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 2014B 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 2014B 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."

$245,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2014B

Dated: Date of Delivery **Maturity Date: June 29, 2015**

The proceeds of the Series 2014B 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, 2015, and (ii) pay the costs of issuing the Series 2014B Notes.

The Series 2014B 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 2014B Notes. Beneficial Ownership Interests in the Series 2014B 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 2014B 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 2014B Notes, at the rate per annum specified below, is payable on the maturity date of the Series 2014B Notes specified above. The Series 2014B Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.*
$245,000,000	1.750%	100.798%	0.097%	19672M BM9

The Series 2014B 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 2014B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2014B Notes in the Series 2014-15 Notes Repayment Account; and the principal of the Series 2014B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2014B Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A, which are currently outstanding in the aggregate principal amount of $165,000,000. The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B Notes.

An investment in the Series 2014B 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 2014B 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 Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State. The Series 2014B Notes are expected to be delivered through the facilities of DTC on or about January 5, 2015.

Dated: December 22, 2014

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* CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services operated by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by Standard & Poor's, a business unit of McGraw-Hill Financial, and is provided solely for the convenience of the purchasers of the Series 2014B Notes and only as of the issuance of the Series 2014B 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 2014B 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 2014B 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 2014B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2014B 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 2014 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

$245,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2014B

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 $245,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2014B (the "Series 2014B 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 2014B 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 for the Series 2014B Notes dated December 16, 2014, including, without limitation, the interest rate, price, reoffering yield, CUSIP number and ratings of the Series 2014B Notes, as well as the original purchaser and the amount paid for the purchase of the Series 2014B 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 2014B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2015 ("Fiscal Year 2014-15"), and paying the costs of issuing the Series 2014B Notes, and are the first series of Notes being issued for funding the Loan Program for Fiscal Year 2014-15. The first installment of the Loan Program was funded on July 15, 2014, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A (the "Series 2014A Notes"), in the aggregate principal amount of $165,000,000, the net proceeds of which have been borrowed by 22 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS."

The net proceeds of the sale of the Series 2014B Notes will be deposited in the Series 2014B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2014B Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 24 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2014-15. 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 2015 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 2014B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2014B Notes

Authorization. The Series 2014B 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 2014B NOTES – Authorization."

General Provisions. The Series 2014B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 29, 2015 (the "Series 2014B Notes Maturity Date"). The Series 2014B Notes are not subject to redemption prior to the Series 2014B Notes Maturity Date. Interest on the Series 2014B 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 2014B Notes Maturity Date. See "THE SERIES 2014B NOTES – General Provisions."

Book-Entry Only System. The Series 2014B 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 2014B Notes. Ownership interests in the Series 2014B 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 2014B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2014B 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 2014B 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 2014B 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 2014B Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, as repayment of their Program Loans;
- amounts deposited to the "Series 2014-15 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2014-15 Notes Repayment Account") as discussed in "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 Notes Repayment Account*"; and
- any unexpended proceeds of the Series 2014A Notes, the Series 2014B 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 2014B 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 2014B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS – The Series 2014B Notes Proceeds Account."

Interest on the Series 2014B 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 2014-15 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B 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 2014-15 that is (i) subject to appropriation for Fiscal Year 2014-15 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2014A Notes, the Series 2014B Notes, any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2014B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, 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 2014-15 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 2014-15, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2014B (the "State Series 2014A General Fund Notes"), issued by the State Treasurer on July 15, 2014, in the principal amount of $500 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2014-15.

The Series 2014-15 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes. The Owners of the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2014-15 Notes Repayment Account and the moneys credited thereto.

The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B Notes.

See generally "THE SERIES 2014B 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 2014 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 2014B 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 Dinsmore & Shohl 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 2014B 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 2014B 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 2014B Notes because the Series 2014B 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

For a discussion of the recent compliance by the State and certain State departments and agencies that utilize the State's credit with the various continuing disclosure undertakings of such entities, see "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

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 2014B 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"), 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222.

Investment Considerations

An investment in the Series 2014B 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 2014B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2014B 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 2014B Notes are being issued pursuant to this authorization. See also "THE SERIES 2014B NOTES – Authorization."

Application of Series 2014B Notes Proceeds

The proceeds of the Series 2014B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2014B Notes, will be deposited in the Series 2014B 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 2014-15, 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 2014B Notes Proceeds Account

The State Resolution previously directed the State Controller to establish within the State's General Fund the Series 2014B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2014B 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 2014B Notes. The original purchasers of the Series 2014B 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 2014B Notes.

Moneys held in the Series 2014B 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 2014B 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 2014B Notes Proceeds Account; and investment earnings on moneys credited to the Series 2014B 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, 2015, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2014-15 Notes Repayment Account, after which the Series 2014B 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 2014-15. 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 2014B 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 2014A Notes and the Series 2014B Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2014B NOTES

The following is a summary of certain provisions of the Series 2014B Notes during such time as the Series 2014B 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 2014B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2014B 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 2014B NOTES PROCEEDS." The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes in Fiscal Year 2014-15. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2014B 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 2014B Notes. Beneficial Ownership Interests in the Series 2014B 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 2014B 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 2014B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2014B Notes will be dated as of the Closing Date, mature on the Series 2014B 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 2014B Notes will accrue from the Closing Date and will be payable on the Series 2014B Notes Maturity Date. The principal of and interest on the Series 2014B Notes will be payable by the State Treasurer, as paying agent for the Series 2014B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2014B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX F – DTC

BOOK-ENTRY SYSTEM." Interest on the Series 2014B Notes will cease to accrue on the Series 2014B 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 2014B 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 2014B 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 2014B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2014B Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2014B Notes are not subject to redemption prior to the Series 2014B Notes Maturity Date.

Security and Sources of Payment

The Series 2014B Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2014A Notes and any additional Parity Lien Notes. The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B 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, 2015, in repayment of their Program Loans; (ii) amounts deposited to the Series 2014-15 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2014A Notes, the Series 2014B 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 2014B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS – The Series 2014B Notes Proceeds Account."

The Series 2014-15 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2014-15 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 2014-15 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes. The Owners of the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2014-15 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before

June 25, 2015, in repayment of their Program Loans. However, if on June 26, 2015, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2014A Notes, the Series 2014B 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 2014-15 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 2014-15 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, 2015, 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 2014B 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 2014-15 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 2014B 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 2014-15 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 2014A Notes and the Series 2014B 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 2014B 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 2014B Notes is not made on the Series 2014B 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 2014B 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 2014B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2014B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2014B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2014B 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 2014B 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 2014B Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2014-15 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2014-15 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2014A Note, Series 2014B Note or

Parity Lien Note over any other Series 2014A Note, Series 2014B 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 2014B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2014B Notes Proceeds Account and the Series 2014-15 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 2014B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes.

Limited Obligations

The Series 2014B 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 2014B Notes. The Series 2014B 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 2014B 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 2014B Notes. See "THE SERIES 2014B 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 2015. 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 2014B 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 2013 published by the Colorado Department of Local Affairs, Division of Property Taxation, statewide taxable assessed values decreased 5.3% between 2009 and 2010, from $97.8 billion to $92.7 billion, and decreased an additional 5.2% in 2011, to $87.8 billion. In 2012, statewide taxable assessed values increased by 1.8%, to $89.4 billion, followed by a decrease of 0.9% in 2013, to $88.6 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 2015 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15 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 2014-15 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A General Fund Notes issued by the State Treasurer on July 15, 2014. 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 2014-15 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 22, 2014 (the "OSPB September 2014 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 2014 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 2014-15, it may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 2014 REVENUE FORECAST."

The OSPB September 2014 Revenue Forecast projects that General Fund revenues in Fiscal Year 2014-15 will increase by $666.2 million, or 7.4%, over Fiscal Year 2013-14, and that General Fund revenues in Fiscal Year 2015-16 will increase by $616.3 million, or 6.4%, over Fiscal Year 2014-15. The OSPB further projects that (i) the State will end Fiscal Year 2014-15 with reserves of $232.6 million in excess of the Unappropriated Reserve requirement, all of which surplus under current law is to become part of the beginning reserve and funds available in Fiscal Year 2015-16, and (ii) the State will end Fiscal Year 2015-16 with no reserves in excess of the Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB September 2014 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

The next OSPB revenue forecast will be released in December of 2014. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2014 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2014-15 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 2014-15 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 2014 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 2014A Notes and the Series 2014B 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 2014B 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 2014A Notes and the Series 2014B 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 2014B NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2014B 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 2014B Notes.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District that has requested the State Treasurer to issue the Series 2014B 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 2014B 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 2014-15, 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 2014-15. The District Note matures on June 25, 2015 (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 2014A Notes, the Series 2014B 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 2014B 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 2015 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 2014A Notes, the Series 2014B 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 2014B 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 2014B 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 2014-15; (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 2015 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 has been subject to challenge on occasion, the most recent being a lawsuit (*Lobato v. State of Colorado*) brought in Denver District Court against the State by several school districts, students and parents. In May of 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. A lawsuit was filed against the State in June of 2014 asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Amendment 23 to the State constitution (see "*Amendment 23*" hereafter). The potential impact on State finances if the suit is ultimately resolved against the State are not yet known. However, the State intends to vigorously defend the case. See also "INVESTMENT CONSIDERATIONS – Future Changes in Laws" and "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation."

During the 2013 legislative session the General Assembly passed Senate Bill ("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 2014B 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 ($6,121.00 for Fiscal Year 2014-15), 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, and revised by HB 14-1251, at an amount of not less than $5,524,046,767. The final Statewide Total Program funding amount for Fiscal Year 2013-14, after application of the Negative Factor, was $5,526,933,750, constituting a Negative Factor of 15.42%.

The Statewide Total Program funding amount for Fiscal Year 2014-15, after application of the Negative Factor, was established by HB 14-1298 at an amount of not less than $5,929,709,852. The Statewide Total Program funding amount for Fiscal Year 2014-15, after application of the Negative Factor, currently is $5,933,444,389, constituting a Negative Factor of 13.15%.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2014-15 of $6,660.79 ($7,669.31 before application of the Negative Factor) per traditional pupil, plus $6,410.40 ($7,381.00 before application of the Negative Factor) per on-line pupil. 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 12^{th} 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 was restored beginning with 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 2014 will be collected in 2015. 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 County Treasurer will issue a certificate of purchase to the successful bidder at the sale, but a deed on the property cannot be issued until at least three years after the sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale.

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

Taxpayer's Bill of Rights

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

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

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

Budgets

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

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

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

Financial Statements

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

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

Summary Financial Information Regarding the Participating Districts

The following table sets forth certain financial information concerning the Participating Districts. The Participating Districts expected to borrow the largest percentages of available proceeds of the Series 2014A Notes and the Series 2014B Notes are Denver School District No. 1, Boulder Valley School District RE-2 and Cherry Creek School District No. 5. See "Largest Borrowers" hereafter.

Participating District Financial Information

(Totals may not add due to rounding)

	Amount of Program Loans[1]						Actual and Estimated Fiscal Year 2014-15 Tax Information				Fiscal Year 2013-14 Loan Program Information	
Participating District	**Series 2014A Notes**	**% of Total**	**Series 2014B Notes**	**% of Total**	**Total Amount Borrowed**	**% of Total**	**2014 Assessed Valuation (000's)[2]**	**Estimated Tax Collections[3]**	**Ratio of Amount Borrowed to Estimated 2015 Tax Collections**	**3 Year Average[4]**	**Amount Borrowed[5]**	**Repayment Date (2014)**
Aurora (Adams-Arapahoe 28J)	$ 7,528,878	4.5%	$ --	-- %	$ 7,528,878	2.2%	$ 1,788,788	$ 77,828,849	9.7%	98.9%	$ 4,087,554	March 11
Boulder Valley RE-2	53,292,120	31.8	56,488,786	31.1	109,780,906	31.4	4,927,018	178,985,172	61.3	99.4	107,721,919	May 13
Briggsdale (Weld RE-10)	488,909	0.3	620,699	0.3	1,109,608	0.3	177,612	2,412,749	46.0	99.9	709,971	May 13
Cherry Creek 5	8,901,288	5.3	32,655,025	18.0	41,556,313	11.9	4,421,490	189,019,819	22.0	97.5	41,244,448	March 11
Colorado Springs 11	8,761,581	5.2	--	--	8,761,581	2.5	2,323,985	76,577,628	11.4	100.0	8,060,220	March 11
Commerce City (Adams 14)	1,460,535	0.9	969,033	0.5	2,429,568	0.7	612,220	17,458,585	13.9	98.8	2,395,618	March 11
Cripple Creek-Victor RE-1	55,842	0.0	373,949	0.2	429,791	0.1	292,028	3,228,264	13.3	100.0	1,126,812	May 13
Custer County C-1	302,249	0.2	276,456	0.2	578,705	0.2	$97,560	1,733,913	33.4	100.3	511,674	May 13
Denver 1	71,710,189	42.8	43,930,949	24.2	115,641,138	33.1	10,517,387	332,990,864	34.7	98.6	125,797,000	May 13
Douglas RE-1	--	--	12,424,251	6.8	12,424,251	3.6	4,805,044	144,403,865	8.6	97.7	--	--
Durango 9-R	1,930,225	1.2	4,711,948	2.6	6,642,173	1.9	1,357,490	15,486,761	42.9	98.6	1,299,803	March 11
Eagle County RE-50	3,526,995	2.1	4,790,379	2.6	8,317,374	2.4	2,400,081	31,491,041	26.4	98.9	9,693,809	March 11
Estes Park (Park R-3)	134,545	0.1	885,955	0.5	1,020,500	0.3	328,059	7,276,915	14.0	99.1	1,142,500	March 11
Gilcrest (Weld RE-1)	594,618	0.4	2,224,639	1.2	2,819,257	0.8	1,371,573	8,884,669	31.7	98.9	3,039,197	May 13
Hayden RE-1	281,348	0.2	1,145,151	0.6	1,426,499	0.4	103,505	2,810,543	50.8	98.1	1,315,798	May 21
Keenesburg (Weld RE-3J)	--	--	3,731,160	2.1	3,731,160	1.1	1,301,057	14,922,297	25.0	100.0	--	--
Leadville (Lake R-1)	520,526	0.3	1,345,050	0.7	1,865,576	0.5	227,052	5,372,838	34.7	103.3	1,807,000	May 13
Mapleton (Adams 1)	778,683	0.5	1,645,700	0.9	2,424,383	0.7	461,017	8,893,282	27.3	97.3	--	--
Montezuma-Cortez RE-1	2,394,343	1.4	3,562,481	2.0	5,956,824	1.7	599,450	10,748,740	55.4	103.5	3,318,144	May 13
Platte Valley (Weld RE-7)	1,507,527	0.9	2,007,182	1.1	3,514,709	1.0	1,429,741	7,323,227	48.0	99.9	2,950,000	May 13
Pueblo 70	1,810,597	1.1	3,993,184	2.2	5,803,781	1.7	641,808	15,077,597	38.5	99.3	8,385,903	May 13
Sierra Grande R-30	219,672	0.1	321,696	0.2	541,368	0.2	63,452	1,421,394	38.1	97.3	745,173	May 13
South Routt RE-3	707,677	0.4	823,114	0.5	1,530,791	0.4	100,478	2,760,683	55.4	99.0	1,753,551	May 21
Summit RE-1	788,394	0.5	1,024,760	0.6	1,813,154	0.5	1,552,656	20,168,222	9.0	99.8	1,366,000	March 11
Wiggins (Morgan RE-50J)	--	--	801,196	0.4	801,196	0.2	128,673	3,035,049	26.4	95.6	--	--
Windsor RE-4	--	--	1,061,027	0.6	1,061,027	0.3	523,147	15,613,657	6.8	100.3	750,695	March 11
	$167,696,741	100.0%	$181,813,770	100.0%	$349,510,511	100.0%						

[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 2014A Notes and the Series 2014B 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 2014B NOTES PROCEEDS." The Owners of the Series 2014A Notes and the Series 2014B 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 2014B 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 2014B NOTES – Parity Lien Notes."

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

[3] This amount was calculated for each Participating District by multiplying the 2014 assessed value of the Participating District by the Participating District's estimated 2014 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 2015. Mill levies for 2015 tax collections were required to be certified by the Participating Districts by December 15, 2014. See "State Equalization Funding of School Districts – Allocation of Total Program Funding" above and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

[4] Based on each Participating District's actual collection data for Fiscal Years 2011-12, 2012-13 and 2013-14.

[5] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2013-14. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A and Series 2013B.

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 2014A Notes and the Series 2014B Notes. DPS expects to borrow approximately 42.8% of the net proceeds of the Series 2014A Notes and approximately 24.2% of the net proceeds of the Series 2014B Notes, or approximately 33.1% of the combined amount of the Series 2014A Notes and the Series 2014B Notes.

DPS is the only school district serving the City and County of Denver, the boundaries of which are coterminous with those of the City, encompassing approximately 155 square miles with an estimated population of approximately 635,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 83,301.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 79,787.0, 772,516.5 and 74,323.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $10.454 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 49.299 mills, including 25.541 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.431 mills for voter-approved override revenues, 10.446 mills for debt service on general obligation bonds and 0.881 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of DPS (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $10.517 billion.

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 2014A Notes and the Series 2014B Notes. BVSD expects to borrow approximately 31.8% of the net proceeds of the Series 2014A Notes and approximately 31.1% of the net proceeds of the Series 2014B Notes, or approximately 31.4% of the combined amount of the Series 2014A Notes and the Series 2014B 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 211,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 29,118.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 28,677.0, 27,913.0 and 28,032.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $4.903 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 45.372 mills, including 25.023 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.576 mills for voter-approved override revenues, 1.489 mills to fund excess transportation costs, 5.792 mills for debt service on general obligation bonds and 0.492 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of BVSD (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the District derives no property tax revenue, is approximately $4.927 billion.

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 2014A Notes and the Series 2014B Notes. CCSD expects to borrow approximately 5.3% of the net proceeds of the Series 2014A Notes and approximately 18.0% of the net proceeds of the Series 2014B Notes, or approximately 11.9% of the combined amount of the Series 2014A Notes and the Series 2014B 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 301,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 51,136.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 50,893.0, 49,777.0 and 49,489.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $4.422 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 57.492 mills, including 25,712 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 1.548 mills for hold harmless override revenues, 17.587 mills for voter-approved override revenues, 11.451 mills for debt service on general obligation bonds and 1.194 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of CCSD (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the District derives no property tax revenue, is approximately $4.421 billion.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2015. 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, 2013, AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014" 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 the November 2014 general election, at which both the current Governor and Treasurer were re-elected. 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 2014 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B Notes Maturity Date. The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2015, 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, 2015, together with investment earnings thereon, is insufficient to pay the principal of the Series 2014B Notes when due, the principal of the Series 2014B 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 2014B Notes are not general obligations of the State. See also "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2013-14 and 2014-15 have been estimated by the General Assembly in the related Long Bills to be approximately $329.6 million and $361.5 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, 2011-12 and 2012-13 by $0.771 billion, $1.473 billion and $1.860 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC. The OSPB September 2014 Revenue Forecast projects that TABOR revenues in Fiscal Years 2014-15 and 2015-16 will exceed the TABOR limit by $2.334 billion and $2.617 billion, respectively, and that the State will be $48.0 million below the applicable projected ESRC in Fiscal Year 2014-15 and $133.1 million above the projected ESRC in Fiscal Year 2015-16, meaning that a TABOR refund of such excess will be required unless State voters allow the State to retain the excess. The Governor's 2015-16 budget proposal provides for a $136 million refund to taxpayers; however, the budget must be debated and approved by the General Assembly during its 2015 session.

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 Strategic Transportation Project Investment Program.

Effect of TABOR on the Series 2014B Notes. Voter approval under TABOR is not required for the issuance of the Series 2014B 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 2014B 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 2014B 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 2014A General Fund Notes. See "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014 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 2014-15 was adopted by the General Assembly in April of 2014.

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 2014-15 was approved and signed by the Governor on April 30, 2014.

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. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2008-09 and thereafter. See also "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement[1]
2008-09 and 2009-10 [1]	2.0%
2010-11	2.3
2011-12	4.0
2012-13 and 2013-14	5.0
2014-15 and thereafter [2]	6.5

[1] The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

[2] Per HB 14-1337, the Unappropriated Reserve for Fiscal Years 2014-15 and thereafter was increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State's unaudited Basic Financial Statements for Fiscal Year 2013-14 appended to this Official Statement shows that the State ended Fiscal Year 2013-14 with $410.9 million in General Fund Surplus (before transfers), which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2014 Revenue Forecast projects that the State will end Fiscal Year 2014-15 with reserves of $232.6 million in excess of the Unappropriated Reserve requirement, all of which surplus under current law is to become part of the beginning reserve and funds available in Fiscal Year 2015-16 as discussed in "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts" above and in "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview." The OSPB September 2014 Revenue Forecast also projects that the State will end Fiscal Year 2015-16 with no reserves in excess of the Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB September 2014 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts 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 2014 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 or checks 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 or check is full authority for the State Treasurer to pay the warrant or check 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 or checks 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 2012-13 (the "Fiscal Year 2012-13 CAFR") is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2013-14 is expected to be released to the public by the State and be available on or about December 31, 2014.

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 2012-13 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 2012-13 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Basic Financial Statements for Fiscal Year 2013-14 (the "Fiscal Year 2013-14 Unaudited BFS") are appended to this Official Statement. 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 2012-13 CAFR or in the Fiscal Year 2013-14 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 2012-13 CAFR and Fiscal Year 2013-14 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B 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 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2015, in repayment of their Program Loans. However, if on June 26, 2015, the amount credited to the Principal Subaccount of the Series 2014-15 Notes Repayment Account is less than the principal amount of the Series 2014B 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 2014-15 Notes Repayment Account on June 25, 2015, 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 2014-15 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 2014-15 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 2009-10 through 2013-14.

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
2010	$ 152.3
2011 [1]	147.8
2012	140.6
2013 [2]	192.9
2014	1,012.2

[1] This amount 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.

[2] This amount does not include the $1,073.5 million receivable as a transfer of the Fiscal Year 2012-13 General Fund Surplus per HB 13-1338 (Section 24-75-220(2), C.R.S.). The receivable was converted to cash in December 2013 at the date of publication of the State's Fiscal Year 2012-13 CAFR. See also "APPENDIX – THE STATE GENERAL FUND – General Fund Overview."

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 2009-10 through 2013-14.

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
2010	$1,148.3
2011	1,118.3
2012	1,130.9
2013	1,116.2
2014	1,019.2

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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 Borrowable Resources for Fiscal Year 2013-14 and estimated Borrowable Resources for Fiscal Year 2014-15. 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 2013-14 [1,2]
(Amounts expressed in millions; totals may not add due to rounding)

	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	$ 16.2	$ 15.8	$ 16.8	$ 15.5	$ 13.6	$ 13.5	$ 13.4	$ 13.4
Capital Construction Fund	227.1	207.4	195.7	179.5	175.7	171.8	167.1	199.9	154.4	144.6	145.5	133.0
College Scholarship Fund	164.1	163.8	115.6	50.5	44.7	165.1	164.3	119.4	55.6	49.9	49.7	30.4
Colorado Student Obligation Bond Authority – Administration	31.4	31.8	31.8	30.9	31.5	30.6	31.6	31.7	31.8	31.9	32.0	31.6
Hazardous Substance Fund	14.8	14.8	14.6	14.7	14.8	14.3	14.4	14.4	14.2	14.3	13.9	14.0
Higher Education Funds [3]	1,127.3	1,275.6	1,385.3	1,366.6	1,279.1	1,351.4	1,521.4	1,561.6	1,518.6	1,410.4	1,304.2	1,141.6
Hospital Provider Fee	50.4	63.8	39.2	50.1	65.8	34.5	50.7	66.9	70.8	63.6	53.0	23.3
Limited Gaming Fund	43.3	1.6	4.3	7.2	10.7	14.6	18.4	22.2	26.5	31.9	36.7	42.4
Lottery Fund	48.9	27.9	36.6	50.0	27.0	38.0	49.9	30.1	40.5	49.4	34.1	40.1
Mineral Impact Fund	102.8	112.9	72.5	85.6	98.0	82.9	94.9	104.1	94.3	107.7	122.0	107.9
School Capital Construction Assistance	169.9	187.6	170.9	176.3	181.7	183.7	197.6	203.5	187.3	190.3	197.5	195.1
State and Local Severance Tax Funds	106.6	114.9	96.4	100.5	105.3	116.9	125.7	133.6	144.6	164.9	176.0	186.6
State Public School Fund	447.2	151.2	914.3	621.2	327.7	913.0	622.8	326.5	358.5	638.7	340.5	17.2
Tobacco Tax Funds	34.3	37.0	25.3	29.3	35.4	25.5	29.0	35.7	25.5	28.0	32.7	20.4
Water Conservation Construction Fund	136.0	133.9	137.2	153.3	151.1	152.5	161.2	159.6	165.0	167.7	171.7	177.8
Workers' Compensation Fund	0.0	1.1	8.4	7.0	4.3	2.1	11.9	6.5	3.4	0.9	0.0	0.0
Other Borrowable Resources	1,774.2	1,899.9	1,936.8	1,919.8	1,958.2	1,916.0	1,963.0	2,003.0	2,109.4	2,119.7	2,213.7	2,006.5
Total Borrowable Resources	4,499.9	4,443.5	5,202.0	4,860.7	4,527.2	5,228.7	5,240.7	5,034.2	5,014.0	5,227.4	4,936.6	4,181.3
Total General Fund	824.8	864.3	229.9	550.8	698.2	(992.0)	(542.2)	(482.5)	(630.9)	218.1	361.4	342.5
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	$4,725.4	$3,736.7	$4,198.5	$4,051.7	$3,883.1	$4,945.5	$4,798.0	$4,523.8

[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
Estimated Borrowable Resources
Fiscal Year 2014-15 [1,2,3]

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

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015
Aviation Fund	$ 22.0	$ 22.5	$ 22.8	$ 21.9	$ 23.1	$ 22.9	$ 22.2	$ 23.5	$ 24.5	$ 23.5	$ 23.2	$ 23.7
Capital Construction Fund	223.0	235.0	230.8	218.5	202.9	192.4	167.2	133.6	116.8	142.6	90.3	91.8
College Scholarship Fund	158.7	158.7	19.2	19.2	48.4	191.0	188.1	126.8	47.8	51.4	50.4	34.8
Colorado Student Obligation Bond Authority – Administration	31.2	31.7	39.2	38.1	36.5	30.1	32.0	31.3	31.5	31.2	31.6	40.5
Hazardous Substance Fund	14.8	14.7	15.1	15.1	15.0	14.7	15.0	14.8	14.7	14.9	15.0	15.5
Higher Education Funds [4]	1,120.8	1,379.3	1,521.2	1,473.2	1,414.4	1,352.0	1,503.0	1,561.7	1,561.8	1,497.3	1,401.3	1,480.7
Hospital Provider Fee	49.6	14.7	15.6	21.0	25.8	30.4	38.3	47.5	46.7	53.5	60.0	0.0
Limited Gaming Fund	43.3	2.7	4.4	7.6	11.3	14.8	18.7	22.8	26.7	31.5	36.3	41.6
Lottery Fund	46.1	50.9	34.7	43.7	51.4	41.7	49.3	52.7	35.1	44.4	54.1	37.5
Mineral Impact Fund	103.0	113.7	70.2	84.9	96.5	82.2	91.7	102.4	93.5	108.4	120.9	92.9
School Capital Construction Assistance	166.5	191.6	186.7	183.7	192.2	198.0	203.3	231.6	215.4	216.7	232.2	235.0
State and Local Severance Tax Funds	106.3	105.9	99.6	103.3	96.5	102.6	104.3	106.3	110.3	116.5	120.7	119.7
State Public School Fund	398.1	211.7	488.8	269.3	56.2	278.5	90.4	10.4	340.0	167.9	106.9	34.7
Tobacco Tax Funds	34.0	36.6	30.9	35.6	37.4	33.2	37.1	38.5	33.3	36.6	37.7	2.4
Water Conservation Construction Fund	136.0	138.9	159.8	157.3	153.8	162.2	158.2	152.9	159.8	170.7	174.9	180.2
Workers' Compensation Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Borrowable Resources	1,856.3	1,845.9	2,094.4	1,796.2	1,977.0	2,359.2	2,257.3	2,265.8	2,229.3	2,133.8	2,358.6	2,245.5
Total Borrowable Resources	4,509.7	4,554.4	5,033.6	4,488.7	4,438.5	5,106.0	4,976.2	4,922.3	5,087.1	4,840.8	4,914.1	4,676.5
Total General Fund	(77.0)	(177.1)	(557.3)	(242.4)	(55.2)	(1,163.9)	(486.9)	(447.0)	(1,118.8)	(321.2)	9.2	412.9
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	--
Net Borrowable Resources	$3,932.7	$3,877.3	$3,976.2	$3,746.3	$3,883.3	$3,442.2	$3,989.2	$3,975.3	$3,468.2	$4,019.6	$4,423.4	$5,089.4

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

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

[3] Amounts in this table 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 CAFR 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 2012-13 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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. The State currently has, and upon issuance of the Series 2014B Notes will have, no outstanding general obligation debt.

The State is authorized to and has entered into lease-purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease-purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 24 and 25 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2014-15 and thereafter. The State also entered into a lease-purchase agreement on July 9, 2014, for a laboratory facility for the Colorado Bureau of Investigation, the acquisition and renovation of which was funded by the sale of $11 million in principal amount of certificates of participation in such lease-purchase agreement. In addition, on November 6, 2014, $110.485 million of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2014A, evidencing undivided interests in the rights to receive certain revenues payable by the State, acting by and through the Treasurer, as lessee, pursuant to an annually renewable lease purchase agreement were executed and delivered for the purpose of advance refunding and defeasing certain other certificates of participation previously executed and delivered pursuant to the Colorado Higher Education Capital Construction Lease Purchase Financing Program.

In addition to lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes.

In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 22 and 25 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2014-15 and thereafter.

The Colorado Department of Transportation ("CDOT") has issued Transportation Revenue Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. At June 30, 2014, CDOT had outstanding approximately $430.5 million in aggregate principal amount of such notes. The 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.

State departments and agencies, including State institutions of higher education, also 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, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 24 and 25 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2014. The revenue bonds and certificates of participation listed in Notes 24 and 25 have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions.

State Tax and Revenue Anticipation Notes

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 2014A 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 2014A Notes and the Series 2014B 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, 25 and 45 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of all currently outstanding revenue anticipation notes.

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 and the State Treasurer has no responsibility for such issuances. 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).

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." 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 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2013 (the "PERA 2013 CAFR"), which is the most current PERA CAFR available. The information in the State's Fiscal Year 2012-13 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2012. However, the information under this caption, in "APPENDIX E – STATE PENSION SYSTEM" and in the State's Fiscal Year 2013-14 Unaudited BFS is derived from the PERA 2013 CAFR. See also "*Future Accounting Standards*" hereafter.

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, 2013, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $13.1 billion and $22.8 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $9.7 billion and a funded ratio of 57.5%, assuming an investment rate of return of 7.5%. The UAAL at December 31, 2013, would amortize over a 60-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 57.5%. The funded ratio of the Plan at December 31, 2013, based on the market value of assets, was 61.0%, representing an unfunded accrued liability of $8.9 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 2012-13 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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.

[*] 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 60-year amortization of the UAAL at December 31, 2013.

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, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.3 billion, a funded ratio of 18.8% and a 40-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 35% of the covered payroll reported for the Health Care Trust Fund at December 31, 2013. Although at December 31, 2013, the funded ratio of the Health Care Trust fund was 18.8%, 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 2013 CAFR for additional information regarding the Health Care Trust Fund.

Future Accounting Standards. Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded accrued actuarial liability of approximately $9.7 billion as of December 31, 2013. However, both at June 30, 2013 and June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement and "APPENDIX E – STATE PENSION SYSTEM."

Effect of Pension Liability on the Series 2014B Notes. The Series 2014B Notes are short-term obligations maturing on June 29, 2015, 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, 2015, as repayment of their Program Loans and a portion of the proceeds of the Series 2014B Notes deposited to the Series 2014-15 Notes Repayment Account as discussed in "THE SERIES 2014B 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 pay the Series 2014B 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 2012-13 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2014B 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 2014B Notes or questioning or affecting the validity of the Series 2014B 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 2014B 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 and 41 in the State's Fiscal Year 2012-13 CAFR appended to this Official Statement and Notes 6H, 21 and 44 in the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, as well as General Fund Components in the Supplementary Information in both such documents. 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 State's Fiscal Year 2012-13 CAFR and Note 44 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement. A lawsuit was filed against the State in June of 2014 asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Amendment 23 to the State constitution (see "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – *Public School Finance Act of 1994*"). The potential impact on State finances if the suit is ultimately resolved against the State are not yet known. However, the State intends to vigorously defend such lawsuit. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 41 to the State's Fiscal Year 2012-13 CAFR and Note 44 to the State's Fiscal Year 2013-14 Unaudited BFS, but the ultimate outcome cannot presently be determined. Except as provided in such Notes, no provision has been made in the financial statements related to the actions discussed in such Notes.

RATINGS

Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's, a division of McGraw-Hill Financial, Inc., have assigned to the Series 2014B 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 2014B 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 2014B Notes. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

Series 2014B Notes

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 2014B 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 2014B Notes, that during such time as any of the Series 2014B Notes are outstanding, the State Treasurer will provide to the Municipal Securities Rulemaking Board (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 2014B 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 2014B Notes; (iv) modifications to rights of owners of the Series 2014B 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 2014B 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 2014B Notes in the event of a breach of such continuing disclosure undertaking.

Compliance With Other Continuing Disclosure Undertakings

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, 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 such notes included an affirmative covenant by the State Treasurer to do so.

The State Treasurer has determined that both prior to and during the previous five years the State Treasurer and certain other State departments or agencies have not complied in all material respects with other continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing to file, or to file on a timely basis, on the MSRB's Electronic Municipal Market Access ("EMMA") website and its predecessor repositories certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings. For example, CDOT failed to file annual financial information and audited financial statements in respect of its outstanding obligations for Fiscal Years 2008-09 through 2012-13. In addition, the State failed to file notices of bond insurer rating downgrades relating to certain outstanding obligations over the last five years, although such bond insurer downgrades did not affect the underlying rating of the State, and failed to file notices of an upgrade in the State's rating by Moody's from "Aa2" to "Aa3" as a result of a global recalibration of ratings by Moody's in May 2010. The State failed to timely file annual financial information and audited financial statements for certain obligations from Fiscal Year 2009-10 through Fiscal Year 2011-12, and failed to file on EMMA notices of such failures. Corrective actions have been taken with regard to these matters as discussed below.

Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit (collectively, the "Included Entities") in connection with financial obligations issued by or for the benefit of such the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

In early 2013, the State Treasurer retained Digital Assurance Certification, LLC ("DAC Bond"), as its disclosure dissemination agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities, and plans to implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

In addition, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office commenced, and is continuing to carry out, a comprehensive review of compliance by the State with the continuing disclosure undertakings entered into by the Included Entities for the purpose of determining whether there are other instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office to date have been addressed by making appropriate corrective filings or taking other remedial actions, either directly or by DAC Bond.

Additional information concerning the matters discussed in this section may be obtained from the Colorado Attorney General's Office, 1300 Broadway, 6th Floor, Denver, Colorado 80203, Attention: Heidi Dineen, Esq., Senior Assistant Attorney General, telephone number: (720) 508-6179.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2014B Notes, as well as the treatment of interest on the Series 2014B 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 Dinsmore & Shohl 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 2014B 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 2014B 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 2014B Notes. Failure to comply with such covenants could cause interest on the Series 2014B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014B 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 2014B Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2014B 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 2014B 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 2014B Notes may otherwise affect the federal income tax liability of the owners of the Series 2014B 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 2014B 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 2014B Notes.

The amount treated as interest on the Series 2014B 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 2014B 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 2014B Notes and the aggregate amount to be paid at maturity of the Series 2014B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2014B Notes is the first price at which a substantial amount of the Series 2014B 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 2014B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2014B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2014B 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 2014B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2014B Note. An initial purchaser of a Series 2014B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes will be purchased from the State by J.P. Morgan Securities LLC (the "Underwriter"), pursuant to a competitive sale conducted by the State, for a purchase price of $246,952,650, being the principal amount of the Series 2014B Notes plus an original issue premium of $1,955,100 and less an underwriting discount of $2,450.

FINANCIAL ADVISOR

RBC Capital Markets, LLC, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2014B 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 2014B 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 2014B Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2014B Notes is contingent upon the issuance and delivery of the Series 2014B 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 2014B 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, 1801 California Street, Suite 3850, 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

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APPENDIX A

THE STATE GENERAL FUND

The State Resolution requires that if on June 25, 2015, the amount credited to the Principal Subaccount of the Series 2014-15 Notes Repayment Account is less than the principal amount of the Series 2014A Notes, the Series 2014B 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A General Fund Notes. See "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15. See also "APPENDIX B – OSPB SEPTEMBER 2014 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 CAFR 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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 2014-15 and 2015-16. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Revenue Sources [1]
(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB September 2014 Revenue Forecast			
	Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Preliminary Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16	
Revenue Source	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Excise Taxes:														
Sales Tax [2]	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,424.6	9.6%	$2,581.7	6.5%	$ 2,708.4	4.9%
Use Tax	155.7	(11.9)	190.1	22.0	200.6	5.6	242.7	21.0	241.5	(0.5)	255.6	5.8	271.3	6.2
	1,980.7	(6.0)	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,666.1	8.6	2,837.3	6.4	2,979.7	5.0
Cigarette Tax	40.8	(6.0)	39.3	(3.8)	39.5	0.5	38.3	(3.1)	36.6	(4.5)	36.9	0.9	34.6	(6.2)
Tobacco Products [3]	16.1	22.4	13.8	(14.2)	16.0	16.1	15.6	(2.9)	16.9	8.4	17.2	2.1	17.6	2.0
Liquor Tax	35.4	1.3	36.4	2.8	38.4	5.3	39.2	2.2	40.3	2.9	42.9	6.4	42.8	(0.3)
	92.3	0.7	89.5	(3.0)	93.9	4.9	93.1	(0.9)	93.8	0.8	97.0	3.4	95.0	(2.1)
Total Excise Taxes	2,073.1	(5.7)	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,759.9	8.3	2,934.3	6.3	3,074.8	4.8
Income Taxes:														
Net Individual Income Tax	4,083.8	(5.8)	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,696.1	1.8	6,187.0	8.6	6,626.7	7.1
Net Corporate Income Tax	372.1	27.2	393.9	5.9	486.5	23.5	636.3	30.8	720.7	13.3	757.6	5.1	820.5	8.3
Total Income Taxes	4,455.9	(3.7)	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,416.8	3.0	6,944.6	8.2	7,447.2	7.2
Less State Education Fund Diversion [3]	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(478.8)	(1.6)	(520.8)	8.8	(558.5)	7.2
Total Income Taxes to the General Fund	4,126.9	(3.7)	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,938.0	3.3	6,423.8	8.2	6,888.6	7.2
Other Revenues:[1]														
Estate	0.2	--	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--	--	--
Insurance	186.9	(2.9)	189.7	1.5	197.2	4.0	210.4	6.7	239.1	13.6	243.6	1.9	250.5	2.8
Interest Income	10.1	7.7	7.9	(21.6)	13.6	71.5	17.4	28.6	12.9	(26.1)	15.9	23.3	18.9	19.0
Pari-Mutuel	0.5	17.0	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(8.8)	0.6	(9.7)	0.5	(5.0)
Court Receipts	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	2.3	(9.0)	2.6	9.5	2.7	3.9	2.5	(5.0)
Other Income	26.2	(7.4)	21.2	(18.8)	23.1	8.8	18.1	(21.6)	21.3	17.9	20.1	(5.7)	21.4	6.4
Total Other	241.5	(5.2)	222.8	(7.7)	237.3	6.5	249.0	4.9	276.9	11.2	282.9	2.2	293.9	3.9
Gross General Fund	**$6,441.5**	**(4.4)%**	**$7,065.4**	**9.7%**	**$7,715.7**	**9.2%**	**$8,542.7**	**10.7%**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**

1 Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The "Other Revenues" in this table for Fiscal Years 2009-10 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in "Transfers to the General Fund" in the General Fund overview table hereafter rather than as a General Fund revenue source in this table. This change does not affect the overall amount of "Total General Fund Revenue Available for Expenditure" in the General Fund overview table.

2 State voters approved Proposition AA in November of 2013, which included the imposition of a sales tax of 10% on retail marijuana effective January of 2014. Under current law, the revenue from this sales tax first goes to the General Fund and is then transferred to a cash fund. A portion of this revenue is also distributed to local governments where retail marijuana sales occur. Also approved by Proposition AA was the imposition by the State of an excise tax of 15% on retail marijuana that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects.

3 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 11 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 2009-10 through Fiscal Year 2013-14 and the forecasts for Fiscal Years 2014-15 and 2015-16 from the OSPB September 2014 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2014 Revenue Forecast for Fiscal Years 2014-15 and 2015-16, although currently a budget has only been adopted for Fiscal Year 2014-15. The Governor's budget request for Fiscal Year 2015-16 was submitted on November 3, 2014.

Any new budget information will be incorporated in subsequent OSPB revenue forecasts. 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 2014 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2009-10 through 2015-16
(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Preliminary Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
REVENUE:							
Beginning Reserve	$ 443.8	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 435.9	$ 802.4
Gross General Fund Revenue [2]	6,441.5	7,065.4	7,715.7	8,542.7	8,974.8	9,641.0	10,257.3
Transfers to the General Fund [2]	434.7	178.5	162.4	12.4	14.2	30.2	15.4
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,320.0	7,381.3	8,034.7	9,351.0	9,361.9	10,107.1	11,075.0
EXPENDITURES:							
Appropriation Subject to Limit [3]	6,631.6	6,811.1	7,027.8	7,459.2	8,218.7	8,765.3	9,685.2
Dollar Change From Prior Year	(779.1)	179.5	216.7	431.5	759.5	546.5	919.9
Percent Change From Prior Year	(10.2)%	2.7%	3.2%	6.1%	10.2%	6.6%	10.5%
Spending Outside Limit:	601.5	151.5	189.0	452.3	545.5	539.5	760.3
TABOR Refund [4]	--	--	--	--	--	--	136.7
Rebates and Expenditures [5]	143.2	127.6	134.8	380.9	250.2	254.7	267.6
Transfer to Capital Construction [6]	0.2	12.0	49.3	61.4	186.7	225.5	177.8
Transfers to Highway Users Tax Fund [6]	N/A	N/A	N/A	N/A	--	--	102.6
Transfers to State Education Fund per SB 13-234 [7]	N/A	N/A	N/A	N/A	45.3	25.3	25.3
Transfers to Other Funds [8]	458.1	--	5.0	4.6	30.9	33.9	50.3
Other Expenditures Exempt from General Fund Appropriations Limit [9]	--	12.0	--	5.4	32.4	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,233.1	6,962.6	7,216.8	7,911.5	8,764.3	9,304.7	10,445.5
Percent Change from Prior Year	(3.1)%	(3.7)%	3.7%	9.6%	10.8%	6.2%	12.3%
Reversions and Accounting Adjustments	50.5	26.9	36.9	7.1	(49.0)	--	--
RESERVES							
Year-End General Fund Balance	137.4	445.5	854.8	1,446.5	646.7	802.4	629.5
Year-End General Fund as a % of Appropriations	2.1%	6.5%	12.2%	19.4%	7.9%	9.2%	6.5%
General Fund Statutory Reserve Amount	132.6	156.6	281.1	373.0	410.9	569.7	629.5
Unappropriated Reserve Percentage [10]	2.0%	2.3%	4.0%	5.0%	5.0%	6.5%	6.5%
Amount Above (Below) Statutory Reserve	4.8	288.9	573.7	1,073.5	235.8	232.6	--
Transfer of Excess Reserve to State Education Fund/Other Funds [11]	--	--	--	(1,073.5)	(210.8)	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	137.4	156.6	795.8	--	25.0	232.6	--

[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] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The amounts in these line items for Fiscal Years 2009-10 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in this table as a transfer to the General Fund rather than as General Fund revenue. This change does not affect the overall amount of Total General Fund Revenue Available for Expenditure.

[3] Per SB 09-228, commencing with Fiscal Year 2009-10 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.

[4] Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for Fiscal Year 2015-16 includes $133.1 million in revenue above the Referendum C cap, as well as $3.6 million in pending amounts owed related to refunds from prior years. The refund mechanisms projected in Fiscal Year 2015-16 will reduce revenue to the General Fund. The refund mechanisms are not shown as reducing revenue in the OSPB September 2014 Revenue Forecast, but rather as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same.

[Notes continued on next page]

[5] This generally includes 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; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors 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*."

[6] 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. Because a TABOR refund is projected in Fiscal Year 2015-16, the required transfer for transportation is reduced by 50% in that year.

[7] SB 13-234 requires annual General Fund transfers to the State Education Fund in Fiscal Years 2013-14 through 2018-19.

[8] State law requires transfers of General Fund money to various State cash funds. Starting in Fiscal Year 2013-14, this line item includes transfers of General Fund money from the new 10% retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above.

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

[10] Per HB 14-1337, for Fiscal Year 2014-15 and subsequent Fiscal Years, the Unappropriated Reserve has been increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

[11] In recent years, all or a portion of the amount in excess of 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 was transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess reserves, except for $25 million that remains in the General Fund, are transferred to various other State Funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342 and SB 14-223. The amount remaining in the General Fund becomes part of the beginning reserve and funds available in Fiscal Year 2014-15. Under current law, all of the projected Fiscal Year 2014-15 surplus will become part of the beginning reserve and funds available in Fiscal Year 2015-16.

Source: Office of State Planning and Budgeting

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 22, 2014, and is included in this Official Statement as "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST." The OSPB September 2014 Revenue Forecast projects revenues for Fiscal Years 2014-15 through 2016-17. The amounts forecast for Fiscal Years 2014-15 and 2015-16 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 2014 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 2014. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2014 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 subsequent revenue forecasts. If a revenue shortfall is projected for Fiscal Year 2014-15 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 2014-15 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 Year 2013-14 Investments of the State Pool. The following table sets forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Year 2013-14.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2013-14
(Amounts expressed in millions)[1]

	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	April 2014	May 2014	June 2014
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 27.1	$ 25.7	$ 24.5	$ 23.4	$ 22.4	$ 21.4	$ 20.4	$ 19.4	$ 18.5
Commercial Paper	250.0	173.0	170.0	185.0	80.0	0.0	158.2	636.9	230.0	305.0	150.0	75.0
U.S. Treasury Notes	823.9	824.0	848.5	858.5	858.5	888.2	888.4	908.8	949.1	974.3	1,003.9	959.1
Federal Agencies	3,853.1	3,818.7	3,818.9	3,675.7	3,514.6	3,708.1	4,175.5	3,354.2	3,792.1	4,203.1	4,087.1	3,195.3
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,267.6	1,287.3	1,294.5	1,303.1	1,329.4	1,353.9	1,420.9	1,435.0	1,459.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,437.7	1,491.6	1,533.4	1,531.4	1,538.4	1,621.0	1,636.0	1,656.0	1,708.8
Certificates of Deposit	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	6.5	7.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,455.6	$7,261.7	$7,452.7	$8,084.0	$7,794.1	$7,971.5	$8,565.7	$8,357.9	$7,423.6

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The State Treasurer has certain administrative powers to remedy negative cash balances, including the ability to issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and to use Borrowable Resources. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The State Treasurer."

The following tables present on a cash basis the actual cash flows of the General Fund for Fiscal Year 2013-14, and the estimated cash flows for the General Fund for Fiscal Year 2014-15, 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 Year 2014-15 are based upon (i) the General Fund appropriations for Fiscal Year 2014-15 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 2014 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 2013-14
Current Law

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

	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												$ 1,161.2
Revenues:													
General Fund Revenue:[1]													
Sales and Use Tax	209.4	$ 220.0	$ 223.0	$ 211.9	$ 212.3	$ 208.4	$ 245.9	$ 197.2	$ 201.1	$ 232.8	$ 215.4	$ 244.8	2,622.2
Individual Income Tax	361.4	344.4	478.1	415.8	349.2	417.2	622.1	215.2	297.4	841.2	402.8	480.2	5,225.0
Corporate Income Tax	12.7	79.0	118.3	41.4	3.6	106.8	15.4	(6.4)	94.9	119.2	10.2	145.0	740.1
Other	50.5	24.1	10.0	55.6	17.0	9.9	16.5	63.7	36.2	45.8	28.6	10.7	368.6
Total General Fund Revenue	634.0	588.5	829.4	724.7	582.1	742.3	899.9	469.7	629.6	1,239.0	657.0	880.7	8,876.9
Federal Revenue	364.0	560.8	530.7	527.6	523.5	661.8	529.0	563.3	779.8	599.5	598.5	857.5	7,096.0
Total Revenues	998.0	1,149.3	1,360.1	1,252.3	1,105.6	1,404.1	1,428.9	1,033.0	1,409.4	1,838.5	1,255.5	1,738.2	15,972.9
Expenditures:													
Payroll	128.2	123.4	133.2	125.3	126.7	125.1	140.3	127.0	125.6	126.1	128.2	127.0	1,536.1
Medical Assistance	454.2	499.8	444.7	418.6	458.4	486.1	456.0	499.5	599.8	500.6	500.8	620.6	5,939.1
Public School Distribution	752.6	30.1	1,120.5	102.1	34.1	916.3	46.7	50.2	360.0	110.8	46.2	80.9	3,650.5
Higher Education Distribution	2.1	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	4.6	106.7
Grants and Contracts	32.5	225.8	213.7	204.1	202.4	220.4	188.1	190.4	237.7	313.0	183.7	(443.8)	1,768.0
Other	450.8	142.0	153.2	116.5	129.1	230.8	127.5	91.9	173.8	112.6	101.7	798.7	2,628.6
Total Expenditures:	(1,633.7)	(1,066.2)	(2,067.4)	(970.7)	(954.9)	(2,021.3)	(958.9)	(959.4)	(1,497.3)	(1,058.3)	(961.0)	(1,188.0)	(15,337.1)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	525.5	83.1	(707.3)	281.6	150.7	(617.2)	470.0	73.6	(87.9)	780.2	294.5	550.2	1,797.0
Revenue Accrual Adjustment	130.6	(61.9)	39.7	79.8	(60.1)	22.9	41.7	(34.6)	(132.9)	61.4	66.5	(229.5)	(76.4)
Expenditure Accrual Adjustment	(144.6)	18.3	33.2	(40.5)	56.8	(2.1)	(61.9)	20.7	72.4	112.6	(217.7)	161.2	8.4
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(105.2)	--	--	(105.2)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(1,093.8)	--	--	--	--	--	--	(1,093.8)
Actual/Projected Monthly Cash Change	824.8	39.5	(634.4)	320.9	147.4	(1,690.2)	449.8	59.7	(148.4)	849.0	143.3	(18.9)	342.5
General Fund Cash Balance End of Month	**$ 824.8**	**$ 864.3**	**$ 229.9**	**$ 550.8**	**$ 698.2**	**$ (992.0)**	**$ (542.2)**	**$ (482.5)**	**$ (630.9)**	**$ 218.1**	**$ 361.4**	**$ 342.5**	

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2014-15[1]
Current Law

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

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	Total
Beginning Cash and Investments Balance	$ 342.5												$ 342.5
Revenues:													
General Fund Revenue:[2]													
Sales and Use Tax	209.4	$ 243.5	$ 253.3	$ 244.2	$ 229.6	$ 232.7	$ 279.0	$ 211.3	$ 214.4	$ 239.5	$ 231.6	$ 248.8	2,837.3
Individual Income Tax	361.4	397.1	556.5	508.5	453.2	481.1	640.7	175.8	247.3	707.2	489.5	647.9	5,666.2
Corporate Income Tax	12.7	6.9	164.7	61.8	(47.5)	67.1	56.6	9.0	92.4	149.3	30.4	154.0	757.6
Other	50.5	11.3	(31.2)	(48.7)	11.9	(51.3)	10.0	68.7	27.7	203.4	(31.3)	159.1	380.0
Total General Fund Revenue	634.0	658.9	943.3	765.8	647.2	729.7	986.3	464.8	581.8	1,299.3	720.1	1,209.8	9,641.0
Federal Revenue	434.0	510.5	653.1	415.8	558.4	645.5	538.4	554.3	665.6	475.4	561.7	1,173.0	7,185.7
Total Revenues	1,068.0	1,169.4	1,596.3	1,181.6	1,205.6	1,375.3	1,524.7	1,019.1	1,247.4	1,774.7	1,281.8	2,382.8	16,826.7
Expenditures:													
Payroll	128.2	138.9	139.4	140.3	139.0	130.6	136.2	131.5	133.2	129.1	130.8	141.2	1,618.4
Medical Assistance	433.0	504.0	366.3	361.4	546.4	462.8	312.5	501.6	397.5	665.3	662.7	443.6	5,657.2
Public School Distribution	748.5	(15.3)	977.2	0.3	2.1	971.2	3.5	0.4	971.6	0.4	0.3	2.5	3,662.7
Higher Education Distribution	3.0	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.2
Grants and Contracts	41.0	257.3	305.6	204.2	236.3	291.7	248.7	238.9	270.7	236.3	242.9	273.6	2,847.3
Other	433.1	360.0	187.3	135.2	88.5	369.4	174.5	89.4	156.8	(86.2)	(158.5)	317.7	2,067.0
Total Expenditures:	(1,786.8)	(1,289.9)	(1,977.8)	(845.4)	(1,016.6)	(2,268.3)	(875.8)	(962.1)	(1,930.3)	(945.3)	(878.6)	(1,177.8)	(15,954.7)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(376.3)	(120.6)	(381.5)	336.2	189.0	(893.1)	648.9	57.0	(682.9)	829.5	403.3	1,205.0	1,214.5
Revenue Accrual Adjustment	130.6	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	31.4
Expenditure Accrual Adjustment	(144.6)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0)	67.9	(20.4)	(282.8)	(324.6)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(110.0)	--	--	(110.0)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(501.0)	(1.0)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(210.8)	--	--	--	--	--	--	(210.8)
Actual/Projected Monthly Cash Change	(77.0)	(100.1)	(380.2)	315.0	187.2	(1,108.7)	676.9	40.0	(671.8)	797.6	330.4	403.6	412.9
General Fund Cash Balance End of Month	**$ (77.0)**	**$ (177.1)**	**$ (557.3)**	**$ (242.4)**	**$ (55.2)**	**$(1,163.9)**	**$ (486.9)**	**$ (447.0)**	**$(1,118.8)**	**$ (321.2)**	**$ 9.2**	**$ 412.9**	

[1] Amounts in this table 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 in this table are derived from the OSPB September 2014 Revenue Forecast.

Source: State Treasurer's Office

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APPENDIX B

OSPB SEPTEMBER 2014 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 2014-15 through 2016-17. 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 22, 2014, 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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COLORADO
Office of State Planning & Budgeting

September | 2014




The Colorado Economic Outlook

Economic and Fiscal Review

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Summary

- Projections for General Fund revenue for FY 2014-15 are 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion. General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16.

- The State's General Fund reserve ended FY 2013-14 with $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

- TABOR revenue is forecast to be $48 million, or just 0.4 percent, below the Referendum C cap in the current fiscal year, which is within the normal range of possible forecast adjustments. TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers is required under this forecast, unless voters allow the State to retain the revenue.

- Though a TABOR refund is projected, the money forecasted to be available in the General Fund in FY 2015-16 would allow for a 10.5 percent increase in appropriations. Meanwhile, under current law, as a result of the TABOR refunds in FY 2015-16 and FY 2016-17, SB 09-228 transfers will be reduced by half.

- Under this forecast, in FY 2015-16, revenue above the Referendum C cap would be refunded through the State Earned Income Tax Credit to qualified taxpayers and the sales tax refund to all taxpayers. In FY 2016-17, revenue above the Referendum C cap would be refunded through a temporary income tax rate reduction and the sales tax refund.

- Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength.

- Many indicators point to a continued economic expansion. A special set of unique circumstances, however, could result in an economic slowdown. One risk is less accommodative monetary policy. Also, current weaker global economic conditions, as well as continued geo-political tensions, are concerns. Unexpected events surrounding these issues could have negative implications for the economy and result in revenue collections that are substantially different from this forecast. It is also important to note that even relatively small changes in the projected growth rate of revenue can materially impact the budget outlook.

- Cash fund revenue subject to TABOR in FY 2014-15 will be at essentially the same level as collections in FY 2013-14. Cash fund revenue subject to TABOR is forecast to grow close to four percent in FY 2015-16 and FY 2016-17. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

The Economy: Issues, Trends, and Forecast

Each quarter, we assess economic conditions to determine their influence on State tax collections, the demand for certain State services, and the overall prospects for the State's budget condition. The following section discusses overall economic conditions in Colorado and around the world, as well as specific issues affecting economic performance. The analysis focuses on conditions specific to Colorado and provides broader context on national and global conditions because of how they can affect the state's economy. The discussion includes:

- An overview of economic conditions in Colorado (page 4)
- An overview of economic conditions for the nation (page 6)
- International economic conditions and trade (page 10)
- Labor market conditions (page 12)
- Housing and construction market conditions (page 18)

Trends and forecasts for key economic indicators — At the end of this section on page 22 is a summary of key economic indicators with their recent trends and statistics, as well as forecasts. This summary is intended to provide a snapshot of the performance of the broad economy and OSPB's economic projections, which are formed by the following analysis of the economy.

Summary — Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength. Housing market and employment growth remain more modest in certain regions. We project the statewide unemployment rate to fall below five percent this year — the first time below this level since the middle of 2008.

The national economy's expansion has accelerated in recent months. The labor market is showing more sustained momentum; though the recent report for the nation's job market in August was less strong than in prior months. Economic indicators associated with the business cycle currently point to continued expansion. Business loan demand and investment have picked up and consumer and business confidence have improved. These trends will lower unemployment further and sustain consumer spending and housing market growth. Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession. Continued improvement in the labor market is needed to bolster employment levels and overall economic growth.

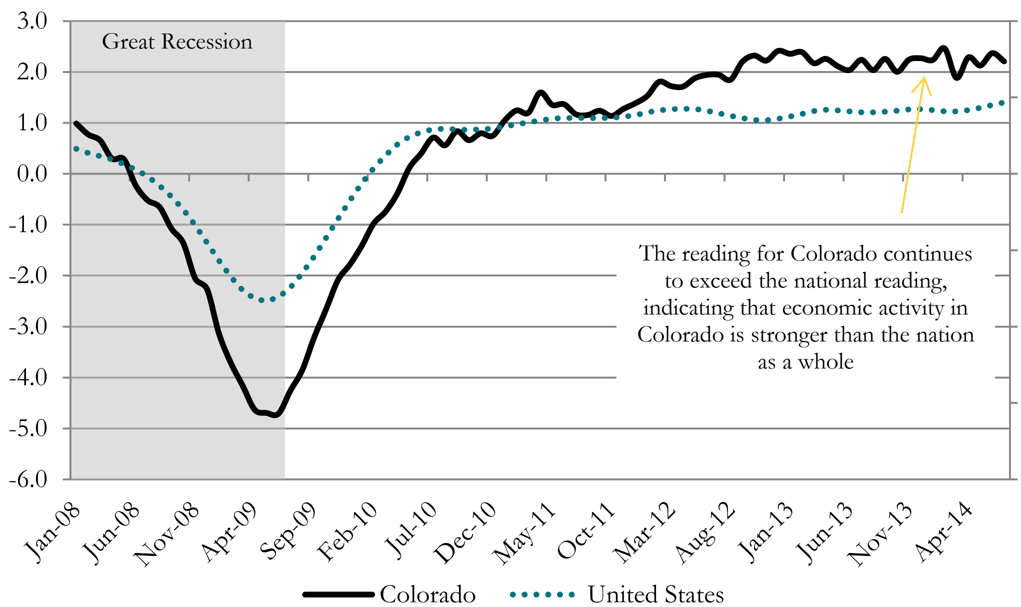
Economic risks — Many indicators point to a continued economic expansion. We find that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. One risk is less accommodative monetary policy. The economy could respond unfavorably as the Federal Reserve ends its large-scale asset purchases and begins to target increases in the federal funds rate, which currently is expected to occur next year. Additionally, due to the interconnected nature of the global economy and financial system, current economic conditions in Europe and parts of Asia, as well as continued geo-political tensions in the Middle East and Russia, are concerns.

Colorado Economy Overview

Colorado continues to be one of the top performing states in the nation — Colorado's economy remains among the top performing state economies in the country as it continues to experience solid growth in several key sectors. Colorado benefits from having a relatively high concentration of individuals and businesses focused on products that are in high demand in today's economy, such as those involving information, technology, bioscience, engineering, and aerospace. The state also has strong agriculture and energy sectors that continue to feed economic growth in Colorado.

The State Coincident Economic Activity Index published by the Federal Reserve Bank of Philadelphia provides timely information about the overall performance of state economies by combining four state-level economic indicators: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. This index tends to correlate reliably with states' GDP growth over time and provides good insight into the overall health of a state economy. As shown in Figure 1, Colorado's reading in this index has exceeded the national index throughout most of the economic recovery.

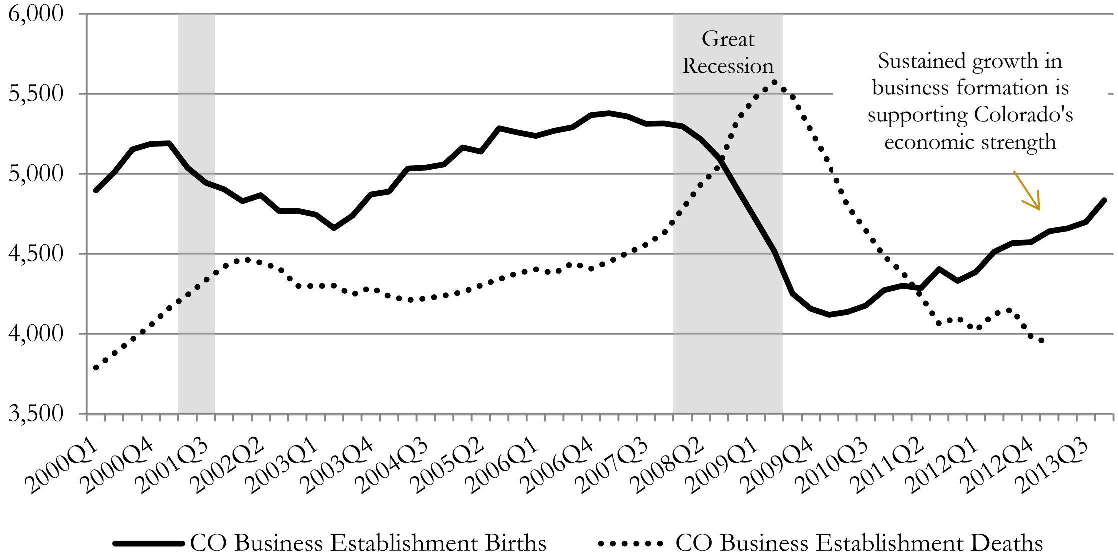
Figure 1. Coincident Economic Activity Index for the United States and Colorado, Seasonally-Adjusted 6-Month Percent Change, 2008 through July 2014



Source: Philadelphia Federal Reserve Branch

Growing new business formation is both a cause and result of Colorado's strong recovery — One factor contributing to Colorado's economic strength is a high degree of business dynamism as characterized by high rates of new business formation, as well as a growing culture for innovation and collaboration among individuals and firms. The state has been recognized as a place that currently has a high incidence of start-up activity, a term that describes the formation of new businesses, often focused on technology-related products. Figure 2 shows new business formation in Colorado since 2000 and illustrates the sustained growth in births of new businesses since the end of the recession. Successful new business formation attracts ideas, people, and investments to Colorado, which in turn creates a more favorable environment for further new business formation.

Figure 2. New and Closing Businesses in Colorado, 2000 to 2013 4th Quarter*



*Data on business closings is only available through the 1st quarter of 2013 as it takes longer to determine whether a business has permanently closed.
Source: Business Employment Dynamics, U.S. Bureau of Labor Statistics

Strength in the labor market and other sectors attracts people to Colorado, contributing to a high rate of in-migration — Colorado's favorable mix of industries and dynamic business climate has supported strong employment growth during the recovery. The unemployment rate declined to 5.1 percent in August, the lowest rate in nearly six years. Further discussion of Colorado's employment market is found in the *Labor Market Conditions* section beginning on page 12.

The growing labor market has helped to attract many people to the state. In recent years, a greater proportion of migrants to Colorado have possessed advanced education degrees, helping to further strengthen the state's pool of workers with skills and abilities that are currently in high demand.

Colorado's economy is attracting many migrants that have the skills employers need in today's technology-focused economy.

Colorado is benefitting from a strong housing recovery and increased tourism spending as both the state and national economies grow — Colorado's housing market also continues to build momentum, as prices and construction of new homes rise throughout the state. Colorado's housing market is described in further detail in the *Housing and Construction Market Conditions* section on page 18.

As the state and national economy recover, spending on tourism also has increased. This trend, combined with favorable weather conditions for both winter and summer attractions, has helped boost tourism activity in Colorado and contributed to the state's expansion.

Though momentum is strong, some areas of the State are lagging — Although Colorado's economic recovery has been solid in recent months, not all parts of the state are experiencing such a high degree of economic strength. In certain regions, home prices and employment remain weaker, but it is also the case that the drop during the recession was not as precipitous. These conditions are found mostly at larger distances from major metropolitan areas where there is a higher concentration of the workers and businesses that are fueling the majority of new economic activity.

Over the past couple of years, much of the state has recovered from drought conditions, though parts of southern Colorado are still experiencing moderately dry to extreme drought conditions as reported by the National Drought Mitigation Center. These conditions are negatively affecting the agricultural economy in these regions.

National Economy Overview

> The national economy's expansion has picked up in recent months. Higher confidence and improved financial conditions among businesses and consumers will help produce continued economic growth.

The national economy continues to improve overall, with ingredients for future growth — Information from businesses and other contacts across the economy indicated a continued pickup in activity across most of the nation during the period from mid-July through late-August, according to the Federal Reserve's most recent "Beige Book." Furthermore, businesses in several sectors and regions of the country reported more optimism for the future. Higher business expectations for the future, along with measures of consumer confidence returning to pre-Great Recession levels, will help produce continued economic growth. Further improvement in household finances combined with favorable credit and financial conditions for businesses will also help bolster economic activity going forward.

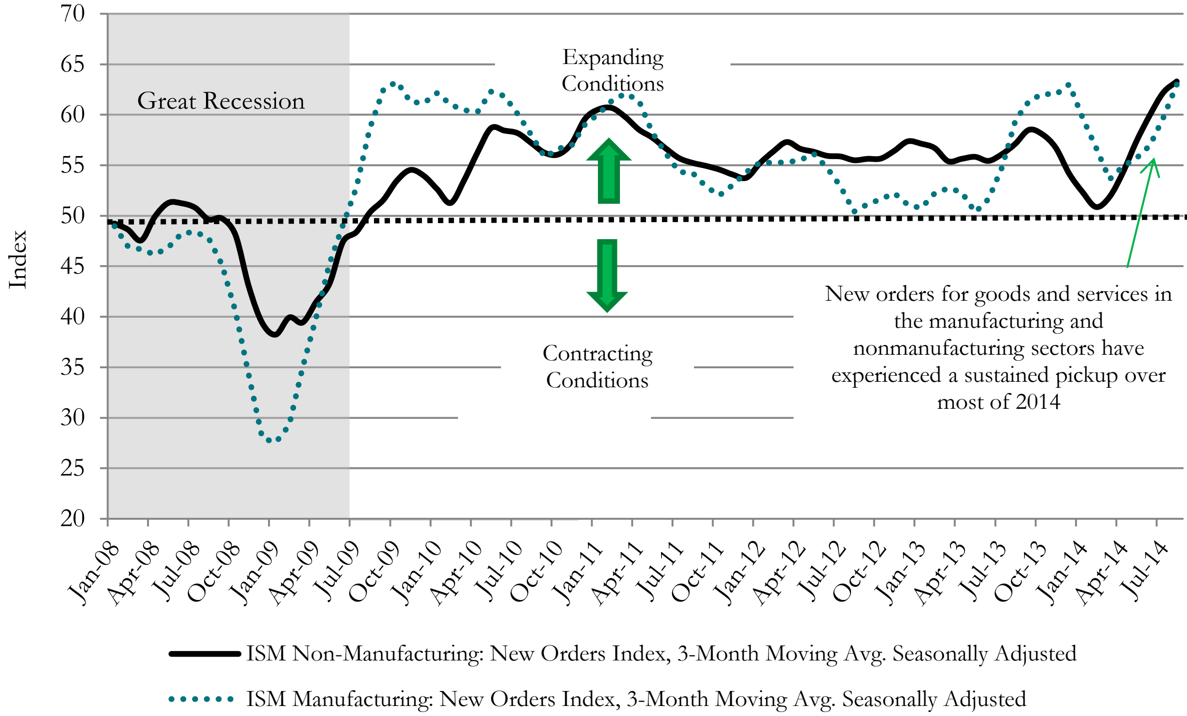
Two indicators reflecting a broad pickup in the economy are new orders activity reported from surveys of supply managers conducted by the Institute for Supply Management (ISM) in both manufacturing and nonmanufacturing businesses. Increasing new orders signals heightened demand for products and services, which indicates continued production and sales in the future.

Representatives from many of the industries in both the manufacturing and nonmanufacturing sectors in the August ISM surveys had positive comments about business activity and the economic outlook. However, some businesses cited slow global economic conditions and geopolitical tensions as concerns.

> New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion.

Figure 3 shows the pickup in new orders activity for both the manufacturing and nonmanufacturing sectors that have occurred this year through August. New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion; the manufacturing sector reported the highest new orders activity in August since 2004.

Figure 3. ISM Manufacturing and Non-Manufacturing New Orders Indices,*
January 2008 to August 2014



* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

Most sectors of the economy continue to improve — Amidst the broad-based improvement in the economy, the labor market is showing more sustained momentum, though the August report on the job market was less strong than in prior months. Although consumer spending growth generally remains modest, auto sales continue to be strong and tourism spending appears to have picked up over the summer. Additionally, the housing sector mostly continues to experience rising construction, sales, and prices across many areas of the country.

Banks are reporting increased loan demand and business spending and investment has picked up, signaling further business expansion. These trends will help economic conditions continue to improve, which will lower unemployment further and sustain consumer spending and the housing market.

> Business loan demand and investment has picked up, which will help economic conditions continue to improve.

Overall the current economic expansion remains modest and uneven – Although economic growth has picked up and conditions have improved, the overall national economy continues to generate modest but uneven growth. This is most notably seen in the labor market. Unemployment remains at higher levels than the period preceding the Great Recession and wage growth for some occupations remains flat.

> Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession.

The Great Recession resulted in severe economic disruptions from which recovery is difficult. Recoveries from long and deep recessions, especially those associated with housing market contractions and financial crises, have historically tended to be slower than average recessions. Also, heightened levels of uncertainty, lower labor force participation, and less new business formation have contributed to the economy's more modest growth rate since the recession.

Some areas of the nation have more favorable ingredients that are producing stronger growth despite these factors. Areas with clusters of people and institutions engaged in economic activity involving knowledge, ideas, and innovations, as well as centers of energy production, are experiencing faster growth and lower unemployment.

Select economic data associated with the business cycle indicate the economy is expected to continue to expand — Changes in certain economic sectors and activities historically have tended to precede broader changes in overall economic conditions. For example, growth in new business formation indicates that entrepreneurs are undertaking more projects that often lead to new jobs and a broader increase in economic activity. Conversely, a slowdown in new business formation can indicate that entrepreneurs see fewer opportunities for profitable projects and less growth will ensue. In addition, information from financial markets reflects investors' and risk managers' assessments of current and future economic conditions. Higher expectations can influence future economic activity through the increased supply of credit and investment money.

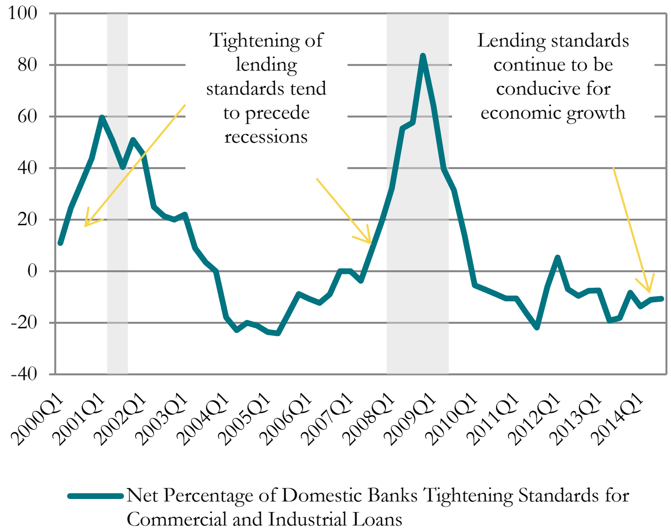
Other economic data also tend to display specific characteristics at various points in the business cycle, such as the beginning of a recovery or the late stages of an expansion. For example, corporate profits tend to rise at the beginning of business cycles when interest rates, labor and other production costs are low. Corporate profits diminish as costs rise and earnings begin to slow while the business cycle matures.

Economic indicators associated with the business cycle, such as business lending practices and the hiring of temporary workers, currently point to continued expansion.

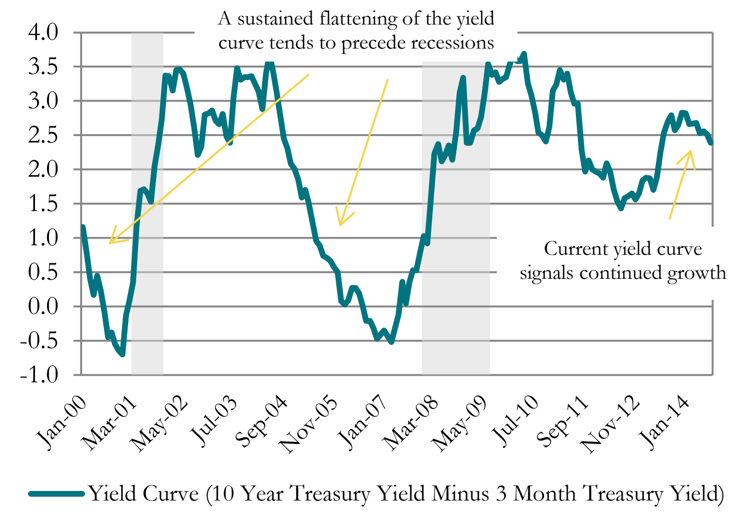
We can use this type of data as a guide to help understand where the economy may be in the business cycle and whether any change in momentum is likely in the near future. Though it is important to note that business cycles are extremely difficult to predict and no information can reliably determine the point in the business cycle in real time.

Indicators associated with the business cycle across sectors of the economy, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. Figure 4 shows graphs depicting the behavior of four such economic indicators that can provide information on future economic conditions.

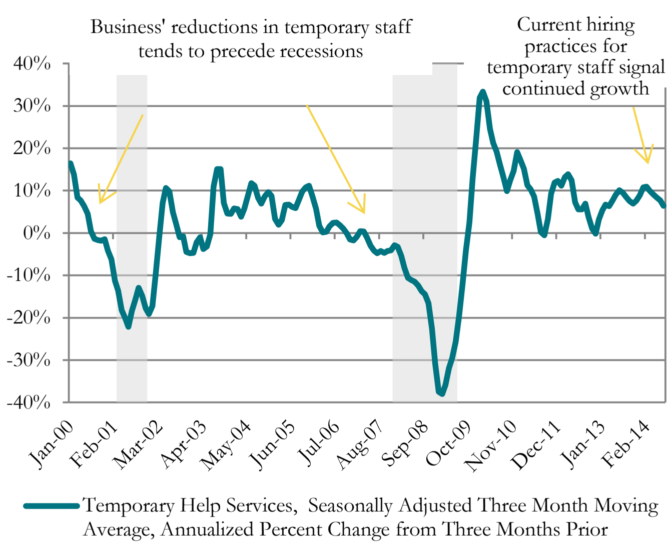
Figure 4. Selected Indicators on Business Cycle, 2000 to Present



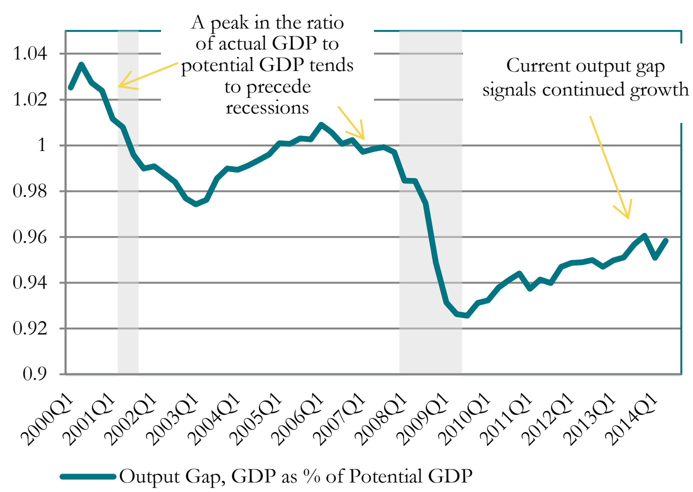
Source: Federal Reserve



Source: Federal Reserve



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Economic Analysis; Congressional Budget Office

*Shading Indicates Recessionary Periods

The top left graph shows banks continuing to have more accommodative lending standards for commercial and industrial (business) loans. This indicates a rise in the supply of credit to borrowers that helps sustain economic growth. The top right graph shows that the "yield curve" — the difference between the yield on the three-month Treasury bill and the ten-year Treasury bond — indicates continued modest to moderate growth. The yield curve helps gauge risk appetite in financial markets as well as expectations of future inflation. The yield curve statistically has been found to signal the future rate of growth in the economy as well as potential recessions.

The bottom left graph shows businesses continuing to increase their hiring of temporary employees, indicating a continued ramp up of economic activity. Businesses tend first to reduce their temporary workers before permanent staff when they experience slower business activity. The bottom right graph shows the "output gap" ─ measured by the current level of U.S. gross domestic product (GDP) compared with "potential GDP" as estimated by the Congressional Budget Office. The current gap shows that the national economy has been operating below potential, indicating a low level of the large scale excesses that have tended to precede economic downturns in the past.

