,089,883
DEDUCTIONS										
Benefit payments	1,469,343	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707	1,231,922
Refunds	99,039	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090	69,221
Disability insurance premiums	3,592	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685	1,570
Administrative expenses	19,750	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685	8,568
Other	448	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)	3,911
Total deductions	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	1,315,192
Change in net position available	5,100,055	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)	774,691
Net position at beginning of year	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	12,022,661
Net position at end of year	$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	$12,797,352

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 2012

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 2012 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 November 2012 both the plaintiff and defendants filed appeals to the Colorado Supreme Court regarding the decision of the Court of Appeals.

PERA is a defendant in a legal proceeding brought in late 2012 by the Memorial Health System and the City of Colorado Springs concerning the sale of the System and the City's withdrawal liability from PERA. PERA estimates Memorial's share of the unfunded liability is between $200 and $250 million.

See Note 7 to the PERA 2012 CAFR for a discussion of this litigation.

Effect of Pension Liability on the Series 2013B Notes

The Series 2013B Notes are short-term obligations maturing on June 27, 2014, and are payable from Pledged Revenues which are expected to consist primarily of amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as repayment of their Program Loans and a portion of the proceeds of the Series 2013B Notes deposited to the Series 2013-14 Notes Repayment Account as discussed in "THE SERIES 2013B NOTES – Security and Sources of Payment." Therefore, the State's current pension liability or any change in the State's pension liability is not expected to adversely affect the State's ability to fully pay the Series 2013B Notes. For a discussion of the State's current pension liability, see "Management's Discussion and Analysis" in the Financial Section of the State's Fiscal Year 2011-12 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions." However, no assurance can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement.

* * *

APPENDIX F

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 2013B 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 2013B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2013B Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2013B Notes. The Series 2013B 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 2013B Note certificate will be issued for the Series 2013B 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 2013B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013B 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 2013B 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 2013B Notes except in the event that use of the book-entry system for the Series 2013B Notes is discontinued.

To facilitate subsequent transfers, all Series 2013B 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 2013B 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 2013B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013B 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 2013B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013B Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2013B Notes may wish to ascertain that the nominee holding the Series 2013B 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 2013B 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 2013B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2013B 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 2013B 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 2013B 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 2013B Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2013B 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 2013B Notes. In that event, Series 2013B Note certificates will be printed and delivered to DTC.

* * *

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

KUTAK ROCK LLP
DENVER, COLORADO

[Closing Date]

The Honorable Walker Stapleton
Treasurer of the State of Colorado

Morgan Stanley & Co. LLC

$210,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2013B

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 2013B," in the aggregate principal amount of $210,000,000 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, 2013, 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 2013-14 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 2013-14 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,

* * *