> There currently appears to be a low level of the large scale excesses in the economy that have tended to precede downturns in the past.

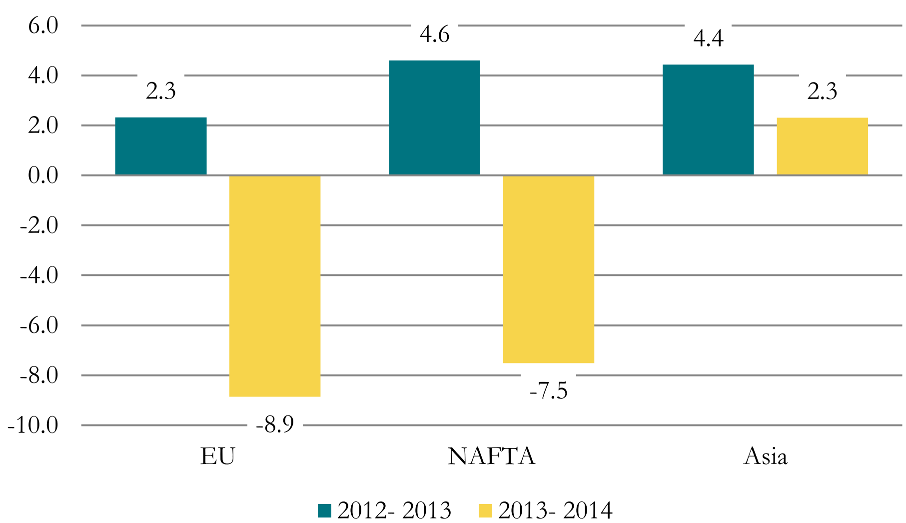
International Economic Conditions and Trade

The world economy continues to struggle to grow — Because the global economy is highly connected, slower conditions in China, Japan, and Europe, increased tension in the Middle East, and conflict in Russia and Ukraine are affecting the state and national economy. According to Eurostat, the statistical office of the European Union, Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

> Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

International trade is softer due to weaker global conditions — Exports reflect U.S. and Colorado competitiveness in world markets as well as the types of products the state and nation specialize in producing. In July, U.S. goods exports grew 3.1 percent, while Colorado goods exports declined 4.4 percent over the same period the prior year. This data reflects economic weakness across Colorado's major trading partners. Figure 5 shows the trends in Colorado's goods exports to major trading partners over the past couple of years. Colorado's trade with euro zone countries through July decreased 8.9 percent from a year ago. Colorado exports that saw decreases to these trading partners include plastics; industrial and electrical machinery; mineral fuel and oil; and optic, photo and medical instruments.

Figure 5. Colorado Exports to Major Trade Partners,
Percent Change, 2013 and 2014 July Year-to-Date over levels the prior year

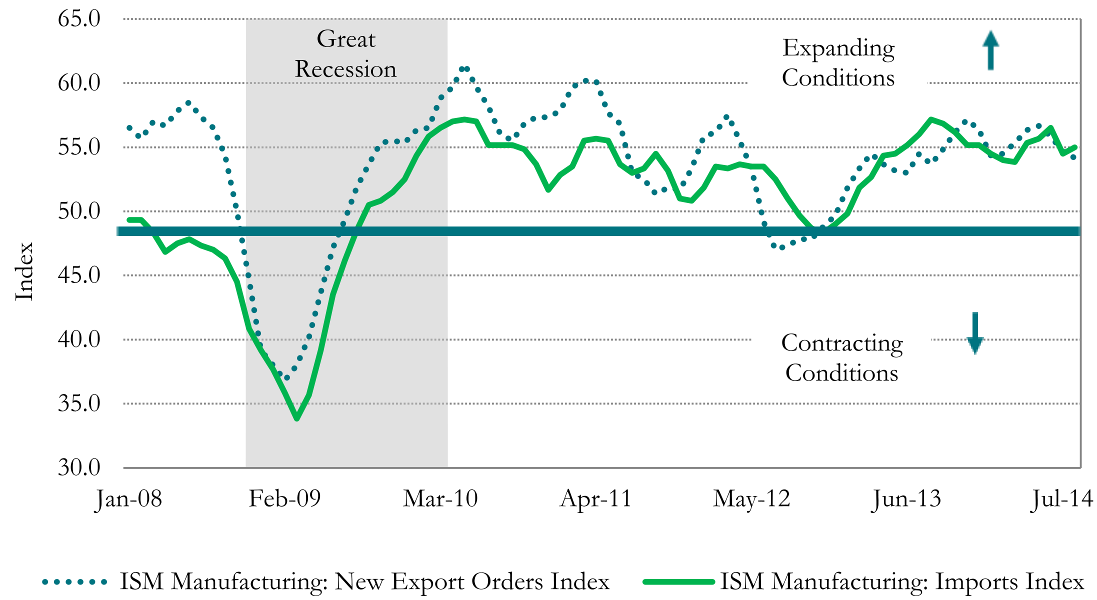


Source: Wiser Trade Data

Despite weaker global conditions, trade continues to grow — The August ISM Manufacturing Index, a survey of businesses in the manufacturing sector, registered 55 for new export orders and 56 for import orders. A reading above 50 indicates expanding activity as shown in Figure 6.

A higher reading of imports suggests that U.S. businesses and consumers are increasing spending with continued growth in the economy, while a lower reading for exports is a result of slower activity in the economies of U.S. trading partners. The data does not appear to suggest a material slowdown in exports. A business owner in the wood products industry noted that "International markets were slower due to euro holidays, political unrest and slowing Chinese markets." Industries that indicated growth in both exports and imports include apparel and leather products; plastics and rubber products; petroleum and coal products; and food, beverage and tobacco products.

Figure 6. ISM Manufacturing New Export Orders and Imports Indices,*
3-month moving average, 2008 through August 2014

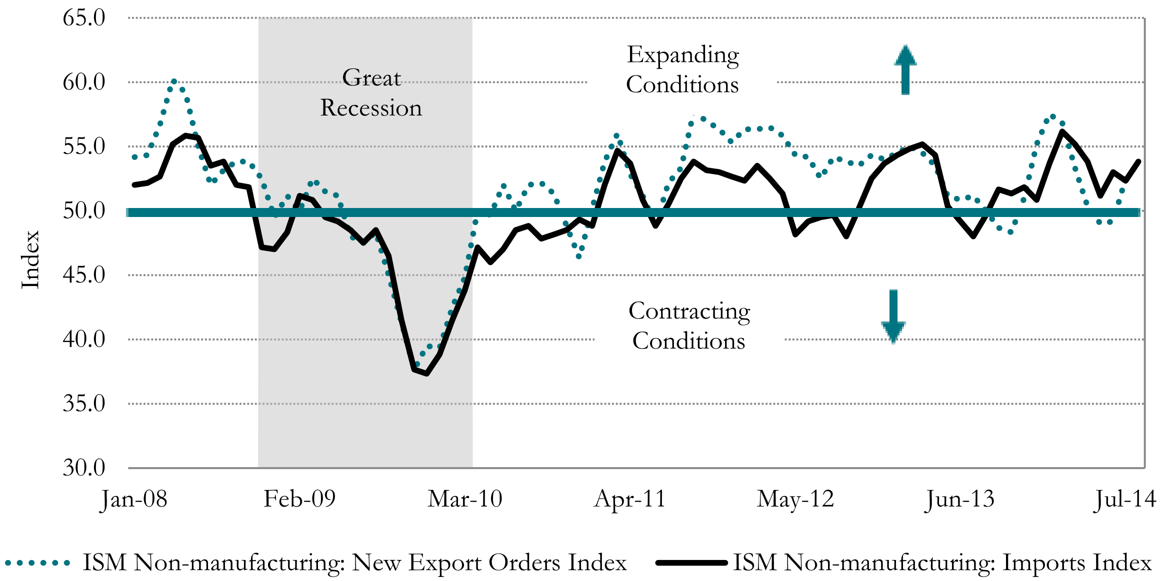


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.

Source: Institute for Supply Management

The August ISM Non-manufacturing Index, a survey of businesses in the non-manufacturing sector, showed some weakening in new export orders and imports registering 52.5 and 51.0, respectively, as shown in Figure 7. Still, both indices remain above 50, the level that indicates expansion in activity. The non-manufacturing sector includes service industries. Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal, and consulting as well as the finance, insurance, and information sectors. A business owner in professional, scientific and technical services noted that "International orders have been slow to match U.S. growth but appear to be increasing slightly as well." Industries that report new orders for export growth include retail and trade; scientific and technical services; and transportation and warehousing.

Figure 7. ISM Non-Manufacturing New Export Orders and Imports Indices,* 3-month moving average, 2008 through August 2014

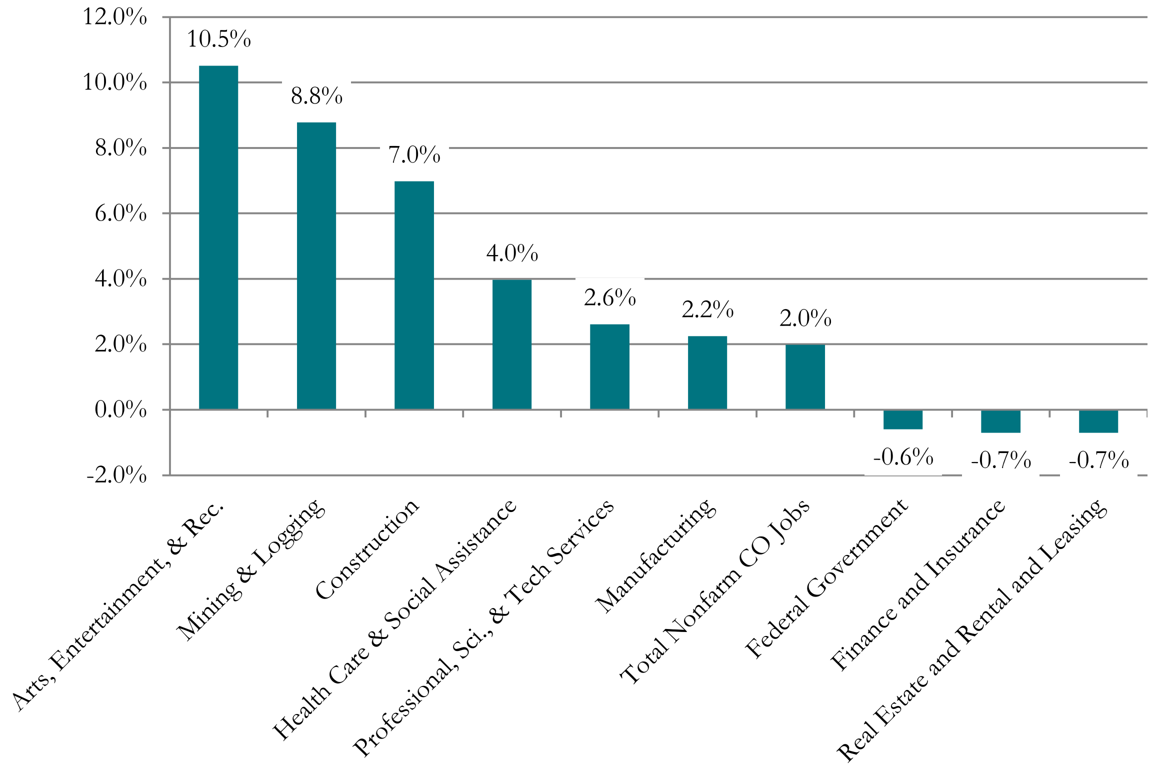


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

Labor Market Conditions

Colorado's labor market continues to make progress – In 2014, the state added 47.8 thousand jobs through July, a growth rate of 2.0 percent. Through August, the U.S. has added 1.7 million jobs, growing 1.3 percent. As shown in Figure 8, much of Colorado's job growth has occurred in the following major industries: arts, entertainment and recreation; mining (mostly oil and gas); construction; healthcare and social assistance; professional, scientific, and technical services; and manufacturing. Notable areas with weak growth or job losses include the federal government, finance and insurance and real estate and rental and leasing. It should be noted that an industry can expand faster than job growth may suggest. This generally occurs in industries that use high levels of equipment and technology to boost worker productivity.

Figure 8. Colorado Industry Job Growth in 2014, through July



Source: Colorado Department of Labor, U.S. Bureau of Labor Statistics, and calculations from the Governor's Office of State Planning and Budgeting (OSPB). Includes OSPB's estimates of forthcoming revisions to jobs data using Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on surveys of employers.

> The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the Great Recession.

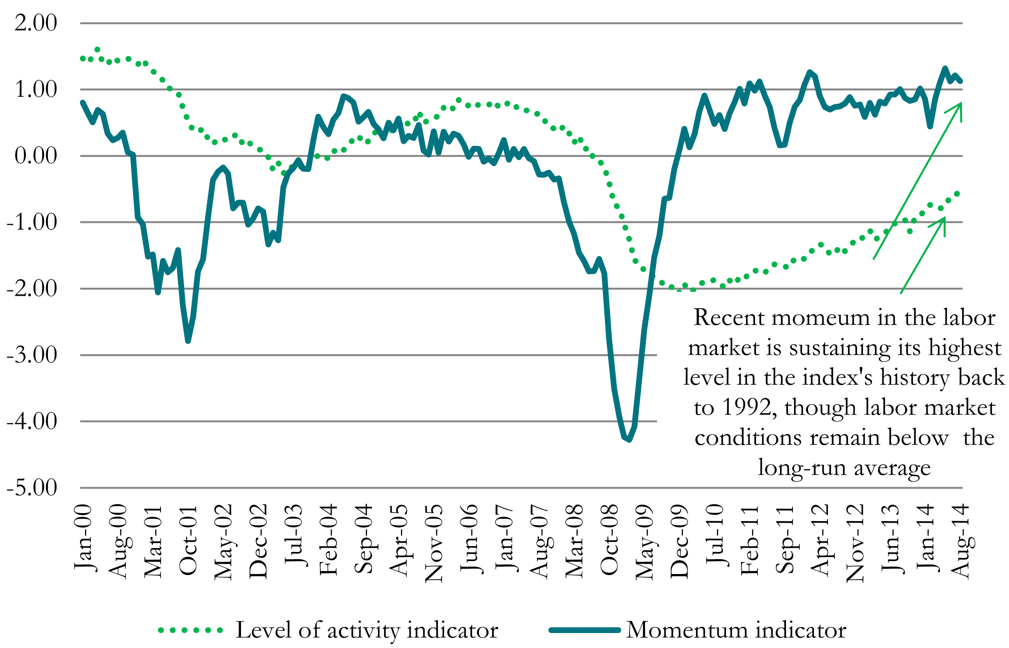
The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the recession. Industries such as mining, manufacturing, and professional and technical services, are considered "tradable sectors", or those that sell some portion of their goods and services to visitors or in markets outside the state.

Selling products and services outside Colorado helps generate higher levels of output and brings in new money to the state for hiring, investing, and spending. Businesses in these sectors tend to be more competitive with other businesses as they vie for market share with businesses in other states and countries. This heightened competition drives businesses to innovate and strive for improvement in their products and business practices. Over time, this leads to higher productivity and stronger economic growth.

In addition to growth in these tradable industries, the level of job growth in the construction industry in Colorado is a clear indicator of economic expansion. The housing market continues to grow and an increase in new and expanding businesses are building or expanding facilities. Public infrastructure projects surrounding the growing economy are also supporting construction industry job growth.

National labor market conditions are showing more momentum – The Kansas City Federal Reserve Bank's Labor Market Conditions Indicators (LMCI) provides monthly tracking of two measures designed to assess overall labor market conditions — labor market activity and labor market momentum. Recent improvement in national labor market activity parallels labor market momentum that is approaching its highest level in the LMCI series history back to 1992. The labor market activity measure in July increased to -0.52 as shown on the graph below. A positive value indicates that labor market conditions are above their long-run average, while a negative value signifies that labor market conditions are below their long-run average. Although national conditions are improving, continued slack in the labor market suggests that more progress is needed.

Figure 9. Kansas City Fed Labor Market Conditions Indicators (LMCI), January 2000 to August 2014

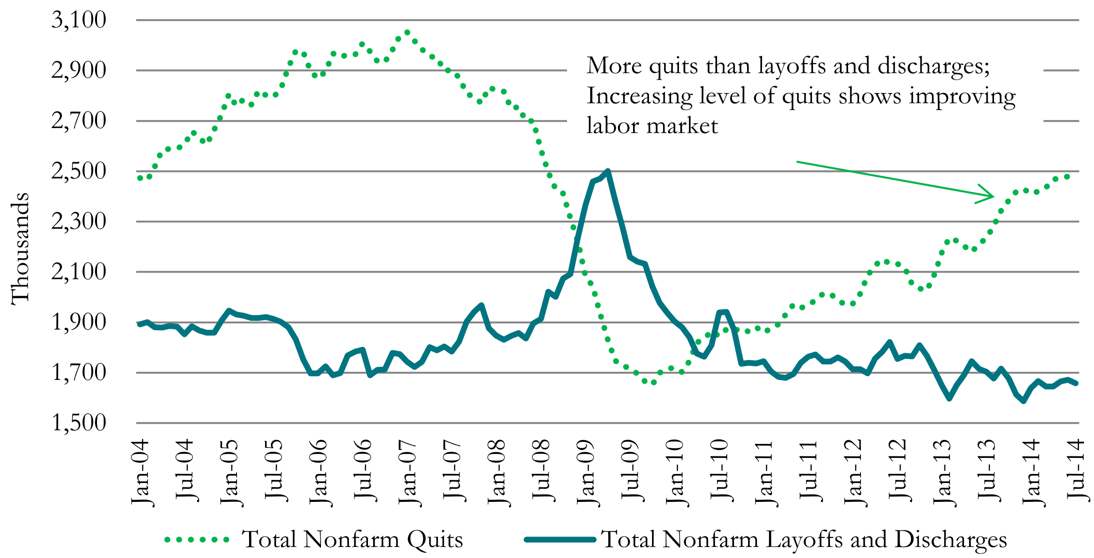


Source: Kansas City Federal Reserve

Over the past six months, the main contributors to overall improvement in the activity indicator include businesses' plans to increase employment, decreases in the unemployment rate, and increases in the quit rate, or voluntary separations initiated by the employee.

The growing rate of quits indicates improvement in the labor market – As workers become more confident in their job prospects, they are more likely to leave their job to pursue other opportunities. The number of quits historically tends to exceed the number of layoffs and discharges, which are involuntary separations initiated by the employer. During the Great Recession, this relationship changed as layoffs and discharges outnumbered quits. There were 2.5 million nonfarm quits in July, increasing 53 percent since the nadir in August 2009. However, the level of quits remains below the December 2007 pre-recession peak of 2.8 million as shown in Figure 10.

Figure 10. Quits and Layoffs, 3-Month Moving Average, 2004 through July 2014



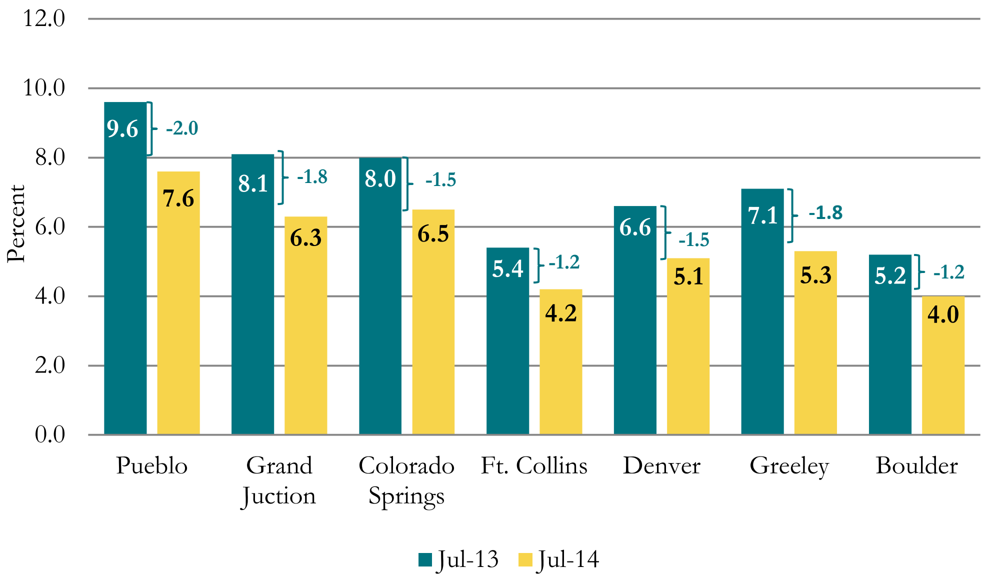
Source: Bureau of Labor and Statistics

The rate of job creation in Colorado has absorbed job seekers and new entrants into the labor force – The stronger job growth in Colorado has absorbed job seekers, while reducing the state's overall unemployment rate, or "U-3" rate. The U-3 rate is the traditionally-reported unemployment rate that represents individuals who are unemployed and are seeking work as a percentage of the civilian labor force.

> The unemployment rate in Colorado decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent.

Colorado's unemployment rate decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent. Though progress has occurred across Colorado and the nation, certain segments of the labor market still face difficult adjustments from the Great Recession. Figure 11 shows the unemployment rate for various regions of Colorado, depicting the unevenness of the economic performance during the current expansion.

Figure 11. Unemployment Rate (U-3) by Region of Colorado, July 2013 to July 2014



Source: Bureau of Labor and Statistics

In addition to the U-3 unemployment rate, the Bureau of Labor and Statistics publishes a broader measure of labor-market conditions called "U-6". This rate includes the total number of unemployed workers measured in the U-3, as well as marginally attached workers, defined as individuals who want to be employed but have not recently looked for work, including those discouraged by job prospects. The U-6 rate also includes individuals who want to work full time but are employed part time for economic reasons, or involuntary part-time workers.

In Colorado, the U-6 rate of unemployment averaged 10.9 percent in the third quarter of 2013 through the second quarter of 2014; the most recent data available, while the national U-6 rate was 12.9 percent over that same time period. Colorado's U-6 rate has declined 4.5 percentage points from its 2010 average level. Colorado's lower U-6 rate indicates that the state has proportionally fewer discouraged and involuntary part-time workers making up the labor force compared with the nation overall.

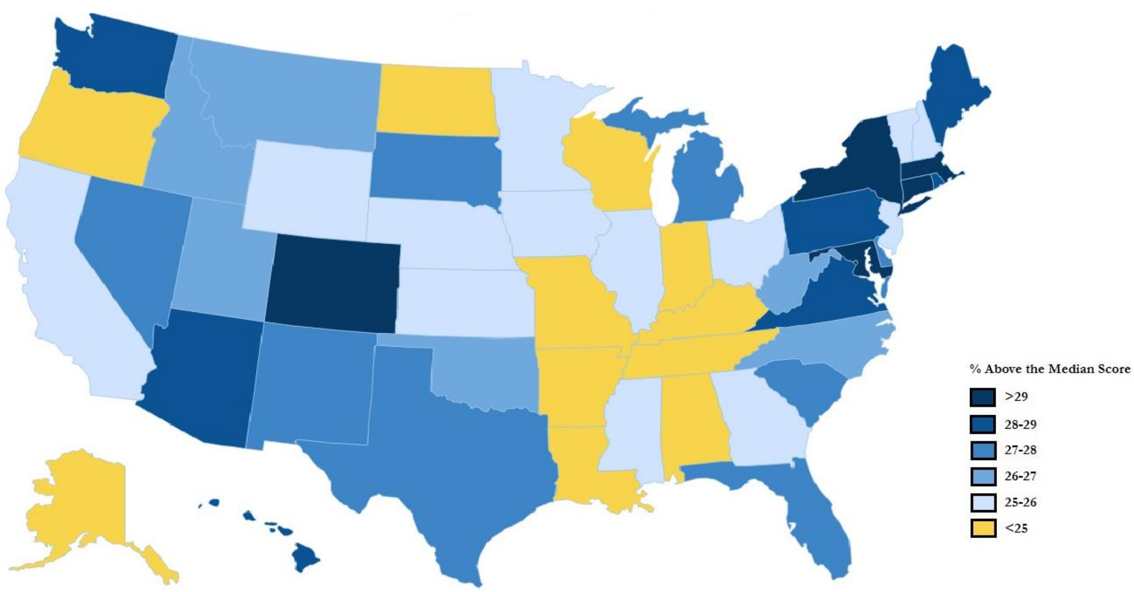
Colorado's higher participation rate in the labor market provides further evidence of the state's stronger expansion marked with greater economic opportunity and activity.

The labor force participation rate – the number of people working or seeking work as a percent of the population – for both Colorado and the nation 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 work opportunities declined.

Improved labor market conditions have recently begun to halt this trend. The nation's labor force participation rate has remained flat since the beginning of this year and was 62.8 percent in August. Colorado's rate has increased slightly this year and was 68.0 percent in July. Colorado's higher participation rate provides further evidence of the state's stronger expansion marked with greater economic opportunity and activity. A higher labor force participation rate will sustain stronger economic growth for Colorado in relation to the nation.

Colorado's favorable economic performance is influenced by its workers with skills and abilities that are in higher demand in today's information- and technology-intensive economy – The U.S. economy's demand for specific skills and abilities has changed over time due to technological innovation and globalization. Today's information- and technology-intensive economy requires more "non-routine" analytical and interpersonal skills that are not susceptible to computerization. This includes creativity, social perceptiveness, critical thinking, learning strategies, persuasion and negotiation abilities, and resource management. Workers engaged in work involving innovation, technology, analysis, and human relations use these types of skills and abilities. Better performing economies tend to have a high proportion of these workers. They are also likely to perform better in the future as technology advances.

Figure 12. Proportion of Workers with Skills Most in Demand in Today's Information- and Technology-Intensive Economy, 2013



Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics; Occupational Information Network; Autor, David & Price, Brendan (2013). The Changing Task Composition of the U.S. Labor Market: An Update of Autor, Levy, and Murnane (2003); OSPB Calculations

Figure 12 shows the proportion of individuals in occupations utilizing higher in-demand skills and abilities in today's information and technology-intensive economy described above. To determine the makeup of occupations using these types of skills and abilities, each individual occupation was scored based on the degree to which it utilized non-routine interpersonal and analytical skills compared with routine manual and cognitive tasks that are increasingly being performed by technology. The median occupation score was treated as a benchmark that separates occupations with higher in-demand skills in today's economy from those with lower demand.[1] Occupations that score high typically require high levels of non-routine

[1] Information regarding the level of skills and abilities required for each occupation were acquired from the Occupational Information Network (ONET), while the demand for each type of skill and ability was based on research by academic economists David Autor and Brendan Price.

interpersonal and analytical skills and abilities. Examples of such occupations include certain medical professionals, robotics engineers, and computer and information systems managers.

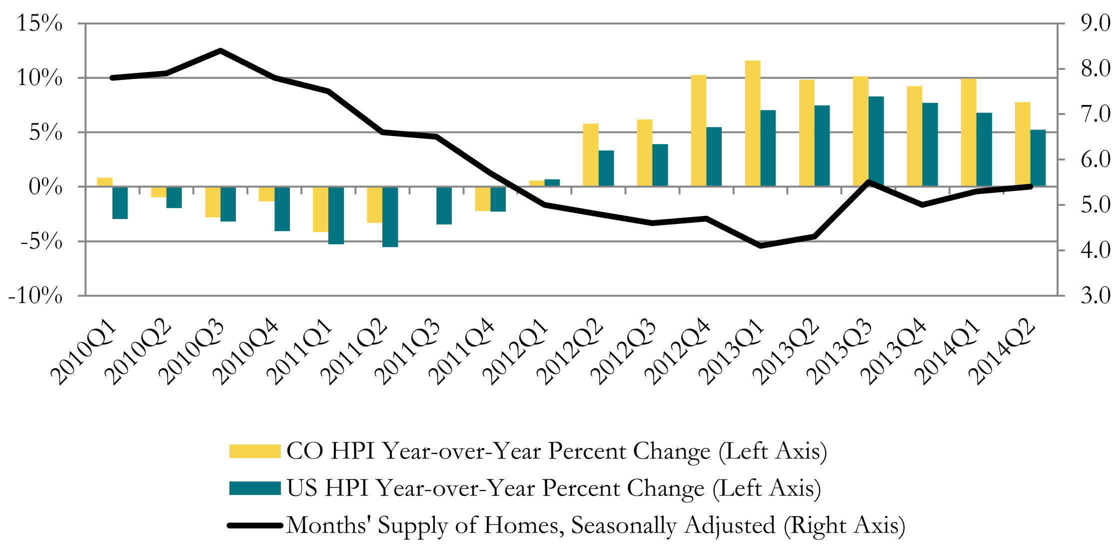
Based on 2013 data, 29 percent of Colorado's workforce utilizes the skills and abilities that are higher in demand in today's economy. This is the 5th highest proportion among states, which helps explain Colorado's better economic performance. The state is positioned favorably in the sectors experiencing the most opportunities for growth. The metropolitan areas of Boulder, Colorado Springs, and Fort Collins-Loveland are among the top 15 metros in the nation with the highest proportions. San Jose-Sunnyvale-Santa Clara, California has the highest proportion among metro areas, at 36 percent, followed by Boulder, at 35 percent. Both of these areas have vibrant tech communities with high innovative activity. The San-Jose-Sunnyvale-Santa Clara, California metro area includes Silicon Valley, which is well-known for its entrepreneurial start-up activity and innovative technology.

Housing and Construction Market Conditions

The housing market continues to grow in most parts of the United States and Colorado, with prices continuing to rise, although at a slowing rate. More positive expectations for the future are encouraging home buyers to enter the market, a phenomenon that supports home values and helps build further market strength. Additionally, improvement in the overall economy supports the housing market as more workers find jobs that allow them to afford housing and qualify for a mortgage loan.

Figure 13 shows the seasonally-adjusted Home Price Index (HPI) published by the Federal Housing Finance Agency (FHFA), as well as the inventory of homes for sale as reported by the US Census Bureau. Prices overall have grown for ten consecutive quarters at both the state and national level, though growth rates have slowed recently at the same time that the inventory of homes for sale has risen.

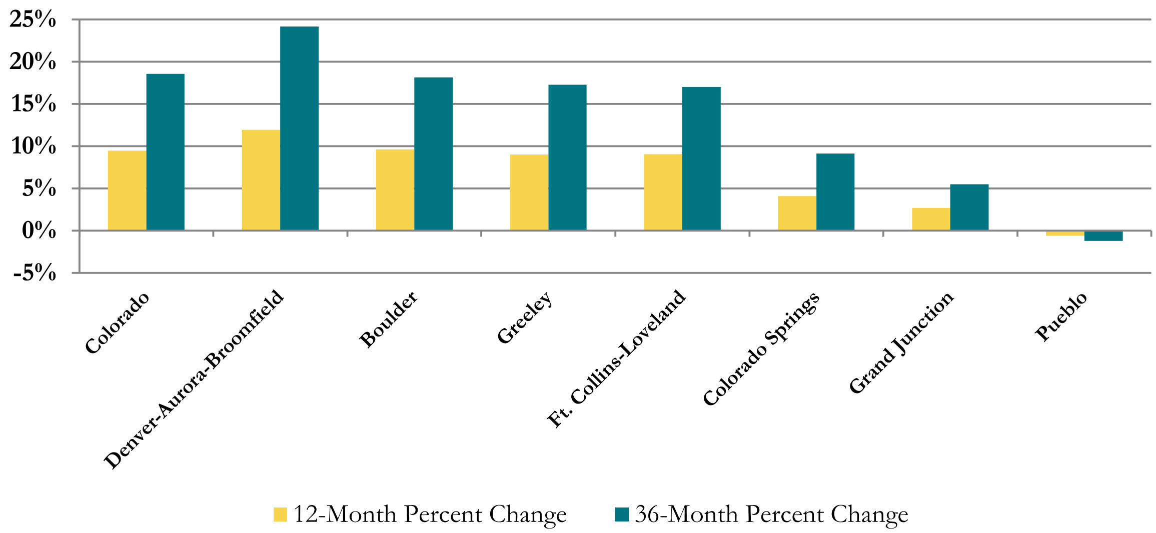
Figure 13. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through Second Quarter of 2014



Source: Federal Housing Finance Agency and U.S. Census Bureau

Home price growth is not even across all regions. Prices in some housing markets in the United States, including the Denver metro area, are growing at a fast pace. Some regions continue to struggle, however. While average housing prices across Colorado surpassed their pre-recession peak around the end of 2012, average home prices at the national level remain lower than the peak reached in early 2007. Figure 14 shows the percentage change in home prices over the last 12 months and the last 36 months in each region of Colorado for which the FHFA publishes its Home Price Index. This figure illustrates the uneven performance of housing markets even within the state.

Figure 14. Changes in FHFA House Price Index for Regions of Colorado, as of the Second Quarter of 2014



Source: Federal Housing Finance Agency

Fewer institutional buyers could restrain price growth going forward – In recent months, the proportion of home sales that occur without a mortgage loan, called "cash sales," has decreased, indicating that fewer properties are being purchased by individuals and institutions as investments. The result is a higher proportion of purchases being made by the individuals and families that actually will occupy the home. These types of buyers generally require a mortgage loan, which could result in slower price growth going forward as individuals are constrained by lending standards that have remain tightened since the Great Recession.

> Recent declines in the number of cash sales indicate that the housing market continues its transition from slump to full recovery. A growing portion of purchases are being made by individuals and households as their primary home.

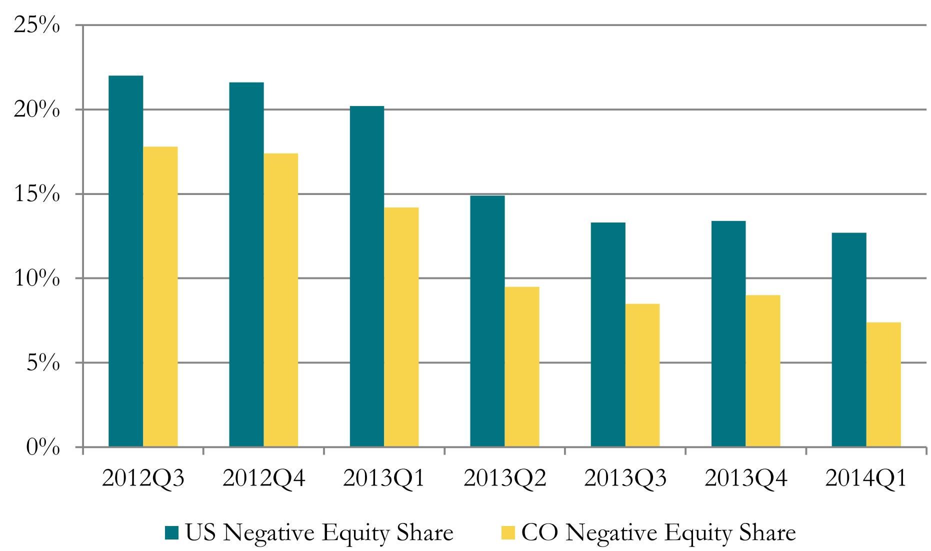
Additionally, home sales that depend on a mortgage loan are more sensitive to changes in mortgage interest rates, which have been rising slightly as the economy recovers. According to survey data from the Mortgage Bankers Association, the number of new mortgage applications has been inconsistent in recent weeks as interest rates fluctuate in response to various financial and geopolitical influences.

Other factors contributing to health in housing markets include new home construction and declining negative equity – Price appreciation and improved employment have elevated confidence among homebuilders, supporting continued construction of both single family homes and multi-family projects for sale or rent. The National Association of Home Builders and Wells Fargo publish a Housing Market Index (HMI) based on survey data that gauges builder confidence. A reading of 55 in August 2014 indicates expectations for continued growth and the highest level of confidence in seven months.

> The number of underwater mortgages continues to fall in both Colorado and the United States, allowing more homeowners to list their property for sale or refinance their mortgage. This will support increased economic activity.

Price appreciation has reduced the number of homes that are "underwater," meaning that the home's value is less than the balance owed on the mortgage loan. According to data published by real estate data firm, CoreLogic, Colorado's share of underwater mortgages fell to 7.4 percent in the first quarter of 2014, while the nationwide share fell to 12.7 percent. Fewer underwater mortgages means that more people who want to sell their home will be able to list it on the market. Additionally, declining negative equity indicates that more homeowners are able to refinance their mortgage in order to lower their interest rate or borrow additional money to make purchases, home improvements, or start a business.

Figure 15. Share of Mortgage Loans with Negative Equity, U.S. and Colorado, Third Quarter of 2012 through First Quarter of 2014



Source: Core Logic

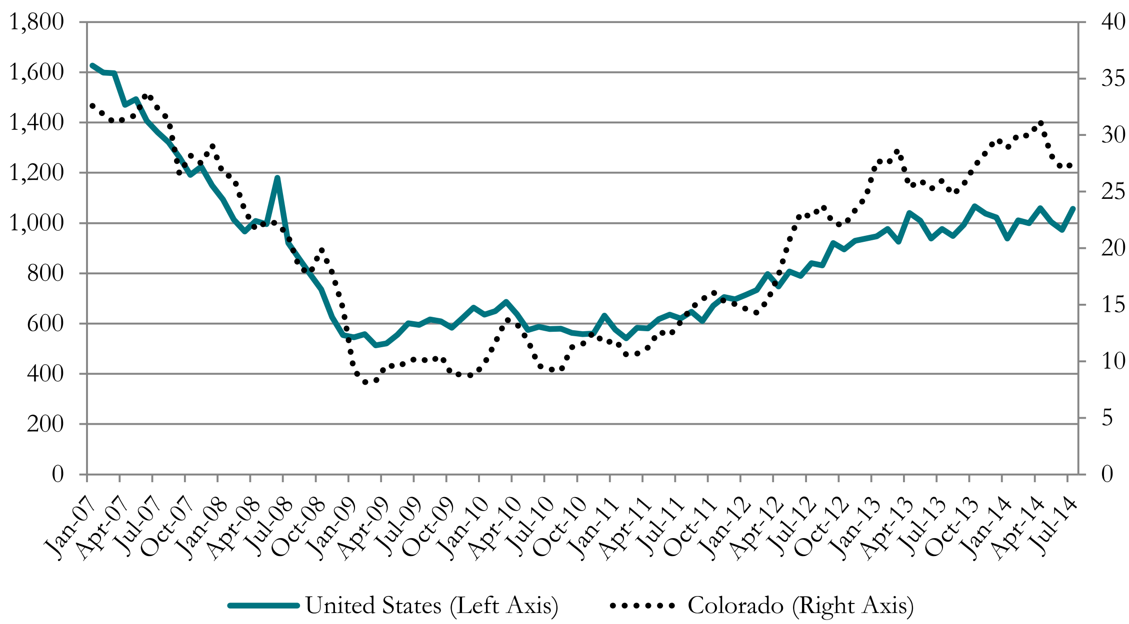
> Strong home price appreciation may not be positive for everyone, as higher purchase prices and rent make housing less affordable for those wanting to enter the market.

Amid rising prices and rent, housing affordability is declining – Growing home prices have made it difficult for some individuals and families to purchase a home. Combined with tighter lending standards, lower affordability could moderate Colorado's housing recovery as many would-be buyers find it more difficult to enter the market. Additionally, low vacancy rates among rental properties and apartments has driven significant increases in rent for most of the state, making housing affordability an issue for some job seekers and young people who are prepared to form new households.

Combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

Housing market strength is supporting increased construction, especially of apartments and condominiums **–** The number of homes under construction is increasing in both the United States and Colorado as more buyers enter the housing market and builder confidence grows. Figure 16 shows the number of permits obtained for new residential construction projects since 2007. Despite the solid growth in housing construction that has accompanied Colorado's expansion, the total number of permits remains below pre-recession levels, which were likely unsustainable. All factors considered, combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

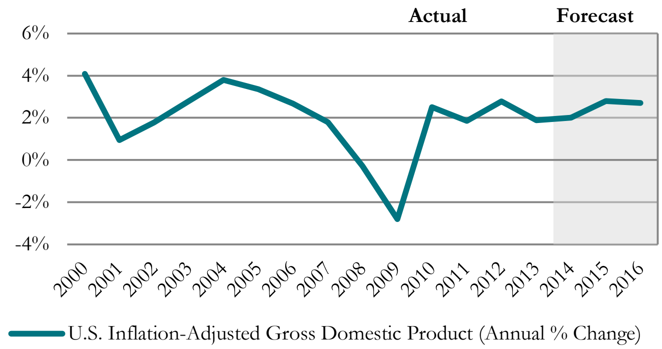
Figure 16. Residential Construction Permits for the United States and Colorado, Seasonally-Adjusted 3-Month Moving Average, Annualized, in Thousands January 2007 through July 2014



Source: U.S. Census Bureau

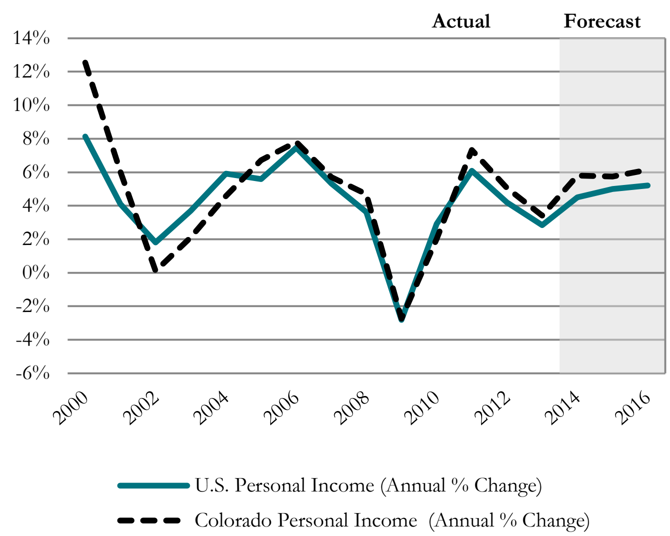
SUMMARY OF KEY ECONOMIC INDICATORS
ACTUAL AND FORECAST

U.S. Gross Domestic Product (GDP)



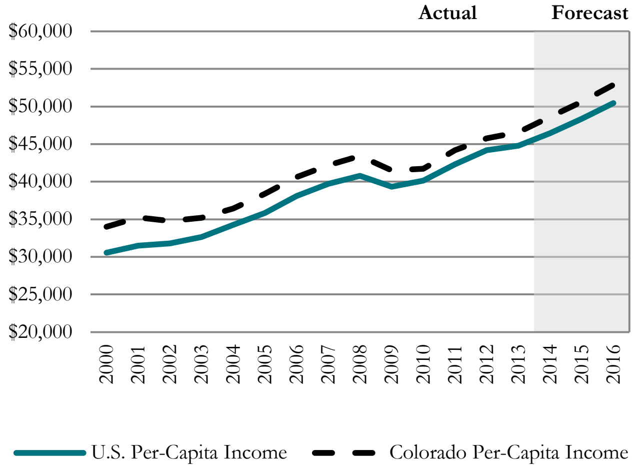
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- GDP grew 2.2 percent in 2013 and will grow 2.0 percent in 2014.

U.S. and Colorado Personal Income



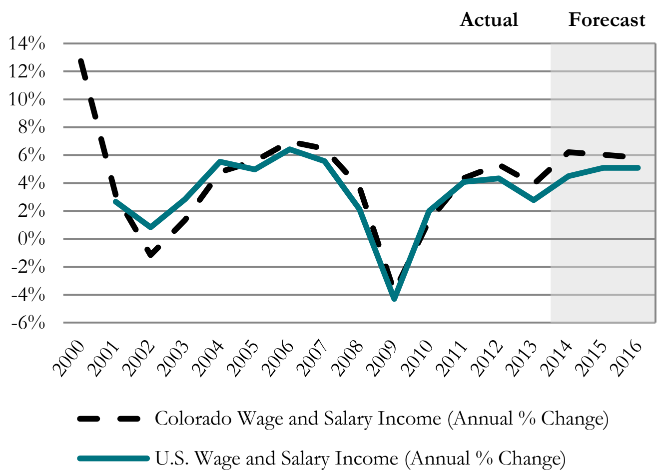
- Personal income grew in Colorado at a rate of 3.4 percent in 2013 and will grow 5.8 percent in 2014.
- Personal income for the nation grew 2.0 percent in 2013 and will grow 4.5 percent in 2014.
- The lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Per-Capita Income



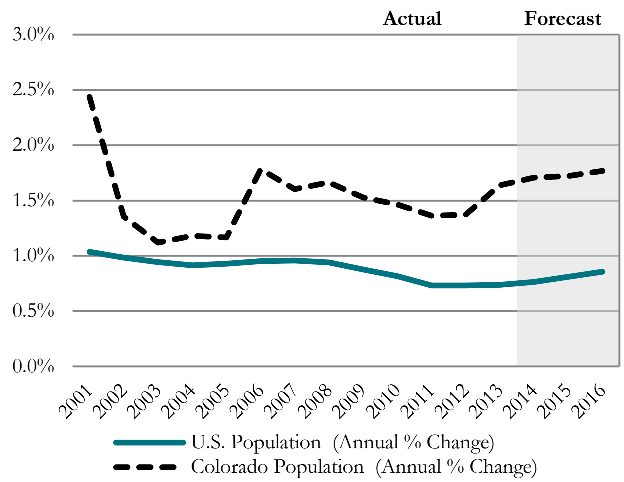
- Per-capita income in Colorado grew to $46,640 in 2013 and will grow to $48,603 in 2014.
- Nationally, per-capita income increased in 2013 to $44,779 and will grow in 2014 to $46,439.

U.S. and Colorado Wage and Salary Income



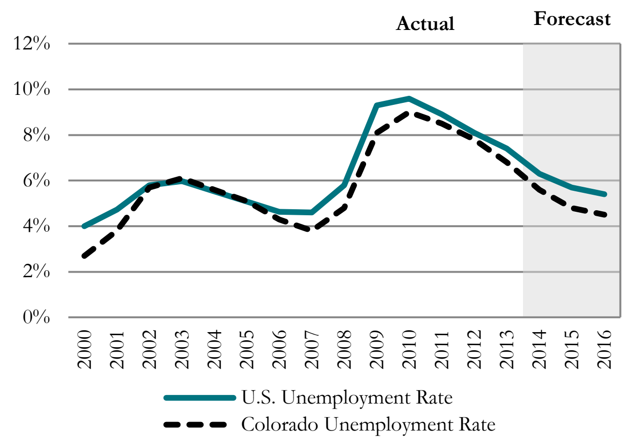
- Total wages and salaries paid to workers grew in Colorado at a rate of 3.9 percent in 2013 and will accelerate to 6.2 percent in 2014.
- Wage and salary income for the nation increased 2.8 percent in 2013 and will grow 5.8 percent in 2014.
- As with personal income, the lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Population



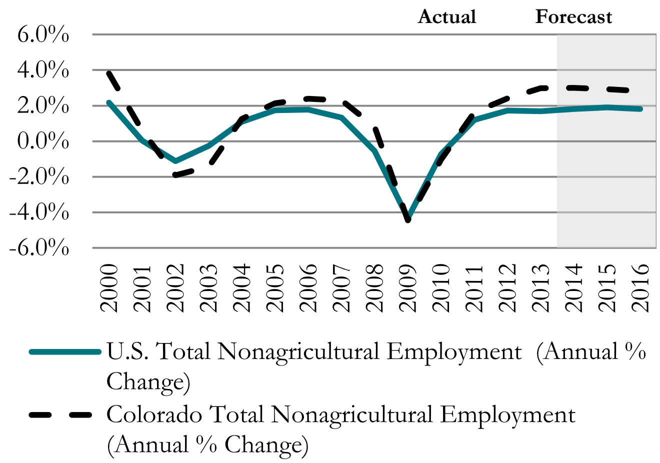
- The state's average population growth rate from 2008 to 2013 was approximately 1.5 percent. Nationally, average population growth was slightly less than one percent.
- Colorado's population is expected to grow 1.5 percent and reach 5.3 million in 2014.
- The nation's population will continue to grow less than one percent throughout the forecast period.

U.S. and Colorado Unemployment



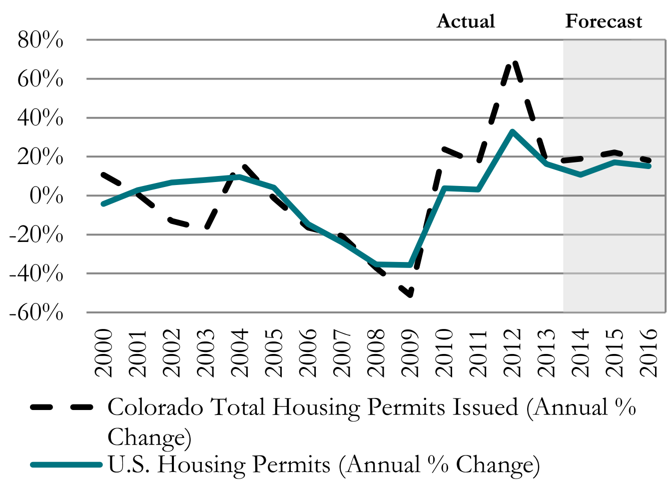
- The unemployment rate continues to fall.
- After averaging 6.8 percent in 2013, OSPB forecasts Colorado's unemployment rate at 5.5 percent in 2014 and 4.7 percent in 2015.
- After an average rate of 7.4 percent in 2013, the national unemployment rate will average 6.3 percent in 2014 and average 5.7 percent in 2015.

U.S. and Colorado Total Nonagricultural Employment



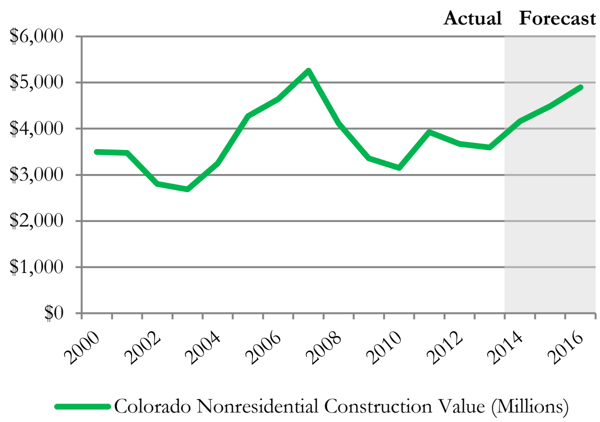
- Colorado nonfarm jobs grew 3.0 percent in 2013, with broad growth across industries.
- Payroll jobs from Colorado employers will increase another 3.0 percent in 2014 and grow 2.9 percent in 2015.
- U.S. nonfarm payroll jobs will increase 1.8 percent in 2014 and 1.9 percent in 2015, after growing 1.7 percent in 2013.

U.S. and Colorado Housing Permits Issued



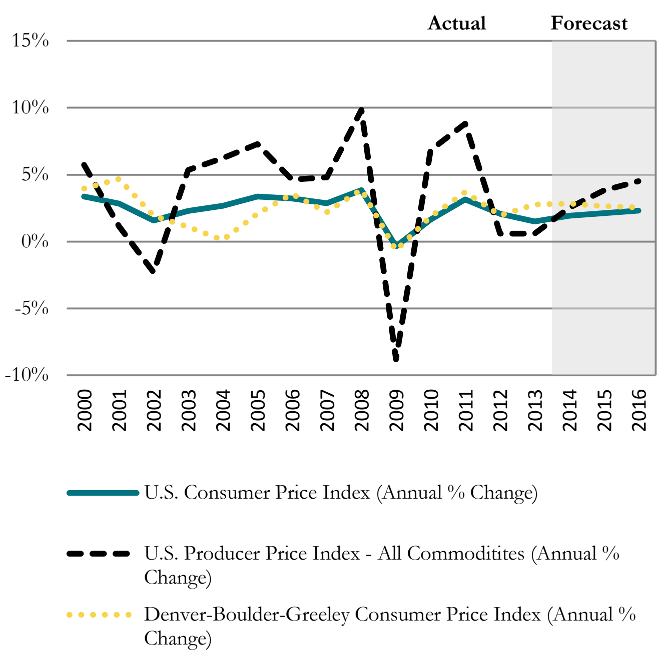
- Colorado residential construction permits grew 18.0 percent in 2013 and will grow 18.9 percent in 2014. Growth will continue throughout the forecast period.
- Housing permits for the nation increased 16.3 percent in 2013 and will grow 10.6 percent in 2014.

Colorado Nonresidential Construction Permits



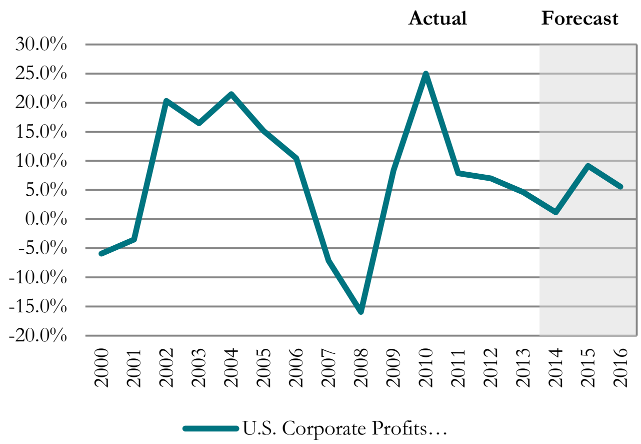
- Non-residential construction has begun to strengthen recently in Colorado. Momentum in the economic recovery is encouraging businesses to invest in new facilities and locations.
- In Colorado, the total value of nonresidential construction projects will grow 15.7 percent in 2014 and 7.9 percent in 2015.

Consumer Price Index and Producer Price Index



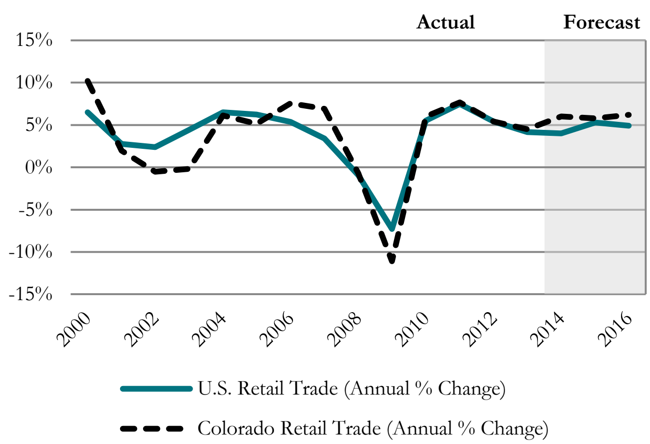
- The Denver-Boulder-Greeley Consumer Price Index (CPI) increased 2.8 percent in 2013 and will increase 2.8 percent in 2014 and 2.6 percent in 2015, driven largely by higher housing costs.
- Nationally, increases in consumer price levels remain modest. The national CPI will grow 1.9 percent in 2014 and 2.1 percent in 2015 after increasing 1.5 percent in 2013.
- The more volatile producer prices in the U.S. were flat in 2013 and will increase 2.5 percent in 2014 and 3.8 percent in 2015 with more economic activity.

U.S. Corporate Profits



- Corporate profits at the national level increased 4.6 percent in 2013 and will grow 1.2 percent in 2014 and 9.2 percent in 2015. The slower growth in 2014 is mostly due to changes in federal tax provisions affecting deductions and expensing for business investment.

Retail Trade



- Retail trade sales in Colorado will grow 6.0 percent in 2014 and 5.8 percent in 2015 after increasing 4.5 percent in 2013.
- Nationwide retail trade grew 4.1 percent in 2013 and will grow 4.0 percent in 2014 and 5.3 percent in 2015.

General Fund and State Education Fund Revenue Forecast

General Fund Revenue Forecast

Projections for General Fund revenue for FY 2014-15 are 0.8 percent higher compared with the June 2014 forecast. This translates to an $80.9 million higher forecast for this fiscal year. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher compared with June.

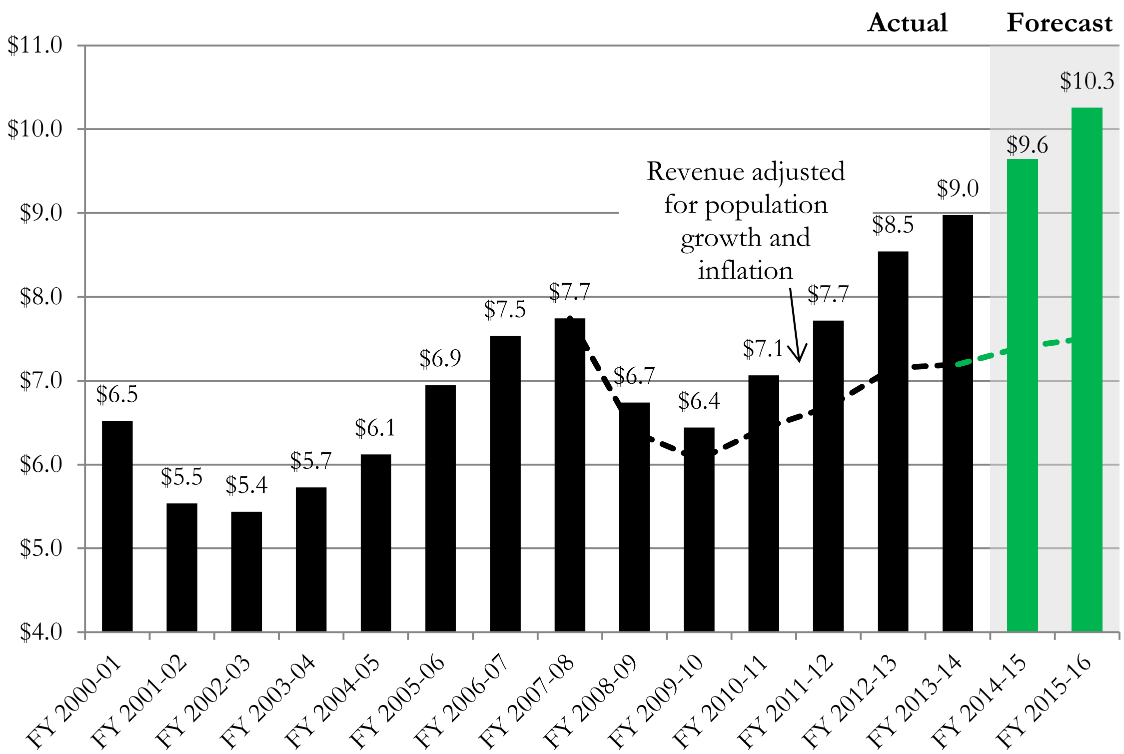
General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion.

After growing 5.1 percent in FY 2013-14, General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections – the State's largest sources of General Fund revenue – continue to grow at a solid pace due to Colorado's economic expansion. A rebound in tax collections from investment income is helping produce higher General Fund revenue growth this fiscal year; slower growth for this revenue source is anticipated in FY 2015-16. Less robust corporate income tax revenue collections over the forecast period compared with past fiscal years will prevent General Fund revenue from reaching the growth rates experienced from FY 2010-11 to FY 2012-13.

The General Fund is the State's main account for funding its core programs and services such as education, health and human services, public safety, and courts. It also funds 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 paid by households and businesses in the state, which are heavily influenced by the performance of the economy.

Figure 17 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2015-16. The figure includes revenue adjusted for inflation and population growth since FY 2007-08. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix.

Figure 17. General Fund Revenue, Actual and Forecast, with Revenue Adjusted for Population Growth and Inflation, FY 2000-01 to FY 2015-16, $s in Billions



Source: Office of the State Controller and OSPB.

Forecast Discussion of Major General Fund Revenue Sources

The following discusses the forecasts for the three major General Fund revenue sources that make up 95 percent of the total: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the remaining group of miscellaneous sources — such as taxes paid by insurers on premiums and excise taxes on tobacco products and liquor — will continue to grow modestly over the forecast period.

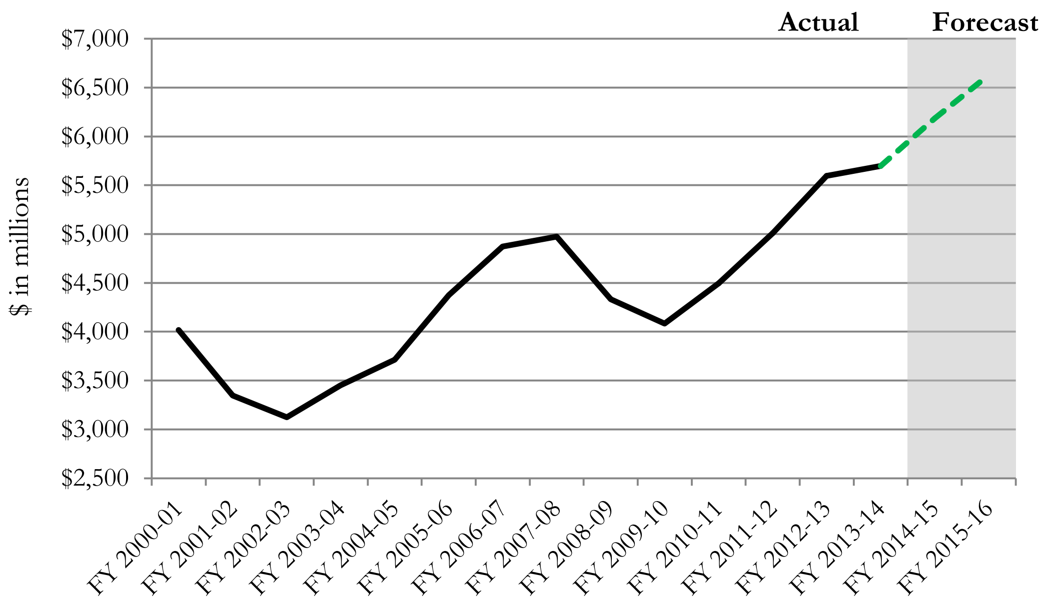
> The resumption in growth in capital gains income will help boost individual income tax revenue 8.6 percent in FY 2014-15. Collections will moderate slightly in FY 2015-16 when individual income tax revenue is expected to grow 7.1 percent.

Individual income tax – Individual income tax collections will grow 8.6 percent FY 2014-15, rebounding from a substantial slowdown in FY 2013-14. Collections will moderate slightly in FY 2015-16 and grow 7.1 percent.

This fiscal year's increase is from the resumption in growth in capital gains income along with continued increases in other income categories such as wages, rental income, and business income resulting from the economic expansion. Estimated income tax payments declined 8.6 percent in FY 2013-14 as taxpayers shifted investment gains to avoid the higher tax liabilities from federal tax increases that took effect at the beginning of 2013. This one-time shifting of investment income will not be a factor in FY 2014-15 when estimated payments are expected to increase 24.8 percent. After the rebound this fiscal year, growth in estimated income tax payments in FY 2015-16 will moderate and will help temper the increase in overall individual income tax collections.

Changes in tax deductions and credits at both the state and federal level[2] are affecting revenue collections over the forecast period. Tax credits for low-income housing development, child care, business personal property taxes, historic preservation, alternative-fuel trucks, and brownfield cleanup that were adopted during the 2014 legislation session will lower revenue by an estimated $16 million in FY 2014-15 and $29.4 million in FY 2015-16. Also, after becoming a TABOR refund mechanism in FY 2015-16, the state earned income tax credit will become available on an ongoing basis starting in tax year 2017. This will lower FY 2016-17 collections by an estimated $47 million, which is half of the full year impact of the credit. Other changes will increase revenue in the forecast period. The expiration of higher federal tax deductions for business investments, as well as the adoption of limits on federal tax deductions and exemptions for higher income earners that started in 2013 is bolstering income tax collections.

Figure 18. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Corporate income tax – Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Corporate tax revenue growth has moderated after being the fastest growing source of General Fund revenue over the past several fiscal years.

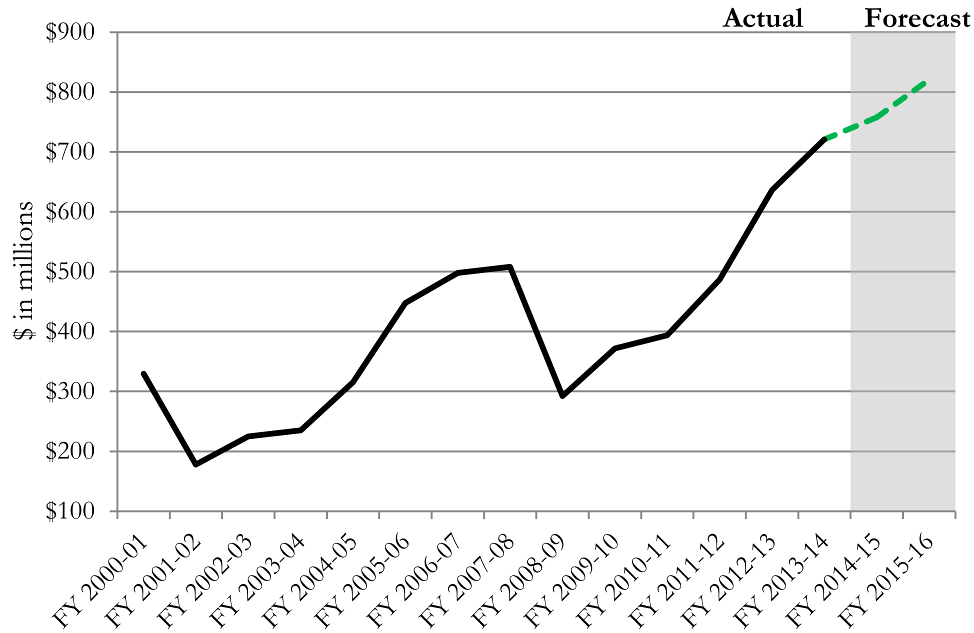
The slowing in corporate tax revenue growth appears to be in part due to rising business costs that are lowering profit margins as the economic expansion matures. Also, tax policies are tempering corporate tax collections over the forecast period, such as

> Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Higher business costs and tax policies are tempering collections over the forecast period.

[2] Because taxable income for State 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.

the ending of the cap on the amount of net operating losses that corporations could deduct and the tax credit for businesses undertaking job creation projects.

Figure 19. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Sales and use tax – Sales tax revenue will grow 6.5 percent in FY 2014-15 and 4.9 percent in FY 2015-16. Sales tax revenue has picked up in recent months in the midst of the state's economic expansion that is producing sustained consumer and business spending. Vehicle purchases and a growing housing market are particularly fueling solid sales tax collections. In addition, job growth and higher tourist activity and business travel are boosting sales taxes from restaurants.

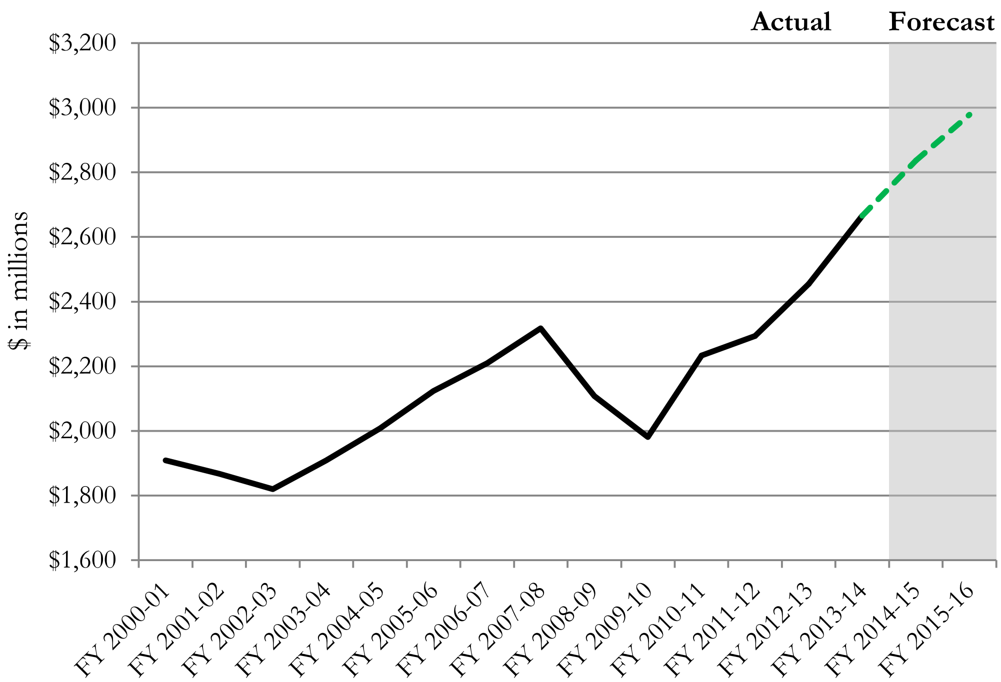
Vehicle sales, spending activity associated with the housing market, and restaurant spending are particularly generating solid sales tax growth.

The reinstatement of the vendor discount to its traditional higher level in FY 2014-15 will temper sales tax revenue collections. The vendor discount allows a portion of sales tax revenue to be retained by retailers who collect and remit the tax to the State. This tax policy change, set in 2011 with the adoption of SB 11-223, is estimated to reduce sales tax collections by about $29 million this fiscal year and similar amounts going forward. The vendor discount was eliminated during the recession to increase revenue to the State, and was then brought back on a partial basis in FY 2011-12.

Sales tax revenue is being bolstered by the State's collection of a new sales tax of 10 percent on retail marijuana from the passage of Proposition AA by voters last November. (Voters also approved an excise tax of 15 percent on retail marijuana that is mostly credited to a cash fund for public school capital construction projects.) Revenue from the retail marijuana 10 percent sales tax goes first to the General Fund ─ and is included under sales tax revenue in Table 3 in the Appendix ─ but then is transferred to the Marijuana Tax Cash Fund to support regulation and enforcement of the retail marijuana industry. Also, a portion is distributed to local governments where retail marijuana sales occur. This tax is projected to generate $32.5 million this fiscal year and $49.7 million in FY 2015-16. Projections for this revenue source are highly uncertain and revisions will occur when more information becomes available.

Use tax revenue is expected to increase 5.8 percent in FY 2014-15 and 6.2 percent in FY 2015-16 after a temporary pause in growth in FY 2013-14. Continued construction activity, business investment, and the growing oil and gas industry will contribute to this growth. The use tax is a companion to the sales tax that brings in a much smaller amount of revenue and is often more volatile. Most of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Figure 20. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

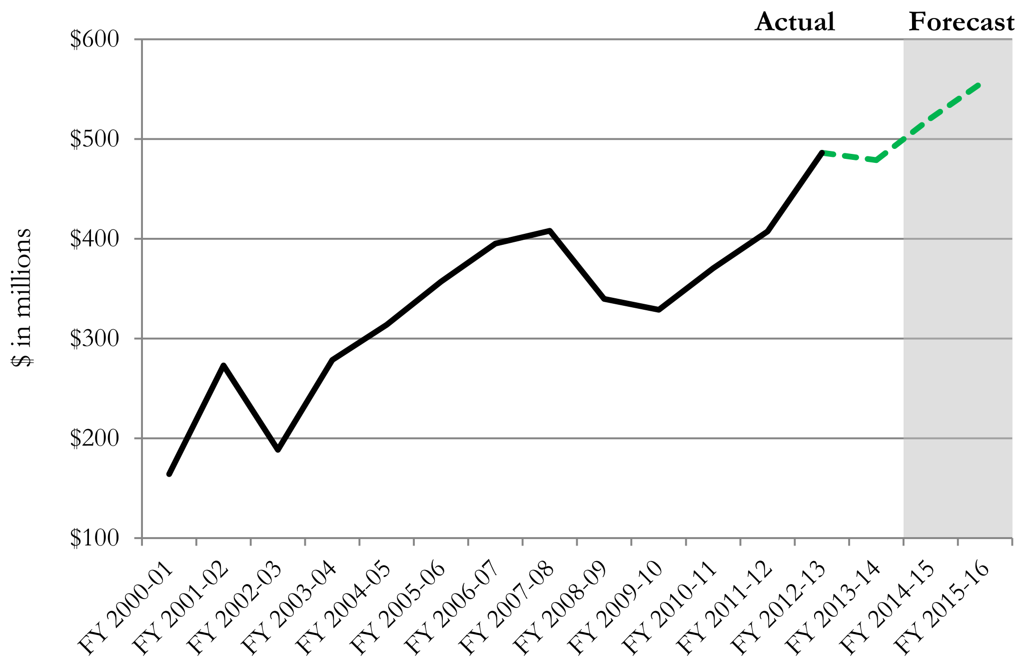
State Education Fund Revenue Forecast

Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16. Similar to individual income tax collections, resumption in growth in capital gains income is helping this revenue source rebound this fiscal year after declining slightly in FY 2013-14.

> Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16 from growth in taxable income.

As shown on page 42 in the *General Fund with the State Education Fund Overview* 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 discussed above in individual income and corporate income tax revenue collections. In addition to receiving the percentage of taxable income that is dedicated to the State Education Fund by the state constitution, recent policies have transferred other General Fund money to the Fund, which is shown in detail in Figure 30 on page 42.

Figure 21. State Education Fund Revenue from One Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

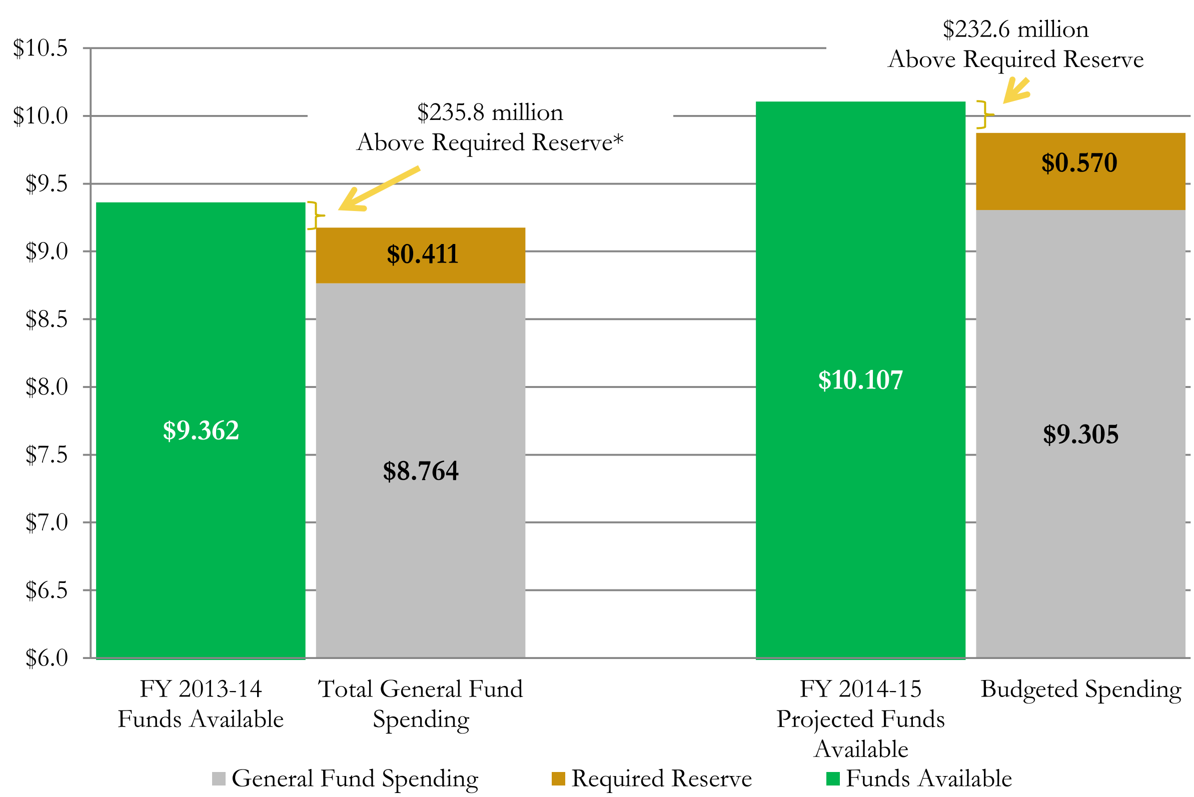
General Fund and State Education Fund Budget

Summary

General Fund **–** As discussed in the *General Fund Revenue Forecast* section starting on page 28, this forecast projects that General Fund revenue for FY 2014-15 will be 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

Figure 22 below summarizes total General Fund revenue available, total spending, and reserve levels for FY 2013-14 and FY 2014-15 based on the forecast and current law.

Figure 22. General Fund Money, Spending, and Reserves, FY 2013-14 and FY 2014-15, $ in Billions

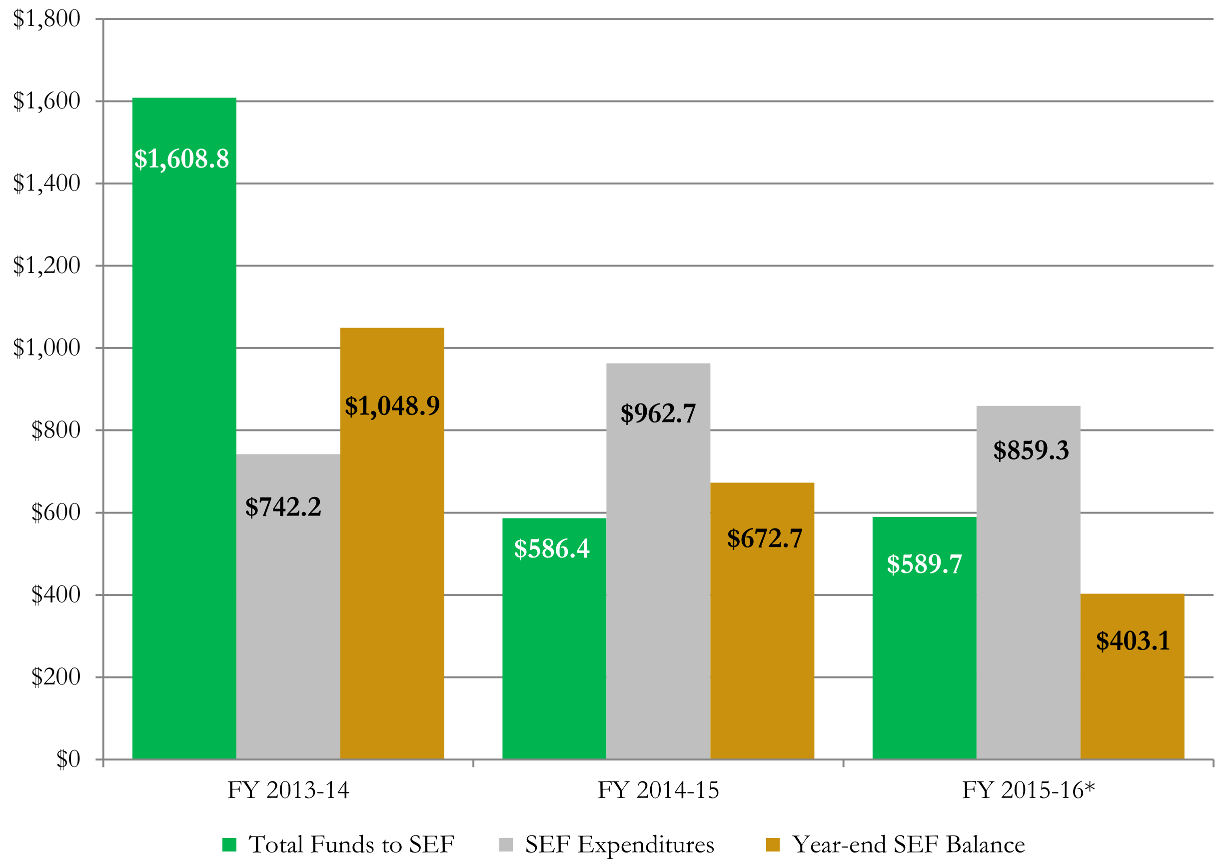


* All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds, including $135.3 million to the Capital Construction Fund.

State Education Fund **–** The State Education Fund is supporting a larger share of education funding than it has historically, which will draw down its fund balance. Figure 23 summarizes total

State Education Fund revenue available, total spending, and balance levels from FY 2013-14 through FY 2015-16 based on the forecast. The FY 2015-16 expenditures amount reflects projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures.

Figure 23. State Education Fund Money, Spending, and Reserves
FY 2013-14 through FY 2015-16, $ in Millions



*Actual expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections for FY 2015-16 are illustrative only.

Detailed Overview Tables – A detailed overview on the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document. These overviews are discussed starting on page 37.

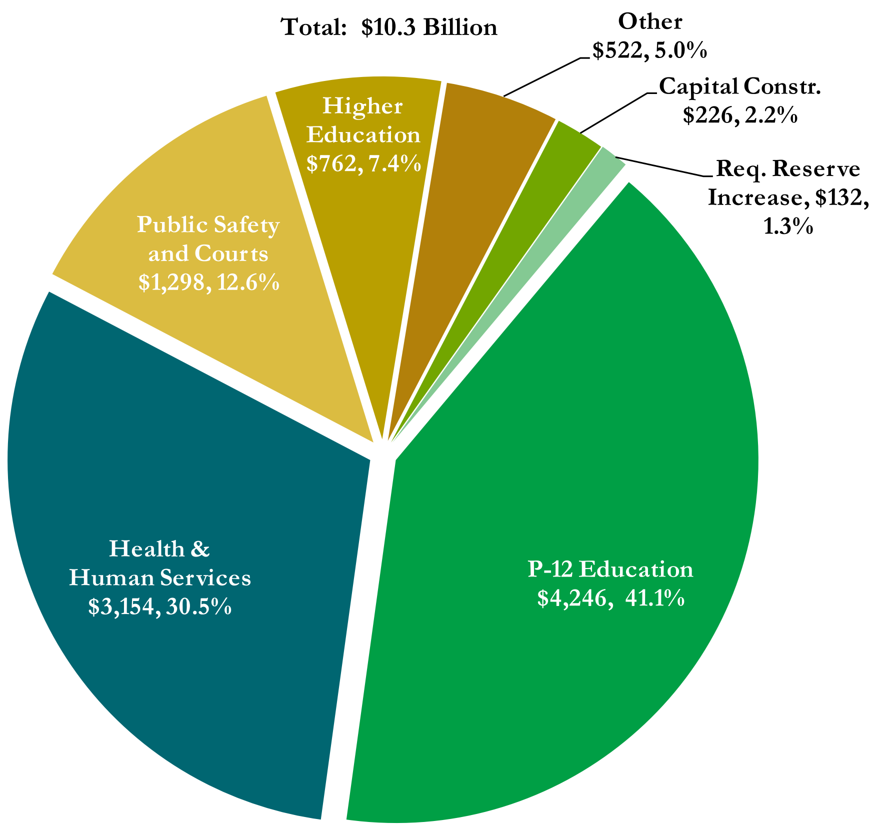
Spending by Major Department or Program Area

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, and public safety. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. 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 supplemental money from the General Fund.

Figure 24, shows the allocation of General Fund revenues as enacted into law, incorporating spending on education from the State Education Fund and reserve increases, for FY 2014-15 by major department or program area. As noted above, the current forecast shows $232.6 million above the required General Fund reserve that is currently unallocated.

Figure 24. Composition of FY 2014-15 General Fund and State Education Fund Budget, $ in Millions



Risks to the Budget Outlook

This budget outlook is based on OSPB's economic analysis and forecast, discussed in the section titled, *The Economy: Important Issues, Trends, and Forecast*, beginning on page 3. Changes in the overall Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many State services, including higher education, Medicaid, and other human services. In times of weaker economic conditions, the use of government services increases as income declines, more are unemployed, or an increased number of individuals seek more education to better their career prospects.

Currently, it appears that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. Nevertheless, downside risks should be considered. Unexpected events, such as the impact of global conflicts or adverse changes in financial and monetary conditions, could have negative implications for the economy. Such events could spur a pullback in investing, hiring, and spending that would slow the economy and result in revenue collections that are substantially different from this forecast.

Even relatively small changes in the projected growth rate of revenue sources can materially impact the budget outlook. For example, each percentage point difference from the current General Fund projected growth rate for FY 2014-15 amounts to a $90 million change in General Fund revenue collections.

Any future adjustments in forecasted revenue could have potentially large impacts on the amount of revenue collected in relation to the TABOR revenue cap. The State is within 0.4 percent of reaching its TABOR revenue cap in FY 2014-15, well within the bounds of typical forecast adjustments. It is possible that a future forecast will show the State exceeding the cap. If that were to happen, the State would need to refund excess revenue to taxpayers or ask voters for permission to retain it.

Additionally, this forecast projects TABOR revenue will exceed the cap in FY 2015-16 and FY 2016-17. Slower-than-expected revenue growth may result in future forecasts showing revenue falling below the cap. In contrast, higher-than-expected revenue collections would result in more revenue above the cap. These changes would have implications for the budget, such as on the amount of General Fund money available for spending and the amount required to be transferred to transportation and capital construction.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the September 2014 OSPB revenue forecast, providing details on the amount of money forecasted to be available in the General Fund, expenditures, and end-of-year-reserves. The following section discusses the information presented in Table 4. To aid understanding, the discussion includes figures showing each section of the detailed overviews found in the Appendix.

Revenue

The top portion of the overview, shown in the figures below, indicates 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 28.

The 8.0 percent increase in total General Fund available for FY 2014-15 is attributable to revenue growth and a larger beginning fund balance from the prior year. Additionally, higher revenue growth and a larger beginning balance in FY 2015-16 will result in an increase of 9.6 percent in funds available.

Figure 25. General Fund Revenue Available under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
1	Beginning Balance	$435.9	$802.4	$629.5
2	General Fund Revenue	$9,641.0	$10,257.3	$10,795.9
3	Transfers to the General Fund	$30.2	$15.4	$16.8
4	**Total General Funds Available**	**$10,107.1**	**$11,075.0**	**$11,442.2**
	Dollar Change from Prior Year	$745.1	$967.9	$367.2
	Percent Change from Prior Year	8.0%	9.6%	3.3%

Expenditures

Spending subject to the appropriations limit **–** The middle portion of the General Fund overview in Table 4 shows General Fund spending. Most General Fund spending is subject to a limit that cannot exceed five percent of the level of personal income received by Coloradans. The limit is projected to be $11.9 billion in FY 2014-15. Thus, the $8.8 billion in General Fund appropriations for these programs under current law are $3.1 billion under the limit. The amount of appropriations subject to the limit is shown in the figure below.

Figure 26. General Fund Spending Subject to the Appropriations Limit under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15
5	Appropriations	$8,765.3
6	Dollar Change from Prior Year	$546.5
7	Percent Change from Prior Year	6.6%

The General Fund appropriation amount for FY 2014-15 in Figure 26 reflects current law. The FY 2015-16 and FY 2016-17 amounts are subject to change based on future budget decisions. The amounts for FY 2015-16 and FY 2016-17 in Table 4 in the Appendix reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

Spending not subject to the appropriations limit – General Fund spending that does not count under the General Fund appropriations limit is summarized in Figure 27. More information about these spending lines is discussed below.

Figure 27. General Fund Spending Not Subject to the Appropriations Limit Under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
9	TABOR Refund	$0.0	$136.7	$239.4
	Cigarette Rebate to Local Governments	*$8.6*	*$8.1*	*$7.8*
	Marijuana Rebate to Local Governments	*$4.9*	*$7.4*	*$7.5*
	Old-Age Pension Fund/Older Coloradans Fund	*$111.8*	*$116.2*	*$120.2*
	Aged Property Tax & Heating Credit	*$8.4*	*$8.4*	*$8.3*
	Homestead Exemption	*$115.1*	*$121.5*	*$127.0*
	Interest Payments for School Loans	*$0.8*	*$0.9*	*$1.1*
	Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
	Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
10	**Total Rebates and Expenditures**	**$254.7**	**$267.6**	**$277.0**
11	Transfers to Capital Construction	$225.5	$177.8	$71.1
12	Transfers to Highway Users Tax Fund	$0.0	$102.6	$108.0
13	Transfers to State Education Fund per SB 13-234	$25.3	$25.3	$25.3
14	Transfers to Other Funds	$33.9	$50.3	$49.6
15	Other	$0.0	$0.0	$0.0
	Total	**$539.5**	**$760.3**	**$770.3**
	Dollar Change from Prior Year	-$6.1	$220.8	$10.0
	Percent Change from Prior Year	-1.1%	40.9%	1.3%

Spending not subject to the limit includes any TABOR refunds funded from the General Fund, which occur when State revenue exceeds its cap as defined in Article X, Section 20 of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur for each of those years under this forecast, unless voters allow the State to retain the revenue. Under this forecast, TABOR revenue will be just $48 million, or 0.4 percent, below the cap this fiscal year, which is within the normal range of possible forecast adjustments. Page 60 and Table 7 in the Appendix provide further detail on TABOR revenue and refunds.

As shown, "Rebates and Expenditures" account for a large portion of General Fund spending not subject to the appropriations limit. The largest of these programs 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 Marijuana Rebate, which distributes 15 percent of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, or rent assistance to qualifying low-income disabled or elderly individuals; and (5) 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, also is not subject to the limit. Transfers for these purposes can be made through legislation. The FY 2014-15 budget includes a total transfer of $225.5 million for capital construction projects. The capital construction amounts in FY 2015-16 and FY 2016-17 reflect the needed funding level for specific "certificate of participation" (COP) financing agreements used for capital projects, "Level I," building-maintenance projects, as well as the continuation of projects funded in prior years.

Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This five percent trigger and the associated transfers are referred to as "228" transfers because they were put into law by Senate Bill 09-228. This forecast projects that personal income growth will exceed five percent in 2014, which would trigger required transfers in FY 2015-16. However, these transfers are reduced or suspended in years where there is a TABOR refund as projected in this forecast.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16 and from $215.9 million to $108.0 million in FY 2016-17 under this forecast.

Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB09-228 transfer amount, they are unaffected by TABOR refunds. The amount needed for capital construction in FY 2015-16 and FY 2016-17 shown in Table 4 for COP payments, priority facility maintenance projects, and continuation projects exceed the required Senate Bill 09-228 transfer amounts.

Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The FY 2013-14 transfer was $45.3 million, while the amount in FY 2014-15 through FY 2016-17 is $25.3 million. In addition, state law requires transfers of General Fund money to various State cash funds. This line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

In some years, State programs may need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are called "overexpenditures" and are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit." Any over-expended amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid over-expenditures," is usually the largest amount for this line.

Reserves

The final section of the overview table in the Appendix ("Reserves") shows General Fund remaining at the end of each fiscal year — the "Year-End General Fund Balance." This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the amount of funds is above or below the requirement ("Above (Below) Statutory Reserve"). Figure 28 provides information on the General Fund ending balance.

Figure 28. General Fund Reserves under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
19	Year-End General Fund Balance	$646.7	$802.4	$629.5	$651.3
20	Balance as a % of Appropriations	7.9%	9.2%	6.5%	6.5%
21	**General Fund Required Reserve**	**$410.9**	**$569.7**	**$629.5**	**$651.3**
22	Money Above/Below Req. Reserve	$235.8	$232.6	$0.0	$0.0
23	Excess Reserve to Other Funds	$210.8	$0.0	$0.0	$0.0
24	**Balance After Any Funds Above Statutory Reserve are Allocated**	**$25.0**	**$232.6**	**$0.0**	**$0.0**

The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary figures from the State Controller. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

All but $25 million of the FY 2013-14 excess reserves, which remains in the General Fund, is transferred to various cash funds in a specified order of priority listed in Figure 29 pursuant to HB 14-1339, HB 14-1342, and SB 14-223. The extent of the transfers is contingent upon the amount of excess reserves available. The $235.8 million in excess reserves currently expected by the State Controller will allow for all of the transfers to occur, including the full $135.3 million transfer to the Capital Construction Fund. However, only $113.9 million of the transfer for capital construction — an amount sufficient to cover all the projects slated to receive funding except the Level II Controlled Maintenance projects — has occurred. The rest of the transfer will occur when the final excess reserves amount is known in December or January when the State Controller publishes the Comprehensive Annual Financial Report (CAFR) for FY 2013-14. The State Education Fund receives the remainder of the FY 2013-14 excess, which is currently expected to be $14.4 million. The final amount will be determined when the CAFR is published.

Figure 29. FY 2013-14 Excess General Fund Reserve Transfers, Preliminary, $ in Millions

Total General Fund Excess	**$235.8**
Transfers in order of Priority:	
Colorado Water Conservation Board Construction Fund	$30.0
State Education Fund	$20.0
Remains in General Fund	$25.0
Economic Development Fund	$1.0
Hazardous Substance Site Response Fund	$10.0
Capital Construction Fund (up to $135.3)	$135.3
State Education Fund	$14.4
Total Transfers	$235.8

General Fund with the State Education Fund Overview

The State Education Fund plays an important role in the State's General Fund budget. Under the state constitution, the State Education Fund helps fund preschool through 12th-grade education, the largest General Fund program. Therefore, higher or lower spending from the State Education Fund generally means that General Fund appropriations can subsequently be lower or higher to support the targeted level of funding for schools. Decisions in one year, however, affect the range of choices in the next year because they impact the available balance in the State Education Fund for future spending and General Fund available for other programs.

Table 5 in the Appendix incorporates all of the same information from the General Fund overview request in Table 4, but also includes spending, revenue, and fund-balance information for the State Education Fund. Because of the budget implications of the balance between funding from the State Education Fund and General Fund, a unified and multi-year view provides important insight to the sustainability of budgeting decisions.

Figure 30 summarizes State Education Fund annual revenue and spending. It includes each year's actual or projected beginning and ending fund balance. State Education Fund expenditures for FY 2014-15 reflect current law. The expenditures shown for FY 2015-16 and FY 2016-17 reflect projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation; thus, fund-balance projections are illustrative only.

Transfers of excess reserves in recent years, especially the excess reserves from FY 2012-13, have caused a significant increase in the balance of the State Education Fund. The fund is expected to receive an additional $34.4 million of the FY 2013-14 excess reserves. Still, as shown, a combination of higher spending and lower amounts of projected revenue will draw down the balance.

Figure 30. State Education Fund Revenue, Spending, and Reserves
FY 2013-14 through FY 2015-16 (from Tables 4 and 5 in Appendix), $ in Millions

	FY 2014-15	FY 2015-16	FY 2016-17
Beginning Balance	***$1,048.9***	***$672.7***	***$403.1***
One-third of 1% of State Taxable Income	*$520.8*	*$558.5*	*$589.1*
Money from Prior Year-end Excess Reserves	*$34.4*	*$0.0*	*$0.0*
Transfers under SB 13-234	*$25.3*	*$25.3*	*$25.3*
Other	*$5.8*	*$5.8*	*$6.1*
Total Funds to State Education Fund	**$586.4**	**$589.7**	**$620.6**
State Education Fund Expenditures	**$962.7**	**$859.3**	**$603.4**
Year-end Balance	**$672.7**	**$403.1**	**$420.3**

CASH FUND REVENUE FORECAST

Cash fund revenue supports a wide array of State programs that collect fees, fines, and interest to deliver services. When fees or other revenue are designated for a particular program, they often are directed to a cash fund that is established to fund the program. Cash fund revenue subject to TABOR collected by the State in FY 2014-15 will be at essentially the same level as collections in FY 2013-14, with mostly modest changes to prior year levels across the major revenue categories.

Cash fund revenue subject to TABOR is forecast to grow about four percent in FY 2015-16 and FY 2016-17, the remaining two fiscal years of the forecast period. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix. Table 6 shows only the outlook for revenue that is subject to the TABOR provisions in the Colorado Constitution that place a limit on the amount of revenue 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 which receive most of their money from sources other than the State, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 48.

Transportation-related cash funds **—** Transportation-related cash funds subject to TABOR will grow modestly during the forecast period, rising 0.4 percent to $1.14 billion in FY 2014-15. They will grow to $1.16 billion, or 1.7 percent, in FY 2015-16.

> Transportation-related cash funds are expected to grow slowly over the forecast period, reflecting stability in vehicle sales, registrations, and fuel consumption by Colorado drivers.

The relatively flat forecast for transportation-related cash funds comes after an increase of 3.4 percent, or $37 million, in FY 2013-14 as vehicle registrations and fuel consumption grew along with the overall economy. Revenue from taxes on gasoline and diesel fuel grew last fiscal year after falling for two consecutive years prior, reflecting the growing momentum of Colorado's economy.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the 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. Funds in the HUTF, which accounts for the large majority of revenue in this category, are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Limited Gaming **—** Limited gaming revenue will grow by $2.2 million, or 2.0 percent, in FY 2014-15, after increasing just 0.6 percent in FY 2013-14. It will grow an additional $2.6 million to $112.7 million in FY 2015-16.

This forecast reflects increasing gaming activity in Colorado, which has only recently begun to recover from the sluggishness that set in during the Great Recession. Gaming activity has lagged the broader economic recovery, taking time to return to pre-recession levels even as employment and household financial positions have improved. It is possible that discretionary activities like gaming could simply take longer to reflect the broader recovery.

Beginning in the spring of 2014, spending on gaming started to grow, reflected in the modest growth in revenue from gaming taxes and fees in FY 2013-14. This growth is expected to accelerate as the economic recovery continues to improve employment and household income in Colorado.

Of the total expected limited gaming revenue for FY 2014-15, $101.3 million will be subject to TABOR, as reflected in Table 6, "Cash Fund Revenue Subject to TABOR." Approximately $97.1 million of this amount is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50. This revenue is distributed by formula in state statute to the State General Fund, the State Historical Society, cities and counties that are affected by gaming activity, and economic development-related programs.

Gaming revenue of $8.5 million attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges with a smaller portion going to local governments with communities affected by gaming. Figure 31 below shows the anticipated distribution of limited gaming revenues in further detail.

Figure 31. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17
A. Total Limited Gaming Revenues	**$107.9**	**$110.1**	**$112.7**	**$116.0**
Annual Percent Change	0.6%	2.0%	2.4%	2.9%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.2**	**$97.1**	**$99.4**	**$102.3**
Annual Percent Change	0.7%	2.0%	2.4%	2.9%
C. Gaming Revenue Subject to TABOR	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Annual Percent Change	0.2%	3.0%	2.4%	2.9%
D. Total Amount to Base Revenue Recipients	**$83.8**	**$87.4**	**$89.9**	**$92.8**
Amount to State Historical Society	*$23.5*	*$24.5*	*$25.2*	*$26.0*
Amount to Counties	*$10.1*	*$10.5*	*$10.8*	*$11.1*
Amount to Cities	*$8.4*	*$8.7*	*$9.0*	*$9.3*
Amount to Distribute to Remaining Programs (State Share)	*$41.9*	*$43.7*	*$45.0*	*$46.4*
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	*$2.1*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$11.8*	*$13.7*	*$15.0*	*$16.4*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.4**	**$8.5**	**$8.7**	**$8.9**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.6*	*$6.8*	*$7.0*
Counties (12%)	*$1.0*	*$1.0*	*$1.0*	*$1.1*
Cities (10%)	*$0.8*	*$0.8*	*$0.9*	*$0.9*

Hospital Provider Fee **—** Hospital Provider Fee (HPF) revenue is expected to decline 6.1 percent in FY 2014-15, but increase every year in the remainder of the forecast period. The largest increase will occur in FY 2015-16, when HPF revenue will increase 24.8 percent to $664.4 million.

The growth in FY 2015-16 reflects an upward revision from OSPB's June forecast that is primarily the result of sooner-than-anticipated growth among certain populations of Medicaid patients. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for some Medicaid populations. Recent data shows that growth in these populations is occurring sooner than previously forecast, so the anticipated HPF revenue that will be calculated by the formula will also grow sooner.

The projections for HPF revenue are influenced by federal funding levels associated with the Affordable Care Act as well as changes in the population receiving medical care support under the Medicaid program. An increase in federal funding is reducing the HPF that must be collected from hospitals to support Colorado's Medicaid program for FY 2014-15. Increasing populations receiving medical services, however, will generate higher HPF revenue starting in FY 2015-16.

The Hospital Provider Fee is paid by Colorado hospitals and is calculated based on the amount of inpatient days and outpatient revenue. Revenue collected from the fee is matched by the federal government to help cover the cost of the Medicaid program.

Severance tax revenue **—** Severance tax revenue will grow 6.7 percent, or $17.6 million, to $278.2 million in FY 2014-15 after nearly doubling to $261 million in FY 2013-14. The recent strong growth in severance tax revenue is primarily the result of increasing prices in both natural gas and oil. As prices for these resources decrease, severance tax revenue will fall by 21.1 percent to $219.5 million in FY 2015-16.

Producers of oil, gas, coal, and other mineral resources pay taxes to the State of Colorado, based partially on the sales volume and price of the resources. The tax is called severance tax because the resources are severed from the state's deposits of natural resources.

The price of natural gas and oil are the main factors determining the amount of severance tax revenue collected by the State because severance taxes are based on a percentage of the income received from selling these resources. The price of natural gas grew rapidly in the first several months of 2014 as an especially cold winter resulted in high demand for heating homes and businesses. Prices have fallen significantly over the summer months as producers replenish inventories and the demand for natural gas has returned to average levels. Another particularly harsh winter could cause natural gas prices to rise again, which would result in severance tax collections in FY 2015-16 to exceed this forecast.

> Higher natural gas prices due to weather conditions and lower inventories in the first portion of 2014 contributed to severance tax revenue growth in FY 2013-14. Growth will continue, though more moderately, in FY 2014-15 before severance tax revenue fall again in FY 2015-16.

Compared with natural gas prices, oil prices have remained much more stable in recent years and are not expected to drive large differences in severance tax revenue over the forecast period. However, geopolitical tensions in Ukraine and the Middle East have recently caused oil prices to rise. While this forecast does not predict that the price of oil will grow substantially, continued global conflict could result in higher oil prices and thus greater severance tax revenue than predicted.

In addition to price moderation in 2015, the impact of ad valorem tax credits will contribute to the decline of severance tax revenue in FY 2015-16. Severance taxpayers claim "ad valorem" tax credits based on the local property taxes they paid on mineral extraction in the prior year. As the price of natural gas and oil declines through 2015, taxpayers will claim ad valorem credits based on revenue generated in 2014, when prices were higher. This dynamic exacerbates the impact of smaller prices, helping generate the 21 percent forecast decline for severance taxes in FY 2015-16. The annual calendar year filing of taxes versus State fiscal year accrual accounting also affects these dynamics.

The production volume of oil and natural gas also impact severance tax revenue, although changes in production tend to be more moderate than fluctuations in prices. Oil production is growing more rapidly than natural gas production in Colorado, as many producers have stopped drilling for the resource amid relatively low natural gas prices compared with several years ago. Most new oil production in Colorado is occurring in Weld County, where property taxes are higher than in many other counties with oil and gas production, meaning that larger ad valorem tax credits limit severance tax revenue the State collects from production growth in Weld County.

Other mineral resources, including coal, gold, and molybdenum, generate severance tax revenue, though the combined revenue from these sources is much smaller compared with revenue from oil and natural gas production. Severance tax revenue from coal production is expected to fall 5.0 percent, to $7.7 million, in FY 2014-15 after falling 9.4 percent, to $8.1 million the prior year.

Federal Mineral Leasing revenue **—** Colorado's share of Federal Mineral Lease (FML) revenue will grow 6.4 percent, to $184.7 million in FY 2014-15, after growing by nearly 44 percent, to $173.6 million, in FY 2013-14. Growth will moderate further in FY 2015-16, to 1.2 percent, when FML revenue collections reach $187.0 million.

The growth in FML revenue is mostly due to increased prices for oil and natural gas as well as increased production. FML royalties are assessed as a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. Revenue earned by producers on leased federal lands is not subject to local property taxes, thus there is no impact of ad valorem tax credits to exaggerate price fluctuations the way they do with regard to severance tax revenue. This is a major reason that FML revenue is not expected to fall in FY 2015-16 when natural gas prices are forecast to decline slightly.

The federal government sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred. The federal fiscal policy known as "sequestration" temporarily reduced collection of FML revenue to Colorado in FY 2012-13, contributing to the large increase in FY 2013-14. The impact of sequestration-related federal adjustments to FML revenue is expected to be small over the forecast period.

Figure 32. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2013-14	$2.0	$171.6	$173.6	43.7%
FY 2014-15	$3.7	$181.0	$184.7	6.4%
FY 2015-16	$3.7	$183.2	$187.0	1.2%
FY 2016-17	$4.9	$192.3	$197.2	5.5%

Dollars are in millions. FY 2013-14 figures reflect actual collections, and FY 2014-15 through FY 2016-17 are projections.

***Other cash funds* —** Cash fund revenue to regulatory agencies will grow 2.7 percent to $70.3 million in FY 2014-15 after growing 5.3 percent the year before. This growth is reflective of increased demand for permits and licenses by individuals and firms that do business in regulated industries. The Department of Regulatory Agencies (DORA) oversees businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. The Department is responsible for oversight of a wide variety of professions, such as counselors, land surveyors, and limousines. Revenue from licensing fees and other services fund many of the Department's activities. Cash fund revenue related to regulatory agencies will grow 2.8 percent to $72.3 million in FY 2015-16.

Insurance-related cash fund revenue in FY 2014-15 will increase slightly to $21.1 million. Revenue to these cash funds decreased 21.7 percent in FY 2013-14 after the Division of Worker's Compensation lowered the surcharge on workers' compensation insurance premiums from 1.73 percent in the first half of 2013 to 1.13 percent in the first half of 2014. The surcharge is used to fund the Division of Worker's Compensation, as well as the Major Medical Insurance Fund and Subsequent Injury Fund. These two funds were created to absorb costs for individuals injured during a period prior to 1981. Revenue to these cash funds will growth further in FY 2015-16, increasing 6.4 percent to $22.5 million.

Miscellaneous Cash Funds grew by $60 million in FY 2013-14 as the economic recovery supported increased fee revenue and higher interest rates. This trend will moderate in FY 2014-15.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from a variety of smaller cash funds that collect revenue generated by interest earnings as well as fines and fees. Revenue from these cash funds is expected to be $531 million in FY 2014-15, an increase of $5.7 million. Continued growth in the miscellaneous cash funds reflects Colorado's growing economy, which generates higher amounts of fees and interest earnings. These factors will contribute to growth of an additional 3.0 percent in FY 2015-16.

Revenue from the 2.9 percent sales tax on retail and medical marijuana, as well as fees related to regulation of the marijuana industry, are reflected in the miscellaneous cash funds category in Table 6. Proceeds from marijuana taxes that were authorized by Proposition AA in November 2013 are transferred to the Marijuana Tax Cash Fund, local governments, and school construction. However, Colorado voters exempted revenue from these taxes from TABOR limitations when they approved Proposition AA; therefore the revenue shown in Table 6 does not include revenue from those new taxes.

Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth in a large portion of State revenue to the sum of inflation plus population growth in the previous calendar year. Revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue.

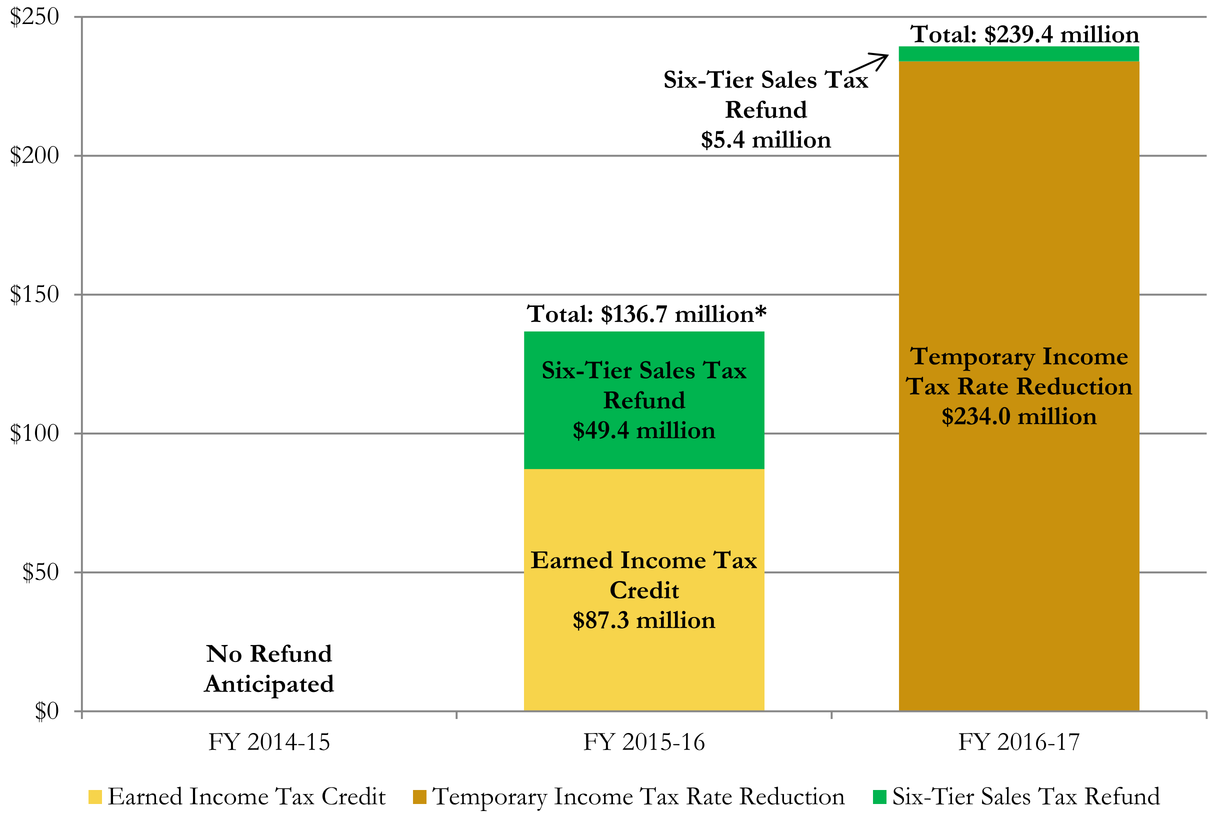
In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) 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 7) for each subsequent year.

Most General Fund revenue and a large portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR refunds are projected in FY 2015-16 and FY 2016-17 – TABOR revenue is forecast to be just $48 million, or 0.4 percent, below the cap in the current fiscal year, which is within the normal range of possible forecast adjustments.

TABOR revenue is forecast to exceed the Referendum C cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur under this forecast, unless voters allow the State to retain the revenue. Colorado law currently specifies three mechanisms by which revenue in excess of the cap is refunded to taxpayers: a sales tax refund to all taxpayers ("six-tier sales tax refund"), the Earned Income Tax Credit to qualified taxpayers, and a temporary income tax rate reduction. The amount that needs to be refunded determines which refund mechanisms are used. Figure 33 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

Figure 33. Projected Distribution of Revenue in Excess of the Referendum C Cap (Dollars in Millions)



*This amount includes $133.1 million in revenue above the Referendum C Cap forecast for FY 2015-16, as well as $3.6 million in pending amounts owed related to refunds from prior years. These amounts are the result of either (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, or (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers.

In FY 2015-16, revenue above the cap will exceed the threshold amount that activates the State Earned Income Tax Credit (EITC), as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC will be able to claim up to ten percent of the amount they claim on their federal tax return on their state tax return for the 2016 tax year. The amount refunded through this mechanism is estimated to be $87.3 million. The State EITC is only a TABOR refund mechanism for one year because it becomes permanent after the year it is used as a TABOR refund mechanism. After the projected use of the EITC as a refund mechanism in FY 2015-16, it will be available to qualifying taxpayers on an ongoing basis and will no longer be considered a TABOR refund mechanism.

The six-tier sales tax refund will distribute the remaining $49.4 million of the refund in FY 2015-16 as specified by Section 39-22-2002, C.R.S. The amount of the refund that can be claimed by each taxpayer is partially determined by which one of six tiers, defined by a formula specified in statute, includes their adjusted gross income. The actual refund amount that can be claimed by each taxpayer will be calculated according to a statutory formula that considers the adjusted gross income tiers and the total amount to be refunded to all taxpayers expected to claim the refund.

The revenue in excess of the cap in FY 2016-17, estimated at $239.4 million in this forecast, will meet the refund threshold amount to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. This refund mechanism will reduce the state income tax rate from 4.63 percent to 4.5 percent for tax year 2017. The amount refunded through this mechanism is estimated to be $234.0 million, which will account for most of the required TABOR refund from FY 2016-17. The remaining $5.4 million will be refunded through the six-tier sales tax refund mechanism.

TABOR refunds impact SB 09-228 transfers to transportation and capital construction – In addition to activating distributions of refunds to taxpayers, the forecast revenue in excess of the Referendum C cap affects the transfers to transportation created by SB 09-228, as specified by Section 24-75-219, C.R.S. Because total personal income in Colorado is expected to grow by more than five percent in 2014, this statute requires transfers of General Fund revenue to the Highway Users Tax Fund and the Capital Construction Fund for five years starting in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in the same fiscal year in an amount between one and three percent of total General Fund revenue. The transfers are suspended in full if there is a TABOR refund in excess of three percent of total General Fund revenue. Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB 09-228 transfer amount, they are not affected by TABOR refunds.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16, and from $215.9 million to $108.0 million in FY 2016-17 – under this forecast.

TABOR election provisions and Proposition AA – TABOR also has provisions regarding estimates of revenue from new taxes approved by voters. In November of 2013, voters approved excise and special sales taxes on retail marijuana in Proposition AA on the election ballot. Revenue generated from these taxes was estimated at $67 million in the "Blue Book" voting guide that was distributed to voters prior to the election, as specified by the Colorado Constitution. A forecast for retail marijuana tax collections provided in June of 2014 estimated that retail marijuana tax revenue would be less than this amount, though projections are highly uncertain and are subject to substantial revisions. Based on a legal analysis of the Office of Legislative Legal Services, if the excise and special sales tax revenue exceed $67 million, as estimated in the Blue Book, the excess would have to be refunded to voters – unless voters decide that the State can retain the revenue – and the tax rate reduced.

A legal analysis of the Office of Legislative Legal Services also concludes that the provisions of TABOR indicate a refund must occur if revenue subject to TABOR that is collected by the State in FY 2014-15 exceeds the estimate of $12.08 billion that was shown in the Blue Book analysis of Proposition AA. This forecast indicates that revenue will exceed that estimate by $207.5 million, meaning that a refund to taxpayers should occur unless voters decide that the State can retain the revenue. The legal analysis, however, specifies that any refund associated with the estimates for Proposition AA should not exceed the actual amount of new marijuana tax revenue collected, which will likely be below this amount. State law does not currently stipulate how any refund for this money to taxpayers must occur.

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
- Elizabeth Garner - State Demographer, Colorado Department of Local Affairs
- Alexandra Hall - Labor Market Information Director, Colorado Department of Labor and Employment
- Ronald New – Capital Markets Executive
- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History And Forecast For Key Colorado Economic Variables
Calendar Year 2007-2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Income										
1	Personal Income (Billions) /A	$202.7	$212.2	$206.4	$210.6	$226.0	$237.5	$245.6	$259.8	$274.7	$291.6
2	Change	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.4%	5.8%	5.7%	6.1%
3	Wage and Salary Income (Billions) /A	$112.5	$116.7	$112.3	$113.8	$118.7	$125.1	$130.0	$138.1	$146.4	$154.9
4	Change	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	3.9%	6.2%	6.0%	5.8%
5	Per-Capita Income ($/person) /A	$42,042	$43,298	$41,477	$41,707	$44,170	$45,767	$46,640	$48,603	$50,609	$52,865
6	Change	4.0%	3.0%	-4.2%	0.6%	5.9%	3.6%	1.9%	4.0%	4.3%	4.5%
	Population & Employment										
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,117.4	5,188.5	5,264.9	5,345.4	5,428.4	5,516.0
8	Change	1.6%	1.7%	1.5%	1.5%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%
9	Net Migration (Thousands)	35.0	40.5	36.3	37.0	33.7	39.2	45.3	49.5	51.9	55.9
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.5%	7.8%	6.8%	5.5%	4.7%	4.4%
11	Total Nonagricultural Employment (Thousands) /B	2,331.3	2,350.3	2,245.6	2,222.3	2,258.6	2,313.0	2,382.1	2,453.7	2,525.5	2,596.9
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.0%	2.9%	2.8%
	Construction Variables										
13	Total Housing Permits Issued (Thousands)	29.5	19.0	9.4	11.6	13.5	23.3	27.5	32.7	39.9	47.2
14	Change	-23.1%	-35.6%	-50.8%	23.9%	16.5%	72.6%	18.0%	18.9%	22.1%	18.1%
15	Nonresidential Construction Value (Millions) /C	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,595.1	$4,160.6	$4,487.6	$4,897.5
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.0%	15.7%	7.9%	9.1%
	Prices & Sales Variables										
17	Retail Trade (Billions) /D	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.6	$88.6	$93.8	$99.6
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.5%	6.0%	5.8%	6.2%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.8	237.3	243.5	249.7
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	2.6%	2.5%

/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.

/B Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

/C 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).

/D 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 2. History And Forecast For Key National Economic Variables
Calendar Year 2007 – 2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Inflation- Adjusted & Current Dollar Income Accounts										
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,024.5	$16,473.2	$16,918.0
2	Change	18%	-0.3%	-2.8%	2.5%	16%	2.3%	2.2%	2.0%	2.8%	2.7%
3	Personal Income (Billions) /B	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,804.4	$15,544.6	$16,353.0
4	Change	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%	4.5%	5.0%	5.2%
5	Per-Capita Income ($/person)	$39,731	$40,791	$39,325	$40,129	$42,322	$44,207	$44,779	$46,439	$48,369	$50,452
6	Change	4.3%	2.7%	-3.6%	2.0%	5.5%	4.5%	13%	3.7%	4.2%	4.3%
7	Wage and Salary Income (Billions) /B	$6,395	$6,532	$6,251	$6,378	$6,633	$6,932	$7,124.7	$7,537.9	$8,005.3	$8,493.6
8	Change	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%	5.8%	6.2%	6.1%
	Population & Employment										
9	Population (Millions)	3019	304.7	307.4	309.7	311.9	314.2	316.4	318.8	3214	324.1
10	Change	10%	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
11	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.3%	5.7%	5.4%
12	Total Nonagricultural Employment (Millions)	137.9	137.2	131.2	130.3	131.8	134.1	136.4	138.8	141.5	144.0
13	Change	13%	-0.6%	-4.3%	-0.7%	12%	17%	17%	18%	19%	18%
	Price Variables										
14	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.0	237.4	242.4	248.0
15	Change	2.9%	3.8%	-0.4%	16%	3.1%	2.1%	15%	19%	2.1%	2.3%
16	Producer Price Index - All Commodities (1982=100)	172.7	189.6	172.9	184.7	2011	202.2	203.4	208.5	216.5	226.3
17	Change	4.9%	9.8%	-8.8%	6.8%	8.9%	0.5%	0.6%	2.5%	3.8%	4.5%
	Other Key Indicators										
18	Corporate Profits (Billions)	1,748.4	1,382.4	1,472.6	1,840.7	$1,806.8	$2,136.1	$2,235.3	$2,2618	$2,468.9	$2,606.2
19	Change	-5.6%	-20.9%	6.5%	25.0%	-18%	18.2%	4.6%	12%	9.2%	5.6%
20	Housing Permits (Millions)	1398	0.905	0.583	0.605	0.624	0.829	0.964	1066	1249	1437
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	16.3%	10.6%	17.1%	15.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,627.8	$4,869.0	$5,067.9	$5,2710	$5,550.8	$5,823.3
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.4%	5.2%	4.1%	4.0%	5.3%	4.9%

/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.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2013-14	% Chg	September 2014 Estimate by Fiscal Year FY 2014-15	% Chg	FY 2015-16	% Chg	FY 2016-17	% Chg
	Excise Taxes:								
1	Sales	$2,424.6	9.6%	$2,581.7	6.5%	$2,708.4	4.9%	$2,840.6	4.9%
2	Use	$241.5	-0.5%	$255.6	5.8%	$271.3	6.2%	$288.1	6.2%
3	Cigarette	$36.6	-4.5%	$36.9	0.9%	$34.6	-6.2%	$33.3	-3.7%
4	Tobacco Products	$16.9	8.4%	$17.2	2.1%	$17.6	2.0%	$18.1	2.9%
5	Liquor	$40.3	2.9%	$42.9	6.4%	$42.8	-0.3%	$43.7	2.2%
6	**Total Excise**	**$2,759.9**	**8.3%**	**$2,934.3**	**6.3%**	**$3,074.8**	**4.8%**	**$3,223.9**	**4.8%**
	Income Taxes:								
7	Net Individual Income	$5,696.1	1.8%	$6,187.0	8.6%	$6,626.7	7.1%	$6,963.1	5.1%
8	Net Corporate Income	$720.7	13.3%	$757.6	5.1%	$820.5	8.3%	$891.8	8.7%
9	**Total Income**	**$6,416.8**	3.0%	**$6,944.6**	8.2%	**$7,447.2**	**7.2%**	**$7,854.9**	**5.5%**
10	*Less: State Education Fund Diversion*	*$478.8*	*-1.6%*	*$520.8*	*8.8%*	*$558.5*	*7.2%*	*$589.1*	*5.5%*
11	**Total Income to General Fund**	**$5,938.0**	**3.3%**	**$6,423.8**	**8.2%**	**$6,888.6**	**7.2%**	**$7,265.8**	**5.5%**
	Other Revenue:								
12	Insurance	$239.1	13.6%	$243.6	1.9%	$250.5	2.8%	$257.1	2.6%
13	Interest Income	$12.9	-26.1%	$15.9	23.3%	$18.9	19.0%	$20.0	6.0%
14	Pari-Mutuel	$0.6	-8.8%	$0.6	-9.7%	$0.5	-5.0%	$0.5	-5.0%
15	Court Receipts	$2.6	9.5%	$2.7	3.9%	$2.5	-5.0%	$2.4	-5.0%
16	Other Income	$21.3	17.9%	$20.1	-5.7%	$21.4	6.4%	$26.1	22.0%
17	**Total Other**	**$276.9**	**11.2%**	**$282.9**	**2.2%**	**$293.9**	**3.9%**	**$306.2**	**4.2%**
18	**GROSS GENERAL FUND**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**	**$10,795.9**	**5.3%**

Table 4. General Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserve**	**$373.0**	**$435.9**	**$802.4**	**$629.5**
2	**Gross General Fund Revenue**	**$8,974.8**	**$9,641.0**	**$10,257.3**	**$10,795.9**
3	*Transfers to the General Fund*	*$14.2*	*$30.2*	*$15.4*	*$16.8*
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,361.9**	**$10,107.1**	**$11,075.0**	**$11,442.2**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$8,218.7**	**$8,765.3**	**$9,685.2**	**$10,020.5**
6	*Dollar Change (from prior year)*	*$759.5*	*$546.5*	$919.9	$335.4
7	*Percent Change (from prior year)*	10.2%	6.6%	10.5%	3.5%
8	**Spending Outside Limit**	**$545.5**	**$539.5**	**$760.3**	**$770.3**
9	*TABOR Refund /B*	*$0.0*	*$0.0*	*$136.7*	*$239.4*
10	*Rebates and Expenditures /C*	*$250.2*	*$254.7*	$267.6	$277.0
11	*Transfers to Capital Construction /D*	*$186.7*	*$225.5*	$177.8	$71.1
12	*Transfers to Highway Users Tax Fund /D*	$0.0	$0.0	$102.6	$108.0
13	*Transfers to State Education Fund under SB 13-234*	$45.3	$25.3	$25.3	$25.3
14	*Transfers to Other Funds /E*	$30.9	$33.9	$50.3	$49.6
15	*Other Expenditures Exempt from General Fund Appropriations Limit /F*	$32.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$8,764.3**	**$9,304.7**	**$10,445.5**	**$10,790.9**
17	*Percent Change (from prior year)*	10.8%	6.2%	12.3%	3.3%
18	Reversions and Accounting Adjustments	*-$49.0*	*$0.0*	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$646.7**	**$802.4**	**$629.5**	**$651.3**
20	*Year-End General Fund as a % of Appropriations*	*7.9%*	*9.2%*	6.5%	6.5%
21	*General Fund Statutory Reserve /G*	$410.9	$569.7	$629.5	$651.3
22	*Above (Below) Statutory Reserve*	$235.8	$232.6	$0.0	$0.0
23	*Transfer of Excess Reserve to Other Funds /H*	-$210.8	$0.0	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2013-14 and FY 2014-15 reflect current law. The FY 2015-16 and FY 2016-17 amounts represents the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount; these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for FY 2015-16 includes $133.1 million in revenue above the Referendum C cap shown in Table 7, as well as $3.6 million in pending amounts owed related to refunds from prior years. See pages 48-50 for further information. The refund mechanisms projected in FY 2015-16 and FY 2016-17 will reduce revenue to the General Fund. The refund mechanisms are not shown as reducing revenue in this forecast, however, only as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same.

/C Includes the Cigarette and Marijuana Rebates to Local Governments, 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 39.

/D SB09-228 transfers to capital construction and the Highway Users Tax Fund are expected in FY 2015-16. The expected and budgeted transfers to capital construction that are occurring each fiscal year in the table exceed the required transfer amount, however. The amounts for FY 2013-14 and FY 2014-15 reflect the budgeted transfers under current law. The FY 2015-16 and FY 2016-17 amounts mostly reflect the needed level to fund the continuation of projects funded in prior years, specific "certificate of participation" financing agreements used for capital projects, and priority, or "Level I," building maintenance projects. Because TABOR refunds of a certain amount are projected in FY 2015-16 and FY 2016-17, the required transfers for transportation are reduced by 50 percent in those years. See page 50 for further details.

/E Under current law, General Fund money is transferred to various State cash funds. Starting in FY 2013-14, this line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

/F Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

/G HB 14-1337 requires the reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/H All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

Table 5. General Fund and State Education Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserves**	**$556.3**	**$1,484.9**	**$1,475.1**	**$1,032.6**
2	*State Education Fund*	$183.4	$1,048.9	$672.7	$403.1
3	*General Fund*	$373.0	$435.9	$802.4	$629.5
4	**Gross State Education Fund Revenue**	**$1,605.1**	**$586.4**	**$589.7**	**$620.6**
5	**Gross General Fund Revenue /A**	**$8,989.0**	**$9,671.2**	**$10,272.7**	**$10,812.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,150.4**	**$11,742.4**	**$12,337.4**	**$12,465.9**
Expenditures					
7	General Fund Expenditures /B	$8,764.3	$9,304.7	$10,445.5	$10,790.9
8	State Education Fund Expenditures /C	*$742.2*	*$962.7*	*$859.3*	*$603.4*
9	**TOTAL OBLIGATIONS**	**$9,506.4**	**$10,267.4**	**$11,304.8**	**$11,394.3**
10	*Percent Change (from prior year)*	12.9%	8.0%	10.1%	0.8%
11	*Reversions and Accounting Adjustments*	*($51.7)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$1,695.7**	**$1,475.1**	**$1,032.6**	**$1,071.6**
13	State Education Fund /C	$1,048.9	$672.7	$403.1	$420.3
14	General Fund /D	$646.7	$802.4	$629.5	$651.3
15	*Transfer of Excess General Fund Reserve to Other Funds /E*	-$210.8	$0.0	$0.0	$0.0
16	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This amount includes transfers to the General Fund shown in line 3 in Table 4.

/B General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

/C State Education Fund expenditures, and consequently, fund balance information, through FY 2014-15 reflect current law. The expenditures for FY 2015-16 and FY 2016-17 reflect projected spending that can occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation. Thus, the expenditures and fund balance projections are illustrative only.

/D HB 14-1337 requires the General Fund reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/E All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category (Dollar amounts in Millions)

Category	Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Transportation-Related /A	**$1,135.7**	**$1,140.8**	**$1,159.9**	**$1,180.6**
Change	3.4%	0.4%	1.7%	1.8%
Limited Gaming Fund /B	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Change	0.2%	3.0%	2.4%	2.9%
Capital Construction - Interest	**$2.4**	**$4.0**	**$2.2**	**$1.6**
Change	139.1%	66.5%	-43.8%	-29.9%
Regulatory Agencies	**$68.5**	**$70.4**	**$74.4**	**$76.5**
Change	5.3%	5.8%	2.8%	2.9%
Insurance-Related	**$20.7**	**$21.1**	**$22.5**	**$23.6**
Change	-21.7%	2.3%	6.4%	4.8%
Severance Tax	**$260.6**	**$278.2**	**$219.5**	**$229.8**
Change	88.1%	6.7%	-21.1%	4.7%
Hospital Provider Fees /C	**$566.7**	**$532.3**	**$664.4**	**$717.6**
Change	-13.2%	-6.1%	24.8%	8.0%
Other Miscellaneous Cash Funds	**$525.2**	**$530.9**	**$544.7**	**$563.5**
Change	12.9%	0.7%	3.0%	3.5%
TOTAL CASH FUND REVENUE	***$2,678.1***	***$2,679.1***	***$2,791.3***	***$2,899.8***
Change	5.2%	0.0%	4.2%	3.9%

* 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

/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

/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 Affordable Care Act.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
	TABOR Revenues:				
1	General Fund /A	$8,959.7	$9,608.4	$10,207.6	$10,745.9
	Percent Change from Prior Year	4.9%	7.2%	6.2%	5.3%
2	Cash Funds /A	$2,723.4	$2,679.1	$2,791.3	$2,899.8
	Percent Change from Prior Year	6.0%	-1.6%	4.2%	3.9%
3	**Total TABOR Revenues**	**$11,683.1**	**$12,287.5**	**$12,999.0**	**$13,645.7**
	Percent Change from Prior Year	5.2%	5.2%	5.8%	5.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.5%	1.5%	1.6%
5	Previous calendar year inflation	1.9%	2.8%	2.8%	2.6%
6	**Allowable TABOR Growth Rate**	3.3%	4.2%	4.3%	4.2%
7	TABOR Limit /B	$9,566.6	$9,953.7	$10,381.7	$10,817.7
8	General Fund Exempt Revenue Under Ref. C /C	$2,116.5	$2,333.8	$2,617.3	$2,827.9
9	**Revenue Cap Under Ref. C /B, D**	**$11,852.4**	**$12,335.5**	**$12,865.9**	**$13,406.3**
10	***Amount Above/(Below) Cap***	**-$169.3**	**-$48.0**	**$133.1**	**$239.4**
11	TABOR Reserve Requirement	$350.5	$368.6	$386.0	$402.2

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C Cap for FY 2013-14 and FY 2014-15 is adjusted to account for changes in the enterprise status of various State entities.

/C 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.

/D 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.

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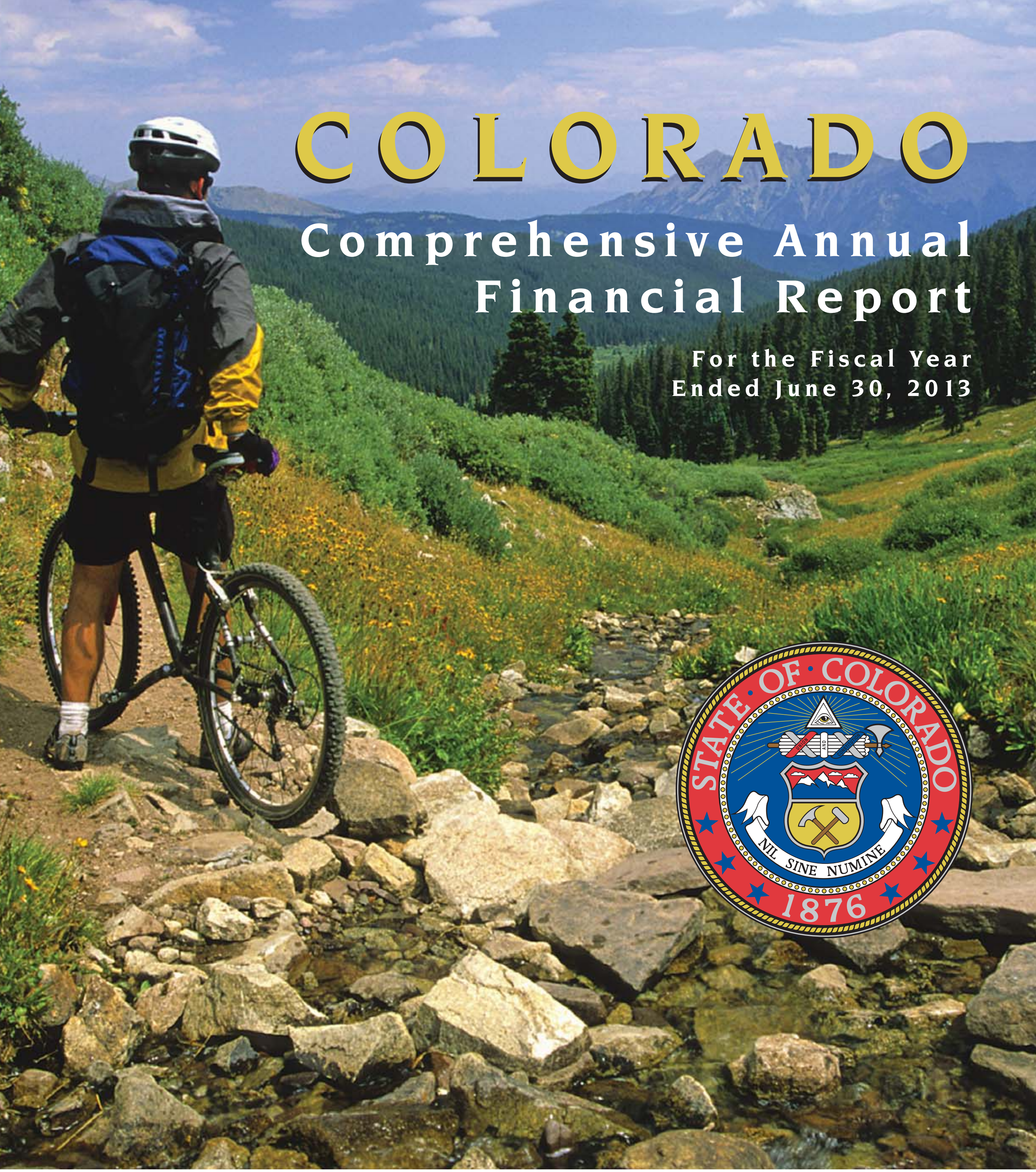
APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

and

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Pagination reflects the original printed documents)



COLORADO

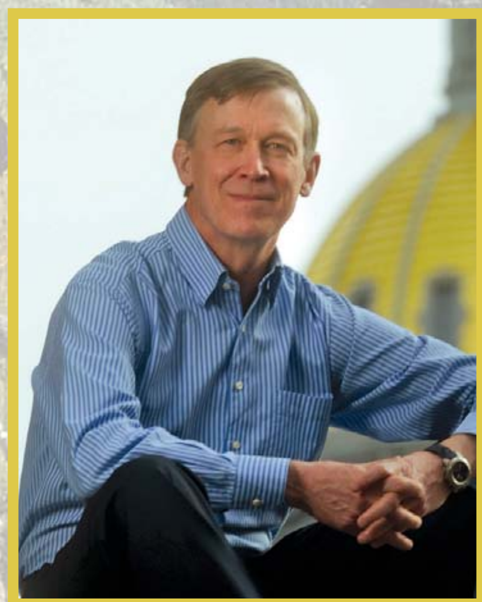
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

COLORADO
Office of the State Controller
Department of Personnel
& Administration

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



John Hickenlooper
Governor

Department of Personnel & Administration
Kathy Nesbitt, Executive Director
Robert Jaros, 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/osc

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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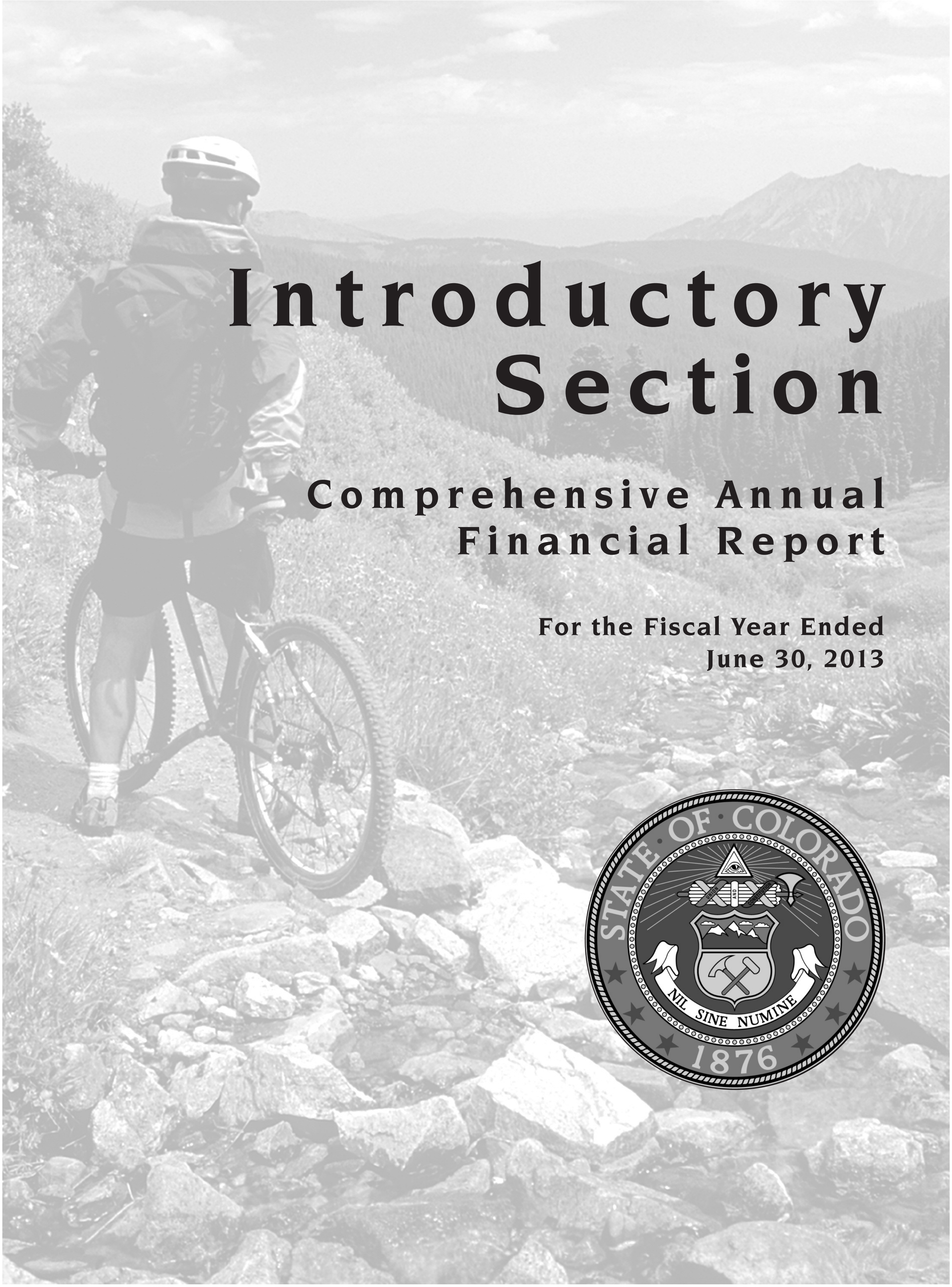
FINANCIAL SECTION

STATISTICAL SECTION



Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

Colorado
Department of Personnel
& Administration
Office of the State Controller

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Robert Jaros
State Controller

December 13, 2013

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, 2013. 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 21, 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 40 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:

Office of the State Controller
1525 Sherman St.,5th Fl.
Denver, CO 80203
O:303-866-6200 | F:303-866-4138
www.colorado.gov/dpa

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 71). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

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

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

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

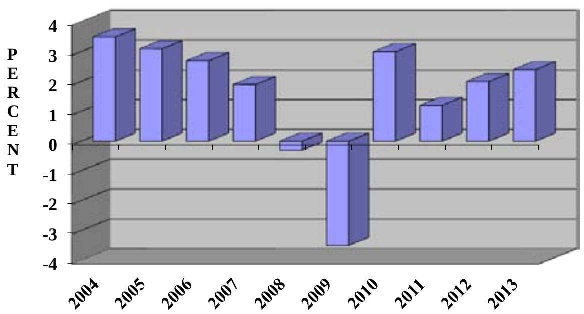
The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more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

ECONOMIC CONDITION AND OUTLOOK

The State's General Fund revenues reflect the overall condition of the State economy, which showed improved growth in Fiscal Year 2012-13; General Fund revenues increased by $821.0 million (10.6 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 4.2 percent for 2012 and is forecast to increase by 4.3 percent for 2013. State nonagricultural employment levels rose by 51,800 in 2012, and are forecasted to increase by another 60,700 in 2013.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.0 percent in the third quarter of calendar year 2012 and 2.4 percent in the third quarter of 2013. Inflation adjusted GDP increased 1.8 percent from the third quarter of 2012 to the third quarter of 2013 (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 led by a 7.5 percent increase in durable goods (including recreational goods and vehicles increasing at 10.5 percent and furnishings and durable household equipment at 7.4 percent). In addition to a 5.4 percent increase in fixed investment (including significant increases in residential – 14.8 percent, information processing equipment – 6.8 percent, and other equipment – 6.8 percent), private domestic investment was up by 6.8 percent in aggregate as farm inventories grew significantly while nonfarm inventories declined. Government spending declined quarter-over-quarter by 2.7 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 2.8 percent and imports grew by 1.7 percent; net imports continued to be a reduction of GDP at a slightly lower amount than in the third quarter of 2012.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT

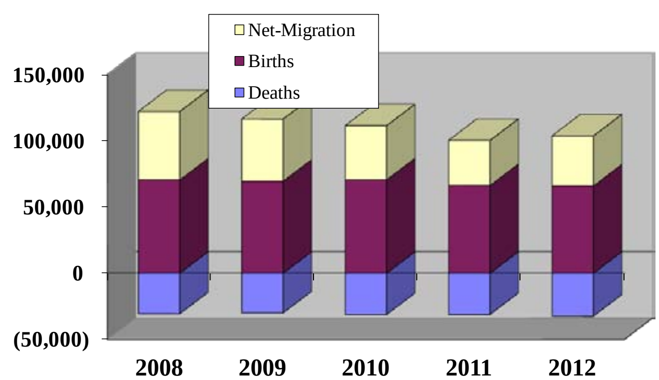


The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. This has been compounded by uncertainties in the European market and debates in the U.S. Congress over increases to federal debt ceiling, automatic tax increases and spending cuts. The September, 2013 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

"The nation's economy expanded at a modest pace through the summer. Healthier balance sheets for the nation's businesses, households, and banks, renewed momentum in the manufacturing sector, improvement in the real estate sector, and incremental improvements in the global economy have translated into improved consumer and business confidence. Nonetheless, robust economic growth continues to be hindered by uncertain monetary, fiscal, and regulatory policies, along with heightened geopolitical risk. In addition, the economy is still absorbing the effects of recent federal tax increases and spending cuts. Economic activity will continue to expand modestly through the remainder of 2013 before growing at a more earnest pace in 2014 and 2015. The economy is expected to recover sufficiently by the middle of 2015 for the Federal Reserve to begin raising interest rates, thus beginning the process of reducing the size of the money supply."

The recovery of the Colorado economy from the recession continues and economic indicators show that Colorado is outperforming many other states. According to the Office of State Planning and Budgeting (OSPB), Colorado's economy could grow faster than forecast and cause revenue to outperform expectations. However, uncertainties remain as to the strength of the recovery at the national level, and a decline in federal government jobs for both Colorado and the nation is pulling down overall job growth.

COMPONENTS OF COLORADO'S POPULATION CHANGE



Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 43,700 from 2008 to 2012. 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 immigration decreased from approximately 12,400 (2008) to 9,482 (2012). Similarly, domestic migration from other states decreased from 38,500 (2008) to 27,962 (2012). The information in the adjacent chart is based on current Census Bureau estimates. The Colorado State Demographer forecasts net population growth of 85,037 for 2013 and 89,969 for 2014, and OSPB forecasts net migration of 48,300 and 50,900, for those years respectively, which indicates persistent immigration.

The OSPB September 20, 2013 quarterly estimate predicts continued growth in Colorado's economy in 2013; however, federal fiscal policy issues surrounding debt and budget levels could result in larger-than-expected negative economic consequences. 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.

OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 6.9 percent for 2013 compared with 8.0 and 8.6 percent in 2012 and 2011, respectively, and it is expected to slightly decrease in 2014 to 6.5 percent.
- Wages and salary income will increase by 4.8 percent in 2013, by 5.0 percent in 2014, and by 5.1 percent in 2015
- Total personal income will increase by 4.3 percent in 2013, and reach 5.4 percent by 2014.
- Net migration is expected to be 48,300 in 2013 and 52,900 in 2014 with total population growth of about 1.6 and 1.7 percent, respectively.
- Retail trade sales will increase by 4.8 percent in 2013 followed by an increase of 5.4 percent in 2014.
- Colorado inflation will be 2.6 percent in 2013, and decrease to 2.4 percent in 2014.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2013 session. There were several areas of focus including health care, education, social programs and services, and justice including implementing enforcement activities around recreational marijuana. The following measures had the most significant financial impact:

- The General Assembly enacted legislation to align the Colorado Health Care Coverage Act with the federal Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. As a result, the CoverColorado program that provides high risk health insurance coverage was repealed effective March 31, 2015. A provision to enhance funding for the Colorado Health Benefit Exchange, operating as Connect for Health Colorado, was enacted and allows the organization to assess a fee not to exceed $1.80 per insured individual. Additionally, the income eligibility level for optional eligibility groups in Colorado's Medicaid program were increased for parents and caretaker relatives of Medicaid children and childless adults or adults without dependent children to 133 percent of the federal poverty level, funded by hospital provider fees.
- To implement the Public School Finance Act of 1994 the General Assembly provided approximately $76.7 million for Fiscal Year 2012-13, primarily for the State share of school districts' total program funding, additional support for Colorado Preschool Program participants and special education programs. The Act also provided $23.1 million for Fiscal Year 2013-14, primarily for early literacy programs.
- To improve educational programs, a grant program was created to improve quality in infant and toddler care, provide tiered reimbursement to, and increase the number of low income infants and toddlers served through high quality early childhood programs. Additionally, funding was increased for the Accelerating Students through Concurrent Enrollment (ASCENT) program.
- The General Assembly directed the State Board for Community Colleges and Occupational Health to design a manufacturing career pathway for the skills needed for employment in Colorado's manufacturing sector, as well as created a transitional jobs program at the Department of Human Services in conjunction with the Colorado First Customized Job Training Program.
- The General Assembly addressed the State's capital needs with the appropriation of $188.1 million of general-purpose revenues to fund 17 capital projects, 67 controlled maintenance projects, and 4 lease purchase payments for Fiscal Year 2013-14. Additionally, the General Assembly designated a portion of the Fort Lyons property, which was the site of a former state correctional facility, as a transitional residential community for the homeless to provide substance abuse supportive services, medical care, job training, and skill development for the residents.
- The General Assembly addressed at-risk elders by requiring certain professionals who observe or suspect the abuse or exploitation of a person 70 years of age or older has been abused to report such fact to a law enforcement agency within 24 hours.
- The General Assembly authorized the funding to study delivery methods for multiple human services. The Disability Investigational and Pilot Support Fund was created to study or pilot new and innovative ideas for improving the quality of life or increased independence for people with disabilities. Requests were also authorized for proposals to entities with the capacity to create a statewide coordinated and seamless behavioral health crisis response system including a 24-hour crisis telephone hotline, walk-in crisis services, crisis stabilization units, mobile crisis services, residential and respite crisis services, and a public information campaign.
- The General Assembly passed several measures to implement the constitutional change legalizing recreational marijuana. This included measures to create an open container offense for marijuana similar to alcohol, to classify marijuana under the "Colorado Clean Indoor Air Act", and encourage additional peace officer training related to driver

impairment. The Department of Revenue's Enforcement Division was given authority over regulating retail marijuana. Additionally, a sales tax of 10 percent and an excise tax of 15 percent was authorized on the sale of retail marijuana or retail marijuana products to a consumer by a retail marijuana store, contingent upon voter approval which was earned in the November 2013 general election.

- In response to the backlog of forensic medical evidence at the Colorado Bureau of Investigation (CBI), new legislation requires law enforcement agencies to submit to the Colorado Bureau of Investigation an inventory of all unanalyzed forensic evidence in active investigations that meets the standard for mandatory submission. The CBI is required to submit a plan to analyze all of the forensic evidence inventories by law enforcement agencies.
- Clarification was provided that the appointment of the State public defender to represent indigent persons applies when the charged offense includes a possible sentence of incarceration.
- To comply with the Water Quality Commissions's nutrients management control regulation, the General Assembly created a grant program to make funding available to local governments for the planning, design, construction, or improvement of domestic wastewater treatment works owned or operated by a local government.
- The General Assembly created a wildfire risk reduction grant program in the Department of Natural Resources providing $9.8 million in funding opportunities for projects implementing hazardous forest fuel reduction treatments to reduce the risks associated with wildfires in Colorado.
- The General Assembly authorized the use of $4.0 million from the Species Conservation Trust Fund for ten projects, the largest of which was for wildlife research.
- The Colorado Voter Access and Modernized Elections Commission was created to assess the systems used in the State for voting and registration and to require the Secretary of State to conduct monthly national change of address searches on all electors whose names appear in the statewide voter registration list for transmission to county clerk and recorders.
- The General Assembly transferred $132.4 million from the General Purpose Revenue Fund in supplemental contributions to the Fire and Police Pension Association to liquidate the State's share of the old hire pension plans' unfunded accrued actuarial liability.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly appropriates the annual State budget for ongoing programs, except for custodial funds, certain statutory cash funds, and most federal 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, operating appropriations lapse at the end of the fiscal year unless the State Controller approves an appropriation rollforward based on express legislative direction or extenuating circumstances. The State Controller, with the approval of the Governor, may also allow expenditures in excess of the appropriated budget. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

The State records the appropriated budget and certain nonappropriated spending authority (including most institutions of higher education activity) in its accounting system along with estimates of federal awards, statutory cash funds, 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 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 lapse except those that 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, 2012. This was the sixteenth 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,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

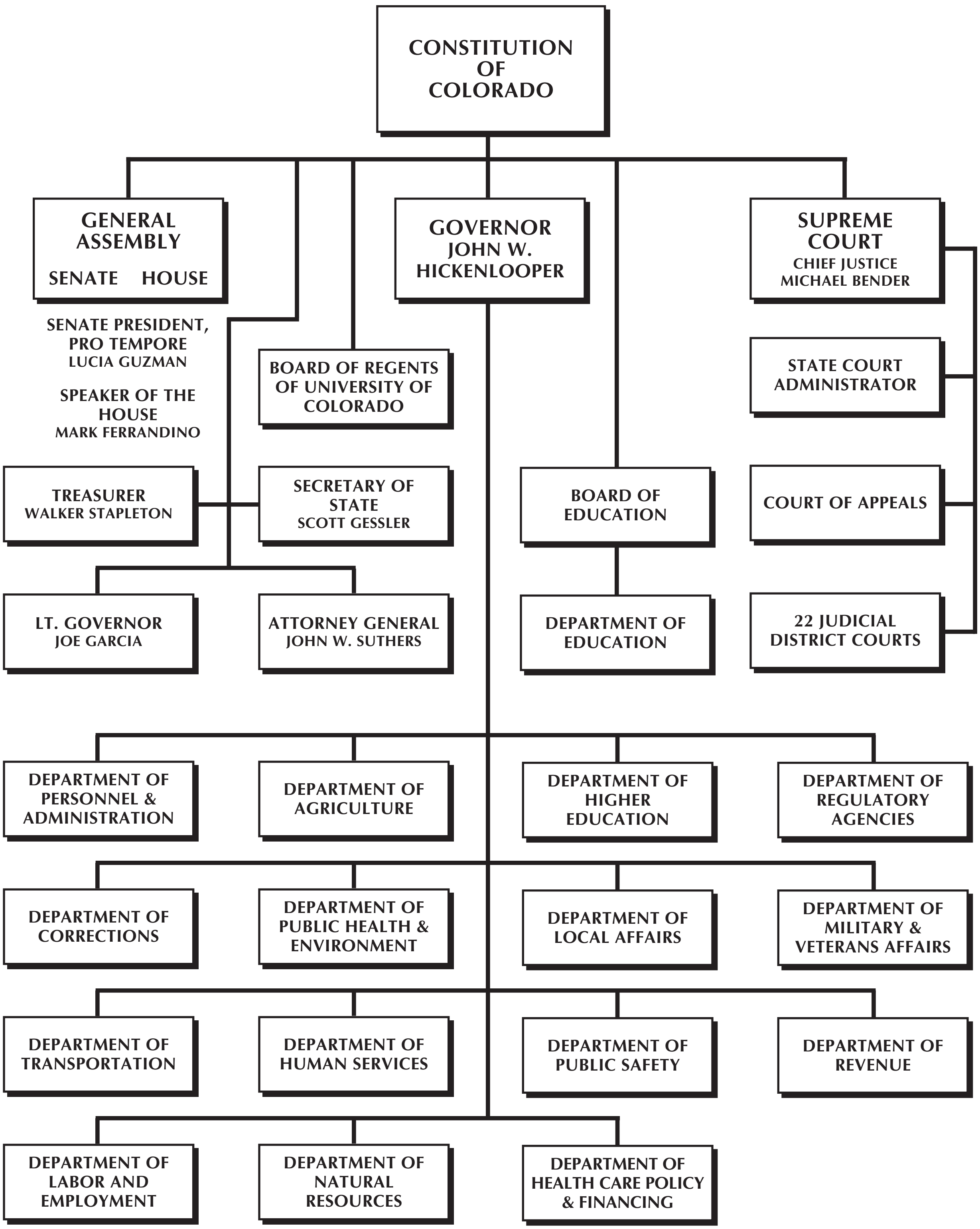
State of Colorado

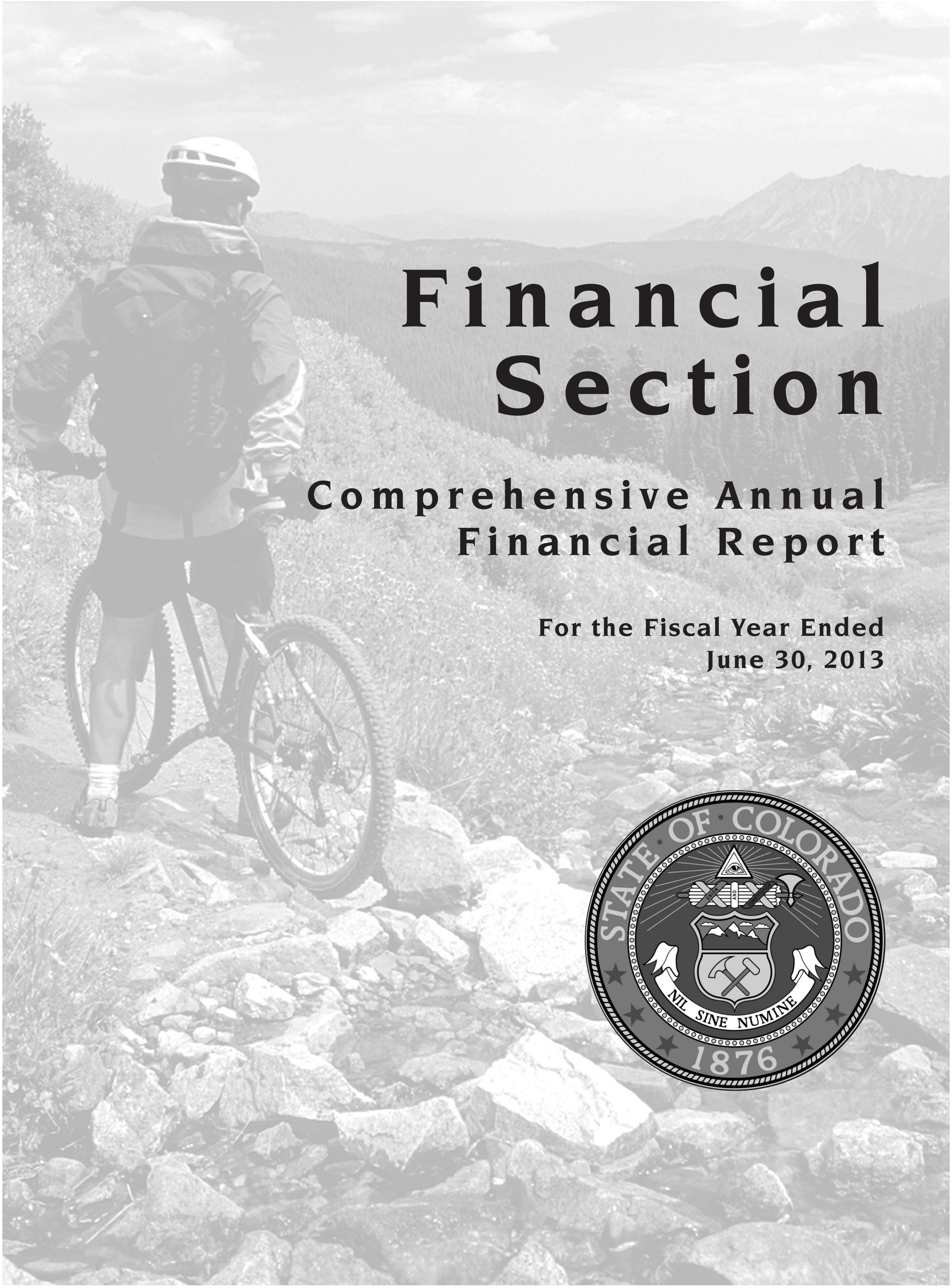
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 total assets, 100 percent of net position, and 100 percent of 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 total assets, 5 percent of the net position, and 11 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net position, and 7 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose report thereon has 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 report 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 from 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*.

Legislative Services Building • 200 East 14th Avenue • Denver, Colorado 80203-2211
Phone: 303.869.2800

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* in Fiscal Year 2013. Our opinion is not modified with respect to these matters.

Change in Reporting Entity

As identified in Note 2 to the financial statements, the University of Colorado Hospital Authority is no longer presented as part of the State's discretely presented component units. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, management's discussion and analysis and budgetary comparison 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 sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Omission of Information

Management has omitted tuition and fees within the *Schedule of Revenues, Expenditure/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*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The accompanying supplementary information: the combining and individual nonmajor fund financial statements, the schedule of capital assets, and the schedule of other funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 basic 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 by us and the other auditors. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The transmittal letter, introductory section, statistical section, and graphical presentations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of the audit.

December 13, 2013

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 $14,958.7 million, an increase of $779.6 million as compared to the prior year amount of $14,179.1 million. Causes of the increase in net position include an increase in cash and restricted cash balances of $599.3 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 $49.9 million. Investments and restricted investments increased by $56.8 million, most notably from an increase in investment proceeds held for public school construction. Capital assets decreased by $22.4 million, primarily due to $568.1 million in infrastructure depreciation charges. Increases in infrastructure construction and public school construction offset the majority of the depreciation charges. Assets of the State's business-type activities exceeded liabilities by $6,688.7 million, an increase of $548.7 million as compared to the prior year amount of $6,140.0 million. The overall increase was primarily the result of the following net position changes: an increase of $266.8 million in Higher Education Institutions, an increase of $153.7 in Unemployment Insurance, and an increase of $129.7 million in Other Enterprises (primarily in the Transportation Enterprise. In total, net position of the State increased by $1,328.3 million to $21,647.4 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,100.2 million (prior year $5,292.9 million). In total, governmental fund balances increased by $807.3 million from the prior year due to increases in the Resource Extraction Fund, Capital Projects Fund, State Education Fund, and Other Governmental Funds, which were partially offset by reductions in the General Fund and the Highway Users Tax Fund (HUTF). The General Fund decrease of $426.3 million was due to improved general-purpose tax collections in the General Purpose Revenue Fund that allowed for the transfer of $1,073.5 million to the State Education Fund. The General Purpose Revenue Fund portion of the General Fund is required to maintain a reserve of five percent of General Purpose Revenue Fund appropriations on a legal basis; $216.1 million was available on a GAAP basis to partially fund the reserve for Fiscal Year 2012-13. The reserve is required to increase by 0.5 percent in the third fiscal year after the personal income growth trigger is met, currently projected to occur in 2014 effective for Fiscal Year 2017-18. Thereafter, the reserve increases annually by 0.5 percent until the reserve reaches 6.5 percent where it will be maintained. The Resource Extraction Fund increased by $85.2 million due to increased cash related to severance taxes, mineral leasing, and fees, and increased inventory for temporary water rights purchased for resale. The HUTF decreased by $25.5 million with increases in expenditures outpacing increases in revenue. The Capital Projects Fund increased by $5.5 million due to additional funding from the General Purpose Revenue Fund. The State Education Fund increased by $1,062.4 million due to transfer-in of $1,073.5 million from the State's General Fund Surplus. The Other Governmental Funds increased by $106.0 million, largely due to activity in the Labor, Gaming, and Environment and Health Protection Fund.

Enterprise Fund assets exceeded liabilities resulting in total net position of $6,688.7 million (prior year $6,140.0 million), of which $4,536.7 million (prior year $4,143.7 million) was restricted or invested in capital assets, and the balance of $2,152.0 million (prior year $1,996.3 million) was unrestricted. The total increase of $548.7 million in Enterprise Fund net position was primarily due to an increases of $266.8 million in Higher Education Institutions, $153.7 million in the Unemployment Insurance Fund, and $129.7 million in Other Enterprises, primarily the Transportation Enterprises.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2013, were $1,785.6 million (prior year $1,777.0 million), which is 24.6 percent (prior year 27.6 percent) of financial assets (cash, receivables, and investments) and 9.1 percent (prior year 9.5 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 $4,132.1 million (prior year $4,181.9 million). The majority of the 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. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenue in excess of the limit. Any excess 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 2012-13, and although it did exceed the TABOR limit by $1,859.9 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 29 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 71.

Fund-Level Statements

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

- Governmental Funds – A large number of the State's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column with additional fund detail presented in the Supplementary section of this report. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds.
- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the State's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds generally charge other State agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net 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.

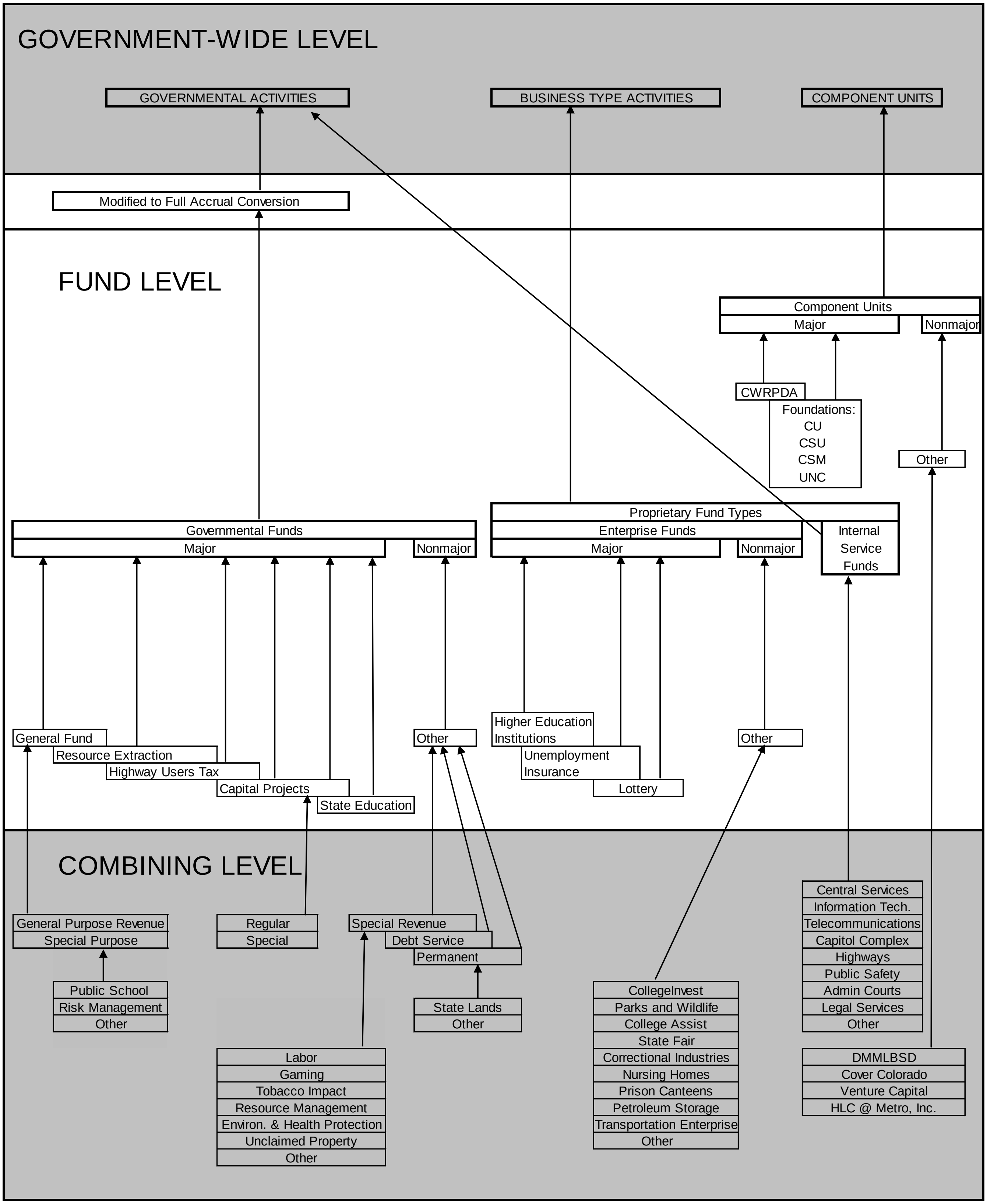
Notes to Basic Financial Statements

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
CWRPDA
Foundations:
CU
CSU
CSM
UNC
Other
Proprietary Fund Types
Governmental Funds
Enterprise Funds
Internal Service Funds
Major
Nonmajor
Major
Nonmajor
General Fund
Resource Extraction
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
Lottery
Other
COMBINING LEVEL
General Purpose Revenue
Special Purpose
Public School
Risk Management
Other
Regular
Special
Special Revenue
Debt Service
Permanent
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
Legal Services
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	
	2013	2012	2013	2012	2013	2012
Noncapital Assets	$ 8,145,302	$ 7,226,747	$ 5,762,411	$ 5,591,121	$ 13,907,713	$12,817,868
Capital Assets	11,483,728	11,506,120	6,692,826	6,269,812	18,176,554	17,775,932
Total Assets	19,629,030	18,732,867	12,455,237	11,860,933	32,084,267	30,593,800
Deferred Outflow of Resources	-	-	551	5,005	551	5,005
Current Liabilities	2,022,074	1,941,714	1,359,106	1,305,517	3,381,180	3,247,231
Noncurrent Liabilities	2,648,225	2,612,089	4,407,976	4,420,423	7,056,201	7,032,512
Total Liabilities	4,670,299	4,553,803	5,767,082	5,725,940	10,437,381	10,279,743
Net Investment in Capital Assets	10,107,082	10,107,432	3,571,408	3,386,411	13,678,490	13,493,843
Restricted	3,656,639	2,582,636	965,311	757,330	4,621,950	3,339,966
Unrestricted	1,195,010	1,488,996	2,151,987	1,996,257	3,346,997	3,485,253
Total Net Position	$14,958,731	$14,179,064	$ 6,688,706	$ 6,139,998	$ 21,647,437	$20,319,062

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 $13.7 billion or 63.2 percent of the State's total net position, which represents an increase of $158.0 million from the prior year; capital assets increased in business-type activities, but declined in governmental activities. The decrease of $22.4 million in governmental capital assets is attributable to transportation projects, public school construction, and the completion of the Ralph L. Carr Justice Center. Depreciation charges of $568.1 million for bridge and roadway infrastructure more than offset increases related to new construction activity. The current year increase in Net Investment in Capital Assets of $185.0 million in business-type activities, primarily in Higher Education Institutions and the Other Enterprise Funds (primarily the Transportation Enterprise), indicates that capital asset purchases from financed and current resources was greater than depreciation charges and payments on capital debt. 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 $4,622.0 million or 21.4 percent of net position, which represents an increase of $1,282.0 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 increased by $1,074.0 primarily related to the required transfer of the excess general fund surplus of $1,073.5 million to the State Education Fund, while business-type activities increased by $208.0 million.

The Unrestricted Net Position of $3,347.0 million represents 15.5 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 a decrease of $138.3 million from the prior fiscal year. The governmental activities unrestricted net position decreased by $294.0 million and business-type activities increased by $155.7 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 $772.7 million. Program revenue of the governmental activities increased by $241.4 million (2.9 percent) related to increasing charges for services and capital grants and contributions. General-purpose revenues increased by $843.9 million (9.1 percent) primarily due to increased tax collections and accruals of taxes receivable. Expenses increased by $770.6 million (4.5 percent) from the prior year in alignment with increased program and general purpose revenue increases. This was reduced somewhat by the increase of the General Fund Statutory Reserve from 4.0 to 5.0 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	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	$ 1,950,925	$ 1,785,794	$ 5,185,664	$ 5,083,700	$ 7,136,589	$ 6,869,494
Operating Grants and Contributions	5,860,052	5,884,031	2,730,519	3,165,718	8,590,571	9,049,749
Capital Grants and Contributions	700,548	600,300	96,655	132,067	797,203	732,367
General Revenues:						
Taxes	8,953,713	8,186,128	-	-	8,953,713	8,186,128
Restricted Taxes	1,039,105	965,784	-	-	1,039,105	965,784
Unrestricted Investment Earnings	16,842	15,015	-	-	16,842	15,015
Other General Revenues	97,402	96,213	-	-	97,402	96,213
Total Revenues	18,618,587	17,533,265	8,012,838	8,381,485	26,631,425	25,914,750
Expenses:						
General Government	555,507	224,382	-	-	555,507	224,382
Business, Community, and Consumer Affairs	584,300	600,068	-	-	584,300	600,068
Education	5,187,481	5,205,123	-	-	5,187,481	5,205,123
Health and Rehabilitation	697,795	703,684	-	-	697,795	703,684
Justice	1,655,057	1,555,294	-	-	1,655,057	1,555,294
Natural Resources	77,934	93,900	-	-	77,934	93,900
Social Assistance	7,174,711	6,746,574	-	-	7,174,711	6,746,574
Transportation	1,769,013	1,777,488	-	-	1,769,013	1,777,488
Interest on Debt	16,284	40,935	-	-	16,284	40,935
Higher Education Institutions	-	-	5,258,665	5,068,481	5,258,665	5,068,481
Unemployment Insurance	-	-	1,055,148	1,571,321	1,055,148	1,571,321
Lottery	-	-	501,010	495,847	501,010	495,847
Parks and Wildlife	-	-	177,497	160,933	177,497	160,933
College Assist	-	-	407,229	403,023	407,229	403,023
Other Business-Type Activities	-	-	187,265	196,542	187,265	196,542
Total Expenses	17,718,082	16,947,448	7,586,814	7,896,147	25,304,896	24,843,595
Excess (Deficiency) Before Contributions, Transfers, and Other Items	900,505	585,817	426,024	485,338	1,326,529	1,071,155
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(128,535)	(135,407)	128,535	135,407	-	-
Permanent Fund Additions	741	595	-	-	741	595
Total Contributions, Transfers, and Other Items	(127,794)	(134,812)	128,535	135,407	741	595
Total Changes in Net Position	772,711	451,005	554,559	620,745	1,327,270	1,071,750
Net Position - Beginning	14,179,064	14,179,064	6,139,998	6,139,998	20,319,062	20,319,062
Prior Period Adjustment	6,956	(451,005)	(5,851)	(620,745)	1,105	(1,071,750)
Net Position - Ending	$14,958,731	$ 14,179,064	$ 6,688,706	$ 6,139,998	$21,647,437	$20,319,062

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $554.6 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 $368.6 million (4.4 percent) and expenses decreased by $309.3 million. Operating Grants and Contributions declined by $435.2 million primarily in Unemployment Insurance followed by Higher Education Institutions related to reduced ARRA funding. The decrease in Operating grants and Contributions was partially offset by $102.0 million in increased Charges for Services, primarily in Higher Education

Institutions. The decrease in expenses is primarily attributable to a 32.9 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 2012-13 is the twentieth 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.

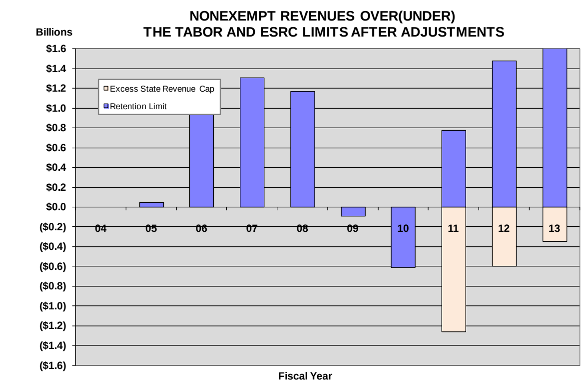
In years when Referendum C was not in effect, the State's ability to retain revenues was also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues 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 2012-13, 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 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 2012-13, unaudited State revenues subject to TABOR were $11,107.3 million, which was $352.9 million under the ESRC, and $1,859.9 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 2012-13, the Colorado Geological Survey was relocated from the Department of Natural Resources to the Colorado School of Mines. The Colorado Geological Survey was formerly nonexempt TABOR activity, but became TABOR enterprise activity as the Colorado School of Mines is part of the Higher Education Institution TABOR enterprise. Also during Fiscal Year 2012-13, a portion of the wildfire functions moved from Colorado State University which is part of the TABOR qualified Higher Education Institutions to the Department of Public Safety. As required by TABOR, the State Controller makes the qualification of new enterprises and disqualification of existing TABOR enterprises neutral in the excess revenue calculation. In Fiscal Year 2012-13, the TABOR limit was decreased by total of $1.8 million related to these changes in the TABOR district.

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 $4,103.3 million from Fiscal Year 2010-11 through 2012-13 due to the increasing ESRC as compared to TABOR limit, for a total of $7,696.9 million of retained Referendum C revenue.

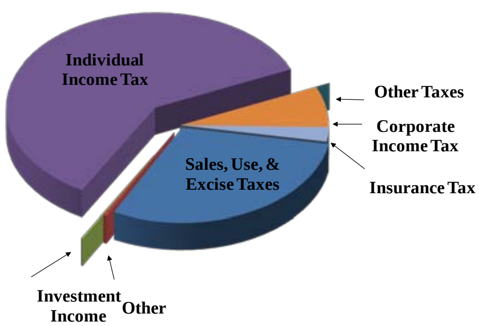
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery, the State's revenues are not expected to exceed the ESRC cap during Fiscal Year 2012-13. Neither the Legislative Council nor the Governor's economic forecast projects nonexempt revenue in excess of the ESRC through Fiscal Year 2015-16.

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 $799.1 million, $253.5 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. The General Purpose Revenue Fund decreased by $427.6 million from the prior year. In Fiscal Year 2012-13, the State was able to fund the General Fund Statutory Reserve of $373.0 million on a budget basis, but was only able to reserve $216.1 million and on a GAAP basis. After the partial statutory reserve the General Purpose Revenue Fund Unassigned Fund Balance was eliminated, which was a decrease of $359.4 as compared to the prior year. When considering the shortfall of $156.9 million in meeting the reserve on a GAAP basis, the decrease in the unassigned balance would have reached $516.3 million. The General Purpose Revenue Fund's $1,059.9 million year-end unrestricted cash balance increased by $502.3 million from the prior year primarily due to improving tax collections.

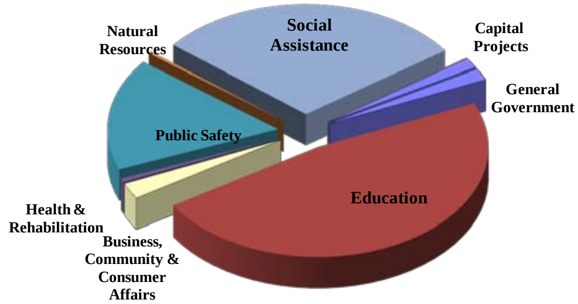
General-purpose revenues for Fiscal Years 2012-13 and 2011-12 were $8,554.8 million (see page 163) and $7,336.0 million, respectively – an increase of $1,218.8 million or 16.6 percent. Individual income tax revenue increased by $584.5 million or 11.7 percent. The major categories of individual income tax, that contributed to the increase, were estimated payments (up 25.1 percent), cash with returns (up 37.1 percent), and withholding payments (up 2.6 percent). The significant percentage increase in estimated tax payments is normally associated with improving self-employment income and taxpayers' investment earnings, while the increase in cash with returns generally represents improving wages. The increase in withholding reflects modest job growth and some wage inflation. Corporate income tax receipts increased by $149.9 million, or 30.8 percent, reflecting strong corporate profits. Sales, use, and excise taxes increased by $159.8 million or 6.7 percent, which is slightly above the projected 4.3 OSPB projected increase in personal income in 2013.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2012-13 and 2011-12 were $7,826.9 million (see page 163) and $7,139.2 million, respectively. For Fiscal Year 2012-13, 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 $545.6 million in Fiscal Year 2012-13. 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 79.0 percent of all Fiscal Year 2012-13 general-funded expenditures, which is a decrease of 0.9 percent from the prior year. There were no significant decreases in departmental expenditures. The largest increases were in the Department of Education, Health Care Policy and Financing, and The Department of Human Services. The Department of Education expenditures increased by $181.2 million (6.4 percent) due to the availability of increased general purpose revenue. The Department of Health Care Policy and Financing's general-funded expenditures increased $144.1 million (8.5 percent) as the use of general-funded resources increased as a result of the result of the phase-out of the enhanced federal matching funds under the American Recovery and Reinvestment Act of 2009 moneys and increased caseloads. The Department of Human Services expenditures increased $49.5 million (7.0 percent) to meet case load demands

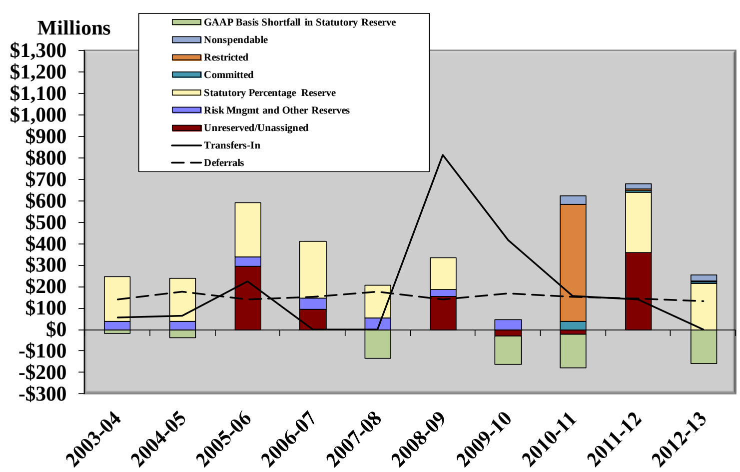
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



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 2012-13, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $86.9 million of payroll, $123.9 million of Medicaid, and $1.2 million of OIT expenditures into Fiscal Year 2013-14. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $80.4 million. In total, the effect was to increase General Fund budgetary fund balance by $131.7 million, which was $21.4 million less than the effect of deferring Fiscal Year 2011-12 expenditures into Fiscal Year 2012-13. Although Medicaid expenditures and caseloads continue to increase, the Medicaid related deferral declined due to increased drug rebate credits that offset Medicaid expenditures. Transfers-in were negligible as compared to the prior year.

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 2012-13 require a five percent fund balance reserve of $373.0 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by $156.9 million. On a budgetary basis there were deferrals of $131.7 million of payroll, Medicaid, and other costs into Fiscal Year 2013-14. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03. The deferrals and transfers-in 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.

GENERAL FUND - FUND BALANCE[1]



[1] Beginning in Fiscal year 2010-11, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management 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.

Resource Extraction Fund

The Resource Extraction Fund fund balance increased by $85.2 million (9.4 percent) from the prior year. Cash is collected from severance taxes, mineral leasing, and fees associated with regulation of mining activities increased by $67.0 million as compared to the prior year. 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 $383.0 million, of the fund's fund balance of $989.8 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 $14.6 million from the prior year.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $25.5 million (2.1 percent) from the prior year largely due to expenditures increases at a faster pace than federal revenue increases. 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 $1,197.5 million. This amount includes $1,073.4 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,146.0 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance increased by $5.5 million (11.3 percent) from the prior fiscal year due to increased funding from the General Purpose Revenue Fund. Fund expenditures of $88.2 million ($213.1 million in Fiscal Year 201-12) were primarily related to projects appropriated in previous years. The Capital Projects Fund reported fund balance restrictions of $2.5 million, or 4.6 percent of total fund balance, related to residual certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance increased by $1,062.4 million (545.4 percent) during Fiscal Year 2012-13 primarily related legislation that diverted the excess General Fund Surplus balance of $1,073.5 to the State Education Fund. Except for investment income and transfers-in from the General Purpose Revenue Fund, 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 2012-13 by $78.8 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 $59.0 million in the prior year supported Fiscal Year 2012-13 expenditures. Expenditures of the fund were $490.5 million and $645.8 million in Fiscal Year 2012-13 and 2011-12, respectively. The reduction in expenditures is attributable to transfers-in from the General Purpose Revenue Fund of $221.4 that supported increased expenditures activity in Fiscal Year 2011-12.

Higher Education Institutions

The net position of the Higher Education Institutions increased by $266.8 million (5.3 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 $222.1 million, sales of goods and services increased by $100.5 million, federal revenues decreased by $79.3 million, and Other Operating revenues increased by $19.5 million. In addition, investment income (including an increase in fair value of investments) decreased by $19.6 million. Overall, revenues increased by 4.1 percent and expenses increased by 3.8 percent. The State made capital contributions of $95.7 million and $134.3 million in Fiscal Years 2012-13 and 2011-12, respectively, that were funded by the Capital Projects Fund and transferred $194.2 million ($192.8 million in Fiscal Year 2011-12) 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) increased by $153.7 million (238.7 percent). Unemployment benefits paid decreased by $511.8 million, or 32.8 percent, after decreasing $572.0 million in the prior year. The reduced benefits paid were caused by a reduction of $878.7 million in federal grants – including ARRA funds that were originally provided to extend the duration of unemployment benefits. Unemployment insurance premiums collected decreased by $56.5 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 $505.0 million of the fund's liabilities. The fund's cash balance was $580.9 million, as compared to $523.0 million in the prior year.

State Lottery

The Lottery produced operating income of $134.8 million ($122.2 million in Fiscal Year 2011-12) on sales of $575.2 million ($559.3 million in Fiscal Year 2011-12). The change represents a 10.3 percent increase in operating income. The Lottery distributed $59.2 million ($57.1 million in Fiscal Year 2011-12) to the Great Outdoors Colorado program, a related organization, and transferred $77.0 million ($66.7 million in Fiscal Year 2011-12) to other State funds; $13.6 million primarily to fund operations of the State's Division of Parks and Recreation and $54.3 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 163. 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
  - $10.6 million to reflect updated caseload projections,
  - $4.7 million transferred the Department of Human Services authorized by C.R.S. 24-75-106 to cover nonMedicaid eligible caseload costs,
  - $4.5 million as a result of a 1.5 percent rate cut to nursing facilities providing Medicaid services, and
  - $1.1 related to transferring the provider fee to the Department of Human Services for intermediate care facilities for the intellectually disabled.

The decreases were offset by an increase of $2.7 million in funding for the Children's Health Plan, and $1.6 million related to rollfoward authority for the Colorado Benefits Management System.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $9.6 million for Fiscal Year 2012-13 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 83 at the individual line item appropriation level. In total, State departments reported general-funded appropriations negative reversions of $12.5 million; the reversion would have been $7.8 million if not for a $20.3 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 $6.5 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $2.3 million (0.4 percent) primarily in its pharmaceutical line item. Reversions of $1.3 million resulted from a reduced need for offender prescriptions and at least one high cost drug becoming available in generic form during the year. Another $0.3 million saved from lower than anticipated population of youth offenders requiring aftercare services, and unused contract services of $0.1 million in community intensive supervision program services. There were various other small reversions for institutional contract services, community services, and administration.
- Department of Human Services – The department reverted $2.0 million (0.3 percent) comprising:
  - $0.5 million in General Purpose Revenue Fund savings as a higher proportion of the youth were Medicaid eligible in the Residential Treatment Centers for Youth line item, and were therefore costs were paid from federal sources.
  - $0.3 million in savings resulting from the negotiation of a reduced price for Electronic Benefits Transfer card contract.
  - $0.3 million in community-based child abuse prevention services, as rollforward authority to use unspent funds in future years was inadvertently excluded in the legislative process.
  - $0.3 million in cost savings on Colorado Benefit Management System Modernization project.
  - $0.2 million in rollforward reversions for child welfare services in the mental health institutions.
  - $0.1 million in adult foster care due to reduced caseloads.
  - $0.1 million in the residential treatment centers for youth line item as a result of reduced caseloads.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2013, was $13.7 billion ($13.5 billion in Fiscal Year 2011-12). Included in this amount were $14.8 billion of depreciable capital assets after reduction for $8.1 billion of accumulated depreciation. Also included was $3.4 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,561.6 million and $1,593.9 million of capital assets in Fiscal Year 2012-13 and 2011-12, respectively. Of the Fiscal Year 2012-13 additions, $723.3 million was recorded by governmental funds and $838.3 million was recorded by business-type activities. General-purpose revenues funded $61.4 million of capital and controlled maintenance expenditures during Fiscal Year 2012-13 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table on the next page 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, 2013 and 2012, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 93	$ 85	$ 517	$ 500	$ 610	$ 585
Collections	11	9	22	20	33	29
Construction in Progress	1,145	911	681	497	1,826	1,408
Infrastructure	921	898	9	3	930	901
Total Capital Assets Not Being Depreciated	2,170	1,903	1,229	1,020	3,399	2,923
Capital Assets Being Depreciated						
Buildings and Related Improvements	2,167	2,070	7,502	7,117	9,669	9,187
Software	245	236	178	156	423	392
Vehicles and Equipment	715	679	921	921	1,636	1,600
Library Books, Collections, and Other Capital Assets	44	53	522	512	566	565
Infrastructure	10,406	10,165	161	99	10,567	10,264
Total Capital Assets Being Depreciated	13,577	13,203	9,284	8,805	22,861	22,008
Accumulated Depreciation	(4,264)	(3,600)	(3,820)	(3,555)	(8,084)	(7,155)
Total	$ 11,483	$ 11,506	$ 6,693	$ 6,270	$ 18,176	$ 17,776

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2013, the State had commitments of $24.6 million in the Capital Projects Fund ($24.4 million in Fiscal Year 2011-12) and $1,073.4 million in the Highway Users Tax Fund ($1,050.3 million in Fiscal Year 2011-12). 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, a TABOR designated enterprise, issued bonds to spread the impact of the increased premiums resulting from the recession. 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 2012-13
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 151.0	$ 30.2	$ 574.1	$ 59.3	$ 1,192.2	$ 765.5	$ 1,917.3	$ 855.0
Business-Type Activities	41.7	8.8	3,725.0	2,435.4	403.6	173.7	4,170.3	2,617.9
Total	$ 192.7	$ 39.0	$ 4,299.1	$ 2,494.7	$ 1,595.8	$ 939.2	$ 6,087.6	$ 3,472.9

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

In Fiscal Year 2012-13, the total principal amount of capital leases, revenue bonds, and COPs was 43.8 percent of assets other than capital assets, as compared to 47.5 percent in the prior year. This percentage declined because noncapital assets increased 8.5 percent while the principal amount of capital leases, revenue bonds, and COPs decreased by 0.1 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 ($196.0 million) was offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($134.0 million). Business-type activities did not change significantly. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,159, $1,180, $1,000, $1,022, and $1,201 per person in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2011-12 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2012-13, 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 2012-13, the State was $352.9 million under the ESRC, but absent Referendum C, would have been required to refund $1,859.9 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, 1.9 percent, and 12.9 percent in 2010, 2011, and 2012, 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 59.2 percent at December 31, 2012. 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, 2012, the amortization period for the plan was 53 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, 2065. Based on the 2011 and 2012 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.01 percent, and 20.45 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 16.55 percent in 2013 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 required 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 sunset as of June 30, 2012.

- Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the 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. The Supreme Court has not yet announced whether the case will be heard.

- On November 15, 2013, the PERA Board of Trustees completed its annual review of the economic actuarial assumptions including the long-term expected investments rate of return and the long-term inflation and wage inflation expectations. Using state-of-the-art methodology, and having heard from multiple independent consultants, the Board chose to modify the long-term inflation expectations to 2.8 percent from 3.2 percent and to reduce the long-term investment return assumption to 7.5 percent from 8.0 percent.

- As of Fiscal Year 2014-15, with the implementation of Governmental Accounting Standards Board Statement No. 68, the State of Colorado will be required to report a pension liability for any shortage between the statutorily required contribution and the actuarial unfunded liability. As of December 31, 2012, PERA reports that the State Division, to which the State of Colorado belongs, has an unfunded accrued actuarial liability of $8.7 billion. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

♦ <u>Election 2000 Amendment 23</u> – 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, $511.5 million was budgeted from the State Education Fund, which included $59.0 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 include the accrual of the entire General Fund Surplus in Fiscal Year 2012-13 to the State Education Fund, and 75 percent of the excess after $30.0 million is diverted to the Colorado Water Conservation Board in 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 ($131.7 million net of related deferred revenue in Fiscal Year 2012-13) 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 $1,356.1 million at June 30, 2013, providing apparent liquidity. Although there were increased tax collections in Fiscal Year 2012-13 and improved liquidity over the prior year, the General Purpose Revenue Fund increasingly comprises tax receivables $1,062.2 million net of tax refunds payable ($707.9 million) and deferred revenue ($293.9 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy turns down again, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on General Purpose Revenue Fund fund balance. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

- Debt Service

  - Principal and interest payments on the remaining $571.8 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $160.0 million per year over the next four 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 Center, 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 $81.6 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 $9,267.8 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2012-13 which represents 36.6

percent of the $25,304.9 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is similar to Fiscal Year 2011-12. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately $0.8 trillion for the 2013 federal Fiscal Year, and a $3.9 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 $6,688.6 million in ARRA funds through Fiscal Year 2012-13. 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 2012-13 as compared to previous years; $474.5 million in Fiscal Year 2012-13, $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:

    - $3,288.1 million for unemployment benefits administered by the Department of Labor and Employment ($332.6 million of the total in Fiscal Year 2012-13),
    - $1,128.2 million for increased Medicaid funding in the Department of Health Care Policy and Financing ($49.9 million of the total in Fiscal Year 2012-13),
    - $818.1 million in stabilization and direct grants to Higher Education Institutions ($33.0 million of the total in Fiscal Year 2012-13),
    - $560.1 million distributed to local school districts by the Department of Education ($24.9 million of the total in Fiscal Year 2012-13),
    - $403.0 million to support infrastructure maintenance and improvements in the Department of Transportation ($3.8 million of the total in Fiscal Year 2011-12),
    - $138.0 million in the Governor's Office, primarily for weatherization programs ($1.3 million of the total in Fiscal Year 2012-13),
    - $127.7 million for Social Assistance programs in the Department of Human Services ($2.6 million of the total in Fiscal Year 2012-13),
    - $112.5 million to support daily operations in the Department of Corrections ($0.0 million of the total in Fiscal Year 2012-13).

    With a substantial portion of ARRA funding expended, the State has had and will continue to need to identify other revenue streams to replace ARRA to maintain State services.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,549,620	$ 2,169,314	$ 4,718,934	$ 191,317
Investments	3,497	281,822	285,319	115,330
Restricted Securities Not Held for Investment	-	-	-	13,301
Taxes Receivable, net	1,118,329	137,970	1,256,299	-
Contributions Receivable, net	-	-	-	44,877
Other Receivables, net	189,937	381,351	571,288	80,922
Due From Other Governments	369,249	155,190	524,439	3,055
Internal Balances	23,801	(23,801)	-	-
Due From Component Units	119	18,969	19,088	-
Inventories	55,319	52,826	108,145	-
Prepaids, Advances, and Deferred Charges	57,465	24,806	82,271	588
Total Current Assets	4,367,336	3,198,447	7,565,783	449,390
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,798,432	352,234	2,150,666	142,406
Restricted Investments	598,209	292,283	890,492	283,102
Restricted Receivables	176,055	45,264	221,319	4,299
Investments	464,535	1,746,078	2,210,613	1,969,807
Contributions Receivable, net	-	-	-	69,407
Other Long-Term Assets	740,735	128,105	868,840	1,013,804
Depreciable Capital Assets and Infrastructure, net	9,312,959	5,463,065	14,776,024	121,782
Land and Nondepreciable Capital Assets	2,170,769	1,229,761	3,400,530	61,968
Total Noncurrent Assets	15,261,694	9,256,790	24,518,484	3,666,575
TOTAL ASSETS	19,629,030	12,455,237	32,084,267	4,115,965
DEFERRED OUTFLOW OF RESOURCES:	-	551	551	520
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	-	718,077	-
Accounts Payable and Accrued Liabilities	742,225	602,571	1,344,796	31,508
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	95,026	305,108	400,134	24,709
Accrued Compensated Absences	10,955	16,609	27,564	-
Claims and Judgments Payable	46,873	-	46,873	17,575
Leases Payable	20,004	6,575	26,579	951
Notes, Bonds, and COPs Payable	174,340	233,811	408,151	55,756
Other Postemployment Benefits	-	17,052	17,052	-
Other Current Liabilities	14,834	142,868	157,702	125,792
Total Current Liabilities	2,022,074	1,359,106	3,381,180	258,531
Noncurrent Liabilities:				
Deposits Held In Custody For Others	17	-	17	307,705
Accrued Compensated Absences	138,413	236,329	374,742	-
Claims and Judgments Payable	323,451	38,993	362,444	-
Capital Lease Payable	131,006	35,153	166,159	257
Derivative Instrument Liability	-	8,333	8,333	-
Notes, Bonds, and COPs Payable	1,611,220	3,898,265	5,509,485	876,017
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	65,577
Total Noncurrent Liabilities	2,648,225	4,407,976	7,056,201	1,249,556
TOTAL LIABILITIES	4,670,299	5,767,082	10,437,381	1,508,087
DEFERRED INFLOW OF RESOURCES:	-	-	-	963
NET POSITION:				
Net investment in Capital Assets:	10,107,082	3,571,408	13,678,490	182,200
Restricted for:				
Construction and Highway Maintenance	1,145,997	-	1,145,997	-
Education	1,265,476	-	1,265,476	-
Unemployment Insurance	-	218,076	218,076	-
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	810,894
Nonexpendable	694,564	61,159	755,723	757,607
Other Purposes	349,811	631,921	981,732	547,823
Unrestricted	1,195,010	2,151,987	3,346,997	308,863
TOTAL NET POSITION	$ 14,958,731	$ 6,688,706	$ 21,647,437	$ 2,607,435

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) Functions/Programs	Expenses: Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 573,579	$ (18,072)	$ 136,759	$ 182,564	$ 124
Business, Community, and Consumer Affairs	582,119	2,181	144,767	244,402	-
Education	5,186,109	1,372	27,633	755,634	2
Health and Rehabilitation	696,868	927	80,508	398,738	-
Justice	1,649,708	5,349	242,288	104,116	230
Natural Resources	76,832	1,102	144,744	15,563	-
Social Assistance	7,172,151	2,560	763,126	4,075,723	-
Transportation	1,767,411	1,602	411,100	83,312	700,192
Interest on Debt	16,284	-	-	-	-
Total Governmental Activities	17,721,061	(2,979)	1,950,925	5,860,052	700,548
Business-Type Activities:					
Higher Education	5,257,051	1,614	3,442,637	1,801,483	87,743
Unemployment Insurance	1,055,148	-	729,108	481,968	-
Lottery	500,604	406	576,213	77	-
Parks and Wildlife	177,054	443	141,450	31,038	8,859
College Assist	407,113	116	6,254	403,907	-
Other Business-Type Activities	186,865	400	290,002	12,046	53
Total Business-Type Activities	7,583,835	2,979	5,185,664	2,730,519	96,655
Total Primary Government	25,304,896	-	7,136,589	8,590,571	797,203
Component Units:					
Colorado Water Resources and Power Development Authority	84,335	-	60,007	28,820	-
University of Colorado Foundation	141,096	-	5,100	203,909	-
Colorado State University Foundation	48,527	-	-	63,901	-
Colorado School of Mines Foundation	21,438	-	1,800	45,125	-
University of Northern Colorado Foundation	9,417	-	-	19,602	-
Other Component Units	130,962	-	120,791	2,796	2,023
Total Component Units	$ 435,775	$ -	$ 187,698	$ 364,153	$ 2,023

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
$ (236,060)	$ -	$ (236,060)	
(195,131)	-	(195,131)	
(4,404,212)	-	(4,404,212)	
(218,549)	-	(218,549)	
(1,308,423)	-	(1,308,423)	
82,373	-	82,373	
(2,335,862)	-	(2,335,862)	
(574,409)	-	(574,409)	
(16,284)	-	(16,284)	
(9,206,557)	-	(9,206,557)	
-	73,198	73,198	
-	155,928	155,928	
-	75,280	75,280	
-	3,850	3,850	
-	2,932	2,932	
-	114,836	114,836	
-	426,024	426,024	
(9,206,557)	426,024	(8,780,533)	
-	-	-	4,492
-	-	-	67,913
-	-	-	15,374
-	-	-	25,487
-	-	-	10,185
-	-	-	(5,352)
-	-	-	118,099
2,498,006	-	2,498,006	-
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	-
16,842	-	16,842	67,493
97,402	-	97,402	-
-	-	-	48,806
(128,535)	128,535	-	-
741	-	741	-
9,979,268	128,535	10,107,803	116,299
772,711	554,559	1,327,270	234,398
14,179,064	6,139,998	20,319,062	3,305,440
6,956	(5,851)	1,105	-
-	-	-	(932,403)
$ 14,958,731	$ 6,688,706	$ 21,647,437	$ 2,607,435

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	74,033	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	$ 3,491,001	$ 1,056,060	$ 1,383,812
LIABILITIES:			
Tax Refunds Payable	$ 707,855	9,528	$ 107
Accounts Payable and Accrued Liabilities	481,899	6,315	107,710
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	68,068	48,895	60,755
Due To Other Funds	1,118,075	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	2,691,896	66,309	186,269
FUND BALANCES:			
Nonspendable:			
Inventories	9,931	35,868	8,249
Permanent Fund Principal	-	-	-
Prepaids	22,654	20,126	4,210
Restricted	487,161	79,537	1,145,997
Committed	279,352	854,220	39,087
Assigned	7	-	-
TOTAL FUND BALANCES	799,105	989,751	1,197,543
TOTAL LIABILITIES AND FUND BALANCES	$ 3,491,001	$ 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
$ 48,924	$ -	$ 771,571	$ 2,487,049
-	-	42,755	1,412,225
1,050	-	89,513	188,374
2,586	-	23,740	368,742
2,355	1,073,491	9,517	1,153,725
-	-	-	119
-	-	145	54,193
11	-	8,350	55,351
2,220	190,853	217,514	1,798,432
7,317	-	590,892	598,209
330	-	-	176,055
785	-	139,306	468,032
81	-	41,069	434,742
-	-	65,677	65,677
$ 65,659	$ 1,264,344	$ 2,000,049	$ 9,260,925
$ -	$ -	$ 587	$ 718,077
10,265	7,167	75,252	688,608
-	-	-	706
-	10	21,225	198,953
91	-	35,273	1,154,866
-	-	60	81
967	-	60,595	387,258
-	-	35	126
-	-	93	384
155	-	4,450	11,630
-	-	7	17
11,478	7,177	197,577	3,160,706
-	-	145	54,193
-	-	760,160	760,160
11	-	8,350	55,351
2,492	1,257,167	297,816	3,270,170
51,678	-	736,001	1,960,338
-	-	-	7
54,181	1,257,167	1,802,472	6,100,219
$ 65,659	$ 1,264,344	$ 2,000,049	$ 9,260,925

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	$ 2,487,049	$ 62,558	$ -	$ -	$ -	$ 13	$ -	$ 2,549,620
Investments	-	-	-	-	-	3,497	-	3,497
Taxes Receivable, net	1,412,225	-	-	-	-	(293,896)	-	1,118,329
Other Receivables, net	188,374	542	-	-	-	1,021	-	189,937
Due From Other Governments	368,742	507	-	-	-	-	-	369,249
Due From Other Funds	1,153,725	4,000	-	-	-	(920)	(1,133,004)	23,801
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	5,719,778	70,847	-	-	-	(290,285)	(1,133,004)	4,367,336
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,798,432	-	-	-	-	-	-	1,798,432
Restricted Investments	598,209	-	-	-	-	-	-	598,209
Restricted Receivables	176,055	-	-	-	-	-	-	176,055
Investments	468,032	-	-	-	-	(3,497)	-	464,535
Other Long-Term Assets	434,742	64	-	-	-	305,929	-	740,735
Depreciable Capital Assets and Infrastructure, net	20,883	65,617	9,226,459	-	-	-	-	9,312,959
Land and Nondepreciable Capital Assets	44,794	10,911	2,115,064	-	-	-	-	2,170,769
Total Noncurrent Assets	3,541,147	76,592	11,341,523	-	-	302,432	-	15,261,694
TOTAL ASSETS	9,260,925	147,439	11,341,523	-	-	12,147	(1,133,004)	19,629,030
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,077	-	-	-	-	-	-	718,077
Accounts Payable and Accrued Liabilities	688,608	20,606	-	10,944	-	22,067	-	742,225
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	198,953	-	-	-	-	-	-	198,953
Due To Other Funds	1,154,866	205	-	-	-	(22,067)	(1,133,004)	-
Due To Component Units	81	-	-	-		-		81
Unearned Revenue	387,258	1,664	-	-	-	(293,896)	-	95,026
Compensated Absences Payable	126	280	-	-	-	10,549	-	10,955
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	3,160,689	40,272	-	187,885	37,487	(271,255)	(1,133,004)	2,022,074
Noncurrent Liabilities:								
Deposits Held In Custody For Others	17	-	-	-	-	-	-	17
Accrued Compensated Absences	-	8,444	-	-	-	129,969	-	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	89,619	-	1,661,051	111,396	786,142	-	2,648,225
TOTAL LIABILITIES	3,160,706	129,891	-	1,848,936	148,883	514,887	(1,133,004)	4,670,299
NET POSITION:								
Net investment in Capital Assets:	65,677	4,482	11,341,523	(1,304,600)	-	-	-	10,107,082
Restricted for:								
Construction and Highway Maintenance	1,153,292	-	-	(7,295)	-	-	-	1,145,997
Education	1,566,276	-	-	(300,800)	-	-	-	1,265,476
Debt Service	33,113	-	-	-	-	-	-	33,113
Emergencies	161,350	-	-	-	-	-	-	161,350
Permanent Funds and Endowments:								
Expendable	6,328	-	-	-	-	-	-	6,328
Nonexpendable	694,564	-	-	-	-	-	-	694,564
Other Purposes	349,811	-	-	-	-	-	-	349,811
Unrestricted	2,069,808	13,066	-	(236,241)	(148,883)	(502,740)	-	1,195,010
TOTAL NET POSITION	$ 6,100,219	$ 17,548	$ 11,341,523	$ (1,848,936)	$ (148,883)	$ (502,740)	$ -	$ 14,958,731

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,
- Legal services, and
- Others including 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	$ 5,148,795	$ -	$ -
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	71,728	7,091	123,585
Rents	308	-	4,149
Investment Income (Loss)	12,523	12,514	(502)
Federal Grants and Contracts	5,340,168	130,137	721,266
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	156,206	4,150	63,380
TOTAL REVENUES	14,103,728	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	1,232,456	-	101,916
Natural Resources	42,306	47,188	-
Social Assistance	6,253,998	-	-
Transportation	-	-	1,061,861
Capital Outlay	189,354	60	33,523
Intergovernmental:			
Cities	61,542	24,666	157,398
Counties	1,204,174	31,332	186,589
School Districts	3,767,625	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	14,606,653	120,653	1,603,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(502,925)	164,428	198,929
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,219,227	318	1,045
Transfers-Out	(4,338,932)	(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
Bond/COP Refunding Issuance	-	-	30,925
Bond/COP Refunding Payments	-	-	(31,312)
TOTAL OTHER FINANCING SOURCES (USES)	86,148	(90,402)	(224,255)
NET CHANGE IN FUND BALANCES	(416,777)	74,026	(25,326)
FUND BALANCE, FISCAL YEAR BEGINNING	1,225,426	904,596	1,222,993
Prior Period Adjustment (See Note 29)	(9,544)	11,129	(124)
FUND BALANCE, FISCAL YEAR END	$ 799,105	$ 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	$ -	$ 5,596,281
-	38,852	-	636,293
-	-	42,826	2,497,281
-	-	146,103	791,452
-	-	154,400	495,726
7	-	431,380	788,985
63	-	767,655	970,122
202	-	129,249	133,908
(297)	923	(5,684)	19,477
16,473	-	219,683	6,427,727
-	-	741	741
-	-	36,986	36,986
4,393	349	34,907	263,385
20,841	487,610	1,958,246	18,658,364
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	-	78,545	1,422,439
-	-	9,947	99,441
32	-	232,340	6,486,370
-	-	3,071	1,064,932
62,655	-	13,140	298,732
-	-	53,792	297,398
-	-	82,060	1,504,155
-	458,566	7,313	4,235,449
-	-	10,375	105,283
-	-	2,013	2,731
-	360	42,523	214,812
-	-	214,646	246,598
88,243	490,451	1,084,286	17,994,215
(67,402)	(2,841)	873,960	664,149
138,643	1,073,491	317,437	5,750,161
(67,269)	(8,235)	(1,133,111)	(5,863,323)
-	-	-	195,965
-	-	-	9,396
-	-	180	607
-	-	30,604	30,604
970	-	6	1,184
-	-	-	30,925
-	-	-	(31,312)
72,344	1,065,256	(784,884)	124,207
4,942	1,062,415	89,076	788,356
48,692	194,752	1,696,448	5,292,907
547	-	16,948	18,956
$ 54,181	$ 1,257,167	$ 1,802,472	$ 6,100,219

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	$ 5,596,281	$ -	$ -	$ -	$ 5,817	$ 5,602,098
Corporate Income	636,293	-	-	-	9,441	645,734
Sales and Use	2,497,281	-	-	-	725	2,498,006
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	970,122	-	-	-	(22)	970,100
Rents	133,908	-	-	-	-	133,908
Investment Income (Loss)	19,477	(148)	-	-	(1,481)	17,848
Federal Grants and Contracts	6,427,727	-	-	-	943	6,428,670
Additions to Permanent Funds	741	-	-	-	-	741
Unclaimed Property Receipts	36,986	-	-	-	-	36,986
Other	263,385	-	15	-	71	263,471
TOTAL REVENUES	18,658,364	(148)	15	-	1,079	18,659,310
EXPENDITURES:						
Current:						
General Government	325,282	(4,286)	1,172	-	8,174	330,342
Business, Community, and Consumer Affairs	374,893	(1,624)	3,497	-	(10,252)	366,514
Education	674,287	(311)	9,385	-	117	683,478
Health and Rehabilitation	641,413	(398)	13,625	-	542	655,182
Justice	1,422,439	(1,430)	33,819	-	1,340	1,456,168
Natural Resources	99,441	(843)	1,614	-	(27)	100,185
Social Assistance	6,486,370	(2,434)	22,360	-	83	6,506,379
Transportation	1,064,932	12	220,379	-	289	1,285,612
Capital Outlay	298,732	-	(289,046)	-	-	9,686
Intergovernmental:						
Cities	297,398	-	-	-	-	297,398
Counties	1,504,155	-	-	-	-	1,504,155
School Districts	4,235,449	-	-	-	-	4,235,449
Special Districts	105,283	-	-	-	-	105,283
Federal	2,731	-	169	-	-	2,900
Other	214,812	-	-	-	-	214,812
Debt Service	246,598	2,381	-	(197,290)	-	51,689
TOTAL EXPENDITURES	17,994,215	(8,933)	16,974	(197,290)	266	17,805,232
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	664,149	8,785	(16,959)	197,290	813	854,078
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,750,161	4,826	-	-	-	5,754,987
Transfers-Out	(5,863,323)	(7,505)	-	-	-	(5,870,828)
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	1,184	-	-	-	-	1,184
Bond/COP Refunding Issuance	30,925	-	-	(30,925)	-	-
Bond/COP Refunding Payments	(31,312)	-	-	31,312	-	-
TOTAL OTHER FINANCING SOURCES (USES)	124,207	(2,679)	1,365	(204,669)	-	(81,776)
Internal Service Fund Charges to BTAs	-	409	-	-	-	409
NET CHANGE FOR THE YEAR	788,356	6,515	(15,594)	(7,379)	813	772,711
Prior Period Adjustment (Note 29)	18,956	-	(12,000)	-	-	6,956
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 807,312	$ 6,515	$ (27,594)	$ (7,379)	$ 813	$ 779,667

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,
- Legal Services, and
- Others including 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	$ 1,139,874	$ 580,901
Investments	263,840	-
Premiums Receivable, net	-	137,970
Student and Other Receivables, net	304,258	8,802
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	13,696	606
Total Current Assets	1,922,442	731,056
Noncurrent Assets:		
Restricted Cash and Pooled Cash	295,252	-
Restricted Investments	292,283	-
Restricted Receivables	-	-
Investments	1,556,772	-
Other Long-Term Assets	122,349	1,863
Depreciable Capital Assets and Infrastructure, net	5,133,381	-
Land and Nondepreciable Capital Assets	646,188	-
Total Noncurrent Assets	8,046,225	1,863
TOTAL ASSETS	9,968,667	732,919
DEFERRED OUTFLOW OF RESOURCES:	551	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	532,745	2,124
Due To Other Governments	-	-
Due To Other Funds	7,623	-
Due To Component Units	343	-
Unearned Revenue	204,852	-
Compensated Absences Payable	15,776	-
Leases Payable	6,231	-
Notes, Bonds, and COPs Payable	108,011	124,960
Other Postemployment Benefits	17,052	-
Other Current Liabilities	77,214	7,670
Total Current Liabilities	969,847	134,754
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	224,588	-
Claims and Judgments Payable	38,993	-
Capital Lease Payable	30,085	-
Derivative Instrument Liability	8,333	-
Notes, Bonds, and COPs Payable	3,210,493	380,089
Due to Component Units	1,755	-
Other Postemployment Benefits	177,176	-
Other Long-Term Liabilities	11,911	-
Total Noncurrent Liabilities	3,703,334	380,089
TOTAL LIABILITIES	4,673,181	514,843
NET POSITION:		
Net investment in Capital Assets:	2,852,447	-
Restricted for:		
Unemployment Insurance	-	218,076
Debt Service	8,439	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	11,716	-
Nonexpendable	61,159	-
Other Purposes	581,043	-
Unrestricted	1,781,233	-
TOTAL NET POSITION	$ 5,296,037	$ 218,076

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	$ 2,169,314	$ 62,558
-	17,982	281,822	-
-	-	137,970	-
20,390	47,836	381,286	542
-	13,145	155,190	507
-	8,502	14,052	4,000
-	-	18,969	-
1,172	14,667	52,826	1,126
4,993	5,511	24,806	2,114
70,898	511,839	3,236,235	70,847
-	56,982	352,234	-
-	-	292,283	-
-	45,264	45,264	-
-	189,306	1,746,078	-
-	3,893	128,105	64
1,900	327,784	5,463,065	65,617
-	583,573	1,229,761	10,911
1,900	1,206,802	9,256,790	76,592
72,798	1,718,641	12,493,025	147,439
-	-	551	-
4,576	46,557	586,002	20,606
6	34,163	34,169	-
37,298	6,160	51,081	205
-	-	343	-
-	100,256	305,108	1,664
-	833	16,609	280
-	344	6,575	15,718
-	840	233,811	1,685
-	-	17,052	-
26,207	31,777	142,868	114
68,087	220,930	1,393,618	40,272
-	3,276	3,276	-
858	10,883	236,329	8,444
-	-	38,993	-
-	5,068	35,153	80,277
-	-	8,333	-
-	307,683	3,898,265	898
-	-	1,755	-
-	-	177,176	-
61	-	11,972	-
919	326,910	4,411,252	89,619
69,006	547,840	5,804,870	129,891
1,900	717,061	3,571,408	4,482
-	-	218,076	-
-	-	8,439	-
-	34,000	34,000	-
-	-	11,716	-
-	-	61,159	-
-	50,878	631,921	-
1,892	368,862	2,151,987	13,066
$ 3,792	$ 1,170,801	$ 6,688,706	$ 17,548

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	$ -	$ 725,853
License and Permits	-	114
Tuition and Fees	2,338,231	-
Scholarship Allowance for Tuition and Fees	(549,483)	-
Sales of Goods and Services	1,559,937	-
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	992,319	466,920
Intergovernmental Revenue	10,603	-
Other	258,868	-
TOTAL OPERATING REVENUES	4,628,406	1,192,887
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,408,430	60
Operating and Travel	1,179,544	1,047,749
Cost of Goods Sold	139,345	-
Depreciation and Amortization	361,579	-
Intergovernmental Distributions	31,866	-
Debt Service	-	-
Prizes and Awards	389	-
TOTAL OPERATING EXPENSES	5,121,153	1,047,809
OPERATING INCOME (LOSS)	(492,747)	145,078
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	19	3,141
Investment Income (Loss)	145,309	15,048
Rental Income	22,155	-
Gifts and Donations	138,845	-
Intergovernmental Distributions	(19,860)	-
Federal Grants and Contracts	302,271	-
Gain/(Loss) on Sale or Impairment of Capital Assets	8,058	-
Insurance Recoveries from Prior Year Impairments	9	-
Debt Service	(131,533)	(6,873)
Other Expenses	4,902	(466)
Other Revenues	6,649	-
TOTAL NONOPERATING REVENUES (EXPENSES)	476,824	10,850
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(15,923)	155,928
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	95,676	-
Additions to Permanent Endowments	3,145	-
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
TOTAL CONTRIBUTIONS AND TRANSFERS	288,562	(2,285)
CHANGE IN NET POSITION	272,639	153,643
NET POSITION - FISCAL YEAR BEGINNING	5,029,249	64,433
Prior Period Adjustments (See Note 29)	(5,851)	-
NET POSITION - FISCAL YEAR ENDING	$ 5,296,037	$ 218,076

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS STATE LOTTERY	OTHER ENTERPRISES	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
$ -	$ -	$ 725,853	$ -
65	106,593	106,772	-
-	680	2,338,911	-
-	-	(549,483)	-
575,243	203,498	2,338,678	252,501
-	-	(22,096)	-
-	4,385	5,700	-
-	1,345	16,818	11,445
-	-	23,239	-
-	477,348	1,936,587	-
-	31,138	41,741	-
904	10,157	269,929	479
576,212	835,144	7,232,649	264,425
9,437	218,173	3,636,100	144,937
59,712	466,898	2,753,903	87,681
12,108	35,586	187,039	7,607
977	15,292	377,848	16,382
-	11,634	43,500	3
-	17,028	17,028	-
359,217	890	360,496	-
441,451	765,501	7,375,914	256,610
134,761	69,643	(143,265)	7,815
-	26,541	26,541	-
-	9,700	12,860	-
77	3,628	164,062	(147)
-	8,908	31,063	-
-	1,826	140,671	-
(59,172)	-	(79,032)	-
-	-	302,271	3,550
(3)	835	8,890	318
-	102	111	-
-	(6,705)	(145,111)	(2,337)
-	(156)	4,280	(6)
-	12	6,661	-
(59,098)	44,691	473,267	1,378
75,663	114,334	330,002	9,193
-	10,208	105,884	597
-	-	3,145	-
-	21,217	215,421	4,229
(77,046)	(16,099)	(99,893)	(7,504)
(77,046)	15,326	224,557	(2,678)
(1,383)	129,660	554,559	6,515
5,175	1,041,141	6,139,998	11,033
-	-	(5,851)	-
$ 3,792	$ 1,170,801	$ 6,688,706	$ 17,548

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	$ 1,806,346	$ -
Fees for Service	1,482,983	-
Sales of Products	6,595	-
Gifts, Grants, and Contracts	1,584,301	474,624
Loan and Note Repayments	416,543	-
Unemployment Insurance Premiums	-	753,656
Income from Property	37,636	-
Other Sources	79,150	-
Cash Payments to or for:		
Employees	(3,231,077)	-
Suppliers	(1,266,113)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,048,522)
Scholarships	(113,255)	-
Others for Student Loans and Loan Losses	(417,867)	-
Other Governments	(31,866)	-
Other	(66,537)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	286,839	179,758
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
Receipt of Deposits Held in Custody	675,937	-
Release of Deposits Held in Custody	(672,098)	-
Gifts and Grants for Other Than Capital Purposes	161,889	-
Intergovernmental Distributions	(19,860)	-
NonCapital Debt Service Payments	(3,408)	(134,654)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	332,201	(136,939)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(580,105)	-
Capital Contributions	2,090	-
Capital Gifts, Grants, and Contracts	53,534	-
Proceeds from Sale of Capital Assets	13,303	-
Capital Debt Proceeds	309,245	-
Capital Debt Service Payments	(367,743)	-
Capital Lease Payments	(8,706)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(578,382)	-

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	$ 1,807,110	$ 3
-	201,169	1,684,152	253,243
574,590	50,399	631,584	1,573
-	487,277	2,546,202	3,568
-	1,467	418,010	-
-	-	753,656	-
-	10,254	47,890	11,488
969	170,248	250,367	332
(8,988)	(146,591)	(3,386,656)	(115,883)
(29,580)	(238,649)	(1,534,342)	(115,838)
(398,723)	(6,264)	(404,987)	(822)
-		(1,048,522)	-
-	-	(113,255)	-
-	(342,830)	(760,697)	-
-	(11,713)	(43,579)	(3)
(43)	(21,624)	(88,204)	(158)
138,225	153,907	758,729	37,503
-	21,270	215,474	1,232
(77,046)	(16,152)	(99,946)	(7,504)
-	5	675,942	314
-	-	(672,098)	(403)
-	1,404	163,293	-
(50,860)	-	(70,720)	-
-	(549)	(138,611)	-
(127,906)	5,978	73,334	(6,361)
(48)	(176,424)	(756,577)	(13,219)
-	-	2,090	-
-	-	53,534	-
-	1,099	14,402	9,393
-	-	309,245	26,467
-	(6,496)	(374,239)	(2,100)
-	(578)	(9,284)	(15,153)
(48)	(182,399)	(760,829)	5,388

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	90,809	15,049
Proceeds from Sale/Maturity of Investments	2,765,786	-
Purchases of Investments	(2,978,993)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	52,285	-
NET CASH FROM INVESTING ACTIVITIES	(70,113)	15,049
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(29,455)	57,868
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,470,262	523,033
Prior Period Adjustment (See Note 29)	(5,681)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,435,126	$ 580,901
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (492,747)	$ 145,078
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	361,582	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	332,924	3,141
(Gain)/Loss on Disposal of Capital and Other Assets	166	-
Compensated Absences	18,425	-
Interest and Other Expense in Operating Income	(4,285)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	36,025	32,258
(Increase) Decrease in Inventories	764	-
(Increase) Decrease in Other Operating Assets	99	(606)
Increase (Decrease) in Accounts Payable	(13,897)	661
Increase (Decrease) in Other Operating Liabilities	47,783	(774)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 286,839	$ 179,758
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	7,941	-
Capital Assets Acquired by Grants or Donations and Payable Increases	90,371	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	72,428	-
Loss on Disposal of Capital and Other Assets	26,095	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	41,822	-
Assumption of Capital Lease Obligation or Mortgage	9,643	-
Financed Debt Issuance Costs	1,526	-
Fair Value Change in Derivative Instrument	4,661	-

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
469	13,361	119,688	40
-	118,567	2,884,353	-
-	(450)	(2,979,443)	-
(392)	(4,385)	47,508	(188)
77	127,093	72,106	(148)
10,348	104,579	143,340	36,382
33,995	356,599	2,383,889	26,185
-	-	(5,681)	-
$ 44,343	$ 461,178	$ 2,521,548	$ 62,567
$ 134,761	$ 69,643	$ (143,265)	$ 7,815
977	15,292	377,851	16,382
-	(4,385)	(4,385)	-
-	46,253	382,318	3,555
-	4,014	4,180	-
21	345	18,791	1,804
-	(24,841)	(29,126)	572
(671)	3,792	71,404	837
(144)	(30)	590	187
74	652	219	(991)
(178)	(15,983)	(29,397)	5,757
3,385	59,155	109,549	1,585
$ 138,225	$ 153,907	$ 758,729	$ 37,503
-	1,398	9,339	597
-	8,810	99,181	-
-	748	73,176	-
3	4,012	30,110	-
-	-	41,822	-
-	-	9,643	40,320
-	-	1,526	-
-	-	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	-	4,885,770	-
Other Investments	-	57,860	-
Other Long-Term Assets	-	-	14,325
TOTAL ASSETS	85,221	5,131,246	$ 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	-	-	263,168
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	$ 1,022,401
NET POSITION:			
Pension/Benefit Plan Participants	56,558	-	
Individuals, Organizations, and Other Entities	-	5,112,870	
Unrestricted	562	-	
TOTAL NET POSITION	$ 57,120	$ 5,112,870	

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)	465,514
Employee Participation Fees	938	-
Unclaimed Property Receipts	-	49,162
Other Additions	2,634	3,304
Transfers-In	1,183	-
TOTAL ADDITIONS	315,048	1,442,070
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	669,941
NET POSITION - FISCAL YEAR BEGINNING	40,809	4,442,929
NET POSITION - FISCAL YEAR ENDING	$ 57,120	$ 5,112,870

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)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 137,806	$ 15,032
Investments	-	-
Restricted Securities Not Held for Investment	13,301	-
Contributions Receivable, net	-	24,122
Other Receivables, net	76,765	49
Due From Other Governments	1,670	-
Prepaids, Advances, and Deferred Charges	-	466
Total Current Assets	229,542	39,669
Noncurrent Assets:		
Restricted Cash and Pooled Cash	123,334	-
Restricted Investments	283,102	-
Restricted Receivables	4,299	-
Investments	-	1,250,817
Contributions Receivable, net	-	34,695
Other Long-Term Assets	1,006,669	-
Depreciable Capital Assets and Infrastructure, net	37	2,685
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,417,441	1,288,197
TOTAL ASSETS	1,646,983	1,327,866
DEFERRED OUTFLOW OF RESOURCES:	520	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	14,982	8,744
Due To Other Governments	2,240	-
Unearned Revenue	-	-
Claims and Judgments Payable	-	-
Leases Payable	-	951
Notes, Bonds, and COPs Payable	55,435	-
Other Current Liabilities	114,746	10,807
Total Current Liabilities	187,403	20,502
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	273,213
Capital Lease Payable	-	257
Notes, Bonds, and COPs Payable	821,410	-
Other Long-Term Liabilities	32,532	16,868
Total Noncurrent Liabilities	853,942	290,338
TOTAL LIABILITIES	1,041,345	310,840
DEFERRED INFLOW OF RESOURCES:	963	-
NET POSITION:		
Net investment in Capital Assets:	37	1,477
Restricted for:		
Emergencies	-	-
Expendable	-	551,738
Nonexpendable	-	397,990
Other Purposes	546,881	-
Unrestricted	58,277	65,821
TOTAL NET POSITION	$ 605,195	$ 1,017,026

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
$ 752	$ 10,773	$ 1,437	$ 25,517	$ 191,317
-	-	-	115,330	115,330
-	-	-	-	13,301
7,637	6,572	2,396	4,150	44,877
-	1,755	194	2,159	80,922
-	-	-	1,385	3,055
122	-	-	-	588
8,511	19,100	4,027	148,541	449,390
-	96	-	18,976	142,406
-	-	-	-	283,102
-	-	-	-	4,299
325,414	249,871	98,860	44,845	1,969,807
21,857	9,403	3,452	-	69,407
574	331	190	6,040	1,013,804
6	16	1,044	117,994	121,782
-	-	-	61,968	61,968
347,851	259,717	103,546	249,823	3,666,575
356,362	278,817	107,573	398,364	4,115,965
-	-	-	-	520
2,286	2,432	1,231	1,833	31,508
-	-	-	-	2,240
-	-	-	24,709	24,709
-	-	-	17,575	17,575
-	-	-	-	951
-	-	-	321	55,756
-	-	-	239	125,792
2,286	2,432	1,231	44,677	258,531
13,989	19,835	668	-	307,705
-	-	-	-	257
-	-	-	54,607	876,017
818	11,046	151	4,162	65,577
14,807	30,881	819	58,769	1,249,556
17,093	33,313	2,050	103,446	1,508,087
-	-	-	-	963
6	16	1,044	179,620	182,200
-	-	-	48	48
160,586	77,560	21,010	-	810,894
145,305	143,579	70,733	-	757,607
-	-	-	942	547,823
33,372	24,349	12,736	114,308	308,863
$ 339,269	$ 245,504	$ 105,523	$ 294,918	$ 2,607,435

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

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 59,867	$ 5,100
Sales of Goods and Services	-	-
Investment Income (Loss)	12,730	-
Rental Income	-	-
Gifts and Donations	-	130,477
Federal Grants and Contracts	6,384	-
Other	139	957
TOTAL OPERATING REVENUES	79,120	136,534
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,300	-
Operating and Travel	20,776	24,754
Depreciation and Amortization	14	-
Debt Service	62,245	-
Foundation Program Distributions	-	116,342
TOTAL OPERATING EXPENSES	84,335	141,096
OPERATING INCOME (LOSS)	(5,215)	(4,562)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	99,822
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	99,822
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,215)	95,260
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	22,437	-
TOTAL CONTRIBUTIONS AND TRANSFERS	22,437	-
CHANGE IN NET POSITION	17,222	95,260
NET POSITION - FISCAL YEAR BEGINNING	589,338	921,766
Accounting Changes (See Note 29)	(1,365)	-
NET POSITION - FISCAL YEAR ENDING	$ 605,195	$ 1,017,026

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
$ -	$ 1,800	$ -	$ 114,075	$ 180,842
-	-	-	5,534	5,534
-	-	-	5,796	18,526
-	-	-	1,182	1,182
45,226	23,827	12,273	-	211,803
-	-	-	825	7,209
63	326	688	-	2,173
45,289	25,953	12,961	127,412	427,269
-	-	-	-	1,300
2,951	4,378	2,452	122,807	178,118
-	-	-	4,864	4,878
-	-	-	-	62,245
45,577	17,060	6,965	-	185,944
48,528	21,438	9,417	127,671	432,485
(3,239)	4,515	3,544	(259)	(5,216)
32,762	25,936	8,699	449	167,668
-	-	-	10,775	10,775
-	-	-	1,065	1,065
-	-	-	(3,229)	(3,229)
-	-	-	(61)	(61)
-	-	-	40,959	40,959
32,762	25,936	8,699	49,958	217,177
29,523	30,451	12,243	49,699	211,961
-	-	-	-	22,437
-	-	-	-	22,437
29,523	30,451	12,243	49,699	234,398
309,746	215,053	93,280	1,176,257	3,305,440
-	-	-	(931,038)	(932,403)
$ 339,269	$ 245,504	$ 105,523	$ 294,918	$ 2,607,435

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		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 180,842			
Sales of Goods and Services	5,534			
Investment Income (Loss)	18,526	(18,526)		
Rental Income	1,182			
Gifts and Donations	211,803	(211,803)		
Federal Grants and Contracts	7,209	(7,209)		
Other	2,173	(2,033)		
TOTAL OPERATING REVENUES	427,269	(239,571)	187,698	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,300			
Operating and Travel	178,118			
Depreciation and Amortization	4,878			
Debt Service	62,245	3,229		
Foundation Program Distributions	185,944			
Other Expenses	-	61		
TOTAL OPERATING EXPENSES	432,485	3,290	435,775	EXPENSES
OPERATING INCOME (LOSS)	(5,216)			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	167,668	(167,668)		
Gifts and Donations	10,775	(10,775)		
Federal Grants and Contracts	1,065	(1,065)		
Debt Service	(3,229)	3,229		
Other Expenses	(61)	61		
Other Revenues	40,959	(40,959)		
TOTAL NONOPERATING REVENUES (EXPENSES)	217,177	(217,177)		
		364,153	364,153	OPERATING GRANTS & CONTRIBUTIONS
		2,023	2,023	CAPITAL GRANTS & CONTRIBUTIONS
		67,493	67,493	UNRESTRICTED INVESTMENT EARNINGS
		48,806	48,806	PAYMENTS FROM THE STATE
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	211,961			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	22,437	(22,437)		
TOTAL CONTRIBUTIONS AND TRANSFERS	22,437	(22,437)		
CHANGE IN NET POSITION	234,398		234,398	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	3,305,440		3,305,440	NET POSITION - FISCAL YEAR BEGINNING
Accounting Changes (See Note 29)	(932,403)		(932,403)	Accounting Changes (See Note 29)
NET POSITION - FISCAL YEAR ENDING	$ 2,607,435		$ 2,607,435	NET POSITION - FISCAL YEAR ENDING

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.

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.

A. NEW ACCOUNTING STANDARDS

Primary Government

During Fiscal Year 2012-13, the State implemented GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 66 – Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.

Component Units

During Fiscal Year 2012-13 the Colorado Water Resources and Power Development Authority early implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

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:

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 following table 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
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 to 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 on 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:

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:

University of Colorado Hospital Authority
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.

The State, through the High Performance Transportation Enterprise in the Department of Transportation, entered into an initial 50-year commercial concession agreement with Plenary Roads Denver on June 28, 2013. Plenary Road Denver will finance, design and construct US36 and then operate and maintain the I-25 high occupancy lanes and the US36 lanes. The agreement will transfer the operations and revenues for these lanes from the High Performance Transportation Enterprise to Plenary Roads Denver. The final financial close for the concessionaire agreement is scheduled for December 2013.

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 and deferred outflows, 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 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 schedules detailing the components of the General Fund are included as supplementary information. The schedules 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 schedule 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 schedule 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 Fund, which is primarily funded from general-purpose revenue, and the Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

The State uses enterprise funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported 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, Legal Services, 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 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, apply applicable GASB pronouncements and as other accounting literature Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2012.

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, 2013.

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 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.

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 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

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.

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

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.

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:

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

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

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

<u>Restricted for Unemployment Insurance</u> – The entire net position balance of the Unemployment Insurance Fund is reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims.

<u>Restricted for Debt Service</u> – The net position of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The net position in governmental activities is found in the Department of Personnel & Administration and in 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.

<u>Restricted for Emergencies</u> – 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.)

<u>Restricted Permanent Funds and Endowments</u> – 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.

<u>Restricted for Other Purposes</u> – 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 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. 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 GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $216.1 million was reserved for this purpose. A portion of the Committed fund balance represents the current fiscal year appropriation that the Colorado General Assembly, the state's highest level of decision making authority, committed to rolling forward into 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 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.

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. For Fiscal Year 2012-13, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

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 155. 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 $9,579,074 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 0.87 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):

- Legal Services Cash Fund – The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when determining the FY 2012-13 rates for legal services. The fund did not have excess revenue or fund balance available to cover this liability, resulting in a deficit fund balance of $1,620,644.

- 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 163) 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 $352.9 million, and over the TABOR limit by $1,859.9 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $1,859.9 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 $333,220,227.

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.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.
- 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).
- 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 $10,520,227 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 $888.2 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $28.7 million of the State's total bank balance of $835.1 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 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 transactions 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, $33.5 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 $571.3 million shown on the government-wide *Statement of Net Position* are net of $265.7 million in allowance for doubtful accounts and primarily comprise the following:

- $304.3 million of student and other receivables of Higher Education Institutions.

- $74.0 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.

- $89.5 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 $8.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

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 $24.1 million and $34.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2013, the amount reported as contributions receivable includes $68.6 million of unconditional promises to give which were offset by a $8.0 million allowance for uncollectible contributions and a $1.8 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2013, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.7 million, which were offset by $3.6 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2013, contributions from three donors represented approximately 78 percent of net contributions receivable for the foundation.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.0 million was offset by $0.7 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 49 percent of the foundation's contributions receivable at June 30, 2013, consists of pledges from two donors in 2013, and approximately $3.8 million is due from trusts held by others.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $5.8 million was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2013 consists of a pledge from one donor, and 59 percent of contributions for the year ended June 30, 2013 were from two donors.

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 $8.3 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.15 million) and Other Long-Term Assets ($4.15 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
- $19.8 million of consumable supplies inventories, of which, $8.5 million was recorded by the Higher Education Institutions, $7.9 million was recorded by the Highway Users Tax Fund, $2.0 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 $82.3 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.
- $18.6 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.
- $4.2 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 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)	$ 888,159
Investments:	
Governmental Activities	8,338,142
Business-Type Activities	2,320,182
Fiduciary Activities	4,961,080
Total	$ 16,507,563
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,777,209
Add: Warrants Payable Included in Cash	221,075
Total Cash and Pooled Cash	5,998,284
Add: Restricted Cash	2,150,666
Add: Restricted Investments	890,492
Add: Investments	7,468,121
Total	$ 16,507,563

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 Center ($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 $168.8 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	4,885,770
Other	182,149	169,459	351,608	57,860
TOTAL INVESTMENTS	$ 2,112,896	$ 207,288	$ 2,320,184	$ 4,961,081

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
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	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	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	-	-	-	-	4,885,770	-	-	4,887,745
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	$ 11,568	13.393	$ 263,384	5.615
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		$ 11,568		$ 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 $237.3 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 $12.2 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	(1,541)	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	306,724	26,546
	$ 270,962	$ 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

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 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 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.

Concentration of Credit Risk

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.

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, 2013, the University of Colorado Foundation held $254.1 million of domestic equity securities, $259.7 million of international equity securities, $167.1 million of fixed income securities and $506.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $97.3 million is net of $6.7 million of investment fees and comprises $15.0 million of interest dividends and other income, $39.1 million of realized gains, and $49.9 million of unrealized gains.

At June 30, 2013, the Colorado State University Foundation held $153.2 million of equity securities, $152.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $16.3 million of fixed income securities, and $3.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 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, 2013, the CSMF held fixed income and fixed income mutual funds totaling $22.8 million, domestic and international equities totaling $91.1 million, investments in hedge funds and venture capital totaling $92.9 million and cash equivalents totaling $17.3 million in its long-term investments pool.

Of the foundation's $249.9 million of investments, $15.5 million, or 6.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.4 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-one 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, 2013, the University of Northern Colorado Foundation held $41.3 million of equity securities, $22.9 million of fixed income securities, and $34.7 million of cash and other investments. The foundation's investment income of $8.7 million is net of $0.4 million of management fees and comprises $2.4 million of interest and dividends and $6.7 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 participates 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 $868.8 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 $434.7 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 $128.1 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 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	852	15	-	(852)	15
Construction in Progress (CIP)	911,410	609,411	(357,656)	(17,733)	1,145,432
Infrastructure	897,760	91	23,283	-	921,134
Total Capital Assets Not Being Depreciated	1,903,604	620,118	(332,942)	(20,011)	2,170,769
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)	(568,113)	-	1,648	(2,841,921)
Total Accumulated Depreciation	(3,599,756)	(693,295)	-	28,800	(4,264,251)
Total Capital Assets Being Depreciated, net	9,602,516	(590,087)	332,942	(32,412)	9,312,959
TOTAL GOVERNMENTAL ACTIVITIES	11,506,120	30,031	-	(52,423)	11,483,728
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	483,343	17,494	-	-	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	632,359	(425,587)	(22,466)	680,923
Other Capital Assets	-	-	-	-	-
Infrastructure	2,897	34	5,990	-	8,921
Total Capital Assets Not Being Depreciated	1,019,556	652,108	(418,987)	(22,916)	1,229,761
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	534,179	6,908	25,844	(4,266)	562,665
Buildings	6,583,269	58,246	318,444	(21,124)	6,938,835
Software	156,412	21,389	249	-	178,050
Vehicles and Equipment	920,506	78,751	12,818	(91,074)	921,001
Library Materials and Collections	493,456	20,540	-	(11,463)	502,533
Other Capital Assets	18,851	376	-	-	19,227
Infrastructure	98,894	-	61,632	-	160,526
Total Capital Assets Being Depreciated	8,805,567	186,210	418,987	(127,927)	9,282,837
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(268,919)	(23,102)	-	1,257	(290,764)
Buildings	(2,177,414)	(224,189)	-	17,184	(2,384,419)
Software	(61,572)	(28,525)	-	255	(89,842)
Vehicles and Equipment	(658,763)	(78,084)	-	84,412	(652,435)
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)	(377,848)	-	113,387	(3,819,772)
Total Capital Assets Being Depreciated, net	5,250,256	(191,638)	418,987	(14,540)	5,463,065
TOTAL BUSINESS-TYPE ACTIVITIES	6,269,812	460,470	-	(37,456)	6,692,826
TOTAL CAPITAL ASSETS, NET	$ 17,775,932	$ 490,501	$ -	$ (89,879)	$ 18,176,554

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	587,138
Internal Service Funds (Charged to programs and BTAs based on useage)	16,382
Total Depreciation Expense Governmental Activities	693,295
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	361,579
State Lottery	977
Other Enterprise Funds	15,292
Total Depreciation Expense Business-Type Activities	377,848
Total Depreciation Expense Primary Government	$ 1,071,143

Component Units

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 $42.2 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.

<u>Money Purchase Retirement Benefit</u>

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.

<u>Service Requirement and Termination</u>

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:

	Statutorily Required Contribution (SRC) Percentage			Percent of SRC
Time Period	Judges	Troopers	Other	Paid
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

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 with current funding had a 66-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
2012-13	$ 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 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. At December 31, 2012, the plan had net position of $544.5 million and 17,469 participants.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar 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 $83.3 million 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

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 2012-13 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 per occurrence. 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 under the State's risk management program 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 $410.5 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 under the State's risk management program 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 under the State's risk management program 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 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 under the State's risk management program 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 ($1,000 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 under the State's risk management program 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.

On the next page, 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 Liability				
2012-13	-	20	-	20

Component Units

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	$ 153,274
Business-Type Activities	-	30,081	36,369
Total	$ 735	$ 112,128	$ 189,643

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 Community 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's 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	$ 47,106	$ 22,692	$ 24,484	$ 7,866
2015	38,532	19,549	22,863	6,853
2016	34,029	14,838	20,335	6,570
2017	22,672	11,304	17,065	5,864
2018	21,381	9,130	15,168	3,956
2019 to 2023	74,560	26,549	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	262,490	112,264	181,241	50,525
Less: Imputed Interest Costs			30,231	8,797
Present Value of Minimum Lease Payments	$ 262,490	$ 112,264	$ 151,010	$ 41,728

Component Units

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 $1.2 million at June 30, 2013. Total minimum lease payments including interest at June 30, 2013, were $1.3 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 $4.8 million as of June 30, 2013.

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, 2013 was $170,256. The total minimum rental commitment under the leases was $0.3 million at June 30, 2013.

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 $167.1 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 $1,192.9 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 $246.9 million of interest costs, of which, $84.2 million was recorded by governmental activities and $162.8 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 million 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 $132.4 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 $6.9 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)

Fiscal Year	Business-Type Activities: 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	$ 213,596	$ 161,947	$ 685	$ 133	$ 18,930	$ 19,363	$ 233,211	$ 181,443
2015	220,142	155,068	711	106	19,834	18,575	240,687	173,749
2016	222,010	150,025	742	77	20,749	17,677	243,501	167,779
2017	223,023	144,382	766	47	21,679	16,712	245,468	161,141
2018	99,997	138,222	545	16	22,749	15,652	123,291	153,890
2019 to 2023	543,339	623,810	72	19	131,614	59,398	675,025	683,227
2024 to 2028	614,967	490,535	22	1	129,406	23,849	744,395	514,385
2029 to 2033	627,453	331,830	-	-	36,330	2,465	663,783	334,295
2034 to 2038	552,705	171,146	-	-	-	-	552,705	171,146
2039 to 2043	282,225	42,985	-	-	-	-	282,225	42,985
2044 to 2048	12,305	1,092	-	-	-	-	12,305	1,092
Subtotals	3,611,762	2,411,042	3,543	399	401,291	173,691	4,016,596	2,585,132
Unamortized Prem/Discount	83,800	-	(21)	-	2,312	-	86,091	-
Unaccreted Interest	(11,996)	-	-	-	-	-	(11,996)	-
Totals	$ 3,683,566	$ 2,411,042	$ 3,522	$ 399	$ 403,603	$ 173,691	$ 4,090,691	$ 2,585,132

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	4,346,115	7,439	475,373	$ 4,828,927
Total	$ 5,834,615	$ 28,514	$ 1,529,454	$ 7,392,583

Component Units

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, 2013.

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 2042	2,700	312	3,012
ʼotal 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 University 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 University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2013, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2014	$ -	$ 3,226	$ 3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019 to 2023	6,710	14,874	21,584
2024 to 2028	7,930	12,951	20,881
2029 to 2033	9,590	10,261	19,851
2034 to 2038	11,745	6,825	18,570
2039 to 2043	15,890	2,487	18,377
Total Future Payments	$ 54,885	$ 63,361	$ 118,246

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	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	18,508	(11,393)	149,368	10,955
Claims and Judgments Payable	375,374	5,157	(10,207)	370,324	46,873
Capital Lease Obligations	121,429	40,927	(11,346)	151,010	20,004
Bonds Payable	737,432	30,925	(194,209)	574,148	141,260
Certificates of Participation	1,018,456	205,361	(31,625)	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	397,866	(340,600)	2,903,793	255,568
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	(6,953)	41,728	6,575
Derivative Instrument Liabilities	12,994	-	(4,661)	8,333	-
Bonds Payable	3,753,617	429,150	(457,814)	3,724,953	214,196
Certificates of Participation	420,950	83,368	(100,716)	403,602	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	27,267	(34,540)	38,497	24,770
Total Business-Type Activities Long-Term Liabilities	4,689,816	632,818	(632,893)	4,689,741	281,765
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	$ 1,763,513	$ (1,822,230)	$ 8,348,670	$ 1,267,553

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
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. Charitable gift annuity assets are immediately available to the foundation. After termination of 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 applicable 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 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, 2013, the foundation held $41.3 million of split interest agreement investments with $18.9 million of related liabilities and reported $5.4 million of net beneficial interest in charitable trusts held by others.

At June 30, 2013, the University of Colorado Foundation held $278.9 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, 2013, the Colorado State University Foundation held $14.0 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, 2013, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.7 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.7 million mentioned above and total $4.8 million. At June 30, 2013, CSMF reported $19.8 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	$	257,095
Colorado Mesa University	$	45,640
Colorado School of Mines	$	6,935
Western State College	$	16,270
Adams State College	$	7,420
Community College System	$	4,740
Total	$	916,985

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 $1,654,852 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 $176,015,000 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 $38,728,235 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 INFLOWS AND OUTFLOWS OF RESOURCES

A. 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 $41.4 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.

B. REFUNDING TRANSACTIONS

Component Unit

The Colorado Water Resources and Power Development Authority recorded $0.5 million as a Deferred Outflow of Resources for dererred refunding costs. The Authority recorded $0.8 million in refunding benefits and $0.1 million in prepaid interest on loans as a Deferred Inflow of Resources.

NOTES 29 Through 32 – DETAILS OF NET POSITION AND FUND BALANCE

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Primary Government

C. 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	Resource Extraction	Highway Users Tax Fund	Capital Projects	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			-					
Capital Projects	547,428					547,428		
Revolving Loan			(9,524,075)				9,524,075	
Water Purchase				12,000,000				
Fund Reclass					(123,890)		123,890	
	6,957,247	(5,850,621)	(9,543,852)	11,129,338	(123,890)	547,428	16,948,223	(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 a 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.

Governmental activities increased by $547,428 in the Capital Projects Fund when the State Historical Society corrected accounting entries related to Certificates of Participation in prior fiscal years.

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 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, $9,524,075 moved from the General Purpose Revenue Fund (a component of the General Fund) into the Other Special Revenue Funds related to when the revolving loan program was moved from the Clean and Renewable Energy Fund (a portion of the nonmajor Colorado Gaming Fund).

Within governmental funds on the Fund-Level Statements, as part of the Resource Extraction Fund, $12,000,000 was reclassified by the Colorado Water Conservation Board from a water asset used in its operations to resale inventory. This reclassification does not affect governmental activities on the Government-Wide Statements, but it is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to the Statement of Activities.*

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.

D. ACCOUNTING CHANGES

Component Units

The beginning net position of the Component Units on the government-wide *Statement of Activities* decreased by $931,038,000 when the reporting classification of the University of Colorado Hospital Authority (UCHA) changed from being a major component unit of the State to being a related party of the State. Effective July 1, 2012, UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. and subsequently with Memorial Health System, in the creation of University of Colorado Health (UC Health) – a newly formed governmental non-profit corporation. Although the relationship between UCHA and the State of Colorado has not changed as a result of this joint operating agreement, the State and UC Health evaluated the most appropriate reporting entity for UCHA to report under as it qualified as reportable under both entities. It was determined under governmental standards that UCHA should be reporting as a component unit of UC Health, and as a related party to the State of Colorado. As a result, the University of Colorado Hospital Authority had no activity on the the *Statement of Net Position-Component Units.* In addition, the *Statement of Revenues, Expenses, and Changes in Net Position-Component Units* (Other Component Units) shows the impact of the change of $931,038,000.

The beginning net position on the *Statement of Revenues, Expenses, and Changes in Net Position-Component Units* decreased by $1,364,963 when the Colorado Water Resources and Power Development Authority (CWRPDA) implemented GASB Statement No. 65 – Items Previously Reported As Assets and Liabilities. As a result of the implementation, certain items previously reported as assets and liabilities were expensed or reclassified as deferred outflows and inflows.

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following:

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 323,685	$ 260,314	$ 7
Business, Community and Consumer Affairs	-	12,804	-
Education	162,925	2,162	-
Health and Rehabilitation	-	3,912	-
Justice	551	-	-
Natural Resources	-	160	-
TOTAL	$ 487,161	$ 279,352	$ 7
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ 231,017	$ -
Business, Community and Consumer Affairs	-	150,716	-
Education	-	4,321	-
Natural Resources	13,537	468,166	-
TOTAL	$ 79,537	$ 854,220	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,317	$ 10,949	$ -
Health and Rehabilitation	8	1,651	-
Justice	-	64	-
Transportation	1,137,672	26,423	-
TOTAL	$ 1,145,997	$ 39,087	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 34,839	$ -
Education	-	10,706	-
Health and Rehabilitation	-	95	-
Justice	2,492	5,999	-
Natural Resources	-	39	-
TOTAL	$ 2,492	$ 51,678	$ -
STATE EDUCATION:			
Education	1,257,167	-	-
TOTAL	$ 1,257,167	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 144,275	$ 214,879	$ -
Business, Community and Consumer Affairs	46,634	216,448	-
Education	22,605	46,383	-
Health and Rehabilitation	15,080	93,180	-
Justice	37,619	103,377	-
Natural Resources	11,324	7,963	-
Social Assistance	465	53,384	-
Transportation	19,814	387	-
TOTAL	$ 297,816	$ 736,001	$ -

The significant fund balances held for restricted purposes as of June 30, 2013, include:

- $320.8 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- $153.3 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $1,137.7 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $1,257.2 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $92.5 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund.

The significant fund balances held for committed purposes as of June 30, 2013, include:

- $216.1 million in the General Fund in the General Government function represents the portion of the $373.0 five percent statutory reserve available on a GAAP basis (see Note 6I).
- $231.0 million in the Resources Extraction Fund in the General Government function represents several tax receipts held by the State Treasurer.
- $141.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from several tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $340.4 million in the Resource Extraction Fund in the Natural Resources function represents loans receivable for loans issued to local governments by the Colorado Water Conservation Board.
- $37.6 million in the Other Governmental Funds in the Justice function represents balances from fees for stabilization purposes, offender services and victims' assistance.
- Remaining balances in Other Governmental Funds in the General Government, Business, Community and Consumer Affairs represent various programs, all of which individually represent less than $10.0 million of the total.

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 the reserve was $373.0 million or 5.0 percent of appropriated expenditures. On a GAAP basis only $216.1 million was available for the reserve (see Note 6I).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 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
MAJOR FUNDS:				
General Fund				
General Purpose	$ 257	$ 90	$ 847	$ -
Special Purpose	12,739	-	-	-
Resource Extraction	35	-	-	91
Highway Users	310	-	-	-
Regular Capital Projects	420	-	-	-
Special Capital Construction	-	-	-	-
State Education	1,073,491	-	-	-
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	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
College Assist	-	-	-	-
State Fair Authority	-	-	-	-
Correctional Industries	273	-	-	-
State Nursing Homes	1,419	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Information Technology	3,964	-	-	-
Other Internal Service	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	22,067	-	1	-
College Savings Plan	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 1,118,075	$ 359	$ 1,068	$ 91

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 1,343	$ -	$ 21,120	$ 23,657
-	23,563	3,982	40,284
-	-	1,322	1,448
-	-	2,663	2,973
1,935	-	-	2,355
-	-	-	-
-	-	-	1,073,491
-	-	2,546	5,550
-	-	-	182
-	-	21	21
-	-	1,064	1,116
-	-	-	-
-	-	169	496
-	-	-	-
-	-	1,964	1,989
-	-	4,143	4,143
-	-	1,570	1,570
-	-	-	-
296	3,730	244	4,270
-	-	-	-
-	-	-	-
2,506	-	34	2,813
-	-	-	1,419
25	-	-	25
-	-	5	3,969
-	-	6	6
1,518	-	1	23,587
-	-	5,042	5,042
-	10,005	-	10,005
$ 7,623	$ 37,298	$ 45,896	$ 1,210,411

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 $1,073.5 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 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	$ 2,908,852	$ -	$ -
Special Purpose	72,821	-	-
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	95,219	20	545
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	301	-	-
State Lands Trust Expendable	118,262	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	51	-	-
Wildlife	11,621	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	-	-
Legal Services	2,951	-	-
Other Internal Service	1,511	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	119	-	-
Other Fiduciary	129	-	-
TOTAL	$ 4,219,227	$ 318	$ 1,045

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 62,526	$ 1,073,491	$ 135,044	$ 54,176	$ 4,234,089
-	-	-	32,022	104,843
-	-	16,547	8,923	90,720
2,263	-	-	171,142	225,056
734	-	14,983	21,435	37,652
7,016	-	-	22,598	29,617
-	-	6,425	-	8,235
-	-	-	-	4,463
-	-	-	-	2,285
-	-	-	13,563	77,046
-	-	-	-	29,449
8,255	-	6,063	2,000	29,529
7,265	-	14,171	1,432	105,933
-	-	-	75	818
11	-	-	13,597	696,306
-	-	-	500	3,133
49,075	`	-	1,642	146,501
1,409	-	871	479	3,060
-	-	100	12	118,374
-	-	-	8	8
-	-	-	-	51
-	-	-	225	12,144
-	-	-	-	106
-	-	-	-	88
-	-	-	-	557
-	-	-	-	1,802
-	-	-	-	49
22	-	-	-	1,061
-	-	-	-	241
-	-	-	-	1,769
-	-	-	-	134
67	-	-	114	1,012
-	-	-	-	14
-	-	-	-	16
-	-	-	97	3,048
-	-	-	-	1,511
-	-	-	-	119
-	-	-	26	155
$ 138,643	$ 1,073,491	$ 194,204	$ 344,066	$ 5,970,994

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 $1,073.5 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 within the General Fund 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 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 transfers.

The Other Special Revenue transfer to the Capital Projects Fund includes $49.0 million in construction and debt service costs for the newly completed Ralph L. Carr Justice Center.

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 $672.5 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.
- $198.6 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 University 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.

- $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 100 percent of gross facility and administrative cost recoveries and 10 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	Debt Service Requirements Interest	Debt Service Requirements Total
Department of Transportation	$ 1,204,153	$ (1,037,025)	$ 167,128	$ 132,105	$ 35,023	$ 167,128
Higher Education Institutions	1,122,003	(537,630)	584,373	80,330	131,356	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
	$ 2,934,649	$ (1,574,655)	$ 1,359,994	$ 712,280	$ 207,344	$ 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.

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, 2013

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	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 for Permanent Endowments:			
Expendable	-	4,495	-
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
Gifts and Donations	(12,963)	-	-
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

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 $8.1 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 2012-13, 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 $116.3 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

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 2012-13, the foundation transferred $41.3 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 contributions and investment income. During Fiscal Year 2012-13, the foundation granted $0.9 million to the University. At June 30, 2013 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, 2012, the VCA has contributed approximately $23.3 million or 107 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, 2012, the VCA has contributed approximately $13.1 million or 52 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 (now Metropolitan State University 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 MSU Denver. The facility includes a fully functioning hotel and learning laboratory for the University'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 University's unconditional guarantee. The hotel opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University Hospital is a nonsectarian, general acute care regional hospital with outpatient primary care clinics, and 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.

UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. and subsequently with Memorial Health System, in the creation of University of Colorado Health (UC Health) – a newly formed governmental non-profit corporation. Although the relationship between UCHA and the State of Colorado has not changed as a result of this joint operating agreement, the State and UC Health evaluated the most appropriate reporting entity for UCHA to report under as it qualified as reportable under both entities. It was determined under governmental standards that UCHA should be reporting as a component unit of UC Health, and as a related party to the State of Colorado as of July 1, 2012.

Annually, UCD, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, and UCHA enter into agreements concerning the nature and amount of fees to be charged for services and the allocation of expenses between the two entities. Services provided by UCD to UCHA include telecommunications services, rental of office space and for resident doctors. Services provided by UCHA to UCD include shipping and receiving services and student health services. Amounts payable and receivable between the entities are generally settled within the following quarterly accounting period.

During Fiscal Year 2012-13, total payments issued by UCHA to UCD approximated $37.8 million while payments issued by UCD to UCHA approximated $9.9 million. UPI recognized approximately $27.8 million in health service revenue from UCHA in support of clinical and academic missions; and approximately $40.3 million for services performed by UPI faculty members, but which were required to be processed by UCHA. Examples of the latter include the State of Colorado medically indigent program, Ryan White program, and other miscellaneous programs.

As of June 30, 2013, amounts owed from UCHA to UCD equaled $3.4 million, and amounts owed from UCD to UCHA were $73,000.

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 University in Fiscal Year 2012-13. The foundation also reimbursed the University $212,703 for services provided by University employees in Fiscal Year 2012-13. At June 30, 2013, the foundation owed the University $341,293. As of this date, the University 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 University 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, Northeastern Junior College and Red Rocks 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 $1.1 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 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.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. In Fiscal Year 2012-13, the Colorado Historical Foundation transferred $4.0 million to History Colorado, and History Colorado has an account receivable from the Foundation for $0.7 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 seven CHFA bonds purchased from 2003 through 2007 with a face value of $9.7 million as of June 30, 2013, and a total original face value of $35.4 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2013 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 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, 2012, VCA's investments in Colorado Fund I and Colorado Fund II totaled $30.6 million and $14.3 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 ($8.9 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

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 $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 for 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 has formally appealed the disallowance, which has been heard by the U.S. Department of Health and Human Services. Additionally, CMS disallowed $13.4 million in federal matching funds for administrative costs related to out stationing eligibility functions at Denver Health. The State is contesting this disallowance. The likelihood of an unfavorable outcome for both disallowances 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 is 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 Colorado Community Colleges System issued 2013 System-wide revenue bonds in the amount of $21,025,000. The bonds mature on November 1, 2013, and carry variable interest rates ranging from 3.0 to 5.0 percent. The proceeds will be used to finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the Front Range Community College Larimer Campus and the Front Range Community College Westminster campus facilities.

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.

On July 24, 2013, the State Treasurer issued $111,780,000 in taxable Department of Corrections Refunding Certifications of Participation, Series 2013. The bonds mature on September 1, 2018, and carry an average coupon rate of 2.02 percent. The proceeds refund $97,145,000 in previously issued certifications of participation to remove the tax-exempt status. Once the tax-exempt status is removed, repurposing options are expanded for potential federal government usage of the Colorado State Penitentiary facility.

On September 24, 2013, the Colorado State University System sold $18.6 million Series 2013 C (interest ranging from 5 to 5.25 percent) and $7.9 million Series 2013 D (interest ranging from 0.963 to 5.25 percent) System Enterprise Revenue Bonds. The proceeds of the sale of the Series 2013 Bonds will be used to renovate, remodel, improve, and construct an addition to the Occhiato University Center for Colorado State University-Pueblo, pay capitalized interest, and pay the costs of issuing the Series 2013 Bonds.

On October 9, 2013, the University of Colorado issued $142,460,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2013A, and $11,245,000 of Taxable University Enterprise Revenue Bonds, Series 2013B, and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2013A has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2033. Series 2013B has rates ranging from 1.088 percent to 4.65 percent, and the bonds mature through June 1, 2028.

On December 9, 2013, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2013I in the amount of $89,510,000. BEST was issued as tax exempt bonds with a premium of $6,358,338, an average coupon rate of 4.98 of percent, and a true interest cost of 4.40 percent. Base rents are due semiannually beginning on March 15, 2015, with a final maturity date of March 15, 2036.

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.

On November 15, 2013, CollegeInvest, a nonmajor enterprise fund, closed its Prepaid Tuition Fund permanently. During the period from July 1 through November 15, 2013, the fund liquidated all of its fixed income investments and paid all contract units to account owners. CollegeInvest received $20.9 million for sale of its investments, $400,000 in interest on investments, and paid $17.8 million in contract payments. CollegeInvest transferred 612 accounts and $6.6 million to the Money Market Portfolio within the Direct Portfolio College Saving Plan.

In September 2013, significant flooding occurred in various parts of the State. Infrastructure damage to roadways and bridges is preliminarily estimated at $383.0 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. The Department of Natural Resources reports damage to roads, bridges, buildings, wells, machinery and water control equipment estimated at $15.5 million. A portion of the losses may be covered though the Department of Transportation, State Risk

Management, and federal sources. The amount of any recovery is unknown. 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.

College Assist 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, College Assist submitted a VFA proposal in September 2013, in partnership with Nelnet Guarantor Solutions, LLC. College Assist is awaiting communication from the Department of Education regarding the proposal. If accepted, the College Assist will operate under the requirements of the VFA in lieu of the guarantee agency agreements established under sections 428(b) and (c) of the Higher Education Act. This alternative structure could mean increased revenue to College Assist over a greater period of time. If College Assist's proposal is not accepted, there are no changes to current operating procedures of revenues anticipated in the foreseeable future.

The Colorado School of Mines reached a settlement agreement with responsible parties for the remediation of pollution at the Table Mountain Research Center site. The settlement was reached through an assessment of ground water monitoring results from mining research activities conducted by the Colorado School of Mines Research Institute (now operating as Table Mountain Research Center) while leasing the site from the School. The consent decree is expected to be approved by the court within the next month and would result in a gain contingency of approximately $11.0 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.

Subsequent to December 31, 2012, the Venture Capital Authority made equity investments in three entities through Fund I for approximately $1.7 million, and equity investments in ten entities through Fund II for approximately $3.5 million.

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	3,014,932	509
Governor	18,320	18,525	18,415	110
Health Care Policy and Financing	1,857,116	1,844,917	1,843,642	1,275
Higher Education	619,262	628,902	628,568	334
Human Services	642,211	654,311	648,466	5,845
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	1,076,491	1,076,491	1,076,491	-
SUB-TOTAL OPERATING BUDGETS	8,868,107	8,907,650	8,913,013	(5,363)
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 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	61,984	61,984	61,984	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	250,054	177,602	111,046	66,556
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,118,161	$ 9,085,252	9,024,059	$ 61,193
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (399,683)	

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			1,112,947	
Tuition and Fees			418,070	
Sales and Services			2,333,417	
Interest Earnings			271,388	
Other Revenues			2,693,145	
Transfers-In			7,526,754	
TOTAL REVENUES AND TRANSFERS-IN			15,583,273	
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	1,297,374	316,702
Human Services	746,694	345,767	301,000	44,767
Judicial Branch	296,256	291,716	268,410	23,306
Labor and Employment	1,098,706	1,106,588	729,756	376,832
Law	47,781	108,591	82,425	26,166
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	421,479	409,902
Personnel & Administration	463,742	469,657	453,421	16,236
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	18,204,896	17,948,541	13,491,257	4,457,284
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	2,800	-	-	-
Corrections	2,117	3,282	1,515	1,767
Education	-	561	153	408
Governor	7,114	16,309	6,594	9,715
Higher Education	40,613	72,401	32,786	39,615
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	172,437	127,613
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,387,587	$ 18,248,591	13,663,694	$ 4,584,897
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,919,579	

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			$ 7,437,036	
TOTAL REVENUES AND TRANSFERS-IN			7,437,036	
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	443,493	437,550	5,943
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	581,679	462,928
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	76,383	42,751	33,632
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	94,781	84,934
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	791,850	721,512	70,338
Treasury	-	133,664	133,664	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,505,003	8,836,859	7,422,868	1,413,991
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,505,003	$ 8,836,859	7,422,868	$ 1,413,991
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 14,168	

The notes to the required supplementary information are an integral part of this schedule.

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	5,159,988	315,145	1,754,331	88,081	1,562,985	2,668,662
Federal	5,382,899	130,137	721,266	20,214	-	218,598
Sub-Total Revenues and Transfers-In	19,098,019	445,282	2,475,597	177,539	1,562,985	2,887,260
Expenditures/Expenses and Transfers-Out						
General Funded	8,974,419	-	-	49,634	-	-
Cash Funded	5,152,223	268,470	1,900,856	101,655	498,945	2,372,699
Federally Funded	5,383,251	130,119	721,282	20,214	-	213,399
Expenditures/Expenses and Transfers-Out	19,509,893	398,589	2,622,138	171,503	498,945	2,586,098
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(411,874)	46,693	(146,541)	6,036	1,064,040	301,162
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(14,888)	(5,752)	(14,366)	(1,089)	(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	(416,777)	74,026	(25,326)	4,942	1,062,415	89,076
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)	(9,544)	11,129	(124)	547	-	16,948
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 799,105	$ 989,751	$ 1,197,543	$ 54,181	$ 1,257,167	$ 1,802,472

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
510,956	754,860	576,678	468,607	270,231	1,452,748	15,583,272
15,913	466,920	-	477,539	3,550	-	7,437,036
526,869	1,221,780	576,678	946,146	273,781	1,452,748	31,644,684
-	-	-	-	-	-	9,024,053
516,199	590,195	576,720	345,327	267,965	1,072,440	13,663,694
15,913	467,238	-	467,900	3,550	-	7,422,866
532,112	1,057,433	576,720	813,227	271,515	1,072,440	30,110,613
(5,243)	164,347	(42)	132,919	2,266	380,308	1,534,071
(130)	-	(391)	(5,093)	(187)	305,944	218,511
-	-	49	23,864	1,427	-	82,897
19,454	-	(999)	(21,568)	3,042	-	228,063
-	(10,704)	-	(462)	(33)	-	(286,420)
258,558	-	-	-	-	-	258,560
272,639	153,643	(1,383)	129,660	6,515	686,252	2,035,682
5,029,249	64,433	5,175	1,041,141	11,033	4,483,738	15,927,676
(5,851)	-	-	-	-	-	13,105
$ 5,296,037	$ 218,076	$ 3,792	$ 1,170,801	$ 17,548	$ 5,169,990	$ 17,976,463

GENERAL FUND SURPLUS SCHEDULE

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 $253.5 million of the GAAP General Fund balance of $799.1 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 ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

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 83 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	3,015,448	3,014,932	516	544
Governor	13,968	18,525	18,433	92	38
Health Care Policy and Financing	1,858,057	1,843,221	1,843,580	(359)	-
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	6,569	34	3,288
Public Health and Environment	27,843	31,143	31,143	-	250
Public Safety	84,082	86,452	85,545	907	193
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	7,816,018	7,828,489	$ (12,471)	$ 6,505
Variance Between Actual and Estimated Budgets	18,217	15,201	-		
TOTAL ESTIMATED BUDGET	7,669,900	7,831,219	7,828,489		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	46,700	760,481	726,350		
EXCESS AUGMENTING REVENUES			6,505		
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	(60,500)	(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	(342,500)	(1,109,600)	(1,073,491)		
Transfers-Out to Various Other Cash Funds	-	(4,560)	(4,560)		
TOTAL TRANSFERS	(414,000)	(1,183,281)	(1,147,169)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(367,300)	(422,800)	(414,314)		
BEGINNING GENERAL FUND SURPLUS	383,700	514,700	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			(2,539)		
Contractually Restricted Energy Performance Leases			(551)		
Prior Period Adjustment (see Note 29)			(9,608)		
ENDING GENERAL FUND SURPLUS	$ -	$ -	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2013-14 for Budget			(123,939)		
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			80,373		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,828		
Restricted			551		
Committed			224,917		
Assigned			7		
Shortfall in GAAP Basis Statutory Reserve			156,909		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 253,536		

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 156 to 158). 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 $1.8 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.

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

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.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 160) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 156 to 158) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense 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 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:							
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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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, 2013

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 1,059,938	$ 1,160	$ 11,802	$ 40,077	$ 1,112,977
Taxes Receivable, net	1,356,100	-	-	-	1,356,100
Other Receivables, net	73,686	-	28	319	74,033
Due From Other Governments	337,626	3,406	-	106	341,138
Due From Other Funds	23,657	1,040	-	39,244	63,941
Due From Component Units	119	-	-	-	119
Inventories	5,475	-	-	4,456	9,931
Prepaids, Advances, and Deferred Charges	22,586	-	57	11	22,654
Restricted Cash and Pooled Cash	4	7,670	-	174,183	181,857
Restricted Receivables	-	-	-	310	310
Investments	7,105	-	-	320,836	327,941
TOTAL ASSETS	$ 2,886,296	$ 13,276	$ 11,887	$ 579,542	$ 3,491,001
LIABILITIES:					
Tax Refunds Payable	$ 707,855	$ -	$ -	$ -	$ 707,855
Accounts Payable and Accrued Liabilities	452,295	1,416	1,753	26,435	481,899
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	48,293	-	-	19,775	68,068
Due To Other Funds	1,117,641	-	202	232	1,118,075
Due To Component Units	21	-	-	-	21
Unearned Revenue	298,574	2,391	-	6,932	307,897
Compensated Absences Payable	74	-	-	-	74
Claims and Judgments Payable	291	-	-	-	291
Other Current Liabilities	7,000	-	-	-	7,000
Deposits Held In Custody For Others	10	-	-	-	10
TOTAL LIABILITIES	2,632,760	3,807	1,955	53,374	2,691,896
FUND BALANCES:					
Nonspendable:					
Inventories	5,475	-	-	4,456	9,931
Prepaids	22,586	-	57	11	22,654
Restricted	551	8,309	-	478,301	487,161
Committed	224,917	1,160	9,875	43,400	279,352
Assigned	7	-	-	-	7
TOTAL FUND BALANCES	253,536	9,469	9,932	526,168	799,105
TOTAL LIABILITIES AND FUND BALANCES	$ 2,886,296	$ 13,276	$ 11,887	$ 579,542	$ 3,491,001

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2013

		SPECIAL PURPOSE FUNDS			
(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 5,148,795	$ -	$ -	$ -	$ 5,148,795
Corporate Income	597,441	-	-	-	597,441
Sales and Use	2,454,455	-	-	-	2,454,455
Excise	93,063	-	-	-	93,063
Other Taxes	211,170	-	-	-	211,170
Licenses, Permits, and Fines	15,890	-	-	1,981	17,871
Charges for Goods and Services	13,172	-	58,060	496	71,728
Rents	291	-	-	17	308
Investment Income (Loss)	8,653	-	206	3,664	12,523
Federal Grants and Contracts	5,334,226	-	-	5,942	5,340,168
Other	139,999	5,806	110	10,291	156,206
TOTAL REVENUES	14,017,155	5,806	58,376	22,391	14,103,728
EXPENDITURES:					
Current:					
General Government	197,983	-	56,687	4,334	259,004
Business, Community, and Consumer Affairs	183,602	-	-	3,926	187,528
Education	604,945	6,424	-	3,251	614,620
Health and Rehabilitation	546,738	-	-	696	547,434
Justice	1,232,456	-	-	-	1,232,456
Natural Resources	42,306	-	-	-	42,306
Social Assistance	6,253,625	-	-	373	6,253,998
Capital Outlay	22,165	-	-	167,189	189,354
Intergovernmental:					
Cities	24,462	-	-	37,080	61,542
Counties	1,191,504	-	-	12,670	1,204,174
School Districts	700,041	2,974,357	-	93,227	3,767,625
Special Districts	30,537	-	-	14,040	44,577
Federal	117	-	-	-	117
Other	169,949	-	-	17	169,966
Debt Service	6,631	-	-	25,321	31,952
TOTAL EXPENDITURES	11,207,061	2,980,781	56,687	362,124	14,606,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,810,094	(2,974,975)	1,689	(339,733)	(502,925)
OTHER FINANCING SOURCES (USES):					
Transfers-In	1,005,502	2,964,361	-	249,364	4,219,227
Transfers-Out	(4,234,090)	(66,661)	(1,091)	(37,090)	(4,338,932)
Face Amount of Bond/COP Issuance	-	-	-	195,965	195,965
Bond/COP Premium/Discount	-	-	-	9,396	9,396
Capital Lease Proceeds	427	-	-	-	427
Sale of Capital Assets	-	-	-	-	-
Insurance Recoveries	65	-	-	-	65
TOTAL OTHER FINANCING SOURCES (USES)	(3,228,096)	2,897,700	(1,091)	417,635	86,148
NET CHANGE IN FUND BALANCES	(418,002)	(77,275)	598	77,902	(416,777)
FUND BALANCE, FISCAL YEAR BEGINNING	681,146	86,744	9,354	448,182	1,225,426
Prior Period Adjustment (See Note 29)	(9,608)	-	(20)	84	(9,544)
FUND BALANCE, FISCAL YEAR END	$ 253,536	$ 9,469	$ 9,932	$ 526,168	$ 799,105

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 Center, 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, 2013

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 39,418	$ 9,506	$ 48,924
Other Receivables, net	328	722	1,050
Due From Other Governments	2,337	249	2,586
Due From Other Funds	2,355	-	2,355
Prepaids, Advances, and Deferred Charges	-	11	11
Restricted Cash and Pooled Cash	-	2,220	2,220
Restricted Investments	-	7,317	7,317
Restricted Receivables	-	330	330
Investments	-	785	785
Other Long-Term Assets	81	-	81
TOTAL ASSETS	$ 44,519	$ 21,140	$ 65,659
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 8,362	$ 1,903	$ 10,265
Due To Other Funds	91	-	91
Unearned Revenue	-	967	967
Other Current Liabilities	155	-	155
TOTAL LIABILITIES	8,608	2,870	11,478
Prepaids	-	11	11
Restricted	-	2,492	2,492
Committed	35,911	15,767	51,678
TOTAL FUND BALANCES	35,911	18,270	54,181
TOTAL LIABILITIES AND FUND BALANCES	$ 44,519	$ 21,140	$ 65,659

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	7	-	7
Charges for Goods and Services	-	63	63
Rents	202	-	202
Investment Income (Loss)	(445)	148	(297)
Federal Grants and Contracts	8,044	8,429	16,473
Other	941	3,452	4,393
TOTAL REVENUES	8,749	12,092	20,841
EXPENDITURES:			
General Government	8,060	901	8,961
Business, Community, and Consumer Affairs	1	-	1
Education	4,961	2,042	7,003
Health and Rehabilitation	-	69	69
Justice	373	9,149	9,522
Social Assistance	32	-	32
Capital Outlay	27,830	34,825	62,655
TOTAL EXPENDITURES	41,257	46,986	88,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,508)	(34,894)	(67,402)
OTHER FINANCING SOURCES (USES):			
Transfers-In	81,894	56,749	138,643
Transfers-Out	(36,565)	(30,704)	(67,269)
Insurance Recoveries	201	769	970
TOTAL OTHER FINANCING SOURCES (USES)	45,530	26,814	72,344
NET CHANGE IN FUND BALANCES	13,022	(8,080)	4,942
FUND BALANCE, FISCAL YEAR BEGINNING	22,889	25,803	48,692
Prior Period Adjustment (See Note 29)	-	547	547
FUND BALANCE, FISCAL YEAR END	$ 35,911	$ 18,270	$ 54,181

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, 2013

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 771,571	$ -	$ -	$ 771,571
Taxes Receivable, net	42,755	-	-	42,755
Other Receivables, net	81,525	-	7,988	89,513
Due From Other Governments	23,307	341	92	23,740
Due From Other Funds	3,804	-	5,713	9,517
Inventories	145	-	-	145
Prepaids, Advances, and Deferred Charges	8,346	-	4	8,350
Restricted Assets:				
Restricted Cash and Pooled Cash	61,494	1,362	154,658	217,514
Restricted Investments	57,777	-	533,115	590,892
Investments	106,751	32,555	-	139,306
Other Long-Term Assets	23,600	-	17,469	41,069
Depreciable Capital Assets and Infrastructure, net	-	-	20,883	20,883
Land and Nondepreciable Capital Assets	81	-	44,713	44,794
TOTAL ASSETS	$ 1,181,156	$ 34,258	$ 784,635	$ 2,000,049
LIABILITIES:				
Tax Refunds Payable	$ 587	$ -	$ -	$ 587
Accounts Payable and Accrued Liabilities	73,913	-	1,339	75,252
Due To Other Governments	21,214	-	11	21,225
Due To Other Funds	24,270	1,145	9,858	35,273
Due To Component Units	60	-	-	60
Unearned Revenue	59,831	-	764	60,595
Compensated Absences Payable	35	-	-	35
Claims and Judgments Payable	93	-	-	93
Other Current Liabilities	4,450	-	-	4,450
Deposits Held In Custody For Others	7	-	-	7
TOTAL LIABILITIES	184,460	1,145	11,972	197,577
FUND BALANCES:				
Nonspendable:				
Inventories	145	-	-	145
Permanent Fund Principal	-	-	760,160	760,160
Prepaids	8,346	-	4	8,350
Restricted	258,375	33,113	6,328	297,816
Committed	729,830	-	6,171	736,001
TOTAL FUND BALANCES	996,696	33,113	772,663	1,802,472
TOTAL LIABILITIES AND FUND BALANCES	$ 1,181,156	$ 34,258	$ 784,635	$ 2,000,049

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 42,826	$ -	$ -	$ 42,826
Excise	146,103	-	-	146,103
Other Taxes	154,400	-	-	154,400
Licenses, Permits, and Fines	431,380	-	-	431,380
Charges for Goods and Services	767,655	-	-	767,655
Rents	1,400	-	127,849	129,249
Investment Income (Loss)	(1,062)	258	(4,880)	(5,684)
Federal Grants and Contracts	219,050	-	633	219,683
Additions to Permanent Funds	-	-	741	741
Unclaimed Property Receipts	36,986	-	-	36,986
Other	34,895	-	12	34,907
TOTAL REVENUES	1,833,633	258	124,355	1,958,246
EXPENDITURES:				
Current:				
General Government	45,166	-	800	45,966
Business, Community, and Consumer Affairs	183,681	-	-	183,681
Education	21,139	-	-	21,139
Health and Rehabilitation	83,735	-	-	83,735
Justice	78,545	-	-	78,545
Natural Resources	823	-	9,124	9,947
Social Assistance	232,340	-	-	232,340
Transportation	3,071	-	-	3,071
Capital Outlay	13,133	-	7	13,140
Intergovernmental:				
Cities	53,792	-	-	53,792
Counties	82,052	-	8	82,060
School Districts	7,313	-	-	7,313
Special Districts	10,375	-	-	10,375
Federal	2,013	-	-	2,013
Other	42,523	-	-	42,523
Debt Service	1,209	213,437	-	214,646
TOTAL EXPENDITURES	860,910	213,437	9,939	1,084,286
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	972,723	(213,179)	114,416	873,960
OTHER FINANCING SOURCES (USES):				
Transfers-In	92,298	224,839	300	317,437
Transfers-Out	(1,011,669)	-	(121,442)	(1,133,111)
Capital Lease Proceeds	180	-	-	180
Sale of Capital Assets	-	-	30,604	30,604
Insurance Recoveries	6	-	-	6
TOTAL OTHER FINANCING SOURCES (USES)	(919,185)	224,839	(90,538)	(784,884)
NET CHANGE IN FUND BALANCES	53,538	11,660	23,878	89,076
FUND BALANCE, FISCAL YEAR BEGINNING	926,789	21,453	748,206	1,696,448
Prior Period Adjustment (See Note 29)	16,369	-	579	16,948
FUND BALANCE, FISCAL YEAR END	$ 996,696	$ 33,113	$ 772,663	$ 1,802,472

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 228 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 230 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, 2013

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 85,398	$ 98,087	$ 61,472	$ 11,240
Taxes Receivable, net	14,682	11,353	12,682	-
Contributions Receivable, net				
Other Receivables, net	1,039	9,763	45,153	12
Due From Other Governments	7,043	-	11,210	-
Due From Other Funds	182	21	1,116	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	4,151	29	-	-
Restricted Assets:				
Restricted Cash and Pooled Cash	34,723	26,771	-	-
Restricted Investments	57,777	-	-	-
Investments	6,784	-	-	-
Other Long-Term Assets	-	12,172	-	-
Land and Nondepreciable Capital Assets	-	-	-	-
TOTAL ASSETS	$ 211,779	$ 158,196	$ 131,633	$ 11,252
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	3,051	5,556	34,956	80
Due To Other Governments	-	18,929	203	279
Due To Other Funds	9	14,685	4,056	-
Due To Component Units	-	-	-	-
Unearned Revenue	-	895	1,269	-
Compensated Absences Payable	-	-	-	-
Claims and Judgments Payable	82	-	-	-
Other Current Liabilities	451	9	-	-
Deposits Held In Custody For Others	-	6	-	-
TOTAL LIABILITIES	3,593	40,080	40,484	359
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	-
Prepaids	4,151	29	-	-
Restricted	92,500	23,885	15,727	9,100
Committed	111,535	94,202	75,422	1,793
TOTAL FUND BALANCES	208,186	118,116	91,149	10,893
TOTAL LIABILITIES AND FUND BALANCES	$ 211,779	$ 158,196	$ 131,633	$ 11,252

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 156,246	$ 33,745	$ 325,383	$ 771,571
-	-	4,038	42,755
13,195	954	11,409	81,525
1,630	-	3,424	23,307
496	-	1,989	3,804
145	-	-	145
708	31	3,427	8,346
-	-	-	61,494
-	-	-	57,777
-	99,967	-	106,751
-	-	11,428	23,600
-	-	81	81
$ 172,420	$ 134,697	$ 361,179	$ 1,181,156
$ -	$ -	$ 587	$ 587
8,278	59	21,933	73,913
-	-	1,803	21,214
5,265	10	245	24,270
60	-	-	60
2,894	-	54,773	59,831
35	-	-	35
-	-	11	93
(240)	-	4,230	4,450
-	-	1	7
16,292	69	83,583	184,460
145	-	-	145
708	31	3,427	8,346
8,741	-	108,422	258,375
146,534	134,597	165,747	729,830
156,128	134,628	277,596	996,696
$ 172,420	$ 134,697	$ 361,179	$ 1,181,156

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	143,423	-
Other Taxes	47,702	104,137	-	-
Licenses, Permits, and Fines	458	1,042	91,524	7,084
Charges for Goods and Services	228	1,241	932	1,289
Rents	-	965	-	-
Investment Income (Loss)	709	(63)	229	61
Federal Grants and Contracts	13,102	118	128,381	-
Unclaimed Property Receipts	-	-	-	-
Other	403	8,547	1,232	269
TOTAL REVENUES	62,602	115,987	365,721	8,703
EXPENDITURES:				
Current:				
General Government	1,600	-	110	-
Business, Community, and Consumer Affairs	18,357	28,720	-	64
Education	-	14,899	632	-
Health and Rehabilitation	-	63	25,411	-
Justice	13,866	-	-	-
Natural Resources	-	-	-	823
Social Assistance	-	-	225,103	-
Transportation	-	-	-	-
Capital Outlay	-	40	27	5
Intergovernmental:				
Cities	63	15,794	1,107	-
Counties	322	14,906	26,859	344
School Districts	2	531	3,983	-
Special Districts	174	2,137	-	-
Federal	-	-	-	5
Other	310	914	7,205	1,124
Debt Service	-	-	-	-
TOTAL EXPENDITURES	34,694	78,004	290,437	2,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,908	37,983	75,284	6,338
OTHER FINANCING SOURCES (USES):				
Transfers-In	24,695	6,357	43,864	287
Transfers-Out	(29,449)	(29,529)	(105,933)	(818)
Capital Lease Proceeds	-	-	-	-
Insurance Recoveries	-	-	-	6
TOTAL OTHER FINANCING SOURCES (USES)	(4,754)	(23,172)	(62,069)	(525)
NET CHANGE IN FUND BALANCES	23,154	14,811	13,215	5,813
FUND BALANCE, FISCAL YEAR BEGINNING	185,032	93,781	77,934	5,080
Prior Period Adjustment (See Note 29)	-	9,524	-	-
FUND BALANCE, FISCAL YEAR END	$ 208,186	$ 118,116	$ 91,149	$ 10,893

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 42,826	$ 42,826
-	-	2,680	146,103
-	-	2,561	154,400
51,747	-	279,525	431,380
721,919	-	42,046	767,655
-	-	435	1,400
360	(2,833)	475	(1,062)
5,071	-	72,378	219,050
-	36,986	-	36,986
2,618	14	21,812	34,895
781,715	34,167	464,738	1,833,633
-	32,200	11,256	45,166
1	1,508	135,031	183,681
-	-	5,608	21,139
50,144	-	8,117	83,735
9,333	-	55,346	78,545
-	-	-	823
116	-	7,121	232,340
387	-	2,684	3,071
551	-	12,510	13,133
467	5	36,356	53,792
1,512	324	37,785	82,052
388	-	2,409	7,313
264	210	7,590	10,375
20	-	1,988	2,013
4,525	-	28,445	42,523
-	-	1,209	1,209
67,708	34,247	353,455	860,910
714,007	(80)	111,283	972,723
3,500	-	13,595	92,298
(696,306)	(3,133)	(146,501)	(1,011,669)
180	-	-	180
-	-	-	6
(692,626)	(3,133)	(132,906)	(919,185)
21,381	(3,213)	(21,623)	53,538
128,798	137,841	298,323	926,789
5,949	-	896	16,369
$ 156,128	$ 134,628	$ 277,596	$ 996,696

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, 2013

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,988	$ -	$ 7,988
Due From Other Governments	-	92	92
Due From Other Funds	5,713	-	5,713
Prepaids, Advances, and Deferred Charges	4	-	4
Restricted Assets:			
Restricted Cash and Pooled Cash	146,598	8,060	154,658
Restricted Investments	533,115	-	533,115
Other Long-Term Assets	17,469	-	17,469
Land and Nondepreciable Capital Assets	44,713	-	44,713
Capital Assets Held as Investments	20,883	-	20,883
TOTAL ASSETS	$ 776,483	$ 8,152	$ 784,635
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 1,230	$ 109	$ 1,339
Due To Other Governments	11	-	11
Due To Other Funds	9,858	-	9,858
Unearned Revenue	764	-	764
TOTAL LIABILITIES	11,863	109	11,972
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	753,319	6,841	760,160
Prepaids	4	-	4
Restricted	6,325	3	6,328
Committed	4,972	1,199	6,171
TOTAL FUND BALANCES	764,620	8,043	772,663
TOTAL LIABILITIES AND FUND BALANCES	$ 776,483	$ 8,152	$ 784,635

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 127,849	$ -	$ 127,849
Investment Income (Loss)	(4,856)	(24)	(4,880)
Federal Grants and Contracts	-	633	633
Additions to Permanent Funds	741	-	741
Other	9	3	12
TOTAL REVENUES	123,743	612	124,355
EXPENDITURES:			
Current:			
General Government	800	-	800
Natural Resources	8,251	873	9,124
Capital Outlay	7	-	7
Counties	8	-	8
TOTAL EXPENDITURES	9,066	873	9,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,677	(261)	114,416
OTHER FINANCING SOURCES (USES):			
Transfers-In	300	-	300
Transfers-Out	(121,434)	(8)	(121,442)
Sale of Capital Assets	30,604	-	30,604
TOTAL OTHER FINANCING SOURCES (USES)	(90,530)	(8)	(90,538)
NET CHANGE IN FUND BALANCES	24,147	(269)	23,878
FUND BALANCE, FISCAL YEAR BEGINNING	739,894	8,312	748,206
Prior Period Adjustment (See Note 29)	579	-	579
FUND BALANCE, FISCAL YEAR END	$ 764,620	$ 8,043	$ 772,663

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, 2013

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 65,405	$ 62,414	$ 44,672	$ -
Investments	17,419	-	-	-
Student and Other Receivables, net	702	10,917	126	43
Due From Other Governments	-	4,386	1,510	-
Due From Other Funds	-	4,270	-	-
Inventories	-	1,035	-	22
Prepaids, Advances, and Deferred Charges	59	4,973	91	144
Total Current Assets	83,585	87,995	46,399	209
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,388	34,000	20,594	-
Restricted Receivables	1,588	-	43,676	-
Investments	19,847	-	-	-
Other Long-Term Assets	-	-	-	-
Depreciable Capital Assets and Infrastructure, net	65	172,023	348	12,617
Land and Nondepreciable Capital Assets	-	338,018	-	840
Total Noncurrent Assets	23,888	544,041	64,618	13,457
TOTAL ASSETS	107,473	632,036	111,017	13,666
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	266	13,459	6,858	237
Due To Other Governments	-	-	33,594	-
Due To Other Funds	5,042	1,100	-	15
Unearned Revenue	-	32,429	-	500
Compensated Absences Payable	-	365	-	-
Leases Payable	-	-	-	64
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	24,770	25	6,811	7
Total Current Liabilities	30,078	47,378	47,263	823
Noncurrent Liabilities:				
Due to Other Funds	-	1,276	-	-
Accrued Compensated Absences	116	6,546	174	136
Capital Lease Payable	-	-	-	1,298
Notes, Bonds, and COPs Payable	-	-	-	-
Total Noncurrent Liabilities	116	7,822	174	1,434
TOTAL LIABILITIES	30,194	55,200	47,437	2,257
NET POSITION:				
Net investment in Capital Assets:	65	510,041	348	12,095
Restricted for:				
Emergencies	-	34,000	-	-
Other Purposes	-	26,709	24,169	-
Unrestricted	77,214	6,086	39,063	(686)
TOTAL NET POSITION	$ 77,279	$ 576,836	$ 63,580	$ 11,409

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 4,806	$ 9,258	$ 2,174	$ 5,178	$ 197,689	$ 12,600	$ 404,196
-	563	-	-	-	-	17,982
1,309	115	424	2,018	31,451	731	47,836
1,041	5,754	-	71	257	126	13,145
2,813	1,419	-	-	-	-	8,502
12,674	178	529	-	-	229	14,667
-	64	-	-	4	176	5,511
22,643	17,351	3,127	7,267	229,401	13,862	511,839
-	-	-	-	-	-	56,982
-	-	-	-	-	-	45,264
-	-	-	-	169,459	-	189,306
1,910	184	-	-	1,673	126	3,893
3,359	31,574	1,933	233	92,996	12,636	327,784
1,413	11,086	-	-	228,259	3,957	583,573
6,682	42,844	1,933	233	492,387	16,719	1,206,802
29,325	60,195	5,060	7,500	721,788	30,581	1,718,641
4,578	2,142	626	2,349	15,098	944	46,557
-	467	-	102	-	-	34,163
-	3	-	-	-	-	6,160
51	1,416	-	-	60,000	5,860	100,256
40	209	-	-	-	219	833
-	280	-	-	-	-	344
-	445	-	-	-	395	840
8	-	-	-	-	156	31,777
4,677	4,962	626	2,451	75,098	7,574	220,930
-	-	-	-	2,000	-	3,276
1,148	1,509	222	639	29	364	10,883
-	3,770	-	-	-	-	5,068
-	1,979	-	-	300,000	5,704	307,683
1,148	7,258	222	639	302,029	6,068	326,910
5,825	12,220	848	3,090	377,127	13,642	547,840
4,772	36,165	1,933	233	140,915	10,494	717,061
-	-	-	-	-	-	34,000
-	-	-	-	-	-	50,878
18,728	11,810	2,279	4,177	203,746	6,445	368,862
$ 23,500	$ 47,975	$ 4,212	$ 4,410	$ 344,661	$ 16,939	$ 1,170,801

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

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 98,138	$ -	$ -
Tuition and Fees	-	18	-	-
Sales of Goods and Services	3	3,749	-	6,031
Investment Income (Loss)	583	-	3,802	-
Rental Income	-	-	-	686
Federal Grants and Contracts	-	29,564	400,106	-
Intergovernmental Revenue	-	30,863	-	-
Other	1,375	1,705	6,254	-
TOTAL OPERATING REVENUES	1,961	164,037	410,162	6,717
OPERATING EXPENSES:				
Salaries and Fringe Benefits	113	86,369	62,148	3,897
Operating and Travel	2,101	72,732	327,928	3,920
Cost of Goods Sold	287	243	-	-
Depreciation and Amortization	2	10,710	12	715
Intergovernmental Distributions	-	7,779	-	-
Debt Service	-	-	17,028	-
Prizes and Awards	-	7	-	882
TOTAL OPERATING EXPENSES	2,503	177,840	407,116	9,414
OPERATING INCOME (LOSS)	(542)	(13,803)	3,046	(2,697)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	378	-	-
Investment Income (Loss)	-	(328)	-	1,021
Rental Income	-	8,529	-	-
Gifts and Donations	-	913	-	422
Gain/(Loss) on Sale or Impairment of Capital Assets	-	728	-	-
Insurance Recoveries from Prior Year Impairments	-	102	-	-
Debt Service	-	(149)	-	(54)
Other Expenses	-	-	-	-
Other Revenues	-	12	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	10,185	-	1,389
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(542)	(3,618)	3,046	(1,308)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	8,757	-	341
Transfers-In	-	19,699	-	506
Transfers-Out	(51)	(12,144)	(106)	(88)
TOTAL CONTRIBUTIONS AND TRANSFERS	(51)	16,312	(106)	759
CHANGE IN NET POSITION	(593)	12,694	2,940	(549)
NET POSITION - FISCAL YEAR BEGINNING	77,872	564,142	60,640	11,958
NET POSITION - FISCAL YEAR ENDING	$ 77,279	$ 576,836	$ 63,580	$ 11,409

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 580	$ -	$ 7,875	$ 106,593
-	-	-	-	-	662	680
44,487	30,071	16,607	5	97,565	4,980	203,498
-	-	-	-	-	-	4,385
-	-	-	-	-	659	1,345
1,632	22,493	-	1,231	21,526	796	477,348
-	215	-	-	60	-	31,138
161	80	38	12	505	27	10,157
46,280	52,859	16,645	1,828	119,656	14,999	835,144
11,564	32,993	3,505	11,293	524	5,767	218,173
9,075	8,360	2,297	26,374	6,055	8,056	466,898
24,622	-	10,320	-	-	114	35,586
407	1,666	117	56	830	777	15,292
-	3,855	-	-	-	-	11,634
-	-	-	-	-	-	17,028
-	-	1	-	-	-	890
45,668	46,874	16,240	37,723	7,409	14,714	765,501
612	5,985	405	(35,895)	112,247	285	69,643
-	-	-	26,541	-	-	26,541
-	-	-	9,216	45	61	9,700
(35)	(34)	17	3	2,980	4	3,628
353	26	-	-	-	-	8,908
1	114	-	-	33	343	1,826
5	55	-	-	-	47	835
-	-	-	-	-	-	102
-	(302)	-	-	(6,005)	(195)	(6,705)
-	(60)	-	-	(85)	(11)	(156)
-	-	-	-	-	-	12
324	(201)	17	35,760	(3,032)	249	44,691
936	5,784	422	(135)	109,215	534	114,334
-	-	-	-	-	1,110	10,208
-	986	-	-	-	26	21,217
(557)	(1,802)	(49)	(1,061)	-	(241)	(16,099)
(557)	(816)	(49)	(1,061)	-	895	15,326
379	4,968	373	(1,196)	109,215	1,429	129,660
23,121	43,007	3,839	5,606	235,446	15,510	1,041,141
$ 23,500	$ 47,975	$ 4,212	$ 4,410	$ 344,661	$ 16,939	$ 1,170,801

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(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	$ -	$ 18	$ -	$ -
Fees for Service	170	75,047	3	4,217
Sales of Products	17	1,360	-	191
Gifts, Grants, and Contracts	-	27,862	411,531	-
Loan and Note Repayments	1,467	-	-	-
Income from Property	-	8,529	-	686
Other Sources	-	56,777	6,254	2,025
Employees	(94)	(81,075)	(1,930)	(2,479)
Suppliers	(4,109)	(48,650)	(59,246)	(5,358)
Sales Commissions and Lottery Prizes	-	(6,264)	-	-
Others for Student Loans and Loan Losses	-	-	(342,830)	-
Other Governments	-	(7,780)	-	-
Other	(1,261)	(18,880)	-	(948)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3,810)	6,944	13,782	(1,666)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	-	19,699	-	506
Transfers-Out	(51)	(12,144)	(106)	(88)
Receipt of Deposits Held in Custody	-	1	-	-
Gifts and Grants for Other Than Capital Purposes	-	913	-	-
NonCapital Debt Service Payments	-	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(51)	8,469	(106)	418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(51)	(19,294)	(360)	(135)
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	-
Capital Debt Service Payments	-	(1)	-	(2)
Capital Lease Payments	-	-	-	(116)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(51)	(19,295)	(360)	(253)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 84	$ -	$ -	$ -	$ 662	$ 764
12,415	29,640	-	(113)	75,777	4,013	201,169
31,490	25	16,446	-	-	870	50,399
1,182	22,377	-	1,184	22,416	725	487,277
-	-	-	-	-	-	1,467
353	26	-	-	-	660	10,254
166	35	38	36,437	60,045	8,471	170,248
(10,634)	(32,740)	(3,450)	(3,511)	(5,290)	(5,388)	(146,591)
(35,231)	(9,574)	(12,717)	(34,452)	(20,757)	(8,555)	(238,649)
-	-	-	-	-	-	(6,264)
-	-	-	-	-	-	(342,830)
-	(3,933)	-	-	-	-	(11,713)
(50)	(128)	(2)	(6)	(258)	(91)	(21,624)
(309)	5,812	315	(461)	131,933	1,367	153,907
-	986	-	-	53	26	21,270
(557)	(1,802)	(49)	(1,061)	(53)	(241)	(16,152)
-	-	-	-	-	4	5
1	114	-	-	33	343	1,404
-	(549)	-	-	-	-	(549)
(556)	(1,251)	(49)	(1,061)	33	132	5,978
(372)	(6,163)	(123)	-	(149,312)	(614)	(176,424)
-	1,081	-	-	-	18	1,099
-	-	-	-	-	-	-
-	-	-	-	(5,929)	(564)	(6,496)
-	(462)	-	-	-	-	(578)
(372)	(5,544)	(123)	-	(155,241)	(1,160)	(182,399)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	2,253	1,000	4,538	1,025
Proceeds from Sale/Maturity of Investments	3,936	-	-	-
Purchases of Investments	(450)	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(833)	(1,328)	(736)	(5)
NET CASH FROM INVESTING ACTIVITIES	4,906	(328)	3,802	1,020
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	994	(4,210)	17,118	(481)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	66,799	100,624	48,148	481
CASH AND POOLED CASH, FISCAL YEAR END	$ 67,793	$ 96,414	$ 65,266	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (542)	$ (13,803)	$ 3,046	$ (2,697)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	2	10,710	12	715
Investment/Rental Income and Other Revenue in Operating Income	(583)	-	(3,802)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	9,587	-	422
(Gain)/Loss on Disposal of Capital and Other Assets	-	4,007	-	-
Compensated Absences	-	152	46	(4)
Interest and Other Expense in Operating Income	-	1	1	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	(175)	(2,130)	30,890	91
(Increase) Decrease in Inventories	-	133	-	(3)
(Increase) Decrease in Other Operating Assets	326	395	171	(39)
Increase (Decrease) in Accounts Payable	644	(287)	(18,264)	(46)
Increase (Decrease) in Other Operating Liabilities	(3,482)	(1,821)	1,682	(105)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (3,810)	$ 6,944	$ 13,782	$ (1,666)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	-	-	-	288
Capital Assets Acquired by Grants or Donations and Payable Increases	-	8,757	-	53
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	748	-	-	-
Loss on Disposal of Capital and Other Assets		3,707	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
31	76	36	93	4,205	104	13,361
-	-	-	-	114,631	-	118,567
-	-					(450)
(65)	(110)	(21)	(90)	(1,097)	(100)	(4,385)
(34)	(34)	15	3	117,739	4	127,093
(1,271)	(1,017)	158	(1,519)	94,464	343	104,579
6,077	10,275	2,016	6,697	103,225	12,257	356,599
$ 4,806	$ 9,258	$ 2,174	$ 5,178	$ 197,689	$ 12,600	$ 461,178
$ 612	$ 5,985	$ 405	$ (35,895)	$ 112,247	$ 285	$ 69,643
407	1,666	117	56	830	777	15,292
-	-	-	-	-	-	(4,385)
358	23	-	35,757	45	61	46,253
-	-	-	-	-	7	4,014
24	(88)	14	187	16	(2)	345
1	32	-	-	(25,116)	240	(24,841)
(1,044)	(1,881)	(162)	(178)	(21,462)	(157)	3,792
(190)	(8)	58	-	-	(20)	(30)
(164)	(62)	-	-	(2)	27	652
(331)	(1,185)	(117)	(388)	4,375	(384)	(15,983)
18	1,330	-	-	61,000	533	59,155
$ (309)	$ 5,812	$ 315	$ (461)	$ 131,933	$ 1,367	$ 153,907
-		-	-	-	1,110	1,398
-		-	-	-	-	8,810
-		-	-	-	-	748
-	305	-	-	-	-	4,012

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.
LEGAL SERVICES	This fund accounts for the Attorney General's services to State agencies in the Department of Law.
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, 2013

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 3,721	$ 52,066	$ 3,742	$ -
Other Receivables, net	333	130	19	4
Due From Other Governments	261	246	-	-
Due From Other Funds	25	3,969	-	-
Inventories	633	-	280	213
Prepaids, Advances, and Deferred Charges	20	2,093	-	-
Total Current Assets	4,993	58,504	4,041	217
Noncurrent Assets:				
Other Long-Term Assets	-	64	-	-
Depreciable Capital Assets and Infrastructure, net	46,484	2,386	15,344	94
Land and Nondepreciable Capital Assets	-	5,288	5,623	-
Total Noncurrent Assets	46,484	7,738	20,967	94
TOTAL ASSETS	51,477	66,242	25,008	311
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,986	15,544	2,164	196
Due To Other Funds	40	124	-	41
Unearned Revenue	-	1,605	40	-
Compensated Absences Payable	15	77	9	-
Leases Payable	11,220	3,631	867	-
Notes, Bonds, and COPs Payable	1,685	-	-	-
Other Current Liabilities	114	-	-	-
Total Current Liabilities	15,060	20,981	3,080	237
Noncurrent Liabilities:				
Accrued Compensated Absences	483	5,950	240	-
Capital Lease Payable	33,860	29,369	17,048	-
Notes, Bonds, and COPs Payable	898	-	-	-
Total Noncurrent Liabilities	35,241	35,319	17,288	-
TOTAL LIABILITIES	50,301	56,300	20,368	237
NET POSITION:				
Net investment in Capital Assets:	(1,179)	1,206	3,052	94
Unrestricted	2,355	8,736	1,588	(20)
TOTAL NET POSITION	$ 1,176	$ 9,942	$ 4,640	$ 74

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 563	$ 1,317	$ -	$ 1,149	$ 62,558
9	44	-	3	542
-	-	-	-	507
-	-	-	6	4,000
-	-	-	-	1,126
-	-	-	1	2,114
572	1,361	-	1,159	70,847
-	-	-	-	64
1,301	3	-	5	65,617
-	-	-	-	10,911
1,301	3	-	5	76,592
1,873	1,364	-	1,164	147,439
39	339	-	338	20,606
-	-	-	-	205
-	-	-	19	1,664
-	-	179	-	280
-	-	-	-	15,718
-	-	-	-	1,685
-	-	-	-	114
39	339	179	357	40,272
-	292	1,442	37	8,444
-	-	-	-	80,277
-	-	-	-	898
-	292	1,442	37	89,619
39	631	1,621	394	129,891
1,301	3	-	5	4,482
533	730	(1,621)	765	13,066
$ 1,834	$ 733	$ (1,621)	$ 770	$ 17,548

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

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
OPERATING REVENUES:				
Sales of Goods and Services	$ 58,073	$ 156,402	$ -	$ 1,738
Rental Income	-	-	11,445	-
Other	271	208	-	-
TOTAL OPERATING REVENUES	58,344	156,610	11,445	1,738
OPERATING EXPENSES:				
Salaries and Fringe Benefits	7,621	104,368	3,246	959
Operating and Travel	28,459	47,768	5,444	1,266
Cost of Goods Sold	7,607	-	-	-
Depreciation and Amortization	13,744	957	1,208	16
Intergovernmental Distributions	-	-	3	-
TOTAL OPERATING EXPENSES	57,431	153,093	9,901	2,241
OPERATING INCOME (LOSS)	913	3,517	1,544	(503)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	6	(167)	-	(3)
Federal Grants and Contracts	-	219	3,331	-
Gain/(Loss) on Sale or Impairment of Capital Assets	366	2	(50)	-
Debt Service	(1,606)	89	(820)	-
Other Expenses	(6)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,240)	143	2,461	(3)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(327)	3,660	4,005	(506)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	597	-	-	-
Transfers-In	161	3,631	28	-
Transfers-Out	(1,769)	(134)	(1,012)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,011)	3,497	(984)	-
CHANGE IN NET POSITION	(1,338)	7,157	3,021	(506)
NET POSITION - FISCAL YEAR BEGINNING	2,514	2,785	1,619	580
NET POSITION - FISCAL YEAR ENDING	$ 1,176	$ 9,942	$ 4,640	$ 74

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 157	$ 4,935	$ 26,503	$ 4,693	$ 252,501
-	-	-	-	11,445
-	-	-	-	479
157	4,935	26,503	4,693	264,425
143	3,810	23,296	1,494	144,937
364	794	1,801	1,785	87,681
-	-	-	-	7,607
451	4	-	2	16,382
-	-	-	-	3
958	4,608	25,097	3,281	256,610
(801)	327	1,406	1,412	7,815
-	(3)	21	(1)	(147)
-	-	-	-	3,550
-	-	-	-	318
-	-	-	-	(2,337)
-	-	-	-	(6)
-	(3)	21	(1)	1,378
(801)	324	1,427	1,411	9,193
-	-	-	-	597
409	-	-	-	4,229
(14)	(16)	(3,048)	(1,511)	(7,504)
395	(16)	(3,048)	(1,511)	(2,678)
(406)	308	(1,621)	(100)	6,515
2,240	425	-	870	11,033
$ 1,834	$ 733	$ (1,621)	$ 770	$ 17,548

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ -	$ -	$ -
Fees for Service	58,138	157,941	-	904
Sales of Products	20	640	-	913
Gifts, Grants, and Contracts	-	237	3,331	-
Income from Property	-	-	11,488	-
Other Sources	46	210	67	-
Cash Payments to or for:				
Employees	(6,964)	(78,424)	(3,161)	(996)
Suppliers	(37,045)	(69,560)	(4,031)	(1,071)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	-	(3)	-
Other	(21)	(3)	(28)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,174	11,041	7,663	(250)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	386	409	28	-
Transfers-Out	(1,769)	(134)	(1,012)	-
Receipt of Deposits Held in Custody	314	-	-	-
Release of Deposits Held in Custody	(403)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,472)	275	(984)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(8,257)	(128)	(4,609)	-
Proceeds from Sale of Capital Assets	9,393	-	-	-
Capital Debt Proceeds	-	26,467	-	-
Capital Debt Service Payments	(2,244)	144	-	-
Capital Lease Payments	(13,466)	-	(1,687)	-
Capitalization Grants Received				
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(14,574)	26,483	(6,296)	-

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 3	$ -	$ -	$ -	$ 3
152	4,914	26,505	4,689	253,243
-	-	-	-	1,573
-	-	-	-	3,568
-	-	-	-	11,488
-	-	-	9	332
(137)	(3,551)	(21,416)	(1,234)	(115,883)
(347)	(950)	(1,898)	(936)	(115,838)
-	-	-	(822)	(822)
-	-	-	-	(3)
-	-	(1)	(105)	(158)
(329)	413	3,190	1,601	37,503
409	-	-	-	1,232
(14)	(16)	(3,048)	(1,511)	(7,504)
-	-	-	-	314
-	-	-	-	(403)
395	(16)	(3,048)	(1,511)	(6,361)
-	(62)	(163)	-	(13,219)
-	-	-	-	9,393
-	-	-	-	26,467
-	-	-	-	(2,100)
-	-	-	-	(15,153)
-	(62)	(163)	-	5,388

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	6	4	-	-
Proceeds from Sale/Maturity of Investments	-	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(172)	-	(3)
NET CASH FROM INVESTING ACTIVITIES	6	(168)	-	(3)
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(1,866)	37,631	383	(253)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	5,587	14,435	3,359	253
CASH AND POOLED CASH, FISCAL YEAR END	$ 3,721	$ 52,066	$ 3,742	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 913	$ 3,517	$ 1,544	$ (503)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	13,744	957	1,208	16
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	221	3,334	-
Compensated Absences	(22)	203	(10)	-
Interest and Other Expense in Operating Income	27	-	320	-
(Increase) Decrease in Operating Receivables	87	655	43	79
(Increase) Decrease in Inventories	87	7	(1)	94
(Increase) Decrease in Other Operating Assets	7	(998)	-	-
Increase (Decrease) in Accounts Payable	(669)	4,939	1,189	64
Increase (Decrease) in Other Operating Liabilities	-	1,540	36	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,174	$ 11,041	$ 7,663	$ (250)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	597	-	-	-
Loss on Disposal of Capital and Other Assets		-	53	-
Assumption of Capital Lease Obligation or Mortgage	10,951	29,369	-	-

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	8	21	1	40
-	-	-	-	-
-	(11)	-	(2)	(188)
-	(3)	21	(1)	(148)
66	332	-	89	36,382
506	985	-	1,060	26,185
$ 572	$ 1,317	$ -	$ 1,149	$ 62,567
$ (801)	$ 327	$ 1,406	$ 1,412	$ 7,815
451	4	-	2	16,382
-	-	-	-	3,555
-	5	1,621	7	1,804
-	62	163	-	572
(3)	(21)	-	(3)	837
-	-	-	-	187
-	-	-	-	(991)
24	36	-	174	5,757
-	-	-	9	1,585
$ (329)	$ 413	$ 3,190	$ 1,601	$ 37,503
-	-	-	-	597
-	-	-	7	60
-	-	-	-	40,320

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 Center, 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, 2013

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 4,287	$ 110,439	$ 26,494
Investments	-	-	-
Other Receivables, net	14	-	7,307
Due From Other Funds	-	-	5,042
Noncurrent Assets:			
Investments:			
Government Securities	-	3,448	-
Corporate Bonds	-	5,503	-
Repurchase Agreements	-	-	5,265
Asset Backed Securities	-	95	-
Mortgages	-	2,062	-
Mutual Funds	-	-	4,885,770
Other Investments	-	-	57,860
TOTAL ASSETS	4,301	121,547	4,987,738
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	8,341
Unearned Revenue	-	-	2,410
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,762
TOTAL LIABILITIES	-	-	13,513
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	4,301	121,547	4,974,225
TOTAL NET POSITION	$ 4,301	$ 121,547	$ 4,974,225

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 50	$ -	$ 4,562	$ 145,832
-	-	618	618
-	-	862	8,183
-	-	-	5,042
-	11,568	-	15,016
-	-	-	5,503
-	-	-	5,265
-	-	-	95
-	-	-	2,062
-	-	-	4,885,770
-	-	-	57,860
50	11,568	6,042	5,131,246
50	-	1,042	9,433
-	-	3,771	6,181
-	-	-	2,762
50	-	4,813	18,376
-	11,568	1,229	5,112,870
$ -	$ 11,568	$ 1,229	$ 5,112,870

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 659,903
Investment Income/(Loss)	(14)	(711)	466,949
Unclaimed Property Receipts	-	49,162	-
Other Additions	717	-	939
TOTAL ADDITIONS	703	48,451	1,127,791
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	410	22,568	482,885
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	410	22,568	482,885
CHANGE IN NET POSITION	293	25,883	644,906
NET POSITION - FISCAL YEAR BEGINNING	4,008	95,664	4,329,319
NET POSITION - FISCAL YEAR ENDING	$ 4,301	$ 121,547	$ 4,974,225

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 256,379	$ -	$ 7,808	$ 924,090
-	(673)	(37)	465,514
-	-	-	49,162
-	-	1,648	3,304
256,379	(673)	9,419	1,442,070
256,379	434	-	256,813
-	-	9,298	515,161
-	-	155	155
256,379	434	9,453	772,129
-	(1,107)	(34)	669,941
-	12,675	1,263	4,442,929
$ -	$ 11,568	$ 1,229	$ 5,112,870

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 103,265	$ 2,362,857	$ 2,350,178	$ 115,944
Taxes Receivable, net	119,855	31,797	10,788	140,864
TOTAL ASSETS	$ 223,120	$ 2,394,654	$ 2,360,966	$ 256,808
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 4,111	$ 919	$ 1,804	$ 3,226
Accounts Payable and Accrued Liabilities	-	3	3	-
Due To Other Governments	213,473	2,383,549	2,344,100	252,922
Claims and Judgments Payable	240	3,401	3,605	36
Other Long-Term Liabilities	5,296	25	4,697	624
TOTAL LIABILITIES	$ 223,120	$ 2,387,897	$ 2,354,209	$ 256,808

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 112,736	$ 248,689	$ 236,337	$ 125,088
Taxes Receivable, net	5,170	888	112	5,946
Other Receivables, net	384	2,658	2,662	380
Inventories	3	54	50	7
Other Long-Term Assets	13,736	2,041	1,452	14,325
TOTAL ASSETS	$ 132,029	$ 254,330	$ 240,613	$ 145,746
LIABILITIES:				
Tax Refunds Payable	$ 127	$ 85	$ 81	$ 131
Accounts Payable and Accrued Liabilities	1,059	25,332	25,249	1,142
Due To Other Governments	8,891	97,275	95,819	10,347
Due To Other Funds	37	43,688	42,747	978
Unearned Revenue	-	137	137	-
Claims and Judgments Payable	391	60	57	394
Other Current Liabilities	119,673	114,300	102,135	131,838
Deposits Held In Custody For Others	1,418	962	1,485	895
Other Long-Term Liabilities	433	-	412	21
TOTAL LIABILITIES	$ 132,029	$ 281,839	$ 268,122	$ 145,746

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 732,875	$ 432,363	$ 555,396	$ 609,842
Due From Other Funds	9,933	10,005	9,933	10,005
TOTAL ASSETS	$ 742,808	$ 442,368	$ 565,329	$ 619,847
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 4	$ 129	$ 133	$ -
Other Current Liabilities	705,729	452,568	559,027	599,270
Deposits Held In Custody For Others	37,075	1,391	17,889	20,577
TOTAL LIABILITIES	$ 742,808	$ 454,088	$ 577,049	$ 619,847

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 948,876	$ 3,043,909	$ 3,141,911	$ 850,874
Taxes Receivable, net	125,025	32,685	10,900	146,810
Other Receivables, net	384	2,658	2,662	380
Due From Other Funds	9,933	10,006	9,934	10,005
Inventories	3	54	50	7
Other Long-Term Assets	13,736	2,041	1,452	14,325
TOTAL ASSETS	$ 1,097,957	$ 3,091,353	$ 3,166,909	$ 1,022,401
LIABILITIES:				
Tax Refunds Payable	$ 4,238	$ 1,004	$ 1,885	$ 3,357
Accounts Payable and Accrued Liabilities	1,063	25,464	25,385	1,142
Due To Other Governments	222,364	2,480,824	2,439,919	263,269
Due To Other Funds	37	43,688	42,747	978
Unearned Revenue	-	137	137	-
Claims and Judgments Payable	631	3,461	3,662	430
Other Current Liabilities	825,402	566,868	661,162	731,108
Deposits Held In Custody For Others	38,493	2,353	19,374	21,472
Other Long-Term Liabilities	5,729	25	5,109	645
TOTAL LIABILITIES	$ 1,097,957	$ 3,123,824	$ 3,199,380	$ 1,022,401

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the component units presented can be found in Note 38 on page 147.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	TOTAL
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 2,700	$ 18,550	$ 3,836	$ 431	$ -	$ 25,517
Investments	-	115,330	-	-	-	115,330
Contributions Receivable, net	-	-	4,150	-	-	4,150
Other Receivables, net	1,219	741	30	169	-	2,159
Due From Other Governments	-	-	-	1,385	-	1,385
Total Current Assets	3,919	134,621	8,016	1,985	-	148,541
Noncurrent Assets:						
Restricted Cash and Pooled Cash	14,278	-	-	4,698	-	18,976
Investments	-	-	44,845	-	-	44,845
Other Long-Term Assets	325	-	4,150	1,565	-	6,040
Depreciable Capital Assets and Infrastructure, net	116,575	2	-	1,417	-	117,994
Land and Nondepreciable Capital Assets	19,743	-	-	42,225	-	61,968
Total Noncurrent Assets	150,921	2	48,995	49,905	-	249,823
TOTAL ASSETS	154,840	134,623	57,011	51,890	-	398,364
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	9	125	-	1,699	-	1,833
Unearned Revenue	14,401	6,158	4,150	-	-	24,709
Claims and Judgments Payable	-	17,575	-	-	-	17,575
Notes, Bonds, and COPs Payable	321	-	-	-	-	321
Other Current Liabilities	-	-	-	239	-	239
Total Current Liabilities	14,731	23,858	4,150	1,938	-	44,677
Noncurrent Liabilities:						
Notes, Bonds, and COPs Payable	-	-	-	54,607	-	54,607
Other Long-Term Liabilities	12	-	4,150	-	-	4,162
Total Noncurrent Liabilities	12	-	4,150	54,607	-	58,769
TOTAL LIABILITIES	14,743	23,858	8,300	56,545	-	103,446
NET POSITION:						
Net investment in Capital Assets:	135,976	2	-	43,642	-	179,620
Restricted for:						
Emergencies	48	-	-	-	-	48
Other Purposes	942	-	-	-	-	942
Unrestricted	3,131	110,763	48,711	(48,297)	-	114,308
TOTAL NET POSITION	$ 140,097	$ 110,765	$ 48,711	$ (4,655)	$ -	$ 294,918

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

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	TOTAL
OPERATING REVENUES:						
Fees	$ -	$ 114,075	$ -	$ -	$ -	$ 114,075
Sales of Goods and Services	-	-	-	5,534	-	5,534
Investment Income (Loss)	-	-	5,796	-	-	5,796
Rental Income	1,182	-	-	-	-	1,182
Federal Grants and Contracts	-	825	-	-	-	825
TOTAL OPERATING REVENUES	1,182	114,900	5,796	5,534	-	127,412
OPERATING EXPENSES:						
Operating and Travel	297	116,386	72	6,052	-	122,807
Depreciation and Amortization	4,109	3	-	752	-	4,864
TOTAL OPERATING EXPENSES	4,406	116,389	72	6,804	-	127,671
OPERATING INCOME (LOSS)	(3,224)	(1,489)	5,724	(1,270)	-	(259)
NONOPERATING REVENUES AND (EXPENSES):						
Investment Income (Loss)	42	400	61	(54)	-	449
Gifts and Donations	-	4,656	4,150	1,969	-	10,775
Federal Grants and Contracts	-	-	-	1,065	-	1,065
Debt Service	-	-	-	(3,229)	-	(3,229)
Other Expenses	-	-	-	(61)	-	(61)
Other Revenues	959	40,000	-	-	-	40,959
TOTAL NONOPERATING REVENUES (EXPENSES)	1,001	45,056	4,211	(310)	-	49,958
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,223)	43,567	9,935	(1,580)	-	49,699
CHANGE IN NET POSITION	(2,223)	43,567	9,935	(1,580)	-	49,699
						-
NET POSITION - FISCAL YEAR BEGINNING	142,320	67,198	38,776	(3,075)	931,038	1,176,257
Accounting Changes (See Note 29)	-	-	-	-	(931,038)	(931,038)
NET POSITION - FISCAL YEAR ENDING	$ 140,097	$ 110,765	$ 48,711	$ (4,655)	$ -	$ 294,918

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, 2013

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 7	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,556	8,490	64,273	-
Personnel & Administration	5,739	2,381	67,400	-
Revenue	-	-	-	-
Subtotal	9,295	10,878	131,673	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	1,653	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	260	6,357	-
Local Affairs	-	-	-	-
Regulatory Agencies	-	63	-	-
Revenue	536	-	966	-
State	-	-	-	-
Subtotal	1,182	323	8,976	51
EDUCATION				
Education	152	46	149,381	1,467
Higher Education	1,842	941	108,681	9,059
Subtotal	1,994	987	258,062	10,526
HEALTH AND REHABILITATION				
Public Health and Environment	188	4	5,189	-
Human Services	3,068	3,440	103,080	-
Subtotal	3,256	3,444	108,269	-
JUSTICE				
Corrections	3,987	3,607	602,062	-
DHS, Division of Youth Services	1,675	535	85,478	-
Judicial	1,605	9	8,648	2,535
Law	-	-	-	9
Public Safety	1,399	1,696	22,928	-
Regulatory Agencies	-	-	-	-
Subtotal	8,666	5,847	719,116	2,544
NATURAL RESOURCES				
Natural Resources	46,815	116	17,788	-
SOCIAL ASSISTANCE				
Human Services	-	1,090	2,572	-
Military Affairs	36	1,568	2,075	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,658	4,647	-
TRANSPORTATION				
Transportation	15,694	144	112,366	-
TOTAL CAPITAL ASSETS	$ 86,938	$ 24,397	$ 1,360,897	$ 13,121

[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
$ 19,855	$ 1,302	$ 142	$ 5,659	$ -	$ 26,965
274	46	-	-	-	320
419	6	-	10,429	-	87,173
43,818	59	15	16,930	-	136,342
972	15,774	-	1,636	-	18,382
65,338	17,187	157	34,654	-	269,182
1,666	250	-	223	-	3,895
83	-	-	-	-	134
1,477	1,337	440	10,461	-	20,875
35	48	-	-	-	83
166	20	-	-	-	249
102	20	-	-	-	1,624
1,298	19	-	-	-	1,317
4,827	1,694	440	10,684	-	28,177
1,470	983	-	323,808	-	477,307
1,353	89	-	2,028	56	124,049
2,823	1,072	-	325,836	56	601,356
5,195	1,192	7,051	-	-	18,819
1,722	-	61	5,490	-	116,861
6,917	1,192	7,112	5,490	-	135,680
9,033	411	907	14,896	-	634,903
311	-	-	1,607	-	89,606
11,161	4,521	-	240,512	-	268,991
1,455	175	-	-	-	1,639
11,968	5,910	151	3,743	-	47,795
30	-	-	-	-	30
33,958	11,017	1,058	260,758	-	1,042,964
732	53	1,152	367	-	67,023
2,814	58,500	-	3,948	-	68,924
87	-	-	-	-	3,766
89	373	-	-	-	462
2,990	58,873	-	3,948	-	73,152
142,116	7,002	-	503,695	8,485,177	9,266,194
$ 259,701	$ 98,090	$ 9,919	$ 1,145,432	$ 8,485,233	$ 11,483,728

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, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2013

(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)	6,016	-	6,016
Wildlife for Future Generations (Expendable)	33-1-112	1,308	109	1,199
Other Permanent-Nonexpendable	VARIOUS	745	-	745
Veterans Monument Preservation	24-80-1401	75	-	75
Hall Historical Marker-Nonexpendable	24-80-209	$ 8	$ -	$ 8
Total Other Permanent Funds		$ 8,152	$ 109	$ 8,043
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	617	-	617
Early Intervention Services Trust	27-10.5-706	5,084	4,760	324
Colorado Combined Campaign Administration	RESTRICTED	53	38	15
Americans with Disabilities Act Contractor Settlement	35-41-102	288	15	273
Total Other Private Purpose Funds		$ 6,042	$ 4,813	$ 1,229
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	NONE	14,715	6,256	8,459
Grounds Cash Fund	26-1-133.5(2)	4,962	93	4,869
Business Enterprise Program	26-8.5-107	1,011	245	766
Clean Screen Authority	42-4-307.5	607	-	607
Work Therapy	26-8-107	131	33	98
Brand Inspection Fund	35-41-102	8,228	6,780	1,448
Other Enterprise Funds	VARIOUS	44	1	43
Enterprise Services	24-80-209	883	234	649
Total Other Enterprise Funds		$ 30,581	$ 13,642	$ 16,939
OTHER INTERNAL SERVICE FUNDS				
Debt Collection Fund	24-30-202.4	1,041	305	736
Prof Development Cash Fund	24-50-122(2)	123	89	34
		$ 1,164	$ 394	$ 770
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	422,698	20,036	402,662
School Capital Construction Assistance	22-43.7-104	79,434	7,996	71,438
Economic Development Fund	24-46-105	17,308	6,975	10,333
Intellectual and Development tal Disabilities Services	25.5-10-207	6,970	-	6,970
Legislative Department Cash Fund	2-2-1601(1)	6,181	51	6,130
State Employee Reserve Fund	24-50-104	5,465	-	5,465
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Controlled Maintenance Trust -Nonexpendable	24-75-302.5	3,234	-	3,234
Ballot Information Publication & District Fund	1-40-124.5	3,150	-	3,150
Indirect Cost Excess Recovery Fund	24-75-1401	1,770	5	1,765
Housing Development Grant Fund	24-32-721	1,865	104	1,761
Persistent Drunk Driver	42-3-130.5	1,938	433	1,505
Tax Amnesty Cash Fund	39-21-202	1,052	-	1,052
Colorado Health Care Services	25.5-3-112	1,008	-	1,008
State Supplemental Security Income Stabilization	26-2-210(1)	994	-	994
Charter School Institute Fund	22-30.5-506	1,640	745	895
Diseased Livestock Fund	35-50-140.5	461	-	461
Charter School Assistance Fund	22-30.5-515	457	-	457
Colorado Family Support Loan	27-10.5-502	412	-	412
Colorado National Guard Tuition Fund	23-5-111.4	443	120	323
Legislative Expenses Fund	2-3-1002(1)	356	33	323
Real Estate Proceeds	28-3-106	197	-	197

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2013

(Dollars in Thousands)

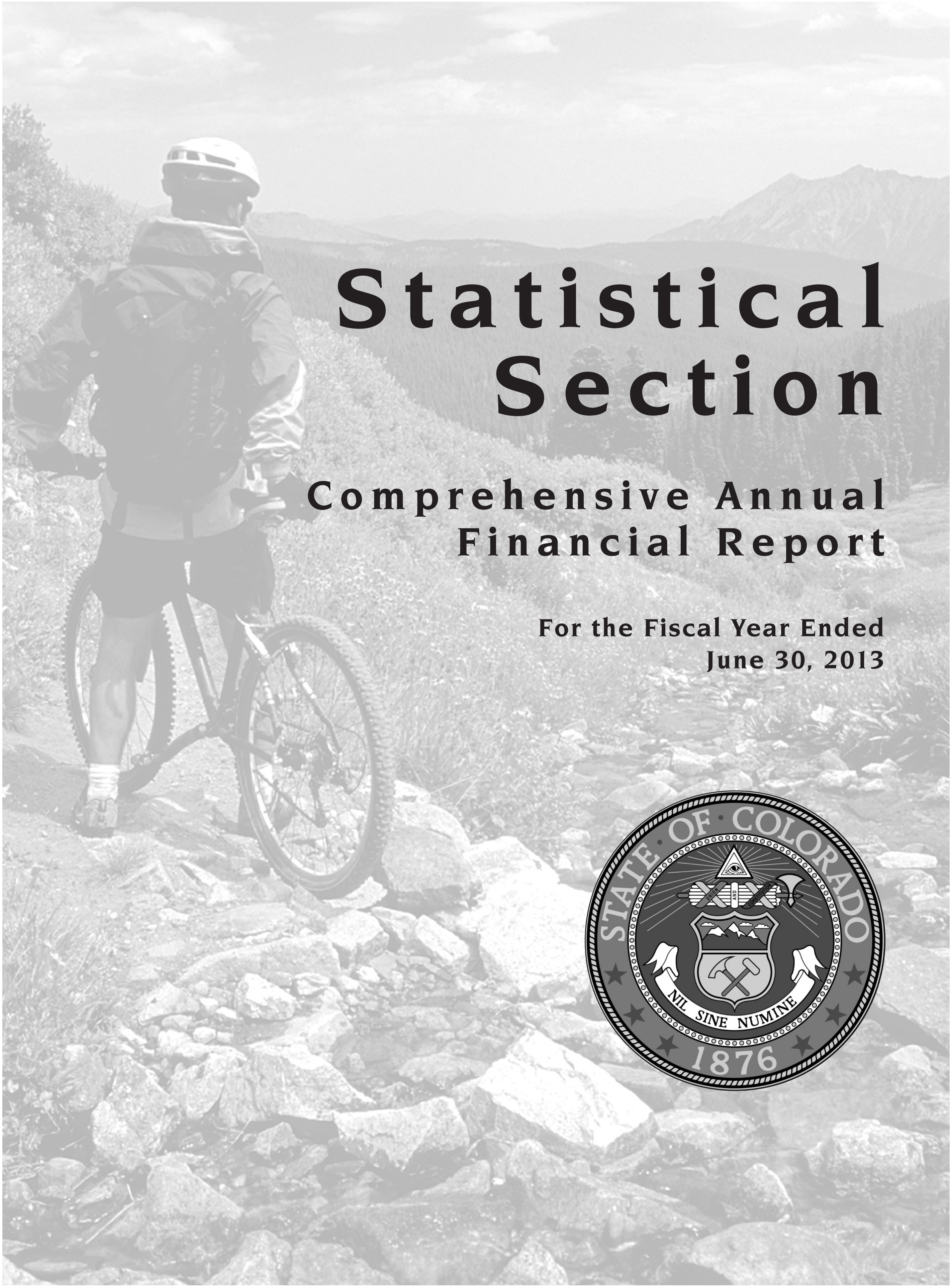
FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Conservation Trust Fund	24-35-210(10	15,139	14,951	188
Advance Technology Fund	25-16.5-105	145	-	145
Colorado Heritage Communites Fund	24-32-3207	144	11	133
Start Smart Nutrition Program Fund	22-82.7-105	158	44	114
Older Coloradans Cash Fund	26-11-205.5	885	838	47
Cofrs Warehouse Inventory	NONE	960	957	3
Child Protection Ombudsman Program	19-3.3-107(1)	76	75	1
Highway Crossing	43-4-201	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
		$ 579,542	$ 53,374	$ 526,168
OTHER SPECIAL REVENUE FUNDS				
Mortgage Fraud Settlement Fund	NONE	38,609	16	38,593
Gear Up Scholarship Trust Fund	RESTRICTED	23,266	4	23,262
Aviation Fund	43-10-109	23,043	3,229	19,814
Consumer Protection Custodial Funds	6-1-103	17,773	1,736	16,037
Judicial Stabilization Cash Fund	13-32-101	15,828	-	15,828
Offender Services	16-11-214	11,327	-	11,327
Victim Assistance Fund	24-4.2-104	10,464	32	10,432
Victim Compensation Fund	24-4.1-117	9,385	17	9,368
Supreme Court Committee	CRT RULE 227	13,916	4,942	8,974
Energy Efficiency Project Fund	24-38.5-106	8,786	-	8,786
Judicial Collection Enhancement Fund	Restricted	5,716	139	5,577
Medical Marijuana License Fund	12-43.3-501	4,597	206	4,391
Disabled Telephone Users Fund	40-17-104	4,662	336	4,326
Conveyance Safety Fund	9-5.5-111(2)	4,133	-	4,133
Electronic Procurement Program	24-102-202.5	3,754	27	3,727
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,788	3,277	3,511
Supportive Housing and Homeless Programs Section 8	29-4-708(K)	3,504	-	3,504
Federal Tax Relief Act - 2003	RESTRICTED	3,191	82	3,109
Help America Vote Fund	HAVA 2002	3,076	44	3,032
Community Development Block Grant	24-76-101	2,892	189	2,703
Other Expendable Trusts	VARIOUS	13,581	10,900	2,681
Judicial Collection Enhancement Fund	16-11-101.6	2,594	-	2,594
Travel and Tourism Additional Fund	24-49.7-106	2,558	18	2,540
Division of Professions and Occupations	24-34-105	17,931	15,461	2,470
Creative Industries Cash Fund	24-48.5-301	2,475	43	2,432
Fixed Utilities Fund	40-2-114	3,072	718	2,354
Housing Rehabilitation Revolving Loans	29-4-728	2,320	-	2,320
Inspection & Consumer Service Cash Fund	35-1-106.5	3,419	1,211	2,208
Process & End Users Fund	25-17-202.5	2,509	328	2,181
Public School Construction and Inspection Fund	24-33.5-1207	2,068	65	2,003
Victims Assistance	24-33.5-506	2,143	161	1,982
Hazardous Materials	42-20-107	1,980	1	1,979
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1)	3,873	1,978	1,895

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2013

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Secretary of State Fees Fund	24-21-104	4,056	2,161	1,895
Patient Benefit	NONE	1,872	17	1,855
CBI Identification Unit	24-33.5-426	3,250	1,423	1,827
Judicial Information Technology Cash Fund	13-32-114	1,768	-	1,768
Section 8 Pre Federal FY 04	NONE	1,549	-	1,549
Donations	VARIOUS	3,841	2,335	1,506
Housing Urban Development Section 8 HC Vouchers	None	2,287	871	1,416
Law Examiners Board Fund Balance	CRT RULE 201	1,392	-	1,392
Court Security Cash Fund	13-1-204(1)	1,784	537	1,247
Attorney'S Fees And Costs	24-31-108(2)	1,177	-	1,177
Criminal Alien Assistance Cash	17-1-107.5	1,166	-	1,166
Correctional Treatment Cash Fund	18-19-103(4)	1,160	-	1,160
CBI Contraband	24-33.5-415	1,131	1	1,130
Public School Transportation	22-51-103(1)	1,396	273	1,123
Commercial Vehicle Enterprise	42-1-225(1)	1,117	-	1,117
P.O.S.T. Board Cash Fund	24-31-303(2)	1,435	438	997
Liquor Law Enforcement	24-35-401	1,154	160	994
Colorado Dealer License Board	12-6-123	1,126	154	972
CLE Fund Balance	CRT RULE 260	955	-	955
State Patrol Contraband	24-33.5-225	770	13	757
Library Trust Fund	24-90-105	731	6	725
Uniform Consumer Credit Code Custodial Funds	RESTRICTED	848	126	722
Instant Criminal Background Check	24-33.5-424	714	-	714
Alcohol & Drug Driving Safety	42-4-1301.3	667	-	667
Howard Fund	26-8-104(1)C	646	-	646
Texaco Oil Overcharge Fund	NONE	1,173	557	616
Historical Society Unrestricted Fund	24-80-209	584	2	582
Educator Licensure Cash Fund	22-60.5-112	779	224	555
Public Deposit Administration Fund	11-10.5-112	961	419	542
Mortagate Company and Loan Originator Fund	12-61-908(2)	817	277	540
Home Grant Revolving Loan Fund	NONE	9,625	9,117	508
Property Tax Exemption Fund	39-2-117(3)	579	74	505
Notary Administration Cash Fund	12-55-102.5	488	-	488
Collaborative Management Incentive	24-1.9-104(1)	1,630	1,179	451
Collection Agency Board Custodial	24-31-108	451	15	436
Building Regulation Fund	24-32-3309	483	56	427
Exxon Oil Overcharge Funds	NONE	424	-	424
Innovative Energy Fund	24-38.5-102.	502	94	408
Racing Cash Fund	None	487	83	404
Traumatic Brain Injury Fund	26-1-210(1)	809	406	403
Div Of Securities Cash Fund	11-51-707	2,186	1,784	402
Judicial Performance Cash Fund	13-5.5-107	467	121	346
Real Estate Cash Fund	12-61-111.5	2,667	2,337	330
Violent Offender Identification Fund	24-33.5-415.	349	37	312
Agricultural Products Inspection	35-23-114(3)	523	212	311
Food Distribution Program Service	26-1-121(4B)	316	22	294
Supplier Database Cash Fund	24-102-202.5	301	12	289
Firefighter First Respone Hazmat	24-33.5-1207	294	25	269
Wine Development Fund	35-29.5-105	304	49	255
Patient Benefit	26-12-108(2)	252	-	252
Domestic Abuse Program	39-22-802	667	416	251
Diamond Shamrock Settlement	NONE	248	-	248
Motor Carrier	40-2-110.5	418	171	247
Public Safety Inspection	8-1-151	239	-	239
Vickers Oil Overcharge Funds	EX ORD 56-87	225	-	225
Records and Reports Fund	19-1-307(2.5	274	69	205
Employment Verification Cash	8-2-122(4)	204	-	204
138 Funds with Net Assets Below $200,000		18,228	12,150	6,078
Total Other Special Revenue Funds		$ 361,179	$ 83,583	$ 277,596



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,549,620	$ 1,969,331	$ 1,548,435	$ 1,962,934
Investments	3,497	1,726	45,548	15,224
Taxes Receivable, net	1,118,329	1,012,147	830,730	857,246
Other Receivables, net	189,937	156,126	147,768	158,060
Due From Other Governments	369,249	318,460	486,655	516,248
Internal Balances	23,801	15,964	18,620	14,153
Due From Component Units	119	137	62	84
Inventories	55,319	17,057	19,837	16,468
Prepaids, Advances, and Deferred Charges	57,465	53,961	56,543	38,591
Total Current Assets	4,367,336	3,544,909	3,154,198	3,579,008
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,798,432	1,779,413	1,635,476	1,572,925
Restricted Investments	598,209	591,083	1,097,797	687,314
Restricted Receivables	176,055	181,932	173,347	195,753
Investments	464,535	416,674	52,343	529,059
Other Long-Term Assets	740,735	712,736	761,498	644,867
Depreciable Capital Assets and Infrastructure, net	9,312,959	9,602,516	9,331,295	9,689,916
Land and Nondepreciable Capital Assets	2,170,769	1,903,604	1,780,945	1,637,224
Total Noncurrent Assets	15,261,694	15,187,958	14,832,701	14,957,058
TOTAL ASSETS	19,629,030	18,732,867	17,986,899	18,536,066
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	742,225	677,471	785,496	847,550
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	198,953	228,229	216,956	181,684
Due To Other Funds	-	-	-	-
Due To Component Units	81	-	-	-
Unearned Revenue	95,026	125,174	111,506	128,404
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	10,955	9,859	9,741	10,287
Claims and Judgments Payable	46,873	44,858	44,641	44,181
Leases Payable	20,004	14,387	12,872	11,384
Notes, Bonds, and COPs Payable	174,340	162,670	145,165	642,445
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	14,834	16,531	13,748	20,432
Total Current Liabilities	2,022,074	1,941,714	1,965,976	2,551,854
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	17	16	14	13
Accrued Compensated Absences	138,413	132,394	137,139	138,224
Claims and Judgments Payable	323,451	330,516	340,003	347,394
Capital Lease Payable	131,006	107,042	94,716	85,746
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,611,220	1,614,293	1,621,749	1,554,964
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	444,118	427,828	434,194	402,599
Total Noncurrent Liabilities	2,648,225	2,612,089	2,627,815	2,528,940
TOTAL LIABILITIES	4,670,299	4,553,803	4,593,791	5,080,794
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET POSITION:				
Net investment in Capital Assets:	10,107,082	10,107,432	9,836,378	10,118,621
Restricted for:				
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849
Education	1,265,476	280,269	485,171	194,586
Unemployment Insurance	-	-	-	-
Debt Service	33,113	21,453	10,127	4,093
Emergencies	161,350	72,850	85,400	94,000
Permanent Funds and Endowments:				
Expendable	6,328	6,024	8,017	11,130
Nonexpendable	694,564	684,953	641,802	643,148
Other Purposes	349,811	340,818	315,082	138,826
Held in Trust for:				
Pension/Benefit Plan Participants	-	-	-	-
Investment Trust Participants	-	-	-	-
Individuals, Organizations, and Other Entities	-	-	-	-
Unrestricted	1,195,010	1,488,996	850,342	1,052,019
TOTAL NET POSITION	$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272

GOVERNMENTAL ACTIVITIES

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 2,217,711	$ 2,632,601	$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469
1,498	565	998	12,637	10,440	10,209
920,086	946,077	956,149	845,241	731,647	738,769
182,540	188,347	153,218	153,916	146,906	143,717
475,997	355,519	280,637	264,688	307,704	282,252
14,617	14,545	13,756	26,313	18,122	22,070
66	63	65	56	110	-
16,183	16,703	14,053	14,906	18,266	16,696
33,244	23,790	28,527	28,735	23,700	29,628
3,861,942	4,178,210	3,902,828	3,681,440	3,201,646	2,630,810
1,813,365	2,061,543	1,689,703	1,349,184	1,199,258	1,360,083
694,311	620,325	552,211	491,780	465,819	408,790
184,120	187,018	279,140	335,774	311,462	347,245
98,815	96,743	80,695	48,173	24,162	4,055
600,020	442,911	425,886	395,612	356,325	325,376
2,360,036	2,282,645	1,288,308	1,322,945	1,348,957	1,208,235
10,480,438	10,291,250	11,799,975	11,649,792	11,613,109	11,583,157
16,231,105	15,982,435	16,115,918	15,593,260	15,319,092	15,236,941
20,093,047	20,160,645	20,018,746	19,274,700	18,520,738	17,867,751
-	-	-	-	-	-
633,722	561,117	486,576	457,124	476,445	425,610
779,008	837,311	694,602	633,685	679,425	687,136
706	706	727	2,917	41,064	-
223,415	183,696	176,864	247,548	192,611	172,239
-	-	-	-	-	-
-	-	-	-	-	-
150,632	97,174	65,389	66,290	73,609	84,431
-	-	-	-	-	-
8,930	9,776	9,533	9,437	7,900	7,992
36,936	37,775	40,948	49,415	38,738	12,084
8,227	6,002	2,807	1,461	3,403	2,821
637,066	574,150	457,250	526,235	628,395	419,778
-	-	-	-	-	-
9,818	11,794	9,615	10,318	25,092	37,152
2,488,460	2,319,501	1,944,311	2,004,430	2,166,682	1,849,243
-	-	-	-	-	-
16	16	17	17	16	10
140,675	128,760	116,262	112,860	111,418	112,104
358,371	335,636	295,874	343,452	430,978	29,200
83,586	54,029	27,649	16,021	18,905	13,219
-	-	-	-	-	-
-	-	-	-	-	-
1,146,960	1,274,720	1,390,671	1,503,686	1,467,924	1,540,053
-	-	-	-	-	-
-	-	-	-	-	-
397,774	217,793	206,972	210,369	198,520	516,756
2,127,382	2,010,954	2,037,445	2,186,405	2,227,761	2,211,342
4,615,842	4,330,455	3,981,756	4,190,835	4,394,443	4,060,585
-	-	-	-	-	-
11,631,061	11,348,995	11,804,908	11,662,529	11,771,877	11,747,276
1,220,524	1,350,485	1,196,903	824,698	679,440	559,450
338,365	353,149	225,818	153,043	123,867	147,286
-	-	-	-	-	-
558	558	558	580	3,298	7,965
93,550	93,000	85,760	79,800	71,000	172,202
8,588	2,333	1,782	1,642	1,953	1,297
623,619	587,733	515,997	460,473	433,538	392,542
197,918	231,532	299,777	198,996	141,933	134,658
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,363,022	1,862,405	1,905,487	1,702,104	899,389	644,490
$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166

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

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,169,314	$ 2,011,437	$ 1,306,800	$ 1,176,181
Investments	281,822	160,099	273,605	253,270
Taxes Receivable, net	137,970	159,303	186,161	90,005
Other Receivables, net	381,351	330,216	302,042	282,053
Due From Other Governments	155,190	218,667	177,822	158,787
Internal Balances	(23,801)	(15,964)	(18,620)	(14,153)
Due From Component Units	18,969	18,715	19,736	14,474
Inventories	52,826	53,318	43,600	42,779
Prepaids, Advances, and Deferred Charges	24,806	24,160	18,018	19,244
Total Current Assets	3,198,447	2,959,951	2,309,164	2,022,640
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	352,234	372,457	409,652	353,164
Restricted Investments	292,283	293,711	98,146	239,719
Restricted Receivables	45,264	80,975	24,980	239,041
Investments	1,746,078	1,769,909	1,623,569	1,206,671
Other Long-Term Assets	128,105	114,118	122,939	119,387
Depreciable Capital Assets and Infrastructure, net	5,463,065	5,250,256	4,662,346	3,912,771
Land and Nondepreciable Capital Assets	1,229,761	1,019,556	938,544	1,207,048
Total Noncurrent Assets	9,256,790	8,900,982	7,880,176	7,277,801
TOTAL ASSETS	12,455,237	11,860,933	10,189,340	9,300,441
DEFERRED OUTFLOW OF RESOURCES:	551	5,005	-	7,778
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	602,571	623,458	556,294	596,926
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	34,169	53,622	331,246	406,275
Due To Other Funds	-	-	-	-
Due To Component Units	343	123	524	466
Unearned Revenue	305,108	237,530	234,662	232,371
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	16,609	14,942	14,579	13,035
Claims and Judgments Payable	-	-	-	-
Leases Payable	6,575	5,853	4,950	6,672
Notes, Bonds, and COPs Payable	233,811	243,601	79,106	100,329
Other Postemployment Benefits	17,052	15,721		
Other Current Liabilities	142,868	110,667	141,484	126,232
Total Current Liabilities	1,359,106	1,305,517	1,362,845	1,482,306
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	236,329	219,026	205,621	196,295
Claims and Judgments Payable	38,993	36,472	35,373	29,461
Capital Lease Payable	35,153	33,185	43,466	76,702
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	3,898,265	3,938,320	3,117,100	2,682,987
Due to Component Units	1,755	1,758	2,374	2,501
Other Postemployment Benefits	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	11,972	39,015	43,814	36,450
Total Noncurrent Liabilities	4,407,976	4,420,423	3,559,806	3,079,433
TOTAL LIABILITIES	5,767,082	5,725,940	4,922,651	4,561,739
DEFERRED INFLOW OF RESOURCES:	-	-	2,006	-
NET POSITION:				
Net investment in Capital Assets:	3,571,408	3,386,411	2,990,094	2,854,803
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	218,076	64,433	-	-
Debt Service	8,439	7,464	6,753	6,100
Emergencies	34,000	10,005	12,368	16,257
Permanent Funds and Endowments:				
Expendable	11,716	6,975	5,936	6,825
Nonexpendable	61,159	38,798	73,956	71,738
Other Purposes	631,921	629,655	657,292	630,890
	-	-	-	-
	-	-	-	-
	-	-	-	-
Unrestricted	2,151,987	1,996,257	1,518,284	1,159,867
TOTAL NET POSITION	$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480

BUSINESS-TYPE ACTIVITIES

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 1,220,190	$ 1,555,782	$ 1,430,836	$ 1,188,953	$ 872,618	$ 678,233
386,948	272,804	326,087	328,466	670,346	182,572
73,326	82,431	81,745	105,973	103,598	92,485
245,768	239,790	219,488	209,497	206,946	180,707
142,961	125,894	126,391	99,040	95,170	86,355
(14,617)	(14,545)	(13,756)	(26,313)	(18,122)	(22,070)
12,630	16,348	15,334	11,141	9,294	5,406
42,467	42,271	38,000	35,747	34,797	33,065
20,091	17,055	15,751	13,148	13,723	18,396
2,129,764	2,337,830	2,239,876	1,965,652	1,988,370	1,255,149
368,308	446,681	149,811	187,895	160,283	121,764
201,025	259,115	555,310	424,826	453,876	243,390
1,916,974	1,716,722	1,408,588	1,173,312	1,015,134	889,108
1,154,901	1,008,382	972,922	887,302	225,329	577,619
123,599	119,650	112,693	108,606	119,359	99,358
3,594,383	3,464,979	2,851,692	2,718,135	2,719,778	2,623,814
928,243	576,755	835,182	561,525	403,037	371,552
8,287,433	7,592,284	6,886,198	6,061,601	5,096,796	4,926,605
10,417,197	9,930,114	9,126,074	8,027,253	7,085,166	6,181,754
-	-	-	-	-	-
-	-	-	-	-	-
506,318	467,741	413,788	380,194	350,347	334,136
-	-	-	-	-	-
182,922	26,885	38,501	30,749	38,472	37,120
-	-	-	-	-	-
930	1,112	273	1,067	1,607	703
207,551	190,528	183,805	171,411	145,432	131,496
-	-	-	-	-	-
12,753	12,745	12,578	14,284	14,103	9,719
-	7,398	11,717	7,430	8,233	-
6,282	5,976	4,950	4,851	6,039	5,537
85,456	75,567	62,998	83,271	85,672	80,127
241,129	208,542	126,574	94,214	107,228	107,611
1,243,341	996,494	855,184	787,471	757,133	706,449
-	-	-	-	-	-
-	-	-	-	-	-
185,420	166,402	153,320	136,837	131,883	128,635
27,541	28,482	28,220	48,396	20,019	-
83,206	83,113	63,671	55,873	84,101	80,994
4,285	4,285	-	-	-	-
-	-	-	-	-	-
3,917,559	3,466,484	3,100,764	2,488,738	2,062,837	1,578,762
723	1,233	-	-	-	-
31,689	15,775	-	-	-	-
43,321	40,756	54,097	53,138	52,022	70,174
4,293,744	3,806,530	3,400,072	2,782,982	2,350,862	1,858,565
5,537,085	4,803,024	4,255,256	3,570,453	3,107,995	2,565,014
-	-	-	-	-	-
2,665,270	2,411,662	2,256,929	2,256,602	2,238,068	2,195,837
-	-	-	-	-	-
-	-	-	-	-	-
392,984	765,533	675,574	548,780	321,725	200,311
111,778	180,409	125,656	105,348	122,290	103,602
21,282	33,716	37,472	29,883	27,247	39,277
6,935	9,592	5,313	4,757	16,483	17,449
70,420	74,479	97,821	82,698	76,460	49,659
582,006	491,492	411,112	364,310	303,714	297,765
582,006	491,492	13,953	-	-	-
-	-	715,758	-	-	-
-	-	972,374	-	-	-
1,029,437	1,160,207	1,260,941	1,064,422	871,184	712,840
$ 4,880,112	$ 5,127,090	$ 4,870,818	$ 4,456,800	$ 3,977,171	$ 3,616,740

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

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 4,718,934	$ 3,980,768	$ 2,855,235	$ 3,139,115
Investments	285,319	161,825	319,153	268,494
Taxes Receivable, net	1,256,299	1,171,450	1,016,891	947,251
Other Receivables, net	571,288	486,342	449,810	440,113
Due From Other Governments	524,439	537,127	664,477	675,035
Internal Balances	-	-	-	-
Due From Component Units	19,088	18,852	19,798	14,558
Inventories	108,145	70,375	63,437	59,247
Prepaids, Advances, and Deferred Charges	82,271	78,121	74,561	57,835
Total Current Assets	7,565,783	6,504,860	5,463,362	5,601,648
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,150,666	2,151,870	2,045,128	1,926,089
Restricted Investments	890,492	884,794	1,195,943	927,033
Restricted Receivables	221,319	262,907	198,327	434,794
Investments	2,210,613	2,186,583	1,675,912	1,735,730
Other Long-Term Assets	868,840	826,854	884,437	764,254
Depreciable Capital Assets and Infrastructure, net	14,776,024	14,852,772	13,993,641	13,602,687
Land and Nondepreciable Capital Assets	3,400,530	2,923,160	2,719,489	2,844,272
Total Noncurrent Assets	24,518,484	24,088,940	22,712,877	22,234,859
TOTAL ASSETS	32,084,267	30,593,800	28,176,239	27,836,507
DEFERRED OUTFLOW OF RESOURCES:	551	5,005	-	7,778
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	1,344,796	1,300,929	1,341,790	1,444,476
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	233,122	281,851	548,202	587,959
Due To Other Funds	-	-	-	-
Due To Component Units	424	123	524	466
Unearned Revenue	400,134	362,704	346,168	360,775
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	27,564	24,801	24,320	23,322
Claims and Judgments Payable	46,873	44,858	44,641	44,181
Leases Payable	26,579	20,240	17,822	18,056
Notes, Bonds, and COPs Payable	408,151	406,271	224,271	742,774
Other Postemployment Benefits	17,052	15,721	-	-
Other Current Liabilities	157,702	127,198	155,232	146,664
Total Current Liabilities	3,381,180	3,247,231	3,328,821	4,034,160
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	17	16	14	13
Accrued Compensated Absences	374,742	351,420	342,760	334,519
Claims and Judgments Payable	362,444	366,988	375,376	376,855
Capital Lease Payable	166,159	140,227	138,182	162,448
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	5,509,485	5,552,613	4,738,849	4,237,951
Due to Component Units	1,755	1,758	2,374	2,501
Other Postemployment Benefits	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	456,090	466,843	478,008	439,049
Total Noncurrent Liabilities	7,056,201	7,032,512	6,187,621	5,608,373
TOTAL LIABILITIES	10,437,381	10,279,743	9,516,442	9,642,533
DEFERRED INFLOW OF RESOURCES:	-	-	2,006	-
NET POSITION:				
Net investment in Capital Assets:	13,678,490	13,493,843	12,826,472	12,973,424
Restricted for:				
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849
Education	1,265,476	280,269	485,171	194,586
Unemployment Insurance	218,076	64,433	-	-
Debt Service	41,552	28,917	16,880	10,193
Emergencies	195,350	82,855	97,768	110,257
Permanent Funds and Endowments:				
Expendable	18,044	12,999	13,953	17,955
Nonexpendable	755,723	723,751	715,758	714,886
Other Purposes	981,732	970,473	972,374	769,716
Held in Trust for:				
Pension/Benefit Plan Participants				
Investment Trust Participants				
Individuals, Organizations, and Other Entities				
Unrestricted	3,346,997	3,485,253	2,368,626	2,211,886
TOTAL NET POSITION	$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752

TOTAL PRIMARY GOVERNMENT

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 3,437,901	$ 4,188,383	$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702
388,446	273,369	327,085	341,103	680,786	192,781
993,412	1,028,508	1,037,894	951,214	835,245	831,254
428,308	428,137	372,706	363,413	353,852	324,424
618,958	481,413	407,028	363,728	402,874	368,607
-	-	-	-	-	-
12,696	16,411	15,399	11,197	9,404	5,406
58,650	58,974	52,053	50,653	53,063	49,761
53,335	40,845	44,278	41,883	37,423	48,024
5,991,706	6,516,040	6,142,704	5,647,092	5,190,016	3,885,959
2,181,673	2,508,224	1,839,514	1,537,079	1,359,541	1,481,847
895,336	879,440	1,107,521	916,606	919,695	652,180
2,101,094	1,903,740	1,687,728	1,509,086	1,326,596	1,236,353
1,253,716	1,105,125	1,053,617	935,475	249,491	581,674
723,619	562,561	538,579	504,218	475,684	424,734
5,954,419	5,747,624	4,140,000	4,041,080	4,068,735	3,832,049
11,408,681	10,868,005	12,635,157	12,211,317	12,016,146	11,954,709
24,518,538	23,574,719	23,002,116	21,654,861	20,415,888	20,163,546
30,510,244	30,090,759	29,144,820	27,301,953	25,605,904	24,049,505
-	-	-	-	-	-
633,722	561,117	486,576	457,124	476,445	425,610
1,285,326	1,305,052	1,108,390	1,013,879	1,029,772	1,021,272
706	706	727	2,917	41,064	-
406,337	210,581	215,365	278,297	231,083	209,359
-	-	-	-	-	-
930	1,112	273	1,067	1,607	703
358,183	287,702	249,194	237,701	219,041	215,927
-	-	-	-	-	-
21,683	22,521	22,111	23,721	22,003	17,711
36,936	45,173	52,665	56,845	46,971	12,084
14,509	11,978	7,757	6,312	9,442	8,358
722,522	649,717	520,248	609,506	714,067	499,905
-	-	-	-	-	-
250,947	220,336	136,189	104,532	132,320	144,763
3,731,801	3,315,995	2,799,495	2,791,901	2,923,815	2,555,692
16	16	17	17	16	10
326,095	295,162	269,582	249,697	243,301	240,739
385,912	364,118	324,094	391,848	450,997	29,200
166,792	137,142	91,320	71,894	103,006	94,213
4,285	4,285	-	-	-	-
-	-	-	-	-	-
5,064,519	4,741,204	4,491,435	3,992,424	3,530,761	3,118,815
723	1,233	-	-	-	-
31,689	15,775	-	-	-	-
441,095	258,549	261,069	263,507	250,542	586,930
6,421,126	5,817,484	5,437,517	4,969,387	4,578,623	4,069,907
10,152,927	9,133,479	8,237,012	7,761,288	7,502,438	6,625,599
-	-	-	-	-	-
14,296,331	13,760,657	14,061,837	13,919,131	14,009,945	13,943,113
1,220,524	1,350,485	1,196,903	824,698	679,440	559,450
338,365	353,149	225,818	153,043	123,867	147,286
392,984	765,533	675,574	548,780	321,725	200,311
112,336	180,967	126,214	105,928	125,588	111,567
114,832	126,716	123,232	109,683	98,247	211,479
15,523	11,925	7,095	6,399	18,436	18,746
694,039	662,212	613,818	543,171	509,998	442,201
779,924	723,024	710,889	563,306	445,647	432,423
2,392,459	3,022,612	3,166,428	2,766,526	1,770,573	1,357,330
$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906

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

(DOLLARS IN THOUSANDS)

Functions/Programs	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 447,232	$ 442,793	$ 454,633	$ 419,866
Service Fees	965,614	901,950	735,820	589,795
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	248,520	187,344	200,432	218,892
Rents and Royalties	133,901	147,946	128,588	79,518
Sales of Products	2,851	1,626	4,974	3,854
Unemployment Surcharge	25,724	19,307	18,611	19,329
Other	127,083	84,828	89,509	67,460
Operating Grants and Contributions	5,860,052	5,884,031	6,218,836	5,885,657
Capital Grants and Contributions	700,548	600,300	659,288	607,383
TOTAL PROGRAM REVENUES	8,511,525	8,270,125	8,510,691	7,891,754
EXPENSES:				
General Government	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854
Education	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	697,795	703,684	696,539	659,187
Justice	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	77,934	93,900	149,878	144,445
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,769,013	1,777,488	1,974,009	2,105,688
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	16,284	40,935	32,487	33,203
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	17,718,082	16,947,448	17,081,353	16,511,089
NET (EXPENSE) REVENUE	(9,206,557)	(8,677,323)	(8,570,662)	(8,619,335)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	240,895	244,624	236,945	244,344
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	606,883	434,885	441,778	360,852
Other Taxes	453,305	519,870	466,408	376,388
Restricted Taxes	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215
Other General Revenues	97,402	96,213	91,608	112,138
Special and/or Extraordinary Items (See Note 35)	-	-	-	-
(Transfers-Out) / Transfers-In	(128,535)	(135,407)	(110,266)	(94,993)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	741	595	460	357
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	9,979,268	9,128,328	8,493,528	7,640,761
TOTAL CHANGES IN NET POSITION	772,711	451,005	(77,134)	(978,574)
NET POSITION - BEGINNING	14,179,064	13,393,108	13,455,272	15,477,205
Prior Period Adjustment	6,956	334,951	14,970	(594,624)
Accounting Changes	-	-	-	(448,735)
NET POSITION - ENDING	$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272

[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

2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04
$ 386,311	$ 374,521	$ 352,819	$ 339,779	$ 357,241	$ 353,628
184,327	132,822	129,980	123,392	128,101	132,644
53	-	-	-	-	-
203,259	155,692	126,612	121,859	117,666	109,341
85,811	78,889	68,270	68,920	61,524	45,340
5,040	4,592	3,703	3,100	2,841	3,164
19,369	21,512	22,346	22,399	21,524	20,112
61,168	57,622	64,964	79,810	54,254	55,216
5,065,429	4,222,670	4,122,360	3,909,382	3,684,878	3,601,808
485,711	439,693	414,602	447,283	409,458	487,442
6,496,478	5,488,013	5,305,656	5,115,924	4,837,487	4,808,695
308,410	217,939	163,412	164,276	141,320	161,588
705,037	667,381	565,769	449,411	367,553	343,589
5,208,705	5,017,551	4,771,218	4,394,236	194,723	173,823
644,699	603,296	560,153	524,736	475,668	477,572
1,543,310	1,436,009	1,313,767	1,197,334	1,026,282	936,374
137,159	131,658	138,457	112,753	62,638	81,114
5,220,295	4,660,287	4,496,696	4,348,466	3,016,668	2,954,217
1,376,215	1,459,295	1,213,138	1,205,556	919,388	746,153
-	-	-	-	[1] 3,283,590	3,131,486
-	-	-	-	[1] 1,848,922	1,674,416
20,393	37,567	42,269	31,969	26,925	9,625
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,164,223	14,230,983	13,264,879	12,428,737	11,363,677	10,689,957
(8,667,745)	(8,742,970)	(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)
2,093,113	2,357,807	2,244,000	2,148,981	1,980,785	1,920,934
251,209	257,908	261,711	266,747	182,726	112,741
4,024,105	4,591,481	4,508,845	4,044,581	3,450,493	3,253,027
322,683	461,390	470,853	422,656	291,583	220,236
655,478	510,442	484,408	568,184	491,214	465,826
880,625	986,274	946,757	922,872	868,251	835,680
22,591	42,478	43,638	35,372	29,736	16,534
119,748	113,603	84,328	84,335	95,912	99,200
(5,616)	(6,843)	(25,915)	(13,534)	(1,112)	-
(114,685)	(77,732)	(98,926)	(80,894)	[2] (545,175)	(546,580)
-	-	-	-	(431)	(20)
-	-	-	-	-	-
8,249,251	9,236,808	8,919,699	8,399,300	6,843,982	6,377,578
(418,494)	493,838	960,476	1,086,487	317,792	496,316
15,830,190	16,036,990	15,083,865	14,126,295	13,807,166	13,135,877
(118,647)	(393,912)	(7,351)	(128,917)	1,337	174,973
184,156	(306,726)	-	-	-	-
$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166

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

(DOLLARS IN THOUSANDS)

Functions/Programs	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 133,315	$ 131,496	$ 120,910	$ 106,946
Service Fees	958,451	865,326	874,990	607,485
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	12,860	9,561	1,945	2,836
Rents and Royalties	47,881	65,236	29,507	24,648
Sales of Products	636,115	624,407	592,794	590,758
Unemployment Surcharge	725,854	828,530	791,317	491,716
Other	159,162	152,448	153,321	167,930
Operating Grants and Contributions	2,730,519	3,165,718	3,689,492	3,957,310
Capital Grants and Contributions	96,655	132,067	25,432	24,619
TOTAL PROGRAM REVENUES	8,012,838	8,381,485	8,523,083	7,973,606
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	5,258,665	5,068,481	4,755,385	4,451,541
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188
CollegeInvest[3]	-	-	-	68,650
Lottery	501,010	495,847	470,480	456,352
Wildlife[4]	177,497	160,933	108,425	105,037
College Assist	407,229	403,023	402,648	410,027
Other Business-Type Activities	187,265	196,542	191,123	170,410
TOTAL EXPENSES	7,586,814	7,896,147	8,069,789	8,158,205
NET (EXPENSE) REVENUE	426,024	485,338	453,294	(184,599)
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	128,535	135,407	110,266	94,993
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	128,535	135,407	111,759	15,418
TOTAL CHANGES IN NET POSITION	554,559	620,745	565,053	(169,181)
NET POSITION - BEGINNING	6,139,998	5,264,683	4,746,480	4,880,112
Prior Period Adjustment	(5,851)	254,570	(46,850)	35,549
Accounting Changes	-	-	-	-
NET POSITION - ENDING	$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480

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

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 119,611	$ 84,395	$ 84,302	$ 75,388	$ 64,864	$ 66,196
681,807	667,504	575,555	536,261 [1]	273,541	242,809
1,957,505	1,867,806	1,734,996	1,622,045 [1]	1,294,488	1,227,187
1,118	999	1,174	729	596	554
29,908	32,399	26,271	28,765	21,527	44,783
560,364	579,935	520,838	522,715	467,088	449,910
363,241	398,046	403,641	504,039	462,416	338,063
173,354	165,804	140,376	162,045	120,145	117,682
2,214,186	1,728,669	1,685,417	1,466,045	1,403,928	1,344,191
20,220	9,426	22,263	16,856	16,667	73,952
6,121,314	5,534,983	5,194,833	4,934,888	4,125,260	3,905,327
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,153,282	3,865,244	3,661,270	3,446,716	3,294,154	3,128,126
1,138,621	354,967	316,577	305,447	352,712	591,789
78,647	116,286	96,720	73,745	54,453	37,355
435,156	447,101	401,969	402,391	367,474	354,159
112,369	109,800	96,515	91,221 [2]		
399,576	326,080	199,677	115,200 [2]	-	-
171,635	173,928	163,727	138,773	267,408	246,988
6,489,286	5,393,406	4,936,455	4,573,493	4,336,201	4,358,417
(367,972)	141,577	258,378	361,395	(210,941)	(453,090)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,963	39,446	34,728	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(707)	-	-
114,685	77,732	98,926	80,894 [1]	545,175	546,580
-	-	-	-	10,303	15,330
-	-	-	-	-	-
114,685	114,695	138,372	114,915	555,478	561,910
(253,287)	256,272	396,750	476,310	344,537	108,820
5,127,090	4,870,818	4,456,800	3,977,171	3,616,740	3,504,704
6,309	-	17,267	3,319	15,894	3,216
-	-	-	-	-	-
$ 4,880,112	$ 5,127,090	$ 4,870,817	$ 4,456,800	$ 3,977,171	$ 3,616,740

[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	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 580,547	$ 574,289	$ 575,543	$ 526,812
Service Fees	1,924,065	1,767,276	1,610,810	1,197,280
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	261,380	196,905	202,377	221,728
Rents and Royalties	181,782	213,182	158,095	104,166
Sales of Products	638,966	626,033	597,768	594,612
Unemployment Surcharge	751,578	847,837	809,928	511,045
Other	286,245	237,276	242,830	235,390
Operating Grants and Contributions	8,590,571	9,049,749	9,908,328	9,842,967
Capital Grants and Contributions	797,203	732,367	684,720	632,002
TOTAL PROGRAM REVENUES	16,524,363	16,651,610	17,033,774	15,865,360
EXPENSES:				
General Government	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854
Education	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	697,795	703,684	696,539	659,187
Justice	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	77,934	93,900	149,878	144,445
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,769,013	1,777,488	1,974,009	2,105,688
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	16,284	40,935	32,487	33,203
Higher Education	5,258,665	5,068,481	4,755,385	4,451,541
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188
CollegeInvest[3]	-	-	-	68,650
Lottery	501,010	495,847	470,480	456,352
Wildlife	177,497	160,933	108,425	105,037
College Assist	407,229	403,023	402,648	410,027
Other Business-Type Activities	187,265	196,542	191,123	170,410
TOTAL EXPENSES	25,304,896	24,843,595	25,151,142	24,669,294
NET (EXPENSE) REVENUE	(8,780,533)	(8,191,985)	(8,117,368)	(8,803,934)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	240,895	244,624	236,945	244,344
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	606,883	434,885	441,778	360,852
Other Taxes	453,305	519,870	466,408	376,388
Restricted Taxes	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215
Other General Revenues	97,402	96,213	91,608	112,138
Special and/or Extraordinary Items (See Note 35)	-	-	1,493	(79,575)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	741	595	460	357
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	10,107,803	9,263,735	8,605,287	7,656,179
TOTAL CHANGES IN NET POSITION	1,327,270	1,071,750	487,919	(1,147,755)
NET POSITION - BEGINNING	20,319,062	18,657,791	18,201,752	20,357,317
Prior Period Adjustment	1,105	589,521	(31,880)	(559,075)
Accounting Changes	-	-	-	(448,735)
NET POSITION - ENDING	$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752

TOTAL PRIMARY GOVERNMENT

2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04
$ 505,922	$ 458,916	$ 437,121	$ 415,167	$ 422,105	$ 419,824
866,134	800,326	705,535	659,653	401,642	375,453
1,957,558	1,867,806	1,734,997	1,622,045	1,294,488	1,227,187
204,377	156,691	127,786	122,588	118,262	109,895
115,719	111,288	94,541	97,685	83,051	90,123
565,404	584,527	524,541	525,815	469,929	453,074
382,610	419,558	425,987	526,438	483,940	358,175
234,522	223,426	205,340	241,855	174,399	172,898
7,279,615	5,951,339	5,807,777	5,375,427	5,088,806	4,945,999
505,931	449,119	436,865	464,139	426,125	561,394
12,617,792	11,022,996	10,500,490	10,050,812	8,962,747	8,714,022
308,410	217,939	163,412	164,276	141,320	161,588
705,037	667,381	565,769	449,411	367,553	343,589
5,208,705	5,017,551	4,771,218	4,394,236	194,723	173,823
644,699	603,296	560,153	524,736	475,668	477,572
1,543,310	1,436,009	1,313,767	1,197,334	1,026,282	936,374
137,159	131,658	138,457	112,753	62,638	81,114
5,220,295	4,660,287	4,496,696	4,348,466	3,016,668	2,954,217
1,376,215	1,459,295	1,213,138	1,205,556	919,388	746,153
				3,283,590	3,131,486
				1,848,922	1,674,416
20,393	37,567	42,269	31,969	26,925	9,625
4,153,282	3,865,244	3,661,270	3,446,716	3,294,154	3,128,126
1,138,621	354,967	316,577	305,447	352,712	591,789
78,647	116,286	96,720	73,745	54,453	37,355
435,156	447,101	401,969	402,391	367,474	354,159
112,369	109,800	96,515	91,221		
399,576	326,080	199,677	115,200		-
171,635	173,928	163,727	138,773	267,408	246,988
21,653,509	19,624,389	18,201,334	17,002,230	15,699,878	15,048,374
(9,035,717)	(8,601,393)	(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)
2,093,113	2,357,807	2,244,000	2,148,981	1,980,785	1,920,934
251,209	257,908	261,711	266,747	182,726	112,741
4,024,105	4,591,481	4,508,845	4,044,581	3,450,493	3,253,027
322,683	461,390	470,853	422,656	291,583	220,236
655,478	547,405	523,854	602,912	491,214	465,826
880,625	986,274	946,757	922,872	868,251	835,680
22,591	42,478	43,638	35,372	29,736	16,534
119,748	113,603	84,328	84,335	95,912	99,200
(5,616)	(6,843)	(25,915)	(14,241)	(1,112)	-
-	-	-	-	-	-
-	-	-	-	9,872	15,310
-	-	-	-	-	-
8,363,936	9,351,503	9,058,071	8,514,215	7,399,460	6,939,488
(671,781)	750,110	1,357,227	1,562,797	662,329	605,136
20,957,280	20,907,808	19,540,665	18,103,466	17,423,906	16,640,581
(112,338)	(393,912)	9,916	(125,598)	17,231	178,189
184,156	(306,726)	-	-	-	-
$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906

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

(DOLLARS IN MILLIONS)	2012-13	RESTATED 2011-12	RESTATED 2010-11[3]	RESTATED 2009-10
REVENUES:				
Taxes	$ 10,018	$ 9,182	$ 8,430	$ 7,640
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	789	724	745	734
Charges for Goods and Services	970	892	730	552
Rents (reported in 'Other' prior to FY05)	134	148	129	80
Investment Income	19	120	97	199
Federal Grants and Contracts	6,428	6,223	6,917	7,023
Unclaimed Property Receipts	37	43	40	42
Other	263	254	221	192
TOTAL REVENUES	18,658	17,586	17,309	16,462
EXPENDITURES:				
Current:				
General Government	325	359	560	775
Business, Community and Consumer Affairs	375	363	388	369
Education	674	661	778	855
Health and Rehabilitation	641	626	592	583
Justice	1,422	1,322	1,314	1,315
Natural Resources	99	90	132	126
Social Assistance	6,488	6,065	5,655	4,454
Transportation	1,065	982	1,064	1,017
Capital Outlay	299	459	329	240
Intergovernmental:				
Cities	297	287	300	281
Counties	1,504	1,371	1,478	2,253
School Districts	4,235	4,199	4,303	4,364
Other	323	177	185	219
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	247	236	208	194
TOTAL EXPENDITURES	17,994	17,197	17,286	17,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	664	389	23	(583)
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,750	4,622	4,776	5,333
Transfers-Out:				
Higher Education	(135)	(133)	(135)	(125)
Other	(5,728)	(4,612)	(4,731)	(5,264)
Face Amount of Debt Issued	196	156	218	559
Bond Premium/Discount	9	13	-	8
Capital Lease Debt Issuance	1	17	17	-
Sale of Capital Assets	31	14	-	-
Insurance Recoveries	1	6	2	4
Debt Refunding Issuance	31	126	-	-
Debt Refunding Premium Proceeds	-	19		
Debt Refunding Payments	(31)	(144)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	125	84	147	515
NET CHANGE IN FUND BALANCE	789	473	170	(68)
FUND BALANCE - BEGINNING	5,293	4,842	4,085	4,785
Prior Period Adjustments	18	(22)	(4)	(41)
Accounting Changes	-	-	591	-
FUND BALANCE - ENDING	$ 6,100	$ 5,293	$ 4,842	$ 4,676

[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 260.
[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.

2008-09[2]	2007-08	2006-07	2005-06	2004-05	2003-04
$ 8,231	$ 9,203	$ 8,936	$ 8,396	$ 7,323	$ 6,794
-	-	-	-	(41)	-
701	643	575	541	565	551
150	104	99	99	99	108
86	79	68	69	62	-
258	316	272	117	126	54
5,480	4,308	4,073	4,054	3,831	3,880
58	-	-	-	-	-
195	179	320	341	321	358
15,159	14,832	14,343	13,617	12,286	11,745
511	123	251	256	278	267
332	311	303	274	277	296
879	802	713	673	129	119
608	561	530	486	443	450
1,285	1,195	1,088	998	978	897
121	112	107	97	90	85
3,836	3,669	3,400	3,263	3,026	2,969
1,074	1,055	950	962	983	1,098
308	243	124	82	92	74
294	289	239	251	218	211
2,043	1,799	1,721	1,616	1,474	1,319
4,143	3,814	3,719	3,455	3,284	3,131
185	258	242	197	157	144
-	-	-	-	-	-
189	208	213	204	114	92
15,808	14,439	13,600	12,814	11,543	11,152
(649)	393	743	803	743	593
5,179	4,298	4,202	3,645	3,198	2,819
(135)	(131)	(120)	(128)	(597)	(605)
(5,148)	(4,237)	(4,137)	(3,580)	(3,136)	(2,750)
-	-	-	-	-	235
-	-	-	-	-	53
11	18	4	132	27	2
-	1	-	4	10	12
2	2	1	1	-	-
-	-	-	-	-	280
-	-	-	-	-	(311)
(91)	(49)	(50)	74	(498)	(265)
(740)	344	693	877	245	328
5,312	5,012	4,319	3,441	3,196	2,827
(1)	(44)	-	1	-	41
214	-	-	-	-	-
$ 4,785	$ 5,312	$ 5,012	$ 4,319	$ 3,441	$ 3,196

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

(DOLLARS IN MILLIONS)

	2012-13	2011-12	2010-11	2009-10
Income Tax:				
Individual	$ 5,149	$ 4,633	$ 4,154	$ 3,777
Corporate	597	457	366	350
Net Income Tax	5,746	5,090	4,520	4,127
Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072
Estate Taxes	-	-	-	-
Insurance Tax	210	197	190	187
Gaming and Other Taxes	12	20	20	16
Investment Income	17	14	8	10
Medicaid Provider Revenues	-	-	-	-
Other	21	26	25	44
TOTAL GENERAL REVENUES	$ 8,555	$ 7,734	$ 7,086	$ 6,456
Percent Change From Previous Year	10.6%	9.1%	9.8%	-1.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	67.2%	65.8%	63.8%	63.9%
Sales, Use, and Excise Taxes	29.8	30.9	32.7	32.1
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.5	2.5	2.7	2.9
Other Taxes	0.1	0.3	0.3	0.2
Interest	0.2	0.2	0.1	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.4	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 4,021	$ 4,600	$ 4,510	$ 4,044	$ 3,421	$ 3,189
265	474	464	422	293	218
4,286	5,074	4,974	4,466	3,714	3,407
1,982	2,173	2,076	1,995	2,146	2,005
-	-	-	-	(41)	-
1,982	2,173	2,076	1,995	2,105	2,005
-	-	1	7	26	47
192	188	179	175	189	176
-	-	7	18	40	40
9	18	28	33	28	20
-	-	-	-	-	-
56	52	48	52	59	72
$ 6,525	$ 7,505	$ 7,313	$ 6,746	$ 6,161	$ 5,767
-13.1%	2.6%	8.4%	9.5%	6.8%	5.3%
65.7%	67.6%	68.0%	66.2%	60.3%	59.1%
30.4	29.0	28.4	29.5	34.1	34.8
0.0	0.0	0.0	0.1	0.4	0.8
2.9	2.5	2.4	2.6	3.1	3.1
0.0	0.0	0.1	0.3	0.6	0.7
0.1	0.2	0.4	0.5	0.5	0.3
0.0	0.0	0.0	0.0	0.0	0.0
0.9	0.7	0.7	0.8	1.0	1.2
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)	2012-13	2011-12	RESTATED 2010-11	2009-10
Department:[1]				
Agriculture	$ 6,975	$ 5,152	$ 4,658	$ 5,915
Corrections	652,394	647,313	657,559	563,570
Education	3,014,681	2,833,433	2,962,954	3,238,879
Governor	18,555	9,699	11,600	13,781
Health Care Policy and Financing	1,829,776	1,685,679	1,267,889	1,152,245
Higher Education	628,565	623,963	705,085	428,784
Human Services	753,225	703,676	710,966	751,149
Judicial Branch	354,119	337,039	325,173	323,146
Labor and Employment	-	-	-	-
Law	10,355	9,341	9,313	9,133
Legislative Branch	35,957	34,672	31,736	32,504
Local Affairs	10,976	10,448	10,579	10,854
Military and Veterans Affairs	6,576	5,355	4,969	5,263
Natural Resources	23,620	23,400	26,233	25,515
Personnel & Administration	6,588	3,935	4,823	5,139
Public Health and Environment	31,199	27,742	27,165	26,548
Public Safety	85,595	81,993	80,239	79,459
Regulatory Agencies	1,674	1,597	1,529	1,429
Revenue	55,078	55,596	52,540	54,187
Treasury	27,650	4,914	4,140	7,784
Transfer to Capital Construction Fund	61,411	49,298	11,985	169
Transfer to Various Cash Funds	1,086,051	72,000	296,872	8,000
Transfer to the Highway Users Tax Fund	-	-	-	-
Other Transfers and Nonoperating Disbursements	262,406	25,479	19,422	20,555
	$ 8,963,426	$ 7,251,724	$ 7,227,429	$ 6,764,008
TOTALS				
Percent Change	23.6%	0.3%	3.0%	-8.8%
(AS PERCENT OF TOTAL)				
Education	33.6%	39.1%	41.0%	47.9%
Health Care Policy and Financing	20.4	23.2	17.5	17.0
Higher Education	7.0	8.6	9.8	6.3
Human Services	8.4	9.7	9.8	11.1
Corrections	7.3	8.9	9.1	8.3
Transfer to Capital Construction Fund	0.7	0.7	0.2	0.0
Transfer to Various Cash Funds	12.1	1.0	4.1	0.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0
Judicial	4.0	4.6	4.5	4.8
Revenue	0.6	0.8	0.7	0.8
All Others	5.9	3.4	3.3	3.7
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 6,809	$ 7,124	$ 5,197	$ 4,038	$ 4,107	$ 3,716
637,292	626,246	577,482	534,233	495,234	467,207
3,214,951	3,023,255	2,882,876	2,718,667	2,514,427	2,417,490
13,342	17,346	11,991	15,862	15,808	13,317
1,311,702	1,482,803	1,369,321	1,362,893	1,247,254	1,142,620
661,974	747,717	693,999	636,341	587,958	591,221
776,394	749,974	718,366	590,071	568,461	534,759
328,056	300,674	265,161	237,673	219,612	207,432
-	-	108	-	-	-
8,705	8,474	8,975	7,143	6,738	6,266
34,944	31,139	29,880	27,633	26,745	26,818
12,276	10,895	9,973	8,500	8,573	4,565
5,637	5,407	5,050	4,324	3,883	3,739
30,558	30,086	28,550	22,806	22,481	19,337
5,337	10,934	9,385	8,181	7,805	7,457
26,634	23,596	23,081	20,586	13,061	12,359
78,874	72,806	67,169	58,785	56,315	53,895
1,451	1,400	1,273	1,390	1,047	1,028
67,092	73,593	65,398	57,928	57,702	57,066
10,643	13,902	12,403	18,443	15,027	690
39,396	183,443	291,467	104,841	40,759	12,270
10,281	327	3,748	67,100	185,628	-
28,965	166,182	291,179	65,345	81,212	5,559
102,966	137,747	130,598	49,190	20,264	34,257
$ 7,414,279	$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101	$ 5,623,068
-4.0%	3.0%	13.3%	6.8%	10.3%	-2.5%
43.4%	39.1%	38.4%	41.1%	40.6%	43.0%
17.7	19.2	18.3	20.6	20.1	20.3
8.9	9.7	9.3	9.6	9.5	10.5
10.5	9.7	9.6	8.9	9.2	9.5
8.6	8.1	7.7	8.1	8.0	8.3
0.5	2.4	3.9	1.6	0.7	0.2
0.1	0.0	0.0	1.0	3.0	0.0
0.4	2.2	3.9	1.0	-	-
4.4	3.9	3.5	3.6	3.5	3.7
0.9	1.0	0.9	0.9	0.9	1.0
4.6	4.7	4.5	3.6	4.5	3.5
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)

	2012-13	2011-12	2010-11[2]	2009-10
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ 5,721
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	23,031
Unreserved Undesignated:				
General Fund	-	-	-	(30,822)
Unreserved:				
General Fund	-	-	-	17,854
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	9,931	6,942	8,742	
Permanent Fund Principal	-	-	-	
Prepaids	22,654	24,175	33,009	
Restricted	487,161	503,449	542,997	
Committed	279,352	331,419	39,458	
Assigned	7	20	109	
Unassigned	-	359,421	(21,468)	
TOTAL RESERVED	-	-	-	28,752
TOTAL UNRESERVED	-	-	-	(12,968)
TOTAL FUND BALANCE	799,105	1,225,426	602,847	15,784
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ 1,052,572
Noncurrent Assets	-	-	-	584,828
Debt Service	-	-	-	4,093
Statutory Purposes	-	-	-	325,463
Emergencies	-	-	-	94,000
Funds Reported as Restricted	-	-	-	1,151,448
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	57,148
Capital Projects Funds	-	-	-	(35,611)
Nonmajor Special Revenue Funds	-	-	-	1,302,178
Nonmajor Permanent Funds	-	-	-	10,586
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	-	34,487
Reported in Nonmajor Special Revenue Funds	-	-	-	40,778
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-	38,541
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	44,262	8,690	9,839	
Permanent Fund Principal	760,160	737,239	658,883	
Prepaids	32,697	28,665	21,540	
Restricted	2,783,009	1,673,490	1,988,088	
Committed	1,680,986	1,619,397	1,560,775	
TOTAL RESERVED	-	-	-	3,212,404
TOTAL UNRESERVED	-	-	-	1,448,107
TOTAL FUND BALANCE	5,301,114	4,067,481	4,239,125	4,660,511
TOTAL RESERVED	-	-	-	3,241,156
TOTAL UNRESERVED	-	-	-	1,435,139
TOTAL FUND BALANCE	$ 6,100,219	$ 5,292,907	$ 4,841,972	$ 4,676,295

[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.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 2,195	$ 16,487	$ 11,912	$ 12,233	$ 3,497	$ 2,106
1	7	13	91	192	300
148,212	151,721	267,020	251,704	198,751	207,003
18,650	35,559	38,593	32,851	36,473	33,301
155,436 [1]	-	95,779	295,882	-	-
10,939	3,639	-	-	-	4,272
-	-	-	-	-	-
169,058	203,774	317,538	296,879	238,913	242,710
166,375	3,639	95,779	295,882	-	4,272
335,433	207,413	413,317	592,761	238,913	246,982
$ 1,043,396	$ 966,477	$ 821,112	$ 814,811	$ 629,430	$ 795,414
515,062	425,830	385,248	342,341	292,336	278,843
558	558	558	580	3,298	7,965
40,921	109,322	130,000	137,530	10,263	11,565
93,550	93,000	85,760	79,800	71,000	172,202
1,445,739	1,902,755	1,669,326	1,233,272	1,104,061	998,428
53,498	54,676	72,870	872,212	812,706	41,589
54,687	134,470	199,126	(47,740)	(12,545)	(39,986)
1,117,248	1,391,483	1,233,276	291,488	274,941	664,258
8,500	2,326	1,782	1,642	1,954	1,291
30,327	13,385	-	-	4,484	6,964
23,719	8,751	-	-	347	5,491
-	-	-	-	-	-
22,875	1,571	-	-	9,926	4,718
-	-	-	-	-	-
3,179,226	3,497,942	3,092,004	2,608,334	2,110,388	2,264,417
1,310,454	1,606,662	1,507,014	1,117,602	1,091,813	684,325
4,449,680	5,104,604	4,599,018	3,725,936	3,202,201	2,948,742
3,308,284	3,701,716	3,409,542	2,905,213	2,349,301	2,507,127
1,476,829	1,610,301	1,602,873	1,413,484	1,091,813	688,597
$ 4,785,113	$ 5,312,017	$ 5,012,335	$ 4,318,697	$ 3,441,114	$ 3,195,724

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

(DOLLARS IN THOUSANDS)	Unaudited 2012-13	Restated 2011-12	2010-11	2009-10
DISTRICT REVENUES:				
Exempt District Revenues	$ 16,446,833	$ 15,017,772	$ 15,532,632	$ 16,056,039
Nonexempt District Revenues	11,107,341	10,273,184	9,424,764	8,567,941
TOTAL DISTRICT REVENUES	27,554,174	25,290,956	24,957,396	24,623,980
Percent Change In Nonexempt District Revenues	8.1%	9.0%	10.0%	-5.9%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	16,162,555	15,017,772	15,532,632	16,056,039
Nonexempt District Expenditures	10,548,250	9,791,616	9,330,892	8,638,571
TOTAL DISTRICT EXPENDITURES	26,710,805	24,809,388	24,863,524	24,694,610
Percent Change In Nonexempt District Expenditures	7.7%	4.9%	8.0%	-15.0%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 843,369	$ 481,568	$ 93,872	$ (70,630)
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 8,799,754	$ 8,654,192	$ 8,567,941	$ 9,102,354
Adjustments To Prior Year Limit[2]	(27,953)	(26,982)	(16,368)	(422,016)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,771,801	8,627,210	8,551,573	8,680,338
Allowable Growth Rate (Population Plus Inflation)	5.4%	2.0%	1.2%	5.8%
Current Fiscal Year Spending Limitation	9,245,479	8,799,754	8,654,192	9,183,797
Adjustments To Current Year Limit	1,987	-	-	-
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,247,466	8,799,754	8,654,192	9,183,797
EXCESS STATE REVENUE CAP (ESRC)[3]	11,460,242	10,871,425	10,684,856	
NONEXEMPT DISTRICT REVENUES	11,107,341	10,273,184	9,424,764	8,567,941
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,859,875	1,473,430	770,572	(615,856)
Amount Over(Under) Excess State Revenue Cap	(352,901)	(598,242)	(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.

2008-09	2007-08	2006-07	2005-06	Restated 2004-05	2003-04
$ 14,496,192	$ 12,126,729	$ 11,759,914	$ 10,899,936	$ 11,015,958	$ 11,650,100
9,102,354	9,998,559	9,641,867	9,161,391	8,482,963	8,331,991
23,598,546	22,125,288	21,401,781	20,061,327	19,498,921	19,982,091
2011-12	3.7%	5.2%	8.0%	1.8%	8.0%
14,496,192	12,126,729	11,759,914	10,899,936	11,015,958	11,650,100
10,168,409	9,533,890	8,847,334	8,029,686	9,473,642	7,799,832
24,664,601	21,660,619	20,607,248	18,929,622	20,489,600	19,449,932
6.7%	7.8%	10.2%	-15.2%	21.5%	-4.9%
$ (1,066,055)	$ 464,670	$ 794,533	$ 1,131,705	$ (990,679)	$ 532,159
$ 8,829,131	$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991	$ 7,712,512
(10,365)	(1,054)	(173)	(372,471)	(383,103)	(31,732)
8,818,766	8,332,773	8,045,083	7,941,903	7,948,888	7,680,780
4.1%	5.5%	3.5%	1.3%	2.2%	3.6%
9,180,336	8,791,075	8,326,662	8,045,148	8,123,764	7,957,288
23,505	38,056	7,165	109	190,610	374,703
9,203,841	8,829,131	8,333,827	8,045,257	8,314,374	8,331,991
9,102,354	9,998,559	9,641,867	9,161,391	8,482,963	8,331,991
(101,488)	1,169,428	1,308,040	1,116,134	168,589	-
-	-	-	-	284	-
-	1,169,428	1,308,040	1,116,134	127,810	-
$ -	$ -	$ -	$ -	$ 41,063	$ -

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2001 to 2010

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

	2010		2009[2]		2008		2007	
	# 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	30,444	0.0%	33,536	0.0%	23,480	0.0%	24,376	0.0%
$0 to $5,000	75,736	0.0%	82,340	0.0%	76,617	0.0%	81,028	0.0%
$5,001 to $10,000	115,075	0.0%	119,531	0.0%	112,812	0.0%	109,819	0.0%
$10,001 to $15,000	140,054	0.2%	139,504	0.3%	130,686	0.3%	125,816	0.2%
$15,001 to $20,000	144,469	0.6%	143,006	0.7%	139,486	0.8%	134,806	0.6%
$20,001 to $25,000	141,184	1.1%	139,626	1.2%	135,930	1.3%	131,969	0.6%
$25,001 to $35,000	248,319	3.3%	245,832	3.7%	248,979	4.1%	243,919	3.3%
$35,001 to $50,000	278,127	6.5%	278,767	7.2%	285,209	7.8%	278,843	6.3%
$50,001 to $75,000	311,671	12.0%	311,321	13.3%	318,161	14.0%	313,367	11.4%
$75,001 to $100,000	204,879	12.2%	199,941	13.3%	202,834	13.9%	200,847	11.4%
$100,000 and Over	354,393	63.7%	319,821	60.0%	317,476	57.8%	330,337	65.7%
TOTAL	2,044,351	100%	2,013,225	100%	1,991,670	100.0%	1,975,127	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 2012

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

	2012		2011		2010		2009	
	# 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	6,112	0.1%	4,995	0.1%	3,787	0.1%	2011-12	0.1%
Mining	13,670	2.0%	9,775	1.7%	5,543	1.4%	5,324	1.9%
Public Utilities	17,899	3.9%	14,073	3.9%	10,177	3.6%	9,721	3.5%
Construction Trades	56,937	1.2%	45,046	1.2%	33,065	1.1%	31,811	1.3%
Manufacturing	192,407	4.9%	152,038	4.7%	96,062	4.2%	88,504	4.7%
Wholesale Trade	148,072	5.6%	112,066	5.8%	72,331	5.7%	72,914	6.6%
Retail Trade	684,797	51.5%	542,876	51.4%	385,914	51.8%	385,320	49.5%
Transportation & Warehousing	5,876	0.2%	4,616	0.2%	3,831	0.2%	3,916	0.3%
Information Producers/Distributors	320,218	5.4%	264,926	5.6%	167,660	6.3%	171,984	6.3%
Finance & Insurance	76,887	0.8%	59,750	0.8%	35,443	1.4%	35,103	1.4%
Real Estate, Rental, & Leasing Services	151,893	3.2%	123,870	3.3%	84,376	3.4%	82,509	3.7%
Professional, Scientific, & Technical Services	135,037	1.7%	106,421	1.8%	64,231	1.5%	64,002	1.6%
Bus. Admin., Support, Waste/Remediation Services	45,392	0.6%	35,700	0.6%	24,102	0.6%	24,615	0.7%
Educational Services	10,880	0.2%	8,674	0.2%	5,914	0.2%	6,068	0.2%
Health Care & Social Assistance Services	23,416	0.2%	19,084	0.2%	16,018	0.2%	15,572	0.2%
Arts, Entertainment, & Recreation Services	24,063	0.6%	21,477	0.6%	17,230	0.6%	17,301	0.6%
Hotel & Other Accommodation Services	30,484	3.7%	24,183	3.6%	21,282	3.5%	21,153	3.6%
Food & Drinking Services	168,673	11.9%	143,273	11.8%	130,911	11.8%	129,780	11.4%
Other Personal Services	118,080	2.2%	101,431	2.2%	86,316	2.2%	86,861	2.3%
Government Services	2,150	0.1%	2,731	0.2%	6,290	0.2%	5,655	0.1%
TOTAL	2,232,943	100%	1,797,005	100%	1,270,483	100%	1,258,113	100%

Source: Colorado Department of Revenue

2006		2005		2004		2003		2002		2001	
# 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	# of Tax Returns	% of Income Tax
23,376	0.0%	23,916	0.0%	24,570	0.0%	24,632	0.0%	22,477	0.0%	16,539	0.0%
72,400	0.0%	76,547	0.0%	73,929	0.0%	74,854	0.0%	73,714	0.0%	75,710	0.0%
108,412	0.0%	112,703	0.0%	112,776	0.0%	114,615	0.1%	115,045	0.1%	113,237	0.1%
127,061	0.3%	128,661	0.3%	129,339	0.4%	132,540	0.5%	134,152	0.5%	131,411	0.5%
134,933	0.8%	134,643	0.8%	134,988	1.0%	137,195	1.1%	139,267	1.2%	139,013	1.2%
130,926	1.3%	130,647	1.4%	131,424	1.6%	133,960	1.8%	136,897	1.9%	136,429	1.9%
240,034	3.8%	236,285	4.1%	236,162	4.7%	239,657	5.3%	243,253	5.6%	244,586	5.5%
272,040	7.2%	267,939	7.6%	266,625	8.6%	268,253	9.6%	271,283	9.9%	269,802	9.3%
302,778	12.9%	295,028	13.6%	289,548	15.1%	286,609	16.5%	291,227	17.1%	290,662	15.9%
189,359	12.5%	179,635	13.0%	171,170	14.0%	163,572	14.7%	161,047	14.7%	159,483	13.5%
290,548	61.2%	256,424	59.2%	227,936	54.6%	202,886	50.4%	196,065	49.0%	203,312	52.1%
1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%

COLORADO TAX RATES[1]
2004 to 2013

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.

2008		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	# of Tax Returns	% of Sales Tax
3,653	0.1%	3,632	0.1%	3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
4,491	1.9%	4,104	1.7%	3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
9,517	3.9%	8,725	3.0%	7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
31,949	1.5%	30,929	1.5%	32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
84,393	4.8%	87,475	4.9%	85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
72,432	6.7%	74,498	6.7%	78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
395,100	49.9%	399,395	51.5%	409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
4,014	0.3%	4,733	0.3%	5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
174,348	5.9%	170,488	5.8%	163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
33,499	1.5%	34,308	1.2%	37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
79,541	3.8%	71,969	3.8%	72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
65,592	1.6%	66,352	1.8%	71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,401	0.7%	23,014	0.7%	23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
6,526	0.2%	5,566	0.2%	5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
13,013	0.2%	12,233	0.2%	12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
17,391	0.6%	17,196	0.6%	16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
21,221	3.6%	20,995	3.5%	20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
129,123	10.5%	125,682	10.2%	121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
86,647	2.2%	85,361	2.1%	85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
6,044	0.1%	7,445	0.2%	10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,261,895	100%	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)

	2012-13	2011-12	2010-11	2009-10
DEBT SERVICE EXPENDITURES:				
Principal	$ 163,939	$ 150,689	$ 124,993	$ 116,083
Interest	$ 82,660	85,586	82,829	77,919
TOTAL DEBT SERVICE EXPENDITURES	$ 246,599	$ 236,276	$ 207,822	$ 194,002
Percent Change Over Previous Year	4.4%	13.7%	7.1%	2.9%
TOTAL NONCAPITAL EXPENDITURES	17,329,054	16,470,142	16,654,138	16,566,769
TOTAL CAPITAL EXPENDITURES	653,157	726,501	631,546	478,179
TOTAL GOVERNMENTAL EXPENDITURES	17,982,211	17,196,643	17,285,684	17,044,948
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.9%	0.9%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.5%
Total Debt Service Expenditures	1.4%	1.4%	1.2%	1.2%

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

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
Governmental Activities:				
Revenue Backed Debt	$ 574,147	$ 739,138	$ 869,282	$ 992,436
Certificates of Participation	1,192,193	1,018,456	897,632	689,973
Capital Leases	151,010	121,429	107,588	97,130
Notes and Mortgages	19,220	19,369	-	515,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,936,570	1,898,392	1,874,502	2,294,539
Business-Type Activities:				
Revenue Backed Debt	3,724,951	3,753,617	2,762,166	2,306,693
Certificates of Participation	403,603	420,951	430,537	432,698
Capital Leases	41,728	39,038	48,416	83,374
Notes and Mortgages	3,522	7,353	3,503	43,925
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,173,804	4,220,959	3,244,622	2,866,690
Total Primary Government:				
Revenue Backed Debt	4,299,098	4,492,755	3,631,448	3,299,129
Certificates of Participation	1,595,796	1,439,407	1,328,169	1,122,671
Capital Leases	192,738	160,467	156,004	180,504
Notes and Mortgages	22,742	26,722	3,503	558,925
TOTAL OUTSTANDING DEBT[1]	$ 6,110,374	$ 6,119,351	$ 5,119,124	$ 5,161,229
Percent Change Over Previous Year	-0.1%	19.5%	-0.8%	-13.6% [3]
Colorado Population (In Thousands) Restated for Census	5,273	5,188	5,117	5,048
Per Capita Debt (Dollars Per Person) Restated for Census	$1,159	$1,180	$1,000	$1,022
Per Capita Income (Thousands Per Person)	$46.1	$45.8	$44.2	$41.7
Per Capita Debt as a Percent of Per Capita Income	2.5%	2.6%	2.3%	2.5%

[1] – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.
[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2008-09	2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04
$ 109,801	$ 104,924	$ 100,681	$ 97,583	$ 15,574	$ 11,932
78,719	102,652	112,145	106,322	98,829	80,281
$ 188,520	$ 207,576	$ 212,826	$ 203,905	$ 114,403	$ 92,213
-9.2%	-2.5%	4.4%	78.2%	24.1%	-6.6%
15,448,232	14,196,496	13,365,782	12,586,379	11,298,334	10,664,540
359,518	242,572	233,914	228,077	244,178	488,140
15,807,750	14,439,068	13,599,696	12,814,456	11,542,512	11,152,680
0.7%	0.7%	0.8%	0.8%	0.1%	0.1%
0.5%	0.7%	0.8%	0.8%	0.9%	0.8%
1.2%	1.4%	1.6%	1.6%	1.0%	0.9%

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 1,106,973	$ 1,216,006	$ 1,319,718	$ 1,418,446	$ 1,512,987	$ 1,518,564
162,053	172,864	183,203	196,475	63,332	44,244
91,813	60,031	30,456	17,482	22,308	16,040
515,000	460,000	345,000	415,000	520,000	397,023
1,875,839	1,908,901	1,878,377	2,047,403	2,118,627	1,975,871
3,551,588	3,325,690	2,935,383	2,304,485	2,063,378	1,578,903
446,656	210,150	218,916	260,578	75,729	73,724
93,773	93,374	68,621	60,724	90,140	86,531
4,771	6,211	9,463	6,946	9,402	6,262
4,096,788	3,635,425	3,232,383	2,632,733	2,238,649	1,745,420
4,658,561	4,541,696	4,255,101	3,722,931	3,576,365	3,097,467
608,709	383,014	402,119	457,053	139,061	117,968
185,586	153,405	99,077	78,206	112,448	102,571
519,771	466,211	354,463	421,946	529,402	403,285
$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136	$ 4,357,276	$ 3,721,291
7.7%	8.5%	9.2%	7.4%	17.1%	22.7%
4,972	4,890	4,804	4,720	4,632	4,575
$1,201	$1,134	$1,064	$992	$941	$813
$41.5	$43.4	$42.2	$40.6	$38.4	$36.4
2.9%	2.6%	2.5%	2.4%	2.4%	2.2%

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)							
2012-13	$ 1,204,153	$ 1,037,025	$ 167,128	$ 132,105	$ 35,023	$ 167,128	1.00
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
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance[2]							
2012-13	$ 608,493	$ -	$ 608,493	$ 499,845	$ 40,965	$ 540,810	1.13
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
Higher Education Institutions							
2012-13	$ 1,122,003	$ 537,630	$ 584,373	$ 80,330	$ 131,356	$ 211,686	2.76
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

[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
2004 to 2013

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 %
2013 est	5,273	1.66%	$ 242.9	$ 46,065	104.2%	*	6.9%
2012	5,188	1.65	237.5	45,779	104.7%	2,524	0.1
2011	5,117	1.64	226.0	44,167	104.4	2,490	8.6
2010	5,048	1.63	210.6	41,719	103.9	2,476	9.0
2009	4,972	1.62	206.4	41,512	105.5	2,511	8.1
2008	4,890	1.61	212.2	43,395	106.2	2,600	4.8
2007	4,804	1.59	202.7	42,194	106.0	2,583	3.8
2006	4,720	1.58	191.8	40,636	106.6	2,542	4.3
2005	4,632	1.57	177.9	38,407	107.0	2,456	5.1
2004	4,575	1.56	166.7	36,437	106.2	2,393	5.6

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
2004 to 2013
(AMOUNTS IN THOUSANDS)

Industry	2013 est	2012 est	2011	2010	2009	2008	2007	2006	2005	2004
Natural Resources and Mining	31.7	30.7	27.9	24.4	24.2	28.5	25.2	21.1	17.2	14.4
Construction	121.3	115.0	112.2	115.1	131.3	161.8	167.8	167.8	160.0	151.3
Manufacturing	133.9	132.1	129.1	125.2	129.6	144.1	147.0	149.1	150.4	151.8
Transportation, Trade, and Utilities	414.0	408.4	402.3	397.8	403.8	429.3	429.2	419.3	413.0	406.6
Information	69.1	69.7	71.8	71.7	74.7	76.8	76.4	75.4	76.9	81.2
Financial Activities	148.6	146.1	143.8	144.0	148.0	155.6	159.5	160.4	158.5	154.6
Professional and Business Services	361.0	353.6	339.3	329.8	330.2	351.9	347.9	331.8	316.8	304.1
Educational and Health Services	289.1	281.5	273.4	264.6	257.2	250.5	240.4	231.2	224.6	218.5
Leisure and Hospitality	284.0	279.0	271.3	263.1	262.4	272.9	270.4	264.9	257.5	251.3
Other Services	96.5	94.9	93.0	92.5	93.7	94.8	92.9	90.8	88.5	87.4
Government	398.3	394.5	393.5	393.9	390.5	384.1	374.7	367.2	362.6	358.5
Total	2,347.5	2,305.5	2,257.6	2,222.1	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7

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
2013 est	$ 4,813	$ 4,200	$ 3,600	$ 12,613
2012 est	$ 3,807	$ 4,050	$ 3,400	$ 11,257
2011	2,903	3,764	2,275	8,942
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

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
2013 est	74.6	8.67
2012 est	70.9	8.45
2011 est	66.7	8.41
2010	62.3	7.18
2009	58.3	6.80
2008	66.5	7.27
2007	67.3	7.48
2006	63.0	6.76
2005	58.7	6.76
2004	55.9	6.45

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]

	2013		2012	Restated 2011		2010
GOVERNMENTAL ACTIVITIES:						
General Government:						
Funds	634		626	616		601
Employees (calculated Average Employment)	68,898		67,871	66,691		65,325
Balance in Treasury Pool (in millions)	$7,106.9		$6,546.6	$6,076.2		$5,902.0
Business, Community, and Consumer Affairs:						
Professional Licenses at Regulatory Agencies	729,328		705,205	703,695		702,498
Unemployment Rate (percent) [4]	6.9		8.0	8.6		9.0
Employment Level [4]	2,595,837		2,523,535	2,490,004		2,475,831
Education:						
Public Schools	1,823		1,806	1,786		1,817
Primary School Students	863,561		854,265	843,316		832,368
Health and Rehabilitation:						
Average Daily Population of Mental Health Institutes [3]	489		501	511		554
Average Daily Population of Regional Centers [3,5]	305		302	307		329
Justice:						
District Court Cases Filed [3]	247,696		238,766	190,531		188,822
County Court Cases Filed [3]	505,234		541,439	562,185		562,570
Inmate Admissions	9,597		9,116	9,935		10,704
Inmate Releases	10,506		10,657	10,161		11,033
Average Daily Inmate Population	20,812		22,009	22,814		22,980
Citations Issued by the State Patrol	97,440	6	130,651	149,015		170,988
Crashes Covered by the State Patrol	19,905	6	25,554	24,878		24,123
Natural Resources:						
Active Oil and Gas Wells [3]	47,916		45,300	45,500		45,000
Oil and Gas Drilling Permits [3]	5,100		4,800	5,250		5,000
Annual State Park Visitors [3]	12,461,261		12,651,919	12,463,495		11,666,912
Water Loans	277		281	288		278
Social Assistance:						
Medicaid Recipients [3]	687,473		613,148	553,407		476,632
Average Cash Assistance Payments per Month [3]	65,208		66,472	63,742		58,119
Transportation:						
Lane Miles	23,023,800		23,023,720	23,023,070		22,982,320
Bridges	3,438		3,447	3,447		3,447
BUSINESS-TYPE ACTIVITIES:						
Higher-Education:						
Resident Students [3]	159,206		160,944	160,160		146,531
Nonresident Students [3]	27,536		26,934	26,225		24,869
Unemployment Insurance:						
Individuals Served - Employment and Training [3]	636,977		585,724	615,548		652,570
Initial Unemployment Claims [3]	228,634		302,418	389,769		408,644
CollegeInvest: [7]						
Loans Issued or Purchased						
Average Balance per Loan						
Lottery:						
Scratch Tickets Sold	94,109,256		99,988,581	98,545,733		99,657,606
Lotto Tickets Sold	32,561,865		33,276,914	39,257,585		41,620,408
Powerball Tickets Sold	67,690,312		64,285,665	70,047,258		101,568,085
Other Lottery Tickets Sold	47,690,502		65,916,303	50,464,834		26,833,674
Wildlife:						
Hunting & Fishing Licenses Sold [3]	2,315,000		2,333,000	1,380,000		1,630,000
College Assist:						
Guaranteed Loans - In State	-		-	61,076	8	107,402
Guaranteed Loans - Out of State	-		-	4,961	8	41,616

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.

2009	2008	2007	2006	2005	2004
593	556	515	492	484	465
64,535	61,915	59,873	58,468	58,046	57,643
$5,663.2	$6,159.4	$5,250.7	$4,615.3	$3,951.1	$3,174.6
679,836	640,332	575,124	576,982	517,597	*
8.1	4.8	3.8	4.3	5.1	5.6
2,511,189	2,599,724	2,583,404	2,541,828	2,455,773	2,392,952
1,769	1,771	1,771	1,731	1,667	1,728
818,443	802,639	794,026	780,708	766,657	757,021
569	548	528	539	539	570
378	403	403	403	403	411
191,749	199,681	189,884	187,498	*	*
554,165	579,069	552,592	547,143	*	*
10,992	11,038	10,625	10,168	9,433	8,165
10,803	10,565	10,110	8,954	8,249	7,504
23,210	22,887	22,424	21,438	20,228	19,478
170,570	221,544	226,324	234,052	246,918	206,052
26,159	27,260	28,277	28,648	30,645	33,635
36,000	35,000	34,000	30,000	25,300	24,000
7,400	6,780	4,200	3,800	2,200	*
13,680,012	11,272,418	11,475,000	11,869,897	11,190,201	11,565,810
269	258	255	244	241	227
381,390	383,784	429,233	446,341	375,410	362,654
57,200	62,647	66,728	68,822	68,150	85,339
23,060,630	23,036,480	22,999,470	23,105,769	23,029,858	23,138,578
3,429	3,406	3,775	3,757	3,754	3,714
136,900	135,275	136,108	140,601	141,692	135,392
23,166	22,069	20,670	21,380	22,729	22,809
350,000	300,000	270,000	270,000	240,000	200,000
120,074	119,561	120,290	132,337	176,270	156,594
268,745 [7]	239,060	218,518	200,332	189,522	174,724
$6,326 [7]	$6,328	$6,057	$5,546	$5,098	$4,871
104,217,790	101,604,127	99,199,686	111,883,645	119,441,166	114,543,013
43,552,521	41,071,837	39,835,761	38,332,996	38,266,176	40,818,461
100,733,520	109,565,516	101,570,695	119,757,642	80,912,792	85,041,776
20,831,732	19,148,564	17,407,163	16,858,542	15,052,291	14,508,537
2,300,000	1,545,659	1,399,978	1,409,064	1,450,000	1,235,551
115,486	140,232	146,616	*	*	*
47,892	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, 2013.
[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

	2012-13	2011-12	2010-11	2009-10
General Government	2,958	3,042	2,991	2,399
Business, Community, and Consumer Affairs	2,420	2,404	2,458	2,564
Education	40,218	39,097	38,038	37,093
Health and Rehabilitation	3,931	3,953	3,965	4,019
Justice	13,123	13,149	13,093	12,848
Natural Resources	1,586	1,597	1,579	1,607
Social Assistance	1,633	1,605	1,579	1,704
Transportation	3,029	3,024	2,988	3,091
TOTAL AVERAGE EMPLOYMENT	68,898	67,871	66,691	65,325
TOTAL CLASSIFIED	31,502	32,449	32,927	32,799
AVERAGE MONTHLY SALARY	$ 4,284	$ 4,314	$ 4,324	$ 4,367
TOTAL NON-CLASSIFIED	37,394	35,422	33,764	32,526
AVERAGE MONTHLY SALARY	$ 5,953	$ 5,840	$ 5,786	$ 5,735

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.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
2,454	2,392	2,322	2,255	2,219	2,180
2,437	2,372	2,335	2,342	2,367	2,343
36,042	34,469	33,464	32,680	32,664	32,595
3,944	3,865	3,774	3,729	3,681	3,717
13,000	12,467	11,791	11,372	11,083	10,767
1,587	1,583	1,522	1,485	1,472	1,446
1,671	1,656	1,593	1,520	1,462	1,482
3,400	3,111	3,072	3,085	3,098	3,113
64,535	61,915	59,873	58,468	58,046	57,643
32,820	31,995	31,075	30,677	30,967	30,770
$ 4,390	$ 4,278	$ 4,108	$ 4,036	$ 3,955	$ 3,867
31,715	29,920	28,798	27,791	27,079	26,873
$ 5,723	$ 5,467	$ 5,214	$ 5,066	$ 4,926	$ 4,759

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
2003 TO 2012

Mileage Type	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
CenterLine Miles[1]:										
Urban	1,385	1,385	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421
Rural	7,720	7,720	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736
TOTAL CENTERLINE MILES	9,105	9,105	9,109	9,146	9,144	9,134	9,161	9,148	9,157	9,157
Percent Change	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%
Lane Miles[2]:										
Urban	5,330	5,330	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236
Rural	17,694	17,693	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825
TOTAL LANE MILES	23,024	23,023	22,981	23,061	23,036	22,999	23,106	23,031	23,137	23,061
Percent Change	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%
Roadways[3]:										
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
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

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.

3 – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2013, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2004 to 2013

Functional Classification	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Principal Arterial[1]	1,294	1,303	1,299	1,376	1,368	1,341	1,686	1,678	1,680	1,676
Other Principal Arterial	793	791	785	801	794	795	911	884	943	894
Minor Arterial	747	749	752	759	761	773	802	798	787	798
Collector	443	442	446	431	426	404	350	368	319	326
Local	161	162	165	80	80	93	26	29	25	20
TOTAL BRIDGES	3,438	3,447	3,447	3,447	3,429	3,406	3,775	3,757	3,754	3,714
Percent Change	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%
Percent Rated Poor[2]	*	3.60	5.53	5.48	5.62	6.21	5.81	5.61	3.39	3.84

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.

2 – In 2013, CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges. In 2013, CDOT reported 5.9 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Six Years[2]

	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:						
General Government	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affai	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:						
Higher Education	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	71,535,388	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 Six Years[2]

	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:						
General Government	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Aff	597,182	575,591	585,944	517,447	515,708	508,439
Education	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	473,230	465,649	458,959	455,218	420,272	434,469
Justice	310,551	321,920	463,506	857,026	868,060	850,185
Natural Resources	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:						
Higher Education	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,467,505	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 38^{th} 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 Pet – Shelter and Rescue Dog and Cat

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

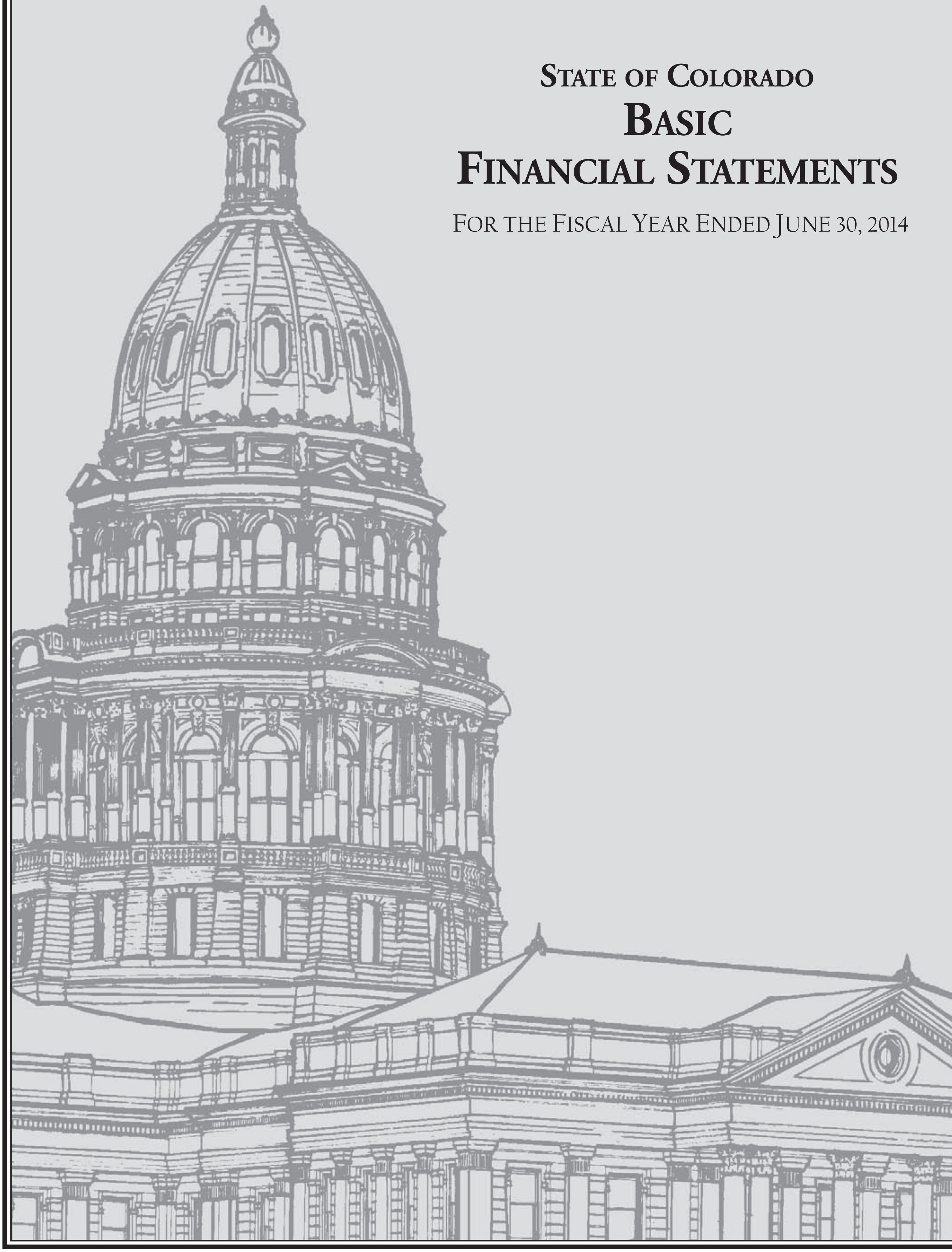
State Amphibian - Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State of Colorado
Basic Financial Statements

For the Fiscal Year Ended June 30, 2014



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COLORADO
Office of the State Controller
Department of Personnel
& Administration

September 19, 2014

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Mark Ferrandino
Speaker of the House
Colorado General Assembly

The Honorable Morgan Carroll
President of the Senate
Colorado General Assembly

Dear Madam and 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 2014 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2014.

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

1525 Sherman St., Denver, CO 80203 P 303.866.6200 www.colorado.gov/osc
John W. Hickenlooper, Governor | Kathy Nesbitt, Executive Director

STATE OF COLORADO 1876

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CONTENTS

UNAUDITED

STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,295,429	$ 2,248,081	$ 4,543,510	$ 213,610
Investments	8,460	254,874	263,334	67,411
Taxes Receivable, net	1,227,779	135,207	1,362,986	-
Contributions Receivable, net	-	-	-	44,877
Other Receivables, net	210,122	400,197	610,319	78,279
Due From Other Governments	573,859	150,443	724,302	3,105
Internal Balances	19,338	(19,338)	-	-
Due From Component Units	54	23,716	23,770	-
Inventories	53,125	54,015	107,140	-
Prepaids and Advances	72,742	35,116	107,858	588
Total Current Assets	4,460,908	3,282,311	7,743,219	407,870
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,561,865	427,868	2,989,733	154,445
Restricted Investments	657,772	303,678	961,450	190,462
Restricted Receivables	250,418	45,477	295,895	2,726
Investments	428,321	1,895,390	2,323,711	1,967,088
Contributions Receivable, net	-	-	-	69,407
Other Long-Term Assets	677,866	99,523	777,389	958,578
Depreciable Capital Assets and Infrastructure, net	9,600,200	5,877,723	15,477,923	126,307
Land and Nondepreciable Capital Assets	2,023,547	1,356,845	3,380,392	61,968
Total Noncurrent Assets	16,199,989	10,006,504	26,206,493	3,530,981
TOTAL ASSETS	20,660,897	13,288,815	33,949,712	3,938,851
DEFERRED OUTFLOW OF RESOURCES:	18,289	119,847	138,136	4,505
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,211	-	718,211	-
Accounts Payable and Accrued Liabilities	1,036,017	643,212	1,679,229	29,853
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	245,300	30,679	275,979	2,330
Due To Component Units	15	528	543	-
Unearned Revenue	92,151	348,353	440,504	7,656
Accrued Compensated Absences	10,470	18,117	28,587	-
Claims and Judgments Payable	51,299	-	51,299	22,251
Leases Payable	26,941	6,610	33,551	951
Notes, Bonds, and COPs Payable	187,910	244,366	432,276	50,165
Other Postemployment Benefits	-	14,076	14,076	-
Other Current Liabilities	22,225	126,989	149,214	111,650
Total Current Liabilities	2,391,245	1,432,930	3,824,175	224,856
Noncurrent Liabilities:				
Deposits Held In Custody For Others	139	-	139	307,705
Accrued Compensated Absences	145,992	250,148	396,140	-
Claims and Judgments Payable	312,226	40,982	353,208	-
Capital Lease Payable	148,055	35,582	183,637	257
Derivative Instrument Liability	-	8,566	8,566	-
Notes, Bonds, and COPs Payable	1,541,226	4,131,410	5,672,636	772,852
Due to Component Units	-	1,743	1,743	-
Other Postemployment Benefits	-	181,646	181,646	-
Other Long-Term Liabilities	402,954	44,813	447,767	60,799
Total Noncurrent Liabilities	2,550,592	4,694,890	7,245,482	1,141,613
TOTAL LIABILITIES	4,941,837	6,127,820	11,069,657	1,366,469
DEFERRED INFLOW OF RESOURCES:	4,659	-	4,659	718
NET POSITION:				
Net investment in Capital Assets:	10,198,847	3,635,519	13,834,366	187,067
Restricted for:				
Construction and Highway Maintenance	1,086,388	-	1,086,388	-
Education	1,105,996	688,988	1,794,984	-
Unemployment Insurance	-	400,352	400,352	-
Debt Service	44,752	39,862	84,614	-
Emergencies	153,150	34,000	187,150	63
Permanent Funds and Endowments:				
Expendable	7,271	8,300	15,571	810,894
Nonexpendable	800,132	63,816	863,948	757,607
Other Purposes	358,793	56,296	415,089	574,524
Unrestricted	1,977,361	2,353,709	4,331,070	246,014
TOTAL NET POSITION	$ 15,732,690	$ 7,280,842	$ 23,013,532	$ 2,576,169

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

UNAUDITED

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

(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	$ 466,387	$ (19,358)	$ 154,919	$ 258,933	$ 25
Business, Community, and Consumer Affairs	638,742	2,180	135,447	246,105	-
Education	5,470,879	1,656	60,264	727,681	-
Health and Rehabilitation	719,818	974	80,404	387,212	-
Justice	1,837,383	5,456	196,385	190,814	19
Natural Resources	90,382	1,711	191,980	53,093	54
Social Assistance	8,084,107	3,072	673,007	4,744,368	-
Transportation	1,776,058	1,935	421,246	177,330	720,756
Interest on Debt	52,808	-	-	-	-
Total Governmental Activities	19,136,564	(2,374)	1,913,652	6,785,536	720,854
Business-Type Activities:					
Higher Education	5,613,406	1,583	3,733,969	1,930,419	53,873
Unemployment Insurance	765,540	-	740,793	212,561	-
Lottery	477,161	263	546,234	555	-
Parks and Wildlife	170,894	-	131,136	30,445	1,712
College Assist	341,587	97	7,511	350,336	-
Other Business-Type Activities	220,798	431	282,276	42,427	35
Total Business-Type Activities	7,589,386	2,374	5,441,919	2,566,743	55,620
Total Primary Government	26,725,950	-	7,355,571	9,352,279	776,474
Component Units:					
Colorado Water Resources and Power Development Authority	61,620	-	40,527	18,488	-
University of Colorado Foundation	141,096	-	5,100	203,909	-
Colorado State University Foundation	48,527	-	-	63,901	-
Colorado School of Mines Foundation	21,438	-	1,800	45,125	-
University of Northern Colorado Foundation	9,417	-	-	19,602	-
Other Component Units	160,023	-	79,887	4,424	24,136
Total Component Units	$ 442,121	$ -	$ 127,314	$ 355,449	$ 24,136

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings (Losses)
- Other General Revenues

Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Fiscal Year Beginning
- Prior Period Adjustment (See Note 29A)
- Accounting Changes (Note 29B)

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
$ (33,152)	$ -	$ (33,152)	
(259,370)	-	(259,370)	
(4,684,590)	-	(4,684,590)	
(253,176)	-	(253,176)	
(1,455,621)	-	(1,455,621)	
153,034	-	153,034	
(2,669,804)	-	(2,669,804)	
(458,661)	-	(458,661)	
(52,808)	-	(52,808)	
(9,714,148)	-	(9,714,148)	
-	103,272	103,272	
-	187,814	187,814	
-	69,365	69,365	
-	(7,601)	(7,601)	
-	16,163	16,163	
-	103,509	103,509	
-	472,522	472,522	
(9,714,148)	472,522	(9,241,626)	
-	-	-	(2,605)
-	-	-	67,913
-	-	-	15,374
-	-	-	25,487
-	-	-	10,185
-	-	-	(51,576)
-	-	-	64,778
2,754,424	-	2,754,424	-
236,737	-	236,737	-
5,285,634	-	5,285,634	-
600,002	-	600,002	-
609,260	-	609,260	-
421,723	-	421,723	-
57,075	-	57,075	-
573,544	-	573,544	-
350	-	350	-
14,988	-	14,988	53,514
112,958	-	112,958	18
-	-	-	16,321
-	(22,186)	(22,186)	-
(172,413)	172,413	-	-
-	-	-	-
397	-	397	-
10,494,679	150,227	10,644,906	69,853
780,531	622,749	1,403,280	134,631
14,958,731	6,688,706	21,647,437	2,441,538
1,720	(285)	1,435	-
(8,292)	(30,328)	(38,620)	-
$ 15,732,690	$ 7,280,842	$ 23,013,532	$ 2,576,169

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 423,273	$ 720,574	$ 34,800
Taxes Receivable, net	1,380,124	22,575	-
Other Receivables, net	95,455	22,912	2,956
Due From Other Governments	536,569	962	-
Due From Other Funds	70,707	35,368	5,278
Due From Component Units	54	-	-
Inventories	8,721	35,868	7,673
Prepaids and Advances	38,529	20,001	1,481
Restricted Assets:			
Restricted Cash and Pooled Cash	225,307	63,500	1,050,802
Restricted Investments	-	-	-
Restricted Receivables	512	-	249,906
Investments	264,413	-	-
Other Long-Term Assets	-	384,413	7,680
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,043,664	$ 1,306,173	$ 1,360,576
LIABILITIES:			
Tax Refunds Payable	$ 705,806	11,149	$ 484
Accounts Payable and Accrued Liabilities	666,043	6,645	176,984
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	91,719	81,872	32,928
Due To Other Funds	376,626	10,245	1,349
Due To Component Units	15	-	-
Unearned Revenue	18,641	516	17,136
Compensated Absences Payable	31	-	-
Claims and Judgments Payable	282	-	7
Notes, Bonds, and COPs Payable	-	-	-
Other Current Liabilities	15,025	-	26
Deposits Held In Custody For Others	4	-	-
TOTAL LIABILITIES	1,874,898	110,427	228,914
DEFERRED INFLOW OF RESOURCES:	215,663	535	1,290
FUND BALANCES:			
Nonspendable:			
Inventories	8,721	35,868	7,673
Permanent Fund Principal	-	-	-
Prepaids	38,535	20,001	1,481
Restricted	468,758	77,370	1,086,388
Committed	411,357	1,061,972	34,830
Assigned	25,732	-	-
TOTAL FUND BALANCES	953,103	1,195,211	1,130,372
TOTAL LIABILITIES AND FUND BALANCES	$ 2,828,001	$ 1,305,638	$ 1,359,286

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 143,625	$ -	$ 915,334	$ 2,237,606
-	-	38,914	1,441,613
657	7	86,517	208,504
325	-	35,514	573,370
135,558	79,752	116,623	443,286
-	-	-	54
-	-	140	52,402
4	-	7,597	67,612
-	1,014,211	208,045	2,561,865
3,847	-	653,925	657,772
-	-	-	250,418
990	-	171,378	436,781
71	-	67,962	460,126
-	-	68,332	68,332
$ 285,077	$ 1,093,970	$ 2,370,281	$ 9,459,741
$ -	$ -	$ 772	$ 718,211
11,007	6,144	102,940	969,763
-	-	-	706
-	12	38,769	245,300
82	-	59,366	447,668
-	-	-	15
337	-	50,786	87,416
-	-	-	31
-	-	88	377
-	-	130	130
1	-	3,828	18,880
-	-	135	139
11,427	6,156	256,814	2,488,636
-	-	9,413	226,901
-	-	140	52,402
-	-	868,383	868,383
4	-	7,596	67,617
3,298	1,087,814	293,949	3,017,577
270,348	-	933,986	2,712,493
-	-	-	25,732
273,650	1,087,814	2,104,054	6,744,204
$ 285,077	$ 1,093,970	$ 2,360,868	$ 9,232,840

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2014

(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	$ 2,237,606	$ 57,823	$ -	$ -	$ -	$ -	$ -	$ 2,295,429
Investments	-	-	-	-	-	8,460	-	8,460
Taxes Receivable, net	1,441,613	-	-	-	-	(213,834)	-	1,227,779
Contributions Receivable, net								
Other Receivables, net	208,504	510	-	-	-	1,108	-	210,122
Due From Other Governments	573,370	489	-	-	-	-	-	573,859
Due From Other Funds	443,286	1,066	-	-	-	(1,086)	(423,928)	19,338
Due From Component Units	54	-	-	-	-	-	-	54
Inventories	52,402	723	-	-	-	-	-	53,125
Prepaids and Advances	67,612	5,130	-	-	-	-	-	72,742
Total Current Assets	5,024,447	65,741	-	-	-	(205,352)	(423,928)	4,460,908
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,561,865	-	-	-	-	-	-	2,561,865
Restricted Investments	657,772	-	-	-	-	-	-	657,772
Restricted Receivables	250,418	-	-	-	-	-	-	250,418
Investments	436,781	-	-	-	-	(8,460)	-	428,321
Other Long-Term Assets	460,126	-	-	-	-	217,740	-	677,866
Depreciable Capital Assets and Infrastructure, net	20,883	86,045	9,493,272	-	-	-	-	9,600,200
Land and Nondepreciable Capital Assets	47,449	38,540	1,937,558	-	-	-	-	2,023,547
Total Noncurrent Assets	4,435,294	124,585	11,430,830	-	-	209,280	-	16,199,989
TOTAL ASSETS	9,459,741	190,326	11,430,830	-	-	3,928	(423,928)	20,660,897
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-	-	18,289	-	18,289
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,211	-	-	-	-	-	-	718,211
Accounts Payable and Accrued Liabilities	969,763	33,343	-	8,092	-	24,819	-	1,036,017
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	245,300	-	-	-	-	-	-	245,300
Due To Other Funds	447,668	1,079	-	-	-	(24,819)	(423,928)	-
Due To Component Units	15	-	-	-		-		15
Unearned Revenue	87,416	4,974	-	-	-	(239)	-	92,151
Compensated Absences Payable	31	299	-	-	-	10,140	-	10,470
Claims and Judgments Payable	377	-	-	-	41,420	9,502	-	51,299
Leases Payable	-	18,443	-	8,498	-	-	-	26,941
Notes, Bonds, and COPs Payable	130	870	-	186,910	-	-	-	187,910
Other Current Liabilities	18,880	37	-	-	-	3,308	-	22,225
Total Current Liabilities	2,488,497	59,045	-	203,500	41,420	22,711	(423,928)	2,391,245
Noncurrent Liabilities:								
Deposits Held In Custody For Others	139	-	-	-	-	-	-	139
Accrued Compensated Absences	-	8,263	-	-	-	137,729	-	145,992
Claims and Judgments Payable	-	-	-	-	121,076	191,150	-	312,226
Capital Lease Payable	-	83,563	-	64,492	-	-	-	148,055
Notes, Bonds, and COPs Payable	-	1	-	1,541,225	-	-	-	1,541,226
Other Long-Term Liabilities	-	-	-	-	-	402,954	-	402,954
Total Noncurrent Liabilities	139	91,827	-	1,605,717	121,076	731,833	-	2,550,592
TOTAL LIABILITIES	2,488,636	150,872	-	1,809,217	162,496	754,544	(423,928)	4,941,837
DEFERRED INFLOW OF RESOURCES:	226,901	-	-	-	-	(222,242)	-	4,659
NET POSITION:								
Net investment in Capital Assets:	68,202	29,163	11,430,830	(1,329,348)	-	-	-	10,198,847
Restricted for:								
Construction and Highway Maintenance	1,094,477	-	-	(8,089)	-	-	-	1,086,388
Education	1,359,134	-	-	(253,138)	-	-	-	1,105,996
Debt Service	44,752	-	-	-	-	-	-	44,752
Emergencies	153,150	-	-	-	-	-	-	153,150
Permanent Funds and Endowments:								
Expendable	7,271	-	-	-	-	-	-	7,271
Nonexpendable	800,132	-	-	-	-	-	-	800,132
Other Purposes	358,793	-	-	-	-	-	-	358,793
Unrestricted	2,858,293	10,291	-	(218,642)	(162,496)	(510,085)	-	1,977,361
TOTAL NET POSITION	$ 6,744,204	$ 39,454	$ 11,430,830	$ (1,809,217)	$ (162,496)	$ (510,085)	$ -	$ 15,732,690

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,
- Legal services, and
- Others including 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 a deferred inflow of resources on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred inflow of resources 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, 2014

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,272,649	$ -	$ -
Corporate Income	665,363	-	-
Sales and Use	2,666,090	-	-
Excise	93,788	-	573,543
Other Taxes	240,161	251,240	350
Licenses, Permits, and Fines	19,951	2,674	346,218
Charges for Goods and Services	72,148	9,300	125,930
Rents	235	3	2,322
Investment Income (Loss)	25,155	20,928	15,546
Federal Grants and Contracts	6,061,299	182,704	742,749
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	144,105	2,117	140,307
TOTAL REVENUES	15,260,944	468,966	1,946,965
EXPENDITURES:			
Current:			
General Government	257,110	-	10,947
Business, Community, and Consumer Affairs	187,277	7,831	-
Education	645,474	-	-
Health and Rehabilitation	562,333	-	10,505
Justice	1,293,551	-	109,317
Natural Resources	44,835	49,181	-
Social Assistance	7,180,059	-	-
Transportation	-	-	1,192,635
Capital Outlay	195,678	360	33,530
Intergovernmental:			
Cities	113,031	52,163	185,693
Counties	1,233,614	48,603	211,707
School Districts	3,783,791	2,309	-
Special Districts	54,588	19,174	44,052
Federal	676	504	-
Other	25,457	4,747	204
Debt Service	43,411	-	-
TOTAL EXPENDITURES	15,620,885	184,872	1,798,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(359,941)	284,094	148,375
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,440,551	31,503	10,962
Transfers-Out	(4,033,688)	(110,988)	(227,051)
Face Amount of Bond/COP Issuance	89,510	-	-
Bond/COP Premium/Discount	6,358	-	-
Capital Lease Proceeds	11,127	-	-
Sale of Capital Assets	21	-	-
Insurance Recoveries	60	-	543
Bond/COP Refunding Issuance	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	513,939	(79,485)	(215,546)
NET CHANGE IN FUND BALANCES	153,998	204,609	(67,171)
FUND BALANCE, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543
Prior Period Adjustment (See Note 29A)	-	-	-
Accounting Changes (See Note 29B)	-	851	-
FUND BALANCE, FISCAL YEAR END	$ 953,103	$ 1,195,211	$ 1,130,372

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 423,495	$ -	$ 5,696,144
-	55,303	-	720,666
-	-	48,420	2,714,510
-	-	144,565	811,896
-	-	153,359	645,110
7	-	388,812	757,662
-	-	700,467	907,845
-	-	180,332	182,892
2,019	11,421	37,339	112,408
10,039	-	181,356	7,178,147
-	-	397	397
-	-	52,540	52,540
1,914	201	76,073	364,717
13,979	490,420	1,963,660	20,144,934
5,215	-	39,827	313,099
3	-	200,334	395,445
14,445	47,531	22,881	730,331
110	-	85,028	657,976
114,967	-	90,195	1,608,030
-	-	12,937	106,953
54	-	233,552	7,413,665
-	-	2,878	1,195,513
57,306	-	11,102	297,976
-	-	60,891	411,778
-	-	79,517	1,573,441
-	666,320	22,699	4,475,119
-	-	10,246	128,060
-	-	1,856	3,036
-	377	40,542	71,327
2,728	-	214,972	261,111
194,828	714,228	1,129,457	19,642,860
(180,849)	(223,808)	834,203	502,074
339,961	79,752	493,212	5,395,941
(66,529)	(25,297)	(1,060,015)	(5,523,568)
-	-	7,100	96,610
-	-	-	6,358
13,905	-	-	25,032
-	-	26,495	26,516
1,201	-	302	2,106
111,780	-	-	111,780
400,318	54,455	(532,906)	140,775
219,469	(169,353)	301,297	642,849
54,181	1,257,167	1,802,472	6,100,219
-	-	285	285
-	-	-	851
$ 273,650	$ 1,087,814	$ 2,104,054	$ 6,744,204

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

(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	$ 5,696,144	$ -	$ -	$ -	$ 12,551	$ 5,708,695
Corporate Income	720,666	-	-	-	(65,360)	655,306
Sales and Use	2,714,510	-	-	-	39,913	2,754,423
Excise	811,896	-	-	-	(1,617)	810,279
Other Taxes	645,110	-	-	-	(6,430)	638,680
Licenses, Permits, and Fines	757,662	-	-	-	(6)	757,656
Charges for Goods and Services	907,845	-	-	-	(2)	907,843
Rents	182,892	-	-	-	-	182,892
Investment Income (Loss)	112,408	171	-	-	5	112,584
Federal Grants and Contracts	7,178,147	-	-	-	(882)	7,177,265
Additions to Permanent Funds	397	-	-	-	-	397
Unclaimed Property Receipts	52,540	-	-	-	-	52,540
Other	364,717	-	12	-	5	364,734
TOTAL REVENUES	20,144,934	171	12	-	(21,823)	20,123,294
EXPENDITURES:						
Current:						
General Government	313,099	(7,521)	14,762	-	14,476	334,816
Business, Community, and Consumer Affairs	395,445	(3,829)	4,921	-	(19,454)	377,083
Education	730,331	(385)	15,456	-	663	746,065
Health and Rehabilitation	657,976	(1,235)	18,233	-	594	675,568
Justice	1,608,030	(2,939)	(71,812)	-	4,336	1,537,615
Natural Resources	106,953	(1,898)	1,028	-	(381)	105,702
Social Assistance	7,413,665	(6,964)	12,309	-	(261)	7,418,749
Transportation	1,195,513	(1,384)	55,094	-	586	1,249,809
Capital Outlay	297,976	-	(270,828)	-	-	27,148
Intergovernmental:						
Cities	411,778	-	-	-	-	411,778
Counties	1,573,441	-	-	-	-	1,573,441
School Districts	4,475,119	-	-	-	-	4,475,119
Special Districts	128,060	-	-	-	-	128,060
Federal	3,036	-	102	-	-	3,138
Other	71,327	-	-	-	-	71,327
Debt Service	261,111	2,429	-	(184,759)	-	78,781
TOTAL EXPENDITURES	19,642,860	(23,726)	(220,735)	(184,759)	559	19,214,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	502,074	23,897	220,747	184,759	(22,382)	909,095
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,395,941	6,900	-	-	-	5,402,841
Transfers-Out	(5,523,568)	(11,422)	-	-	-	(5,534,990)
Face Amount of Bond/COP Issuance	96,610	-	-	(96,506)	-	104
Bond/COP Premium/Discount	6,358	-	-	(5,100)	-	1,258
Capital Lease Proceeds	25,032	-	-	(25,032)	-	-
Sale of Capital Assets	26,516	-	(27,560)	-	-	(1,044)
Insurance Recoveries	2,106	-	-	-	-	2,106
Bond/COP Refunding Issuance	111,780	-	-	(111,780)	-	-
Bond/COP Refunding Payments	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	140,775	(4,522)	(27,560)	(238,418)	-	(129,725)
Internal Service Fund Charges to BTAs	-	1,161	-	-	-	1,161
NET CHANGE FOR THE YEAR	642,849	20,536	193,187	(53,659)	(22,382)	780,531
Prior Period Adjustment (See Note 29A)	285	1433	-	-	-	1718
Accounting Changes (See Note 29B)	851	-	-	(9,143)	-	(8,292)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 643,985	$ 21,969	$ 193,187	$ (62,802)	$ (22,382)	$ 773,957

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,
- Legal services, and
- Others including 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 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 inflows or 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, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,049,773	$ 627,910
Investments	254,275	-
Premiums Receivable, net	-	135,207
Student and Other Receivables, net	348,103	7,963
Due From Other Governments	132,831	4,547
Due From Other Funds	5,482	-
Due From Component Units	23,716	-
Inventories	36,538	-
Prepaids and Advances	14,977	10,214
Total Current Assets	1,865,695	785,841
Noncurrent Assets:		
Restricted Cash and Pooled Cash	382,713	-
Restricted Investments	303,678	-
Restricted Receivables	-	-
Investments	1,828,074	-
Other Long-Term Assets	97,531	-
Depreciable Capital Assets and Infrastructure, net	5,325,281	73
Land and Nondepreciable Capital Assets	788,664	163
Total Noncurrent Assets	8,725,941	236
TOTAL ASSETS	10,591,636	786,077
DEFERRED OUTFLOW OF RESOURCES:	119,847	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	561,548	1,801
Due To Other Governments	-	1
Due To Other Funds	2,114	-
Due To Component Units	528	-
Unearned Revenue	218,009	-
Compensated Absences Payable	17,016	-
Leases Payable	6,228	-
Notes, Bonds, and COPs Payable	118,521	124,960
Other Postemployment Benefits	14,076	-
Other Current Liabilities	84,752	7,605
Total Current Liabilities	1,022,792	134,367
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	239,084	-
Claims and Judgments Payable	40,982	-
Capital Lease Payable	30,899	-
Derivative Instrument Liability	8,566	-
Notes, Bonds, and COPs Payable	3,573,482	251,122
Due to Component Units	1,743	-
Other Postemployment Benefits	181,646	-
Other Long-Term Liabilities	21,303	-
Total Noncurrent Liabilities	4,097,705	251,122
TOTAL LIABILITIES	5,120,497	385,489
NET POSITION:		
Net investment in Capital Assets:	2,824,969	236
Restricted for:		
Education	688,988	
Unemployment Insurance	-	400,352
Debt Service	39,862	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	8,300	-
Nonexpendable	63,816	-
Other Purposes	-	-
Unrestricted	1,965,051	-
TOTAL NET POSITION	$ 5,590,986	$ 400,588

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 39,128	$ 531,270	$ 2,248,081	$ 57,823
-	599	254,874	-
-	-	135,207	-
19,080	25,048	400,194	510
-	13,065	150,443	489
-	6,029	11,511	1,066
-	-	23,716	-
1,257	16,220	54,015	723
5,136	4,789	35,116	5,130
64,601	597,020	3,313,157	65,741
-	45,155	427,868	-
-	-	303,678	-
-	45,477	45,477	-
-	67,316	1,895,390	-
-	1,992	99,523	-
958	551,411	5,877,723	86,045
-	568,018	1,356,845	38,540
958	1,279,369	10,006,504	124,585
65,559	1,876,389	13,319,661	190,326
-	-	119,847	-
4,812	58,446	626,607	33,343
383	30,295	30,679	-
30,509	6,949	39,572	1,079
-	-	528	-
-	130,344	348,353	4,974
9	1,092	18,117	299
-	382	6,610	18,443
-	885	244,366	870
-	-	14,076	-
26,011	8,621	126,989	37
61,724	237,014	1,455,897	59,045
-	7,879	7,879	-
700	10,364	250,148	8,263
-	-	40,982	-
-	4,683	35,582	83,563
-	-	8,566	-
-	306,806	4,131,410	1
-	-	1,743	-
-	-	181,646	-
61	23,449	44,813	-
761	353,181	4,702,769	91,827
62,485	590,195	6,158,666	150,872
958	809,356	3,635,519	29,163
		688,988	
-	-	400,352	-
-	-	39,862	-
-	34,000	34,000	-
-	-	8,300	-
-	-	63,816	-
-	56,296	56,296	-
2,116	386,542	2,353,709	10,291
$ 3,074	$ 1,286,194	$ 7,280,842	$ 39,454

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 736,985
License and Permits	-	46
Tuition and Fees	2,465,200	-
Scholarship Allowance for Tuition and Fees	(562,369)	-
Sales of Goods and Services	1,718,793	-
Scholarship Allowance for Sales of Goods & Services	(20,844)	-
Investment Income (Loss)	1,426	-
Rental Income	16,052	-
Gifts and Donations	25,183	-
Federal Grants and Contracts	981,601	195,367
Intergovernmental Revenue	11,406	-
Other	290,610	-
TOTAL OPERATING REVENUES	4,927,058	932,398
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,662,650	1,449
Operating and Travel	1,233,596	758,297
Cost of Goods Sold	153,150	-
Depreciation and Amortization	360,057	-
Intergovernmental Distributions	31,760	-
Debt Service	-	-
Prizes and Awards	443	-
TOTAL OPERATING EXPENSES	5,441,656	759,746
OPERATING INCOME (LOSS)	(514,598)	172,652
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	11,145	3,760
Investment Income (Loss)	257,931	17,194
Rental Income	12,701	3
Gifts and Donations	161,727	-
Intergovernmental Distributions	(20,742)	-
Federal Grants and Contracts	290,893	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,418)	-
Insurance Recoveries from Prior Year Impairments	3	-
Debt Service	(146,424)	(5,793)
Other Expenses	(4,475)	-
Other Revenues	5,475	-
TOTAL NONOPERATING REVENUES (EXPENSES)	565,816	15,164
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	51,218	187,816
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	90,590	-
Additions to Permanent Endowments	172	-
Special and/or Extraordinary Item (See Note 35)	(22,185)	-
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
TOTAL CONTRIBUTIONS AND TRANSFERS	270,693	(3,441)
CHANGE IN NET POSITION	321,911	184,375
NET POSITION - FISCAL YEAR BEGINNING	5,296,037	218,076
Prior Period Adjustments (See Note 29A)	(285)	-
Accounting Changes (See Note 29B)	(26,677)	(1,863)
NET POSITION - FISCAL YEAR ENDING	$ 5,590,986	$ 400,588

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
$ -	$ -	$ 736,985	$ -
66	106,736	106,848	-
-	469	2,465,669	-
-	-	(562,369)	-
545,028	206,782	2,470,603	300,963
-	-	(20,844)	-
-	10,278	11,704	-
-	1,695	17,747	14,450
-	-	25,183	-
-	430,810	1,607,778	-
-	24,018	35,424	-
1,137	11,777	303,524	136
546,231	792,565	7,198,252	315,549
9,539	271,210	3,944,848	165,775
57,698	383,914	2,433,505	102,833
12,196	35,083	200,429	8,347
960	18,017	379,034	17,516
-	10,758	42,518	3
-	11,691	11,691	-
336,511	485	337,439	-
416,904	731,158	7,349,464	294,474
129,327	61,407	(151,212)	21,075
-	34,920	34,920	-
-	564	15,469	-
555	7,030	282,710	172
-	9,225	21,929	-
-	1,381	163,108	-
(60,321)	-	(81,063)	-
-	-	290,893	816
-	3,625	1,207	1,763
-	175	178	-
-	(6,978)	(159,195)	1,231
-	(55)	(4,530)	-
-	-	5,475	-
(59,766)	49,887	571,101	3,982
69,561	111,294	419,889	25,057
-	1,985	92,575	1,159
-	-	172	-
-	-	(22,185)	-
-	21,821	227,848	5,741
(70,279)	(17,919)	(95,550)	(11,421)
(70,279)	5,887	202,860	(4,521)
(718)	117,181	622,749	20,536
3,792	1,170,801	6,688,706	17,548
-	-	(285)	1,434
-	(1,788)	(30,328)	(64)
$ 3,074	$ 1,286,194	$ 7,280,842	$ 39,454

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,927,083	$ -
Fees for Service	1,626,563	-
Sales of Products	2,648	-
Gifts, Grants, and Contracts	1,518,905	193,597
Loan and Note Repayments	426,676	-
Unemployment Insurance Premiums	-	732,578
Income from Property	28,752	-
Other Sources	113,120	-
Cash Payments to or for:		
Employees	(3,462,049)	-
Suppliers	(1,383,716)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(757,319)
Scholarships	(116,281)	-
Others for Student Loans and Loan Losses	(423,869)	-
Other Governments	(31,760)	-
Other	(71,558)	-
Component Unit Cash Flows from Operating Activities		
NET CASH PROVIDED BY OPERATING ACTIVITIES	154,514	168,856
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
Receipt of Deposits Held in Custody	677,772	-
Release of Deposits Held in Custody	(680,360)	-
Gifts and Grants for Other Than Capital Purposes	150,330	-
Intergovernmental Distributions	(20,742)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(6,545)	(135,365)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	322,571	(138,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(632,558)	(235)
Capital Contributions	11,871	-
Capital Gifts, Grants, and Contracts	38,785	-
Proceeds from Sale of Capital Assets	4,921	-
Capital Debt Proceeds	416,917	-
Capital Debt Service Payments	(295,984)	-
Capital Lease Payments	(8,413)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(464,461)	(235)

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
$ -	$ 589	$ 1,927,672	$ 3
-	244,521	1,871,084	306,168
546,393	56,978	606,019	1,141
-	436,104	2,148,606	822
-	392	427,068	-
-	-	732,578	-
-	10,919	39,671	14,377
1,203	155,022	269,345	156
(9,398)	(148,468)	(3,619,915)	(122,224)
(30,559)	(288,551)	(1,702,826)	(142,243)
(376,008)	(6,416)	(382,424)	(829)
-		(757,319)	-
-	-	(116,281)	-
-	(267,463)	(691,332)	-
-	(10,421)	(42,181)	(3)
(45)	(9,371)	(80,974)	(399)
131,586	173,835	628,791	56,969
-	21,869	227,896	5,741
(70,279)	(17,967)	(95,598)	(11,421)
-	100	677,872	136
-	(131)	(680,491)	(214)
-	973	151,303	-
(67,059)	-	(87,801)	-
-	(104)	(104)	-
-	(445)	(142,355)	-
(137,338)	4,295	50,722	(5,758)
(18)	(213,052)	(845,863)	(32,230)
-	-	11,871	-
-	-	38,785	-
-	632	5,553	10,098
-	-	416,917	-
-	(6,936)	(302,920)	(5,413)
-	(545)	(8,958)	(28,572)
(18)	(219,901)	(684,615)	(56,117)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	119,278	17,194
Proceeds from Sale/Maturity of Investments	4,119,983	-
Purchases of Investments	(4,257,069)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	2,829	-
NET CASH FROM INVESTING ACTIVITIES	(14,979)	17,194
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,355)	47,009
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,435,126	580,901
Prior Period Adjustment (See Note 29)	(285)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,432,486	$ 627,910
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (514,598)	$ 172,652
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	360,057	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	322,259	3,763
(Gain)/Loss on Disposal of Capital and Other Assets	222	-
Compensated Absences	15,736	-
Insurance Premiums and State Subsidy		
Claims and General Insurance Expenses Paid		
Interest and Other Expense in Operating Income	(14,228)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(42,814)	1,831
(Increase) Decrease in Inventories	449	-
(Increase) Decrease in Other Operating Assets	(7,040)	(9,608)
Increase (Decrease) in Accounts Payable	21,161	283
Increase (Decrease) in Other Operating Liabilities	13,310	(65)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 154,514	$ 168,856
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	35,338	-
Capital Assets Acquired by Grants or Donations and Payable Increases	60,240	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	134,661	-
Loss on Disposal of Capital and Other Assets	24,019	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	35,031	60
Assumption of Capital Lease Obligation or Mortgage	7,570	-
Financed Debt Issuance Costs	946	-
Fair Value Change in Derivative Instrument	233	-

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
452	15,808	152,732	24
-	139,362	4,259,345	-
-	-	(4,257,069)	-
103	1,848	4,780	147
555	157,018	159,788	171
(5,215)	115,247	154,686	(4,735)
44,343	461,178	2,521,548	62,558
-	-	(285)	-
$ 39,128	$ 576,425	$ 2,675,949	$ 57,823
$ 129,327	$ 61,407	$ (151,212)	$ 21,075
960	18,017	379,034	17,516
-	(10,278)	(10,278)	-
-	48,496	374,518	819
-	7,972	8,194	-
(159)	(260)	15,317	(162)
-	(19,185)	(33,413)	235
1,268	24,798	(14,917)	2,982
(85)	(1,552)	(1,188)	402
(144)	785	(16,007)	(3,016)
616	8,622	30,682	13,808
(197)	35,013	48,061	3,310
$ 131,586	$ 173,835	$ 628,791	$ 56,969
-	3,969	39,307	1,159
-	1,571	61,811	-
-	-	134,661	-
3	7,991	32,013	-
-	-	35,091	-
-	-	7,570	22,303
-	-	946	-
-	-	233	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 68,071	$ 165,115	$ 699,804
Investments	-	646	-
Taxes Receivable, net	-	-	146,176
Other Receivables, net	603	6,561	351
Intrafund Receivables	-	-	-
Due From Other Funds	24,392	6,513	10,519
Inventories	-	-	6
Prepaids and Advances	1,235	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	13,685	-
Corporate Bonds	-	5,522	-
Repurchase Agreements	-	1,081	-
Asset Backed Securities	-	762	-
Mortgages	-	1,300	-
Mutual Funds	-	5,789,152	-
Other Investments	-	78,299	-
Other Long-Term Assets	-	-	13,689
TOTAL ASSETS	94,301	6,068,636	$ 870,545
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	(1,650)
Accounts Payable and Accrued Liabilities	14,843	8,817	1,276
Due To Other Governments	-	-	262,240
Due To Other Funds	-	-	1,086
Intrafund Payables	-	-	-
Unearned Revenue	-	6,478	-
Claims and Judgments Payable	14,248	-	146
Other Current Liabilities	-	-	599,733
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,961	3,006
Accrued Compensated Absences	55	-	-
Other Long-Term Liabilities	-	-	4,708
TOTAL LIABILITIES	29,146	18,256	$ 870,545
NET POSITION:			
Pension/Benefit Plan Participants	64,392	-	
Individuals, Organizations, and Other Entities	-	6,050,380	
Unrestricted	763	-	
TOTAL NET POSITION	$ 65,155	$ 6,050,380	

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, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,007,293
Member Contributions	82,364	-
Employer Contributions	251,302	-
Investment Income/(Loss)	895	711,641
Employee Participation Fees	707	-
Unclaimed Property Receipts	-	35,759
Other Additions	4,636	3,075
Transfers-In	1,222	-
TOTAL ADDITIONS	341,126	1,757,768
DEDUCTIONS:		
Distributions to Participants	-	257,504
Health Insurance Premiums Paid	149,784	-
Health Insurance Claims Paid	147,919	-
Other Benefits Plan Expense	19,292	-
Payments in Accordance with Trust Agreements	-	562,601
Other Deductions	16,036	-
Transfers-Out	60	153
TOTAL DEDUCTIONS	333,091	820,258
CHANGE IN NET POSITION	8,035	937,510
NET POSITION - FISCAL YEAR BEGINNING	57,120	5,112,870
NET POSITION - FISCAL YEAR ENDING	$ 65,155	$ 6,050,380

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 165,838	$ 15,032
Investments	-	-
Contributions Receivable, net	-	24,122
Other Receivables, net	75,606	49
Due From Other Governments	1,720	-
Prepaids and Advances	-	466
Total Current Assets	243,164	39,669
Noncurrent Assets:		
Restricted Cash and Pooled Cash	132,061	-
Restricted Investments	190,462	-
Restricted Receivables	2,726	-
Investments	-	1,250,817
Contributions Receivable, net	-	34,695
Other Long-Term Assets	955,621	-
Depreciable Capital Assets and Infrastructure, net	33	2,685
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,280,903	1,288,197
TOTAL ASSETS	1,524,067	1,327,866
DEFERRED OUTFLOW OF RESOURCES:	4,505	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,364	8,744
Due To Other Governments	2,330	-
Unearned Revenue	-	-
Claims and Judgments Payable	-	-
Leases Payable	-	951
Notes, Bonds, and COPs Payable	50,165	-
Other Current Liabilities	100,604	10,807
Total Current Liabilities	166,463	20,502
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	273,213
Capital Lease Payable	-	257
Notes, Bonds, and COPs Payable	718,245	-
Other Long-Term Liabilities	31,904	16,868
Total Noncurrent Liabilities	750,149	290,338
TOTAL LIABILITIES	916,612	310,840
DEFERRED INFLOW OF RESOURCES:	718	-
NET POSITION:		
Net investment in Capital Assets:	33	1,477
Restricted for:		
Emergencies	-	-
Expendable	-	551,738
Nonexpendable	-	397,990
Other Purposes	556,934	-
Unrestricted	54,275	65,821
TOTAL NET POSITION	$ 611,242	$ 1,017,026

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
$ 752	$ 10,773	$ 1,437	$ 19,778	$ 213,610
-	-	-	67,411	67,411
7,637	6,572	2,396	4,150	44,877
-	1,755	194	675	78,279
-	-	-	1,385	3,105
122	-	-	-	588
8,511	19,100	4,027	93,399	407,870
-	96	-	22,288	154,445
-	-	-	-	190,462
-	-	-	-	2,726
325,414	249,871	98,860	42,126	1,967,088
21,857	9,403	3,452	-	69,407
574	331	190	1,862	958,578
6	16	1,044	122,523	126,307
-	-	-	61,968	61,968
347,851	259,717	103,546	250,767	3,530,981
356,362	278,817	107,573	344,166	3,938,851
-	-	-	-	4,505
2,286	2,432	1,231	1,796	29,853
-	-	-	-	2,330
-	-	-	7,656	7,656
-	-	-	22,251	22,251
-	-	-	-	951
-	-	-	-	50,165
-	-	-	239	111,650
2,286	2,432	1,231	31,942	224,856
13,989	19,835	668	-	307,705
-	-	-	-	257
-	-	-	54,607	772,852
818	11,046	151	12	60,799
14,807	30,881	819	54,619	1,141,613
17,093	33,313	2,050	86,561	1,366,469
-	-	-	-	718
6	16	1,044	184,491	187,067
-	-	-	63	63
160,586	77,560	21,010	-	810,894
145,305	143,579	70,733	-	757,607
-	-	-	17,590	574,524
33,372	24,349	12,736	55,461	246,014
$ 339,269	$ 245,504	$ 105,523	$ 257,605	$ 2,576,169

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 37,315	$ 5,100
Sales of Goods and Services	-	-
Investment Income (Loss)	8,652	-
Rental Income	-	-
Gifts and Donations	-	130,477
Federal Grants and Contracts	6,765	-
Other	3,212	957
TOTAL OPERATING REVENUES	55,944	136,534
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,258	-
Operating and Travel	24,466	24,754
Depreciation and Amortization	14	-
Debt Service	35,883	-
Foundation Program Distributions	-	116,342
TOTAL OPERATING EXPENSES	61,621	141,096
OPERATING INCOME (LOSS)	(5,677)	(4,562)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	99,822
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	99,822
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,677)	95,260
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	11,724	-
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	-
CHANGE IN NET POSITION	6,047	95,260
NET POSITION - FISCAL YEAR BEGINNING	605,195	921,766
NET POSITION - FISCAL YEAR ENDING	$ 611,242	$ 1,017,026

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
$ -	$ 1,800	$ -	$ 73,015	$ 117,230
-	-	-	5,534	5,534
-	-	-	(4,577)	4,075
-	-	-	1,335	1,335
45,226	23,827	12,273	-	211,803
-	-	-	2,455	9,220
63	326	688	-	5,246
45,289	25,953	12,961	77,762	354,443
-	-	-	-	1,258
2,951	4,378	2,452	136,840	195,841
-	-	-	4,893	4,907
-	-	-	-	35,883
45,577	17,060	6,965	-	185,944
48,528	21,438	9,417	141,733	423,833
(3,239)	4,515	3,544	(63,971)	(69,390)
32,762	25,936	8,699	924	168,143
-	-	-	6,119	6,119
-	-	-	1,065	1,065
-	-	-	22,335	22,335
-	-	-	(3,229)	(3,229)
-	-	-	(15,061)	(15,061)
-	-	-	12,925	12,925
32,762	25,936	8,699	25,078	192,297
29,523	30,451	12,243	(38,893)	122,907
-	-	-	-	11,724
-	-	-	-	11,724
29,523	30,451	12,243	(38,893)	134,631
309,746	215,053	93,280	296,498	2,441,538
$ 339,269	$ 245,504	$ 105,523	$ 257,605	$ 2,576,169

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 117,230			
Sales of Goods and Services	5,534			
Investment Income (Loss)	4,075	(4,075)		
Rental Income	1,335			
Gifts and Donations	211,803	(211,803)		
Federal Grants and Contracts	9,220	(9,220)		
Other	5,246	(2,031)		
TOTAL OPERATING REVENUES	354,443	(227,129)	127,314	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,258			
Operating and Travel	195,841			
Depreciation and Amortization	4,907			
Debt Service	35,883	3,227		
Foundation Program Distributions	185,944			
Other Expenses	-	15,061		
TOTAL OPERATING EXPENSES	423,833	18,288	442,121	EXPENSES
OPERATING INCOME (LOSS)	(69,390)			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	168,143	(168,143)		
Gifts and Donations	6,119	(6,119)		
Federal Grants and Contracts	1,065	(1,065)		
Gain/(Loss) on Sale or Impairment of Capital Assets	22,335	(22,335)		
Debt Service	(3,229)	3,229		
Other Expenses	(15,061)	15,061		
Other Revenues	12,925	(12,925)		
TOTAL NONOPERATING REVENUES (EXPENSES)	192,297	(192,297)		
		355,449	355,449	OPERATING GRANTS & CONTRIBUTIONS
		24,136	24,136	CAPITAL GRANTS & CONTRIBUTIONS
		53,514	53,514	UNRESTRICTED INVESTMENT EARNINGS
		16,321	16,321	PAYMENTS FROM THE STATE
		18	18	OTHER GENERAL REVENUES
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	122,907			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	11,724	(11,724)		
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	(11,724)		
CHANGE IN NET POSITION	134,631		134,631	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,441,538		2,441,538	NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	$ 2,576,169		$ 2,576,169	NET POSITION - FISCAL YEAR ENDING

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

UNAUDITED

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.

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.

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, GASB Statement No. 66 – Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, and Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

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:

- 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	Financial Benefit / Burden Relationship
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 to 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 on 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:

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, deferred outflows and liabilities and deferred inflows 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 outflows, 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.

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 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 schedules detailing the components of the General Fund are included as supplementary information. The schedules 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 schedule 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, Legal Services, 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 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, 2013.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements and as other accounting literature Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2013.

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, 2013.

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 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.

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 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

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
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	50
Vehicles and Equipment	3	50
Software	2	23
Library Books	3	20
Other Capital Assets	3	25
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.

F. UNEARNED REVENUE AND DEFERRED INFLOWS

Under reimbursement agreements, receipts from the federal government and other program sponsors are not earned until the related expenditures occur. These receipts are recorded as unearned revenue, except for amounts recorded as deferred inflows when the only eligibility requirement not met is the time requirement.

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 and are reported as deferred inflows. 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

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 a combination of self-insurance and commercial insurance carriers and is self-insured against 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.

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NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflows 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 net position of the State Education Fund, a major special revenue fund, is restricted for education purposes based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000. In addition, the net position of the Public School Fund, a Special Purpose fund is restricted for exclusive use pursuant to Article IX, Section 3 of the State Constitution.

The net position of Higher Education Institutions, a major proprietary fund, is restricted for educational purposes that primarily include student loans and scholarships restricted by the federal government and other sponsoring entities and revenue balances pledged for auxiliary facility debt as a result of bond covenants. Balances related to various instructional, research and academic support programs and capital projects may also restricted based on requirements of donors and sponsors. Finally, Article XVIII, Section 9 of the State Constitution, also known as Amendment 50, requires that specified gaming receipts only be used for instructional purposes and scholarship programs.

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 position of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The net position in governmental activities is found in the Department of Personnel & Administration and in 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, and scholarship trusts.
- 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 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. 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 GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $249.2 million was committed for this purpose.

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 General Purpose Revenue Fund fund balance related to certain Fiscal Year 2013-14 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

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. For Fiscal Year 2013-14, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

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 2013-14. 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 2010-11 that were incorporated in State agency budgets in Fiscal Year 13-14. 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 114. 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, 2014, were $37,747,270 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medical Services Premiums</u> – The Department of Health Care Policy and Financing overexpended this line item by $28,752,698 of general funds and $904,633 of cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. With changes in eligibility standards, the caseload related to low income and higher income parents was higher than estimated. Growth in the base population that is funded at a 50 percent federal participation rate increased by 40,000 while the expansion population that is solely federally funded grew by 15,000 which is significantly below the level anticipated. Additionally, unanticipated caseload increases contributed to the cash overexpenditures of $149,124 in the Health Care Expansion Fund and $316,582 in the Breast and Cervical Prevention and Treatment Fund. A Large settlement payment for an appeal resulted in a cash overexpenditure of $438,927 in the Nursing Facility Provider Feed Cash Fund.
- <u>Medicaid Mental Health Fee for Service Payments</u> – The Department of Health Care Policy and Financing overexpended this line item by $1,594,036 of general funds and $1,381,729 of cash 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.
- <u>MMA 2003 State Contribution</u> – The Department of Health Care Policy and Financing overexpended this line item by $1,285,691 of general funds. The appropriation makes the Medicare Modernization Act Clawback payment and was based on a projected caseload, including retroactive caseload. The appropriation based on actual caseload varied from actual expenditures by approximately 1.22 percent.

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

- <u>CBMS Operating Expenses and Modernization Contract</u> – The Department of Human Services overexpended the operating line item by $599,828 and the modernization contract line item by $154,960 of general funds. This resulted from the inability of the Department to utilize Temporary Aid to Need Families (TANF) federal funds. A high volume of billings were received in July which is past the point in time that the funding split could have been trued up with an emergency supplemental appropriation as TANF funds must be appropriated.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

- State Personnel Board Operating Expenses – The Department of Personnel and Administration overexpended this line item by $62 of general funds. The Division's expenses exceeded its spending authority in this line item due to an oversight.

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

- Legal Services Cash Fund – The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when initially determining rates. Rates have subsequently been increased and the deficit has been reduced from $1,620,644 in the prior year to $701,828.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2,283,235. 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.

- Registration Number Fund – The Governor's Office had a deficit fund balance related to this fund of $88,570. Pursuant to C.R.S. 42-1-407, the Department of Personnel and Administration loaned the fund $300,000 to cover start-up costs until proceeds from the auction of special license plates could be generated. 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 2014-15 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, 2014:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $1,402,598

  Adult Dental Fund - $381,574

  Medicaid Buy-In Cash Fund - $20,715

The General Fund Surplus Schedule (page 121) shows a negative reversion of $20.7 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 $20.7 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 2013-14 ESRC of $11.85 billion. TABOR revenue was below the ESRC by $169.3 million, and over the TABOR limit by $2,116.5 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $2,116.5 million that would have occurred related to Fiscal Year 2013-14 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $9.8 billion, $3.6 billion during the initial five year revenue retention period, and an additional $6.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2013-14.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the un-refunded 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 2013-14 that amount was $350,493,899.

At June 30, 2014, the financial net positions, 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 – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000. The $33,000,000 designation by the Legislature has been reduced by $2,500,000 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).
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.

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- Controlled Maintenance Trust Fund, a portion of the major General Fund - $48,000,000. In addition to this amount, $9,500,000 of the Fiscal Year 2012-13 designation was carried forward into Fiscal Year 2013-14. The adjusted $57,500,000 designation by the Legislature has been reduced by $50,850,000 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).
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $5,000,000.
- The 2013 legislative session Long Appropriations Act designated up to $93,600,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2013 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 $20,893,899 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 2013-14, under the direction of the Governor's Executive Orders, the State transferred $50.85 million from the Controlled Maintenance Trust Fund and $2.5 million from the perpetual base account of the Severance Tax Fund of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- West Fork Fire - $12.0 million
- Front Range Flooding - $38.95 million
- El Paso County Flooding - $0.4 million
- Red Canyon Fire - $2.0 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 $7,555.6 million ($7,561.1 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2014, the treasurer had invested $7,455.0 million (fair value) of the pool and held $7.0 million of certificates of deposit.

The State had an accounting system cash deposit balance of $1,221.6 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $115.7 million of the State's total bank balance of $1,244.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $172,393 with a bank balance of $206,878 at December 31, 2013. Of the booked amount, $250,000 was federally insured and $43,122 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name. The authority also reported as cash and cash equivalents $29.7 million held by the State Treasurer, $182.2 million held in COLOTRUST and $85.8 million held in third party, short-term, prime investment funds. 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 funds 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 $1,363.0 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,380.1 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $213.6 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 inflows on the *Balance Sheet – Governmental Funds.*

- $135.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.

- $22.6 million recorded in the Resource Extraction Fund as severance taxes receivable.

- $38.9 million recorded in nonmajor special revenue funds, of which, approximately $11.1 million is from gaming tax, $14.6 million is insurance premium tax, and $9.9 million is tobacco tax.

In addition, $58.2 million of Taxes Receivable, $50.8 million of Other Receivables, and $140.9 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 $610.3 million shown on the government-wide *Statement of Net Position* are net of $285.5 million in allowance for doubtful accounts and primarily comprise the following:

- $348.1 million of student and other receivables of Higher Education Institutions.

- $95.5 million of receivables recorded in the General Fund, of which $16.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $65.5 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.1 million of patient receivables.

- $22.9 million recorded by the Resource Extraction Fund.

- $86.5 million of receivables recorded by Other Governmental Funds including $45.3 million of tobacco settlement revenues expected within the following year, $9.8 million of rent and royalty receivables recorded by the State Lands Funds and $4.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2013. During 2013, the authority made new loans of $33.4 million and canceled or received repayments for existing loans of $78.4 million.

The University of Colorado Foundation contributions receivable of $24.1 million and $34.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2013, the amount reported as contributions receivable includes $68.6 million of unconditional promises to give which were offset by a $8.0 million allowance for uncollectible contributions and a $1.8 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2013, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.7 million, which were offset by $3.6 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2013, contributions from three donors represented approximately 78 percent of net contributions receivable for the foundation.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.0 million was offset by $0.7 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 49 percent of the foundation's contributions receivable at June 30, 2013, consists of pledges from two donors in 2013, and approximately $3.8 million is due from trusts held by others.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $5.8 million was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2013 consists of a pledge from one donor, and 59 percent of contributions for the year ended June 30, 2013 were from two donors.

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 $4.15 million of accounts receivable from insurance companies that are reported as Contributions Receivable 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 $107.1 million shown on the government-wide *Statement of Net Position* at June 30, 2014, primarily comprise:

- $13.8 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $66.4 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $27.8 million, and
- $19.6 million of consumable supplies inventories, of which, $8.7 million was recorded by the Higher Education Institutions, $7.3 million was recorded by the Highway Users Tax Fund, $2.1 million by the General Purpose Revenue Fund, and $1.0 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $107.9 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.
- $16.4 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $9.4 million in Higher Educational Institutions, of which $5.2 million was at Colorado State University that primarily related to library subscriptions.
- $5.1 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, certain loans and collateralized mortgage obligations and certain debt obligations backed by the full faith and credit of the state of Israel. 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 2013-14, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $169,768, for the Unclaimed Property Tourism Trust Fund of $15,175, for the Major Medical Fund of $72,151, for the Colorado Prepaid Tuition Fund of $1,368,687, and for the Treasurer's pooled cash of $549,549.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2014 and 2013, the treasurer had $41.3 million and $29.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $7.3 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 $7.1 million as of June 30, 2014. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,373,353 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 $1,330,063 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2013-14.

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)	$ 1,221,566
Investments:	
Governmental Activities	8,560,230
Business-Type Activities	2,453,941
Fiduciary Activities	5,879,808
Total	$ 18,115,545
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,476,500
Add: Warrants Payable Included in Cash	210,370
Total Cash and Pooled Cash	5,686,870
Add: Restricted Cash	2,989,733
Add: Restricted Investments	961,450
Add: Investments	8,477,492
Total	$ 18,115,545

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 $257.1 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 ($44.2 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Center ($0.8 million reported in a Special Capital Projects Fund), and $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	$ 4,164,291	$ -	$ 261,180	$ 4,425,471
Commercial Paper	74,998	-	-	74,998
Corporate Bonds	1,734,116	-	251,954	1,986,070
Asset Backed Securities	1,462,699	-	142,783	1,605,482
Mortgages Securities	18,933	7,322	132,467	158,722
Mutual Funds	-	-	3,971	3,971
Other	-	257,091	48,425	305,516
TOTAL INVESTMENTS	$ 7,455,037	$264,413	$ 840,780	$ 8,560,230

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 ($43.7 million), Absolute Return Funds ($40.5 million), Real Estate ($28.5 million), Venture Capital ($18.0 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($2.2 million), and Municipal Bonds ($9.2 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 primarily comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of $49.6 million of bond issuances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($78.3 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	$ 322,212	$ -	$ 322,212	$ 11,277
Commercial Paper	2,802	-	2,802	-
Corporate Bonds	195,370	-	195,370	-
Corporate Securities	18,944	-	18,944	-
Repurchase Agreements	234,912	-	234,912	1,080
Asset Backed Securities	101,967	-	101,967	-
Mortgages Securities	85,204	-	85,204	-
Mutual Funds	1,234,747	16,117	1,250,864	5,789,152
Other	189,868	51,798	241,666	78,299
TOTAL INVESTMENTS	$ 2,386,026	$ 67,915	$ 2,453,941	$ 5,879,808

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 265	$ -	$ 265	$ -
Corporate Bonds	3,680	-	3,680	-
Corporate Securities	9,223	-	9,223	-
Repurchase Agreements	-	-	-	1,080
TOTAL SUBJECT TO CUSTODIAL RISK	$ 13,230	$ -	$ 13,230	$ 1,080

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 $78.3 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	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Municipal Bonds & Other	Total
Treasurer's Pool:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 91,106	$ -	$ 1,462,699	$ -	$ -	$ -	$ 1,553,805
High Grade	1,004,685	-	643,105	-	18,933	-	-	-	1,666,723
Upper Medium	-	-	959,242	-	-	-	-	-	959,242
Lower Medium	-	-	15,235	-	-	-	-	-	15,235
Short-term Ratings									
Highest	2,192,967	74,998	-	-	-	-	-	-	2,267,965
Higher Education Institutions:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 3,392	$ -	$ 32,655	$ 196,820	$ 387	$ -	$ 233,361
High Grade	69,697	-	18,106	-	56,370	5,470	4	8,399	158,300
Upper Medium	-	-	51,038	-	5,590	-	21	788	57,512
Lower Medium	-	-	33,963	-	4,216	-	342	-	38,521
Speculative	-	-	1,329	-	921	-	69	-	2,319
Very Speculative	-	-	-	-	504	-	40	-	544
High Default Risk	-	-	-	-	4,779	-	10	-	4,789
Default	-	-	-	-	1,004	-	-	-	1,004
Short-term Ratings									
Highest	-	2,002	-	-	-	-	169	-	2,171
Unrated	-	-	5,332	234,912	27,449	71,414	167,082	2,004	508,337
Fiduciary Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ -	$ 1,080	$ -	$ -	$ -	$ -	$ 1,080
High Grade	-	-	-	-	-	-	-	-	-
Short-term Ratings									
Unrated	-	-	3,430	-	-	5,789,152	-	-	5,792,582
All Other Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 24,041	$ -	$ 142,783	$ 3,543	$ -	$ -	$ 170,367
High Grade	204,708	-	155,652	-	125,361	990	-	3,364	490,075
Upper Medium	-	-	68,518	-	-	-	-	-	68,518
Lower Medium	-	-	3,742	-	-	-	-	-	3,742
Short-term Ratings									
Highest	-	-	-	-	-	-	-	-	-
Unrated	2,041	-	-	-	14,428	8,025	7,529	-	32,023

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 $78.3 million that have duration of 7.9 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.739-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	$ 4,164,291	1.424	$ 11,301	0.701	$ 11,676	12.739	$ 261,180	5.873
Commercial Paper	74,998	0.043	2,002	0.500	-	-	-	-
Corporate Bonds	1,734,116	2.766	-	-	-	-	251,954	6.388
Asset Backed Securities	1,481,633	3.033	-	-	-	-	275,251	4.913
Municipal Bonds	-	-	-	-	-	-	3,364	10.460
Total Investments	$ 7,455,038		$ 13,303		$ 11,676		$ 791,749	

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 $234.9 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 $234.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.7 years.

The University of Colorado has invested $13.8 million in U.S. Treasury Inflation Protected Securities with duration of 6.7 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	$ 173,875,435	4.510
U.S. Treasury Strips	999,800	0.040
U.S. Government Agency Notes	68,696,825	3.240
U.S. Government Agency Strips		
Municipal Bonds	9,204,817	7.690
Corporate Bonds	112,303,354	6.230
Certificates of Deposit	1,987,023	2.640
Asset Backed Securities	133,488,167	4.280
Bond Mutual Funds	167,132,119	2.760
Colorado State University:		
Bond Mutual Funds	$ 991,409	2.800
Colorado School of Mines:		
Bond Mutual Funds-1	$ 980,266	5.500
Bond Mutual Funds-2	952,532	1.200
Bond Mutual Funds-3	729,596	0.700
Bond Mutual Funds-4	767,335	7.700
Colorado Mesa University:		
U.S. Government Securities	$ 1,006,615	2.350
Corporate Bonds	857,163	2.014
Bond Mutual Funds	252,675	3.100
Taxable Municipal Bonds	$ 580,387	2.644
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	#########	6.800
Bond Mutual Fund-2	639,483,130	5.600
Bond Mutual Fund-3	562,374,581	5.600
Bond Mutual Fund-4	353,527,101	0.159
Bond Mutual Fund-5	338,996,335	3.000
Bond Mutual Fund-6	218,325,446	6.700
Bond Mutual Fund-7	210,093,193	5.600
Bond Mutual Fund-8	100,726,915	3.200
Bond Mutual Fund -9	1,398,596	6.900

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 - $73.6, British Pound - $48.3, Japanese Yen - $44.0, Swiss Franc - $23.1, Brazilian Real - $10.1, Chinese Yuan - $13.4, Korean Won - $11.3, Canadian Dollar - $8.2, Australian Dollar - $6.6, Swedish Kroner - $8.3, $, Denmark Kroner - $8.2, Honk-Kong Dollar - $12.2, Indian Rupee - $6.6, South African Rand - $6.7, Taiwan Dollar - $6.4, and various other currencies totaling $25.4 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 – 5.9 percent and Citigroup – 6.3 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 2013-14	Fiscal Year 2012-13
Governmental Activities:		
Major Funds		
General-General Purpose	$ 1,184	$ (12,770)
General-Special Purpose	1,174	(2,118)
Resource Extraction	2,468	(5,752)
Highway Users Tax	2,787	(14,367)
Capital Projects-Regular	471	(1,006)
Capital Projects-Special	11	(84)
State Education	4,116	(1,625)
NonMajor Funds:		
State Lands	(655)	(27,612)
Other Permanent Trusts	34	(112)
Labor	(1,432)	(3,598)
Gaming	335	(1,486)
Tobacco Impact Mitigation	259	(191)
Resource Management	64	(56)
Environment Health Protection	279	(1,758)
Other Special Revenue	597	(2,329)
Unclaimed Property	966	(6,773)
Information Technology	131	(172)
Highways (Internal Service)	-	(3)
Administrative Courts	3	(11)
Legal Services	13	-
Other Internal Service	-	(2)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	137,494	52,328
Lottery	103	(392)
NonMajor Funds:		
CollegeInvest	217	(1,541)
Wildlife	331	(1,328)
College Assist	259	(736)
State Fair Authority	-	(5)
Correctional Industries	15	(65)
State Nursing Homes	48	(110)
Prison Canteens	11	(21)
Petroleum Storage Tank	20	(90)
Transportation Enterprise	972	(1,097)
Other Enterprise Activities	16	(100)
Fiduciary:		
Pension/Benefits Trust	159	(781)
Private Purpose Trust	525,314	306,724
	$ 677,764	$ 270,962

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

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, 2013, were:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
U.S. Government Securities	$	104,228
Repurchase Agreements		86,234
TOTAL INVESTMENTS	$	190,462

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 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 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 $190.5 million of investments subject to interest rate risk with the following maturities; one year or less – 10 percent, two to five years – 26 percent, six to ten years – 29 percent, eleven to fifteen years – 24 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 $67.4 million of investments subject to modest interest rate risk that mature within twelve months or less.

Concentration of Credit Risk

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2013, all of its investments were placed in a single issuer and were therefore subject to concentration of credit risk.

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, 2013, the University of Colorado Foundation held $254.1 million of domestic equity securities, $259.7 million of international equity securities, $167.1 million of fixed income securities and $506.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $97.3 million is net of $6.7 million of investment fees and comprises $15.0 million of interest dividends and other income, $39.1 million of realized gains, and $49.9 million of unrealized gains.

At June 30, 2013, the Colorado State University Foundation held $153.2 million of equity securities, $152.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $16.3 million of fixed income securities, and $3.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 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, 2013, the CSMF held fixed income and fixed income mutual funds totaling $22.8 million, domestic and international equities totaling $91.1 million, investments in hedge funds and venture capital totaling $92.9 million and cash equivalents totaling $17.3 million in its long-term investments pool.

Of the foundation's $249.9 million of investments, $15.5 million, or 6.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.4 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-one 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, 2013, the University of Northern Colorado Foundation held $41.3 million of equity securities, $22.9 million of fixed income securities, and $34.7 million of cash and other investments. The foundation's investment income of $8.7 million is net of $0.4 million of management fees and comprises $2.4 million of interest and dividends and $6.7 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, Colorado State University System, Colorado School of Mines, Fort Lewis State College, and the University of Colorado and its blended component units; however, all participate in the Treasurer's Pool with the exception of the University of Colorado. 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 $777.4 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 $213.8 million and $58.2 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 deferred Revenue.

The $460.1 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 ($7.7 million), a major special revenue fund, and the Resource Extraction Fund ($384.4 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 $99.5 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 livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2013-14 the State capitalized $33.8 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 $21.9 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. However, since its decommissioning the facility has remained idle. On June 30, 2014 it had a carrying value of $16.2 million. An asset impairment estimate has not been calculated since it is not known when the property deed transfer will occur.

The Department of Transportation recognized $18.8 in impairment (a reduction in carrying value) to roadway assets as a result of flood damage this fiscal year.

The schedule on the following page shows the capital asset activity for Fiscal Year 2013-14.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	86,938	$ 2,667	$ -	$ 3	$ 89,608
Land Improvements	6,248	-	1,028	-	7,276
Collections	11,002	-	-	(7)	10,995
Other Capital Assets	15	6,933	-	-	6,948
Construction in Progress (CIP)	1,145,432	715,450	(875,724)	(11,846)	973,312
Infrastructure	921,134	21	14,253	-	935,408
Total Capital Assets Not Being Depreciated	2,170,769	725,071	(860,443)	(11,850)	2,023,547
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	44,895	270	1,455	(64)	46,556
Buildings	2,122,112	21,692	540,924	(31,089)	2,653,639
Software	245,073	4,912	200	(386)	249,799
Vehicles and Equipment	714,869	89,648	7,210	(20,702)	791,025
Library Materials and Collections	6,031	390	-	(388)	6,033
Other Capital Assets	38,210	674	-	(45)	38,839
Infrastructure	10,406,020	54	310,654	(40,570)	10,676,158
Total Capital Assets Being Depreciated	13,577,210	117,640	860,443	(93,244)	14,462,049
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(26,746)	(1,842)	-	62	(28,526)
Buildings	(761,215)	(58,678)	-	8,434	(811,459)
Software	(146,983)	(24,053)	-	374	(170,662)
Vehicles and Equipment	(455,168)	(50,180)	-	11,905	(493,443)
Library Materials and Collections	(3,912)	(444)	-	389	(3,967)
Other Capital Assets	(28,306)	(3,012)	-	45	(31,273)
Infrastructure	(2,841,921)	(501,800)	-	21,202	(3,322,519)
Total Accumulated Depreciation	(4,264,251)	(640,009)	-	42,411	(4,861,849)
Total Capital Assets Being Depreciated, net	9,312,959	(522,369)	860,443	(50,833)	9,600,200
TOTAL GOVERNMENTAL ACTIVITIES	11,483,728	202,702	-	(62,683)	11,623,747
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	500,837	9,728	2,002	(5,408)	507,159
Land Improvements	16,625	302	(8)	(37)	16,882
Collections	22,455	1,002	-	(7)	23,450
Construction in Progress (CIP)	680,923	813,690	(681,224)	(18,179)	795,210
Other Capital Assets	-	-	-	-	-
Infrastructure	8,921	-	5,223	-	14,144
Total Capital Assets Not Being Depreciated	1,229,761	824,722	(674,007)	(23,631)	1,356,845
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	562,665	3,426	19,645	(773)	584,963
Buildings	6,938,835	13,636	409,009	(4,005)	7,357,475
Software	178,050	13,555	4,570	(1,582)	194,593
Vehicles and Equipment	921,001	80,527	11,645	(35,892)	977,281
Library Materials and Collections	502,533	20,507	-	(5,333)	517,707
Other Capital Assets	19,227	13	355	-	19,595
Infrastructure	160,526	-	228,783	(164)	389,145
Total Capital Assets Being Depreciated	9,282,837	131,664	674,007	(47,749)	10,040,759
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(290,764)	(24,282)	-	21	(315,025)
Buildings	(2,384,419)	(224,124)	-	2,280	(2,606,263)
Software	(89,842)	(29,991)	-	736	(119,097)
Vehicles and Equipment	(652,435)	(76,931)	-	29,341	(700,025)
Library Materials and Collections	(371,785)	(18,468)	-	3,340	(386,913)
Other Capital Assets	(825)	(357)	-	(95)	(1,277)
Infrastructure	(29,702)	(4,881)	-	147	(34,436)
Total Accumulated Depreciation	(3,819,772)	(379,034)	-	35,770	(4,163,036)
Total Capital Assets Being Depreciated, net	5,463,065	(247,370)	674,007	(11,979)	5,877,723
TOTAL BUSINESS-TYPE ACTIVITIES	6,692,826	577,352	-	(35,610)	7,234,568
TOTAL CAPITAL ASSETS, NET	$ 18,176,554	$ 780,054	$ -	$ (98,293)	$ 18,858,315

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	$ 17,390
Business, Community, and Consumer Affairs	4,928
Education	15,434
Health and Rehabilitation	9,939
Justice	39,725
Natural Resources	1,023
Social Assistance	12,583
Transportation	521,471
Internal Service Funds (Charged to programs and BTAs based on useage)	17,516
Total Depreciation Expense Governmental Activities	640,009
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	360,058
State Lottery	960
Other Enterprise Funds	18,016
Total Depreciation Expense Business-Type Activities	379,034
Total Depreciation Expense Primary Government	$ 1,019,043

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $140.8 million, net of accumulated depreciation of $79.1 million, at December 31, 2013. 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.

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.

<u>Money Purchase Retirement Benefit</u>

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.

<u>Service Requirement and Termination</u>

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, 2014.

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 2013-14				
1-1-14 to 6-30-14	17.36	20.15	17.45	100
7-1-13 to 12-31-13	17.36	19.25	16.55	100
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

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 2013-14 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, 2013, to December 31, 2013, 15.53 percent was allocated to the defined benefit plan, and
- From January 1, 2014, to June 30, 2014 16.43 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, 2013, the State Division of PERA had a funded ratio of 57.5 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

The State made the following retirement contributions:

- Fiscal Year 2013-14 – 398.5 million
- 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

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
2013	$495,241	20.01%	79%
2012	$393,991	16.52%	83%
2011	$326,274	13.63%	85%

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 2013-14 and 2012-13, the Department of Local Affairs transferred $4.1 and $4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

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 $1.26 billion, a funded ratio of 18.8 percent, and a 30-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 $25.3 million, $24.9, million, $24.1 million, $24.3 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 2013.

As of December 31, 2013, there were 53,041 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, 2013, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a seven and on-half percent investment rate of return and discount rate, and an aggregate three and nine-tenths percent projection of salary increases, both assuming a three and two and eighth-tenths percent inflation rate productivity at one and one-tenth percent. Medical claims are projected to increase annually at various rates up to 5.91 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, prescription drug, dental and life insurance benefits for employees who retire from the University, as well as their spouses, dependents, and survivors. 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 2013-14, the University contributed $16.6 million to the plan. Plan members contributed 0.28 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.0 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	7,443
Adjustment to annual required contribution	(10,154)
Annual OPEB cost (expense)	46,842
Contributions made	(16,648)
Increase/(Decrease) in net OPEB obligation	30,194
Net OPEB obligation - beginning of year	165,393
Net OPEB obligation - end of year	$ 195,587

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2013-14 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 46,842	35.5%	$ 195,587

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 2014, down to 5.0 percent in 2022. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

<u>Colorado State University – Other Postemployment Benefits Plans</u>

Colorado State University administers four single employer defined benefit healthcare plans. The Fiscal Year 2013-14 the University transferred assets into a qualifying trust for all four plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and 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) is closed to new members and provides a monthly subsidy for medical premiums of up to $379 (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) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and 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, under-writers, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2013-14, the University contributed $37.0 million to the RMPR at a contribution rate of one percent of covered earnings, $21.0 million to the RMPS at a 12.47 percent contribution rate, $0.6 million to the URX at 0.64 percent contribution rate, and $6.3 million to the LTD at a 0.40 percent contribution rate. Plan members are not required to contribute to any of the four plans. As of June 30, 2014, RMPR had 4,687 active members and 326 retired members or beneficiaries receiving benefits; the RMPSRMPS had 419 active members, 185 terminated but eligible members, and 506 retired members or beneficiaries receiving benefits; the URX had 419 active members, 543 terminated but eligible members, and 338 retired members or beneficiaries receiving benefits; and LTD had 4,608 active members and 28 retired members or beneficiaries receiving benefits.

All four plans are on a full accrual basis of accounting. Plan assets are recorded at quoted market prices and contributions benefits and refunds are recorded in the month incurred. Administrative costs are financed as direct expenditures of the trust.

As of the most recent actuarial valuation date of January 1, 2014, The RMPR was 106.8 percent funded, the RMPS was 39.3 percent funded, the URX 17.5 percent funded, and the LTD 46.2 percent funded with net assets of $36.3 million, $19.7 million, $0.5 million, and $5.4 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $34.0 million, $50.1 million, $2.8 million, and $11.6 million respectively, resulting in unfunded actuarial accrued liabilities of -$2.3 million, $30.4 million, $2.3 million and $6.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $285.0 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.8 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 use the unit credit method. All four plans used a four percent investment rate of return, and used a three percent inflation adjustment. The LTD plan also assumed a four percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and URX assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of seven 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 was reduced to a one-year open period with the transfer to a qualified trust, while twenty-four years remain on the closed period for the RMPR and URX and 30 years remains for the LTD open period.

At June 30, 2014, RMPR was overfunded with a negative unfunded actuarial accrued liability of $2.3 million, a funded ratio of 106.8 percent, and a one-year amortization period; RMPS had an unfunded actuarial accrued liability of $30.4 million, a funded ratio of 39.3 percent, and a 24-year amortization period; URX had an unfunded actuarial accrued liability of $2.3 million, a funded ratio of 17.5 percent, and a 24-year amortization period; and LTD had an unfunded actuarial accrued liability of $11.6 million, a funded ratio of 46.2 percent, and a 30-year amortization 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. The State uses 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.

The State offers two statewide, 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.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The

Group Benefit Plans Fund provides 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 2013, 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 $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had net position of $643.6 million and 17,462 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 2013, 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 $17,500. 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 $23,000. Contributions and earnings are tax deferred. On December 31, 2013, the plan had net position of $2,509.8 million and 68,691 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, 2013, the plan had a net position of $113.5 million and 4,719 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 $125.4 million and $112.0 million during Fiscal Years 2013-14 and 2012-13, respectively. In addition, the State paid $89.0 million and $95.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2013-14 and 2012-13, respectively.

Component Units

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

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 2013-14 78 faculty members participated in the program at a present value accrued cost of $10.9 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. Per statute, individual Department property claims have a $5,000 deductable per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. 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 2013-14, the State recovered approximately $4.1 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 $11.7 million of insurance recoveries during Fiscal Year 2013-14. Of that amount approximately $239,077 was related to asset impairments that occurred in prior years. The remaining $11.5 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $4.1 million, as noted above), a Pension and Other Employee Benefits Fund, and $2.0 million by Higher Education 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 2013-14 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 $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2013-14, 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 $285,000 per person and $10.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2013-14 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $181,032 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014. 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 and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in 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 2013-14, however, the University collected $127,115 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. 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 2013-14 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 $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 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 $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, 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 2013-14, 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 2013-14, 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 $420.1 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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, 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 ($0 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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

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 ($1,000 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 2013-14, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2012-13 or 2013-14.

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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2013-14	29,194	9,503	3,705	34,992
2012-13	29,883	4,715	5,404	29,194
2011-12	24,733	9,981	4,831	29,883
Workers' Compensation				
2013-14	119,689	39,815	32,000	127,504
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
Group Benefit Plans:				
2013-14	12,647	162,025	160,424	14,248
2012-13	13,695	138,851	139,899	12,647
2011-12	13,904	146,285	146,494	13,695
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	10,962	11,715	8,232	14,445
2012-13	10,015	7,694	6,747	10,962
2011-12	9,977	4,722	4,684	10,015
University of Colorado Denver:				
Medical Malpractice				
2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
Graduate Medical Education Health Benefits Program				
2013-14	1,386	8,595	8,270	1,711
2012-13	1,408	6,806	6,828	1,386
2011-12	1,291	7,121	7,004	1,408
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2013-14	32,540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	101	69	89	81
2012-13	57	133	89	101
2011-12	21	108	72	57
Fort Lewis College:				
Worker's Compensation				
2013-14	3	18	-	21
2012-13	301	(298)	-	3
2011-12	315	133	147	301
General Liability				
2013-14	-	-	-	-
2012-13	167	(167)	-	-
2011-12	307	-	140	167
Adams State University				
Workers' Compensation				
2013-14	-	-	-	-
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2013-14	-	-	-	-
2012-13	11	(11)	-	-
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2013-14	67	26	76	17
2012-13	67	56	56	67
2011-12	140	(6)	67	67
General Liability				
2013-14	118	(30)	88	-
2012-13	118	259	259	118
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2013-14	110	-	96	14
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Liability				
2013-14	20	(20)	-	-
2012-13	-	20	-	20

Component Units

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, 2014, 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	$ 62,847	$ 213,706
Business-Type Activities	-	31,147	35,814
Total	$ 735	$ 93,994	$ 249,520

At June 30, 2014, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 144	$ 544	$ 688
Business-Type Activities	-	111	111
Total	$ 144	$ 654	$ 798

During the year ended June 30, 2014, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 24	$ 24
Total	$ -	$ 24	$ 24

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the 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 (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $745,895 in Fiscal Year 2013-14 for leased space, and at June 30, 2014 had total future lease obligations for leased space of $3.4 million. It also paid CSURF $2.5 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $8.3 million.

In Fiscal Year 2013-14, 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 Community College's main campus.

For Fiscal Year 2013-14, the State recorded building and land rent of $52.0 million and $21.6 million for governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $12.6 million and $39.6 million for 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's fleet management program.

The State recorded $4.1 million of lease interest costs for governmental activities and $1.5 million for business-type activities.

The State entered into approximately $22.3 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2014, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases: Governmental Activities	Operating Leases: Business-Type Activities	Capital Leases: Governmental Activities	Capital Leases: Business-Type Activities
2015	$ 49,068	$ 21,716	$ 32,039	$ 7,842
2016	40,754	17,743	29,240	7,931
2017	27,883	12,813	26,097	7,203
2018	25,103	11,285	20,191	4,954
2019	20,630	9,057	16,396	3,316
2020 to 2024	64,621	22,590	57,089	12,408
2025 to 2029	19,371	5,465	19,352	6,069
2030 to 2034	1,624	631	4,709	683
2035 to 2039	907	631	-	-
2040 to 2044	674	631	-	-
2045 to 2049	661	400	-	-
2050 to 2054	661	-	-	-
Total Minimum Lease Payments	251,957	102,962	205,113	50,406
Less: Imputed Interest Costs			30,117	8,214
Present Value of Minimum Lease Payments	$ 251,957	$ 102,962	$ 174,996	$ 42,192

Component Units

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, 2013 was $117,479. The total minimum rental commitment as of December 31, 2013 is $586,388.

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 $1.2 million at June 30, 2013. Total minimum lease payments including interest at June 30, 2013, were $1.3 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 $4.8 million as of June 30, 2013.

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, 2013 was $170,256. The total minimum rental commitment under the leases was $0.3 million at June 30, 2013.

NOTE 23 – SHORT-TERM DEBT

On July 10, 2013 the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2013. The notes were due and payable on June 27, 2014, at a coupon rate of 1.33 percent. The total interest related to this issuance was $6.4 million; however, the notes were issued at a premium of $5.6 million resulting in net interest costs (including the cost of issuance) of $940,274 and a yield of 0.17 percent. The notes were issued for cash management purposes and were repaid before June 27, 2014, 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 16, 2013, the State Treasurer issued $130.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes were due and payable on June 27, 2014, at a coupon rate of 1.25 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 $431,151 or 0.17 percent. The notes matured on June 27, 2014 and were repaid.

On January 6, 2014, the State Treasurer issued $210.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B. The notes were due and payable on June 27, 2014, at a coupon rate of 2.00 percent. The total interest related to this issuance was $2.0 million; however, the notes were issued at a premium of $2.0 million, resulting in net interest costs (including cost of issuance) of $266,370 or 0.11 percent. The notes matured on June 27, 2014, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2014:

(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	$ -	340,000	$ (340,000)	-
Total Governmental Activities Short-Term Financing	-	840,000	(840,000)	-
Total Short-Term Financing	$ -	$ 840,000	$ (840,000)	$ -

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, Agriculture, 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 2013-14 the State's governmental activities had $167.3 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 2013-14 the State recorded $249.3 million of interest costs, of which $78.6 million was recorded by governmental activities and $170.7 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $26.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.8 million of interest on Certificates of Participation issued by the Judicial Branch, and $25.7 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 $146.6 million of interest on revenue bonds issued by institutions of higher education, $11.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $6.3 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $5.7 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, 2014, are as follows:

(Amounts in Thousands)

	Governmental 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
2015	$ 147,225	$ 20,104	$ 2,135	$ 359	$ 38,550	$ 50,278	$ 187,910	$ 70,741
2016	157,220	10,268	2,045	317	41,710	48,223	200,975	58,808
2017	126,100	2,680	2,090	275	42,805	47,143	170,995	50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	52,550	53,586	54,725	53,773
2020 to 2024	-	-	6,805	285	229,465	204,470	236,270	204,755
2025 to 2029	-	-	-	-	306,500	163,593	306,500	163,593
2030 to 2034	-	-	-	-	259,185	100,992	259,185	100,992
2035 to 2039	-	-	-	-	140,590	49,600	140,590	49,600
2040 to 2044	-	-	-	-	68,785	16,330	68,785	16,330
2045 to 2049	-	-	-	-	18,250	738	18,250	738
Subtotals	430,545	33,052	17,385	1,654	1,242,380	780,909	1,690,310	815,615
Unamortized Prem/Discount	13,336	-	-	-	25,490	-	38,826	-
Accrued Capital Appreciation Certificates	-	-	-	-	-	-	-	-
Totals	$ 443,881	$ 33,052	$ 17,385	$ 1,654	$ 1,267,870	$ 780,909	$ 1,729,136	$ 815,615

(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
2015	$ 222,642	$ 171,276	$ 1,294	$ 121	$ 19,805	$ 18,545	$ 243,741	$ 189,942
2016	226,688	166,198	1,380	104	20,749	17,686	248,817	183,988
2017	229,637	160,452	1,389	61	21,679	16,720	252,705	177,233
2018	106,854	154,100	609	19	22,749	15,662	130,212	169,781
2019	112,571	149,679	71	6	23,709	14,502	136,351	164,187
2020 to 2024	590,239	673,409	76	15	138,336	52,624	728,651	726,048
2025 to 2029	669,663	524,665	7	-	110,533	17,608	780,203	542,273
2030 to 2034	696,293	348,140	-	-	24,800	1,064	721,093	349,204
2035 to 2039	594,886	168,907	-	-	-	-	594,885	168,907
2040 to 2044	288,738	35,150	-	-	-	-	288,738	35,150
2045 to 2049	11,795	677	-	-	-	-	11,795	677
Subtotals	3,750,006	2,552,653	4,826	326	382,360	154,411	4,137,191	2,707,390
Unamortized Prem/Discount	187,044	-	(16)	-	21,401	-	208,429	-
Unaccreted Interest	(10,629)	-	-	-	-	-	(10,629)	-
Totals	$ 3,926,421	$ 2,552,653	$ 4,810	$ 326	$ 403,761	$ 154,411	$ 4,334,991	$ 2,707,390

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, 2014, 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
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	550	49	1,300	1,899
2020 to 2024	3,900	232	6,149	10,281
2025 to 2029	8,150	197	5,214	13,561
2030 to 2034	13,600	120	3,192	16,912
2035 to 2039	11,685	29	782	12,496
2040 to 2044	-	-	-	-
Totals	$ 40,785	$ 833	$ 22,091	$ 63,709

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	$ 21,205	$ 1,282,685	$ 2,792,390
Business Type Activities	4,687,724	9,488	475,373	$ 5,172,585
Total	$ 6,176,224	$ 30,693	$ 1,758,058	$ 7,964,975

Component Units

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, 2013.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2013, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2014	$ 50,165	$ 34,960	$ 85,125
2015	45,415	32,732	78,147
2016	46,430	30,654	77,084
2017	45,685	28,502	74,187
2018	43,720	26,353	70,073
2019 to 2023	187,050	103,460	290,510
2024 to 2028	160,210	65,102	225,312
2029 to 2033	123,800	33,857	157,657
2034 to 2038	61,255	6,292	67,547
2039 to 2043	4,680	545	5,225
Total Future Payments	$ 768,410	$ 362,457	$ 1,130,867

The original principal amount for the outstanding bonds was $1,485.4 million. Total interest paid during 2013 was $35.9 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 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, 2011A and 2013A 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, 2013, it had $13.9 million of these bonds outstanding.

Metropolitan State University 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 University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2013, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2014	$ -	$ 3,226	$ 3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019 to 2023	6,710	14,874	21,584
2024 to 2028	7,930	12,951	20,881
2029 to 2033	9,590	10,261	19,851
2034 to 2038	11,745	6,825	18,570
2039 to 2043	15,890	2,487	18,377
Total Future Payments	$ 54,885	$ 63,361	$ 118,246

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2013-14:

(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	$ 3,413	$ 3,109	$ (3,405)	$ 3,117	$ 2,978
Accrued Compensated Absences	149,368	17,599	(10,505)	156,462	10,470
Claims and Judgments Payable	370,324	9,680	(16,479)	363,525	51,299
Capital Lease Obligations	151,010	47,335	(23,349)	174,996	26,941
Bonds Payable	593,460	-	(149,579)	443,881	147,225
Certificates of Participation	1,192,854	214,748	(139,732)	1,267,870	38,550
Notes, Anticipation Warrants, Mortgages	19,220	170	(2,005)	17,385	2,135
Other Long-Term Liabilities	444,118	21,125	(62,289)	402,954	-
Total Governmental Activities Long-Term Liabilities	2,923,767	313,766	(407,343)	2,830,190	279,598
Business-Type Activities					
Accrued Compensated Absences	252,938	37,985	(22,658)	268,265	18,117
Claims and Judgments Payable	38,993	3,858	(1,869)	40,982	-
Capital Lease Obligations	41,728	7,570	(7,106)	42,192	6,610
Derivative Instrument Liabilities	8,333	447	(214)	8,566	-
Bonds Payable	3,791,503	414,939	(239,237)	3,967,205	223,267
Certificates of Participation	424,954	-	(21,193)	403,761	19,805
Notes, Anticipation Warrants, Mortgages	3,521	1,978	(689)	4,810	1,294
Other Postemployment Benefits	177,176	28,960	(24,490)	181,646	-
Other Long-Term Liabilities	38,497	9,038	(978)	46,557	-
Total Business-Type Activities Long-Term Liabilities	4,777,643	504,775	(318,434)	4,963,984	269,093
Fiduciary Activities					
Deposits Held In Custody For Others	754,454	599,972	(749,748)	604,678	598,712
Accrued Compensated Absences	37	19	(1)	55	-
Other Long-Term Liabilities	645	4,065	(2)	4,708	-
Total Fiduciary Activities Long-Term Liabilities	755,136	604,056	(749,751)	609,441	598,712
Total Primary Government Long-Term Liabilities	$ 8,456,546	$ 1,422,597	$ (1,475,528)	$ 8,403,615	$ 1,147,403

The beginning balance was restated to exclude $20.0 million in governmental activities and $87.9 million in business type Activities in unamortized refunding gains and losses. With the implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, unamortized refunding losses are reported as deferred outflows.

Accrued compensated absences liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are 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, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2014, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $403.0 million shown for governmental activities primarily comprises:

- $237.7 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.
- $162.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.5 million of unclaimed property liabilities estimated to be due to claimants.

The $46.6 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $21.3 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 ($9.8 million and $9.5 million, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes $23.4 million payable under a Transportation Infrastructure Finance and Innovation loan.

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 876,845	$ 108,290	$ (216,725)	$ 768,410	$ 50,165
Other Long-Term Liabilities	$ 162,301	$ 50,997	$ (60,643)	$ 152,655	$ 100,580

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water Fund, accounting for $13.7 million of the $31.9 million total. Other long-term liabilities of the Water Pollution Control Fund and Water Operations Fund were $9.4 million and $8.8 million respectively. Thirty-four percent of total, other long-term liabilities ($11.0 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. Charitable gift annuity assets are immediately available to the foundation. After termination of 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 applicable 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 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, 2013, the foundation held $41.3 million of split interest agreement investments with $18.9 million of related liabilities and reported $5.4 million of net beneficial interest in charitable trusts held by others.

At June 30, 2013, the University of Colorado Foundation held $278.9 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, 2013, the Colorado State University Foundation held $14.0 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, 2013, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.7 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.7 million mentioned above and total $4.8 million. At June 30, 2013, CSMF reported $19.8 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 $22.3 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 2013-14, debt was defeased in both governmental and business-type activities.

At June 30, 2014, 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	$ 134,640
Department of Treasury	$ 18,240
Department of Corrections	$ 94,330
Business-Type Activities:	
University of Colorado	$ 372,905
Colorado State University	$ 254,675
Colorado School of Mines	$ 14,975
Western State College	$ 13,280
University of Northern Colorado	$ 55,252
Colorado Mesa University	$ 45,510
Community College System	$ 4,740
Total	$ 1,008,547

The Department of Corrections issued $111,780,000 of its Certificates of Participation, Series 2013 to fully defease $71,980,000 of its Certificates of Participation, Series 2006B and $25,165,000 of its Certificates of Participation, Series 2010. The defeased debt had an interest of 3.61 percent, and the new debt had an interest rate of 2.23 percent. The remaining term of the debt was 7.6 years and the estimated debt service cash flows decreased by $1,535,926. The defeasance resulted in an economic loss of $16,248,253 and a book loss of $6,040,261 that will be amortized as an adjustment of interest expense over the remaining 4.2 years of the new debt.

The Board of Trustees of the Colorado School of Mines used available cash of $9,299,432 to fully defease its 2009A Enterprise Refunding Improvement Revenue Bonds. The defeased debt had an interest of 5.00 to 5.25 percent, and the new escrow deposit has an interest rate of 0.88 to 4.88 percent. The remaining term of the debt was 23.6 years and the term of the new escrow deposit is 4 years. The estimated debt service cash flows decreased by $2,048,092. The refunding resulted in an economic gain of $1,296,832 and a book loss of $1,764,700 that will be amortized as an adjustment of interest expense over 4 years.

The Board of Trustees of the University of Northern Colorado issued $52,465,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2014A to partially defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 4.96 percent, and the new debt has an interest rate of 3.45 percent. The remaining term of the debt was 21 years and the term of the new debt is 21 years. The estimated debt service cash flows decreased by $5,592,412. The refunding resulted in an economic gain of $3,955,122 and a book loss of $799,172 that will be amortized as an adjustment of interest expense over 21 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, 2014 was $172.4 million ($9.6 million of which was a current liability). Superfund sites account for approximately $165.8 million ($3.1 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 $82.1 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, estimated at $3.4 million annually. 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 $52.7 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. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.2 million through 2016. 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 $16.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 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.

- The University of Colorado recorded a liability for remediation activities at its Boulder Campus of approximately $6.2 million related to water damage to many structures caused by excessive rain. In September 2013, the campus incurred damage to 110 of its buildings, two of its parking lots, one of its pedestrian bridges, and several of its underground tunnels. An environmental firm assessed the facilities and determined that the damage be considered an environmental hazard. The accrued liability is based upon the estimate provided by environmental firm and the University's Facilities Management project managers. Insurance recoveries are expected to cover the full cost and a receivable of $6.2 million has been recorded for the recoveries.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

DEFERRED INFLOWS

A. NONEXCHANGE TRANSACTIONS

With the implementation of GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, certain items previously recognized as assets and liabilities were reclassified to a deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2014.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivatives	-	997
Refunding Loss	18,289	118,849
	18,289	**119,846**
Deferred Inflow of Resouces		
Nonexchange Transactions	338	-
Unavailable Governmental Revenue	4,321	-
	4,659	**-**

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2014, the Department of Health Care Policy and Financing held $0.3 million in receipts awaiting the passage of time.

B. UNAVAILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. On the Balance Sheet - Governmental Funds total $226.9 million and primarily include $213.3 million related to long-term taxes receivable in the Department of Revenue and $8.2 million in the Department of Local Affairs related to a grant revolving loan fund program.

DEFERRED OUTFLOWS

C. 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 outflows $1.0 million as of June 30, 2014.

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 $41.4 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, 2014. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2014 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.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School does not consider this a significant risk due to the counterparty's credit quality rating.
- 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.

D. REFUNDING LOSSES

Losses on debt refunding transactions are recorded as deferred outflows and generally amortized over the life of the new debt. On June 30, 2014, deferred outflows in governmental activities related to unamortized refunding losses included $12.3 million in the Department of Transportation and $6.0 in the Department of Corrections. All of the unamortized refunding losses in business-type activities were in Higher Education Institutions.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $4.5 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded $0.7 million in deferred inflows of resources for bond refunding gains.

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	Other Special Revenue Funds	Higher Education Institutions	Internal Service Funds
Healthy Forest	285,000	(285,000)	285,000	(285,000)	
Fleet Management	1,433,302				1,433,302
	1,718,302	(285,000)	285,000	(285,000)	1,433,302

A total of $285,000 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when the Department of Public Safety transferred the Healthy Forests and Vibrant Communities Fund to the Wildfire Preparedness Fund. The transfer also required a decrease of $285,000 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

Governmental activities increased by $1,433,302 in Internal Service Funds when Central Services within the Department of Personnel and Administration, failed to record accumulated depreciation related to its fleet management activities in prior years.

Amounts shown in this note are actual balances and do not agree to amounts shown on financial statements due to rounding on the statements.

B. ACCOUNTING CHANGES

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. As a result of this implementation, certain items previously reported as assets or liabilities were expensed or reclassified as deferred outflows of resources or deferred inflows of resources.

The table below shows the reclassified item and the effect of these changes to the beginning fund balance or beginning net position on the government-wide Statement of Activities and the fund-level statements as listed.

	Government-Wide Statements		Fund-Level Statements			
			Major Governmental Fund	Major Proprietary Fund		
Reclassified Item	Governmental Activities	Business-Type Activities	Resource Extraction	Higher Education Institutions	Other Enterprise	Internal Service Funds
Prepaid Expenses Related to Debt Issuance	-	9,975		9,975		
Long-Term Loans Receivable for Loan Commitment Fee	850,683		850,683			
Deferred Debt Issuance Costs	(9,142,551)	(30,338,542)		(26,687,555)	(3,650,987)	(64,075)
Adjustment Related to the Accounting Change	(8,291,868)	(30,328,567)	850,683	(26,677,580)	(3,650,987)	(64,075)

NOTE 30 – FUND BALANCE

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	$ 263,740	$ 374,571	$ 25,732
Business, Community and Consumer Affairs	-	36,590	-
Education	196,922	-	-
Justice	8,096	-	-
Natural Resources	-	196	-
TOTAL	$ 468,758	$ 411,357	$ 25,732
RESOURCE EXTRACTION:			
General Government	$ 63,500	$ 252	$ -
Business, Community and Consumer Affairs	-	166,881	-
Education	-	15,299	-
Natural Resources	13,870	879,540	-
TOTAL	$ 77,370	$ 1,061,972	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,608	$ 2,752	$ -
Health and Rehabilitation	12	2,179	-
Justice	-	1,778	-
Transportation	1,077,768	28,121	-
TOTAL	$ 1,086,388	$ 34,830	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 262,651	$ -
Education	-	6,482	-
Health and Rehabilitation	-	36	-
Justice	3,298	1,130	-
Natural Resources	-	49	-
TOTAL	$ 3,298	$ 270,348	$ -
STATE EDUCATION:			
Education	$ 1,087,814	$ -	$ -
TOTAL	$ 1,087,814	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 143,344	$ 297,241	$ -
Business, Community and Consumer Affairs	57,005	$ 222,240	-
Education	25,351	$ 48,246	-
Health and Rehabilitation	11,417	$ 121,596	-
Justice	32,988	$ 185,379	-
Natural Resources	10,210	$ 17,163	-
Social Assistance	-	$ 41,109	-
Transportation	13,634	$ 1,012	-
TOTAL	$ 293,949	$ 933,986	$ -

The significant fund balances held for restricted purposes as of June 30, 2014, include:

- $253.1 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- $177.6 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $1,086.4 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $1,087.8 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $83.0 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund, $44.2 million of investments recorded in Building Excellent Schools Today Fund and $9.9 million recorded in the Tobacco Tax Fund.

The significant fund balances held for committed purposes as of June 30, 2014, include:

- $374.6 million in the General Fund in the General Government function represents the portion of the $410.9 million representing the five percent statutory reserve available on a GAAP basis (see Note 6I).
- $137.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $211.1 million in the Resources Extraction Fund in the Natural Resources function represents severance tax receipts held by the Department of Natural Resources, $384.0 million represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board, $178.7 million in cash and $205.3 million in loans, and $138.2 million represents long term severance tax loans receivables.
- $297.2 million primarily in the Other Governmental Funds in the General Government function represents $113.3 million in the Unclaimed Property Fund, $62.4 million in Lottery Funds, $26.1 million in Medical Marijuana License Fund, and $5.1 million in Energy Efficiency Project Fund.
- $222.2 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $94.7 million in the Major Medical Fund, $42.0 million in the Clean and Renewable Energy Fund, and $27.9 million in the Workmen's Compensation Fund.
- $121.6 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $33.2 million in the Natural Resources Damage Recovery Fund, $24.4 million in the Hazardous Substances Response Fund, $14.1 million in the Medical Marijuana Cash Fund, and $12.4 million in the Nutrients Grant Fund.
- The $185.4 million in Other Governmental Funds in the Justice function primarily represents $$83.5 million in the Disaster Emergency Fund.

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 2013-14 there was no use of the reserve. As of June 30, 2014, on a legal budgetary basis the reserve was $410.9 million. On a GAAP basis only $ 249.2 million was available for the reserve (see Note 6I).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2013-14 the maximum that could be held in reserve was $38.5 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.

UNAUDITED

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2014, were:

.

SELLER'S/LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ 6,914	$ -	$ 1,217	$ -
Special Purpose	15,046	-	-	-
Resource Extraction	30,028	-	-	82
Highway Users	547	-	-	-
Regular Capital Projects	135,336	-	-	-
Special Capital Construction	-	-	-	-
State Education	79,752	-	-	-
Higher Education Institutions	2,447	245	92	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	70,132	-	-	-
Tobacco Impact Mitigation	68	-	-	-
Environment and Health Protection	10,000	10,000	-	-
Unclaimed Property	-	-	-	-
Other Special Revenue	102	-	-	-
PERMANENT FUNDS:				
State Lands Trust	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	25	-
Correctional Industries	10	-	-	-
State Nursing Homes	1,185	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Information Technology	1,042	-	14	-
Public Safety	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	24,005	-	1	-
Treasurer's Private Purpose	-	-	-	-
College Savings Plan	-	-	-	-
College Opportunity	12	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 376,626	$ 10,245	$ 1,349	$ 82

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 174	$ -	$ 22,452	$ 30,757
-	16,939	7,965	39,950
-	-	5,258	35,368
-	-	4,731	5,278
-	-	-	135,336
-	-	222	222
-	-	-	79,752
-	-	2,698	5,482
-	-	-	70,132
-	-	2,157	2,225
-	-	461	20,461
-	-	3	3
-	-	2,008	2,111
-	-	14,084	14,084
-	-	7,607	7,607
208	3,051	212	3,496
1,338	-	-	1,348
-	-	-	1,185
4	-	-	4
-	-	-	1,056
4	-	-	4
386	-	-	24,392
-	-	801	801
-	-	5,700	5,700
-	-	-	12
-	10,519	-	10,519
$ 2,114	$ 30,509	$ 76,359	$ 497,285

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.

General Fund Surplus transfers in the amount of $210.8 million are comprised of the following: $135.3 million to the Capital Projects Fund; $34.5 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund. The remainder of the transfers will occur after the publication date of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

The General Purpose Revenue Fund receivable of $22.5 million from All Other Funds primarily includes $11.8 million of receivables from the Limited Gaming Fund, $7.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of $15.0 million primarily includes $3.3 million legislative reversions and $10.7 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 $16.9 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $12.2 million, and in the Building Excellent Schools Today Grant Program in the amount of $4.7 million.

The Labor Fund receivable of $70.1 million from the General Purpose Revenue Fund includes $70.0 million transferred into the Disaster Emergency Fund.

The Group Benefits Plan Fund receivable of $24.0 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 State Lands Trust receivable of $14.1 million represents the transfers from the Land Board into the Building Excellent Schools Today Grant Program in the amount of $6.5 million and into the Public School Permanent Fund in the amount of $6.5 million.

The Other Fiduciary Fund receivable of $10.5 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, 2014, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,167,113	$ 30,000	$ -
Special Purpose	65,914	-	-
Resource Extraction	84,157	-	-
Highway Users Tax	53,713	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	3	-	-
State Education	561	-	-
Higher Education Institutions	3,911	-	-
Unemployment	3,441	-	-
Lottery	57,268	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	29,453	605	-
Gaming	16,413	600	-
Tobacco Impact Mitigation	74,628	-	-
Resource Management	525	-	-
Environment and Health Protection	632,240	-	5,000
Unclaimed Property	2,717	-	-
Other Special Revenue	118,154	-	5,462
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	1,167	-	-
State Lands Trust Expendable	102,378	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	21	-	-
Wildlife	12,801	298	-
College Assist	60	-	-
State Fair	108	-	-
Correctional Industries	641	-	-
State Nursing Homes	1,815	-	-
Prison Canteens	80	-	-
Petroleum Storage	1,240	-	-
Other Enterprise	317	-	-
INTERNAL SERVICE FUNDS:			
Central Services	877	-	-
Information Technology	627	-	-
Capitol Complex	2,453	-	-
Public Safety	11	-	-
Administrative Courts	171	-	-
Legal Services	3,264	-	-
Other Internal Service	2,148	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	60	-	-
Other Fiduciary	101	-	-
TOTAL	$ 4,440,551	$ 31,503	$ 10,962

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 325,566	$ 79,752	$ 143,129	$ 160,073	$ 3,905,633
-	-	-	62,141	128,055
507	-	3,730	22,594	110,988
1,500	-	-	171,838	227,051
-	-	31,768	22,008	54,276
1,493	-	-	10,757	12,253
-	-	6,735	18,001	25,297
-	-	-	-	3,911
-	-	-	-	3,441
-	-	-	13,011	70,279
-	-	-	-	30,058
1,754	-	5,811	2,215	26,793
7,262	-	13,720	1,477	97,087
-	-	-	75	600
166	-	-	17,210	654,616
-	-	-	2,159	4,876
248	`	-	15,805	139,669
1,152	-	1,026	456	3,801
-	-	108	22	102,508
-	-	-	7	7
-	-	-	-	21
-	-	-	225	13,324
-	-	-	-	60
-	-	-	-	108
-	-	-	-	641
-	-	-	-	1,815
-	-	-	-	80
313	-	-	-	1,553
-	-	-	-	317
-	-	-	-	877
-	-	-	-	627
-	-	-	133	2,586
-	-	-	-	11
-	-	-	-	171
-	-	-	1,737	5,001
-	-	-	-	2,148
-	-	-	-	60
-	-	-	52	153
$ 339,961	$ 79,752	$ 206,027	$ 521,996	$ 5,630,752

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 (a Special Purpose General Fund) of $2,985.3 million, and into the Higher Education Institutions of $143.1 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2013-14, a portion of the General Fund Surplus was accrued in the amount of $210.8 million and are comprised of the following: $135.3 million to the Capital Projects Fund; $34.5 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund transfer which will be distributed at the completion of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Transfers-out from the General Purpose Revenue Fund include $186.7 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund includes $45.3 million to the State Education Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily includes $15.4 million to support the Children's Basic Health Plan, $11.7 million for deposit into the Correctional Treatment Cash Fund, $7.7 million deposited into the Marijuana Cash Fund, $15.0 million transferred into the Nutrients Cash Fund, and $9.8 million transferred into the Wildfire Risk Reduction Fund. Also included is $70.0 transferred to the Disaster Emergency Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $58.9 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 $50.9 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire and flood expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $73.1 million transfer from the Mineral Leasing Fund to the State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $41.7 million transferred to the Department of Revenue and $9.1 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 $169.8 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 $52.0 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 $24.4 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 $71.2 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 $630.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($575.5 million) and the Medicaid Nursing Facility Cash Fund ($45.0 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $105.8 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.

The State Lands Trust Expendable transfer-out to the General Fund includes $101.9 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 $11.2 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $9.9 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 $0.99 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 2013-14, the following pledges were in place:

The Department of Transportation pledged $167.3 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 13.0 percent of the total revenue stream, and $463.6 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $111.4 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 $661.7 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $374.9 million of Unemployment Insurance (UI) Premium collections to secure $387.3 of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $387.3 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 $704.6 million. Individually significant Higher Education Institution pledges include:

- $296.1 million pledged by the University of Colorado to secure $120.9 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 will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 48.0 percent of the revenue stream, and $2.3 billion of the pledge (principal and interest) remains outstanding.
- $207.7 million pledged by Colorado State University to secure $41.5 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 2007-08 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 100 percent of the total revenue stream, and $1,165.0 billion of the pledge (principal and interest) remains outstanding.
- $38.6 million pledged by the Colorado School of Mines to secure $16.0 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 2014-15 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents approximately 81.0 percent of the total revenue stream and $368.1 million of the pledge (principal and interest) remains outstanding.

- $26.9 million pledged by Metropolitan State University 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 $116.1 million of the pledge (principal and interest) remains outstanding.
- $21.6million pledged by Colorado Mesa University to secure $10.0 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 57.2 percent of the revenue stream and $332.8 million of the pledge (principal and interest) remains outstanding.
- $29.2 million pledged by the University of Northern Colorado to secure $8.2 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 2007-08 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 34.8 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $223.3 million of the pledge (principal and interest) remains outstanding.
- $18.2 million pledged by Colorado State University – Pueblo to secure $4.0 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 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $176.1 million of the pledge (principal and interest) remains outstanding.
- $9.5 million pledged by the Fort Lewis College to secure $4.3 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents 40.9 percent of the revenue stream, and $85.8 million of the pledge (principal and interest) remains outstanding.
- $7.8 million pledged by the Western State Colorado University to secure $6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The related debt was originally issued in Fiscal Year 2008-09 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 43.8 percent of the revenue stream, and $194.3 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	$ 1,240,588	$ (1,073,259)	$ 167,329	$ 147,225	$ 20,104	$ 167,329
Higher Education Institutions	1,170,939	(557,627)	613,312	94,581	138,121	232,702
Labor - Unemployment Insurance	374,885	-	374,885	374,885	12,386	387,271
Statewide Bridge Enterprise	111,365	-	111,365	-	18,234	18,234
	$ 2,897,777	$ (1,630,886)	$ 1,266,891	$ 616,691	$ 188,845	$ 805,536

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 functions for professional services provided by the University of Colorado Denver teaching hospital. 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 related party 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 the 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, 2014

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 181,671	$ 11,229	$ 10,441
Other Assets	171,795	5,027	48
Capital Assets	45,166	46,138	24,928
Total Assets	398,632	62,394	35,417
LIABILITIES:			
Current Liabilities	45,905	3,299	4,362
Noncurrent Liabilities	14,879	43,066	25,844
Total Liabilities	60,784	46,365	30,206
NET POSITION:			
Net Investment in Capital Assets	29,224	4,530	(2,361)
Restricted for Permanent Endowments:			
Expendable	-	-	-
Restricted Net Position	-	4,354	2,047
Unrestricted	308,624	7,145	5,525
Total Net Position	$ 337,848	$ 16,029	$ 5,211

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,263
Sales of Goods and Services	621,303	9,333	18,877
Other	-	-	56
Total Operating Revenues	621,303	9,333	24,196
OPERATING EXPENSES:			
Depreciation	3,944	1,693	1,947
Other	564,322	4,950	21,267
Total Operating Expenses	568,266	6,643	23,214
OPERATING INCOME (LOSS)	53,037	2,690	982
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	25,175	381	51
Gifts and Donations	(9,889)	-	-
Other Nonoperating Revenues	12	-	-
Debt Service	(24)	(2,021)	(954)
Other Nonoperating Expenses	-	-	-
Total Nonoperating Revenues(Expenses)	15,274	(1,640)	(903)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Total Contributions, Transfers, and Other	-	(1,094)	(1,456)
CHANGE IN NET POSITION	68,311	(44)	(1,377)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	269,536	16,073	6,588
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 337,847	$ 16,029	$ 5,211

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 53,175	$ 4,233	$ 2,785
Noncapital Financing Activities	(9,889)	(966)	(111)
Capital and Related Financing Activities	(4,353)	(17,866)	(2,133)
Investing Activities	(38,711)	389	51
NET INCREASE (DECR.) IN CASH AND POOLED CASH	222	(14,210)	592
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	66,903	24,744	5,802
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 67,125	$ 10,533	$ 6,394

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

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 $7.9 million during 2013 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 2012-13, 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 $116.3 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

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 2012-13, the foundation transferred $41.3 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 contributions and investment income. During Fiscal Year 2012-13, the foundation granted $0.9 million to the University. At June 30, 2013 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 continue to pay claims through 2014 and will cease operations by March 31, 2015.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, 2013, the VCA has contributed approximately $25.1 million or 115 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, 2013, the VCA has contributed approximately $7.8 million or 70 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 (now Metropolitan State University 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 MSU Denver. The facility includes a fully functioning hotel and learning laboratory for the University'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 University's unconditional guarantee. The hotel opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with the University of Colorado Hospital Authority (UCHA) under contracts that support the University's medical education mission. During Fiscal Year 2013-14, under these contracts, UCHA paid the University $47.5 million and the University paid UCHA $11 million. Not included in these amounts are $0.7 million in reimbursements during the fiscal year made by UCHA to the University for salaries and benefits of state classified employees who work at UCHA, and for whom the University is responsible. At June 30, 2014 the University had accounts receivable from UCHA for $2.9 million, and had accounts payable to UCHA for $30,000.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, the University of Colorado Hospital Authority and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2013-14 the Trust paid medical claims on behalf of the University of $121. 7 million. The University contributed $135.5 million to the Trust and its employees contributed $16.1 million. At June 30, 2014 the University had accounts receivable from the Trust for $302,000 and accounts payable to the Trust for $396,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $1.9 million in cash and $39,689 in in-kind assets to the University in Fiscal Year 2013-14. At June 30, 2014 the University had an account receivable from the Foundation for $1.7 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.2 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2013-14.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2013-14, the Foundation awarded $747,100 in scholarship funds directly to students. Also in Fiscal Year 2013-14, the Colorado Mesa University Real Estate Foundation donated $4.4 million in property to the University. At June 30, 2014 Colorado Mesa University has an account receivable of $96,280 with the Colorado Mesa University Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2013-14 the Foundation funded $1.0 million for scholarships and passed through $1.3 million in grants for program support. At June 30, 2014 the Fort Lewis College Foundation owed the College $210,823.

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 $2.1 million of funding to the University in Fiscal Year 2013-14. The foundation also reimbursed the University $186,469 for services provided by University employees. At June 30, 2014 the Foundation owed the University $361,658 and the University owed the Foundation $204,592.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $3.9 million to the University in Fiscal Year 2013-14.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Community College of Aurora, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2013-14 the Community College of Aurora Foundation provided grants and scholarships totaling $404,913 to the Community College of Aurora, and the College reimbursed the Foundation for administrative salaries and other expenses totaling $1.2 million.

The Pueblo Community College Foundation provided Pueblo Community College $819,610 in the form of scholarships, grants, construction funds, program funding and discretionary funds. At June 30, 2014 the Foundation owed the Community College $25,253.

The Red Rocks Community College Foundation provided $588,632 to Red Rocks Community College. Of this amount, the Foundation provided $316,723 for scholarships and $169,047 in pass through grants from various private foundations. The remainder was given for various special programs teaching chair grants and operating expenses. At June 30, 2014 the Foundation owed the Community College $55,969 and the Community College owed the foundation $9,815.

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 2013-14, the board funded $18.6 million of wildlife and parks programs at the Department of Natural Resources. The Division was also awarded $162,000 in administrative costs. At June 30, 2014, GOCO owed the Department of Natural Resources $5.4 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. At the end of Fiscal Year 2013-14, History Colorado had billed the Colorado Historical Foundation $0.9 million and has an account receivable from the Foundation for that amount.

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 four CHFA bonds with a face value of $7.1 million as of June 30, 2014. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 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 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, 2013, VCA's investments in Colorado Fund I and Colorado Fund II totaled $24.1 million and $18.1 million respectively.

NOTE 40 - SERVICE CONCESSION ARRANGEMENTS

The High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). Plenary will finance, design and construct US-36 Phase I and Phase II tolled and managed lanes with completion expected in spring of 2015. As of June 30, 2014, construction in progress totaled $94.4 million.

In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect 1-25 HOT lane tolls and the US-36 lanes tolls when those lanes are placed in service. For both the I-25 HOT and US-36 managed lanes, Plenary has the right to raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Upon completion of the US-36 lanes, Plenary will assume the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. In addition, Plenary will be responsible to maintain the managed lanes.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $60.1 million and $1,218.9 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following:

In Fiscal Year 2013-14, Board of Governors of the Colorado State University System, a portion of the major Higher Education Institutions proprietary fund, transferred assets related to its post employment Retiree Medial Premium Subsidy Insurance Plan into a qualifying trust. As a result, the amortization factor was reduced from 30 years to one year. The change in amortization factors resulted in a gain of $22.2 million that is reported as a special item.

NOTE 43 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees approved the incorporation of a special purpose nonprofit corporation to be known as HLC@Metro, Inc. The HLC@Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State University of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds on October 1, 2010, loaning the proceeds to HLC@Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open the general public. Should HLC@Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2014, no liability was recorded by the University as HLC@Metro Inc. was deemed fully capable of making its debt payments.

NOTE 44 – 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 $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 $2.3 billion, of the $9.3 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 $79.8 million.

At June 30, 2014, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $276.7 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. Individual claims in exceeding $5.0 million include a claim for a refund of $13.3 million income taxes. The Department of Revenue will vigorously defend this claim. The likelihood of an unfavorable outcome is uncertain.

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 $7.48 billion are outstanding. Of this amount, $2.1 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 $6.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $13.4 million in federal matching funds. CMS alleges that administrative costs related to out stationing eligibility functions at Denver Health were unallowable. The State is contesting this disallowance and the case is pending before the federal Department of Appeals Board. The likelihood of an unfavorable outcome is uncertain.

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 $390 million has been collected in surcharges, in addition to the $300 million bond issuance. On August 14, 2014, the Colorado Court of Appeals affirmed the earlier trial court's ruling in favor of the State. The TABOR Foundation has until September 25, 2014 to appeal. If the case proceeds to the Colorado Supreme Court, the Colorado Bridge Enterprise will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

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 trial court ruled that claims are not barred by the Colorado Governmental Immunity Act, and the Colorado Court of Appeals overruled the ruling of the trial court. Given the unique circumstances of each case, 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 44, 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 45 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2014, the University of Northern Colorado entered into an agreement for $19,960,000 with Wells Fargo Bank, National Association to continue holding 100 percent of the Series 2011B Bonds for another term of three years, ending June 30, 2017. The interest rate is 70 percent of the one-month London Interbank Offered Rate with a projected annual interest rate of 3.5 percent. The principal maturities remained the same as the original issue and continue through June 1, 2036.

On July 15, 2014, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2014A. The notes were issued with a premium of $1,409,100, a coupon rate of 1.00 percent, and a true interest cost of 0.11 percent. The notes mature on June 29, 2015. The total due at maturity includes $165.0 million in principal and $1,576,667 in interest. By statute, interest on the notes is payable from the General Fund.

On July 22, 2014, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were issued with a premium of $7,819,000, an average coupon rate of 1.80 percent, and a true interest cost of 0.11 percent. The notes mature on June 26, 2015. The total due on that date includes $500 million in principal and $8,350,000 in interest.

On August 21, 2014, the Board of Regents of the University issued $203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the university issued $100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2014A has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2046. Series 2104B has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

B. OTHER

On July 28, 2014, under the provisions of Senate Bill 14-233, the State paid $18.2 million related to 21 parties impacted by the North Fork fires. Additionally, since July 1, 2014 the State has settled claims beyond payments made under Senate Bill 12-233 totaling $1.0 million.

Component Units

After its financial reporting year ended December 31, 2013 the Venture Capital Authority made equity investments totaling $2.7 million in four entities. The Authority’s share was $2.6 million and the general partner’s share was approximately $0.1 million.

In July 2014, Funds I and II sold a portion of their combined investment in one entity for a total of $14 million.

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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,759,878	
Income Taxes			5,938,012	
Other Taxes			240,111	
Federal Grants and Contracts			11	
Sales and Services			513	
Interest Earnings			14,347	
Other Revenues			20,912	
Transfers-In			345,913	
TOTAL REVENUES AND TRANSFERS-IN			9,319,697	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,724	$ 7,724	7,695	$ 29
Corrections	664,149	683,537	673,879	9,658
Education	3,199,208	3,199,162	3,198,863	299
Governor	22,074	23,085	22,699	386
Health Care Policy and Financing	2,068,864	2,070,617	2,092,269	(21,652)
Higher Education	659,108	659,437	658,901	536
Human Services	714,794	722,386	709,575	12,811
Judicial Branch	383,079	387,197	384,531	2,666
Law	12,168	12,168	11,951	217
Legislative Branch	38,593	38,593	38,593	-
Local Affairs	17,699	17,711	14,737	2,974
Military and Veterans Affairs	7,379	7,374	7,083	291
Natural Resources	24,979	25,127	25,098	29
Personnel & Administration	16,233	31,430	12,056	19,374
Public Health and Environment	53,444	55,186	53,137	2,049
Public Safety	97,434	168,572	165,270	3,302
Regulatory Agencies	1,703	1,703	1,698	5
Revenue	184,947	187,729	204,938	(17,209)
Treasury	141,047	241,934	241,902	32
Transfers Not Appropriated by Department	210,767	210,767	210,767	-
SUB-TOTAL OPERATING BUDGETS	8,525,492	8,751,538	8,735,691	15,847
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,470	398	1,072
Corrections	31,124	30,337	21,608	8,729
Education	569	1,422	111	1,311
Governor	20,558	6,687	4,551	2,136
Higher Education	188,649	133,034	43,824	89,210
Human Services	19,870	7,324	3,372	3,952
Military and Veterans Affairs	5,105	612	311	301
Personnel & Administration	8,959	21,716	11,594	10,122
Public Safety	7,995	805	23	782
Revenue	41,021	4,946	1,078	3,868
Transportation	500	500	500	-
Treasury	18,588	18,588	16,882	1,706
Budgets/Transfers Not Recorded by Department	186,715	186,715	186,715	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	529,653	414,156	290,967	123,189
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,055,145	$ 9,165,694	9,026,658	$ 139,036
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 293,039	

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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 766,530	
Income Taxes			478,798	
Other Taxes			1,240,569	
Tuition and Fees			507,251	
Sales and Services			2,322,447	
Interest Earnings			309,325	
Other Revenues			2,880,209	
Transfers-In			7,026,119	
TOTAL REVENUES AND TRANSFERS-IN			15,531,248	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,623	$ 32,957	29,474	$ 3,483
Corrections	104,993	102,612	87,067	15,545
Education	4,247,039	4,245,852	4,169,486	76,366
Governor	422,828	453,161	286,639	166,522
Health Care Policy and Financing	1,679,965	1,779,494	1,626,498	152,996
Higher Education	1,624,621	1,623,467	1,400,500	222,967
Human Services	400,217	380,501	339,494	41,007
Judicial Branch	297,523	291,147	266,010	25,137
Labor and Employment	920,558	925,507	692,709	232,798
Law	55,281	89,913	55,686	34,227
Legislative Branch	8,354	8,823	3,730	5,093
Local Affairs	259,450	279,793	200,892	78,901
Military and Veterans Affairs	8,241	8,205	7,557	648
Natural Resources	1,041,506	998,977	571,320	427,657
Personnel & Administration	503,420	503,620	488,821	14,799
Public Health and Environment	204,032	214,040	172,213	41,827
Public Safety	392,476	392,019	222,559	169,460
Regulatory Agencies	83,656	83,656	75,762	7,894
Revenue	976,912	974,873	783,393	191,480
State	23,297	23,796	19,897	3,899
Transportation	2,640,894	2,650,968	976,091	1,674,877
Treasury	1,891,194	1,891,512	1,724,579	166,933
Budgets/Transfers Not Recorded by Department	-	-	(3,659)	3,659
SUB-TOTAL OPERATING BUDGETS	17,820,080	17,954,893	14,196,718	3,758,175
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	6,800	8,194	6,859	1,335
Corrections	113,640	113,838	112,433	1,405
Education	-	356	75	281
Governor	48,288	49,373	37,147	12,226
Higher Education	65,417	56,540	23,049	33,491
Human Services	490	2,013	1,243	770
Judicial Branch	24,993	28,005	18,610	9,395
Labor and Employment	5,933	645	563	82
Military and Veterans Affairs	-	298	-	298
Natural Resources	71,850	65,573	18,284	47,289
Personnel & Administration	111	1,812	1,812	-
Public Health and Environment	1,367	34,927	3,207	31,720
Public Safety	2,246	4,768	1,602	3,166
Transportation	500	500	500	-
Treasury	18,588	18,588	18,507	81
Budgets/Transfers Not Recorded by Department	7,272	7,272	7,265	7
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	367,495	392,702	251,156	141,546
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,187,575	$ 18,347,595	14,447,874	$ 3,899,721
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,083,374	

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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,861,156	
TOTAL REVENUES AND TRANSFERS-IN			7,861,156	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,138	$ 8,844	4,548	$ 4,296
Corrections	3,370	7,425	5,369	2,056
Education	625,525	838,983	593,684	245,299
Governor	6,706	56,679	41,793	14,886
Health Care Policy and Financing	3,599,456	3,735,050	3,492,438	242,612
Higher Education	20,290	418,691	385,308	33,383
Human Services	649,523	1,734,112	1,462,811	271,301
Judicial Branch	9,825	19,542	11,834	7,708
Labor and Employment	97,293	426,460	313,332	113,128
Law	1,770	2,351	1,841	510
Local Affairs	69,956	173,551	69,141	104,410
Military and Veterans Affairs	214,440	22,940	13,471	9,469
Natural Resources	30,713	77,061	39,682	37,379
Personnel & Administration	-	812	599	213
Public Health and Environment	291,261	450,840	290,516	160,324
Public Safety	65,131	378,504	178,830	199,674
Regulatory Agencies	1,324	10,061	3,248	6,813
Revenue	824	3,848	1,212	2,636
State	-	3,146	774	2,372
Transportation	548,525	1,126,905	757,263	369,642
Treasury	-	185,841	185,840	1
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	6,240,070	9,681,646	7,853,534	1,828,112
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 6,240,070	$ 9,681,646	7,853,534	$ 1,828,112
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 7,622	

The notes to the required supplementary information are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

(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	$ 8,988,915	$ -	$ -	$ 330,781	$ -	$ -
Cash	5,241,553	502,114	1,860,118	141,543	566,314	2,915,362
Federal	6,100,498	182,704	742,749	10,198	-	182,749
Sub-Total Revenues and Transfers-In	20,330,966	684,818	2,602,867	482,522	566,314	3,098,111
Expenditures/Expenses and Transfers-Out						
General Funded	8,922,407	-	-	104,253	-	-
Cash Funded	5,154,521	325,381	2,043,487	142,138	739,784	2,451,835
Federally Funded	6,096,032	182,691	742,749	10,198	-	179,978
Expenditures/Expenses and Transfers-Out	20,172,960	508,072	2,786,236	256,589	739,784	2,631,813
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	158,006	176,746	(183,369)	225,933	(173,470)	466,298
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	2,357	2,468	2,788	482	4,117	446
Increase for Budgeted Non-GAAP Expenditures	-	25,316	-	-	-	7,002
Increase/(Decrease) for GAAP Expenditures Not Budgeted	119,159	1,406	113,410	(4,766)	-	72,754
Increase/(Decrease) for GAAP Revenue Adjustments	(125,528)	(1,327)	-	(2,180)	-	(245,203)
Increase/(Decrease) for Non-Budgeted Funds	4	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	153,998	204,609	(67,171)	219,469	(169,353)	301,297
GAAP BASIS FUND BALANCES/NET POSITION:						
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543	54,181	1,257,167	1,802,472
Prior Period Adjustments (See Note 29A)	-	-	-	-	-	285
Accounting Changes (See Note 29B)	-	851	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 953,103	$ 1,195,211	$ 1,130,372	$ 273,650	$ 1,087,814	$ 2,104,054

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**
$ -	$ -	$ -	$ -	$ -	$ -	$ 9,319,696
613,715	757,987	546,684	487,540	323,809	1,574,507	15,531,246
15,018	195,367	-	431,056	816	-	7,861,155
628,733	953,354	546,684	918,596	324,625	1,574,507	32,712,097
-	-	-	-	-	-	9,026,660
604,515	561,796	546,722	380,858	342,420	1,154,417	14,447,874
30,036	195,367	-	415,670	816	-	7,853,537
634,551	757,163	546,722	796,528	343,236	1,154,417	31,328,071
(5,818)	196,191	(38)	122,068	(18,611)	420,090	1,384,026
36	-	104	(1,709)	147	525,473	536,709
-	-	18	24,097	4,913	-	61,346
20,410	(11,816)	(802)	(26,795)	33,078	(18)	316,020
-	-	-	(480)	1,009	-	(373,709)
307,283	-	-	-	-	-	307,287
321,911	184,375	(718)	117,181	20,536	945,545	2,231,679
5,296,037	218,076	3,792	1,170,801	17,548	5,169,990	17,976,463
(285)	-	-	-	1,434	-	1,434
(26,677)	(1,863)	-	(1,788)	(64)	-	(29,541)
$ 5,590,986	$ 400,588	$ 3,074	$ 1,286,194	$ 39,454	$ 6,115,535	$ 20,180,035

GENERAL FUND SURPLUS SCHEDULE

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 $325.4 million of the GAAP General Fund balance of $953.1 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 in the following paragraphs.

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 ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,527,200	$ 2,614,600	$ 2,666,090		
Other Excise Taxes	92,400	94,000	93,788		
Individual Income Tax, net	5,099,800	5,217,600	5,272,649		
Corporate Income Tax, net	677,700	711,300	665,363		
Estate Tax	-	-	434		
Insurance Tax	209,100	235,300	239,059		
Parimutuel, Courts, and Other	26,200	23,300	24,530		
Investment Income	16,100	22,100	12,886		
Gaming	14,100	10,800	11,820		
TOTAL GENERAL PURPOSE REVENUES	8,662,600	8,929,000	8,986,619		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,724	7,724	7,695	$ 29	$ -
Corrections	665,543	683,084	673,377	9,707	1
Education	3,055,216	3,153,843	3,153,543	300	528
Governor	19,513	23,067	22,782	285	596
Health Care Policy and Financing	2,071,307	2,069,422	2,091,330	(21,908)	52
Higher Education	658,479	659,108	658,901	207	53
Human Services	696,786	717,347	704,974	12,373	3,282
Judicial Branch	378,170	387,198	384,532	2,666	41
Labor and Employment	-	99	50	49	11
Law	13,473	12,169	11,951	218	49
Legislative Branch	38,416	38,593	38,593	-	255
Local Affairs	15,058	17,710	17,532	178	15
Military and Veterans Affairs	7,379	7,379	7,084	295	-
Natural Resources	24,479	25,127	25,099	28	-
Personnel & Administration	9,154	31,441	31,408	33	606
Public Health and Environment	39,423	54,169	53,510	659	157
Public Safety	90,384	168,465	165,163	3,302	4,171
Regulatory Agencies	1,703	1,703	1,698	5	3
Revenue	76,836	179,909	197,117	(17,208)	73
State	-	-	-	-	50
Treasury	129,271	218,699	218,667	32	38
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,998,314	8,456,256	8,465,006	$ (8,750)	$ 9,981
Variance Between Actual and Estimated Budgets	204,783	19,944	-		
TOTAL ESTIMATED BUDGET	8,203,097	8,476,200	8,465,006		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	459,503	452,800	521,613		
EXCESS AUGMENTING REVENUES			9,981		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	2,400	2,400	2,296		
Transfers-Out To Various Cash Funds	(23,100)	(39,700)	(30,903)		
Transfer-Out to Capital Projects - General Fund	(186,200)	(186,200)	(186,215)		
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	(45,300)	(45,300)	(45,321)		
General Fund Surplus Transfers-Out Per C.R.S. 24-75-220	(143,600)	(120,600)	(210,767)		
TOTAL TRANSFERS	(396,300)	(389,900)	(471,410)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	63,203	62,900	60,184		
BEGINNING GENERAL FUND SURPLUS	-	-	-		
Release of Prior Year Statutory Reserve (5.0%)	373,000	373,000	372,965		
Establish Current Year Statutory Reserve (5.0%)	(398,400)	(410,900)	(410,935)		
Release of Contractually Restricted Energy Performance Leases			552		
GAAP Revenues/(Expenditures) Not Budgeted			10,330		
Contractually Restricted Energy Performance Leases			(8,096)		
ENDING GENERAL FUND SURPLUS	$ 37,803	$ 25,000	25,000		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2014-15 for Budget			(144,142)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2014-15 for Budget			(93,986)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2014-15 for Budget			(976)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			90,736		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			4,011		
Restricted			8,097		
Committed			249,248		
Assigned			25,732		
Shortfall in GAAP Basis Statutory Reserve			161,687		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 325,407		

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 114 to 116). 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 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2013-14, the Department of Transportation capitalized project expenditures of $480.6 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.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 118) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 114 to 116) 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 Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and 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.

In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Under the standards, 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 68 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:							
2013-14	7/1/2012		$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12	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							
2013-14	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
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%
RMPS							
2013-14	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
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
URX							
2013-14	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
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
LTD							
2013-14	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A
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

[1] –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

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In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans. The Statement of Net Assets, Statement of Changes in Plan Net Assets, and Schedule of Employer Contributions follow.

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET ASSETS				
Assets:				
Cash and Pooled Cash	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
Liabilities:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
STATEMENT OF CHANGES IN PLAN NET ASSETS				
Additions:				
Contributions from Employers	36,329,003	19,696,918	497,968	5,350,150
Deductions:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contriubtion	$ 35,809,410	$ 4,188,504	$ 207,001	$ 1,337,935
Percent Contributed	103.3%	500.5%	273.1%	470.3%

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 2014 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 2014 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 62% 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 2014 REVENUE FORECAST."

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Population and Age Distribution

The following table provides population figures for Colorado and the United States for the past 10 years.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2003	4.6	1.1%	290.1	0.9%
2004	4.6	1.2%	292.8	0.9%
2005	4.7	1.2%	295.5	0.9%
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6%	301.2	1.0%
2008	4.9	1.7%	304.1	1.0%
2009	5.0	1.5%	306.8	0.9%
2010	5.0	1.5%	309.3	0.8%
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	313.9	0.7%
2013	5.3	1.6%	316.1	0.7%

Note: Figures for 2003 through 2012 are estimates. The U.S. 2013 count is an estimate, and the 2013 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 most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2013		United States, 2012	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.26	23.8%	73.73	23.5%
18 to 24	0.51	9.7%	31.36	10.0%
25 to 44	1.47	27.9%	82.83	26.4%
45 to 64	1.39	26.3%	82.85	26.4%
65+	0.65	12.3%	43.15	13.7%
Total	5.27	100.0%	313.91	100.0%
Median Age	36.7		37.4	

Note: Totals may not add due to rounding. The U.S. 2012 count is an estimate, and the Colorado 2013 count is a forecast.
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
2009	$41,515		$37,178		$39,357	
2010	$41,717	0.5%	$37,519	0.9%	$40,163	2.0%
2011	$44,179	5.9%	$39,687	5.8%	$42,298	5.3%
2012	$45,775	3.6%	$41,135	3.6%	$43,735	3.4%
2013	$46,610	1.8%	$41,944	2.0%	$44,543	1.8%

[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, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2009	2,734.6		2,512.9		8.1%	9.3%
2010	2,722.9	-0.4%	2,478.3	-1.4%	9.0%	9.6%
2011	2,725.8	0.1%	2,493.5	0.6%	8.5%	8.9%
2012	2,746.2	0.8%	2,531.1	1.5%	7.8%	8.1%
2013	2,754.9	0.3%	2,568.2	1.5%	6.8%	7.4%
Year-to-date averages through April:						
2013	2,738.6		2,537.3		7.4%	7.8%
2014	2,771.8	1.2%	2,595.3	2.3%	6.4%	6.7%

[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 for the past five years. 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 Annual Number of Employees by Industry

Industry	2009	2010	2011	2012	2013	Most Recent Quarter 2012Q4	Most Recent Quarter 2013Q4	% Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	13,737	13,670	14,015	14,513	14,348	13,709	14,038	2.4%
Mining	24,004	24,232	27,789	30,225	30,433	30,017	31,479	4.9%
Utilities	8,404	8,266	8,138	8,037	7,832	7,959	7,929	-0.4%
Construction	131,001	115,111	112,232	115,753	127,597	120,784	135,361	12.1%
Manufacturing	129,635	125,499	129,165	131,978	132,691	133,109	133,721	0.5%
Wholesale Trade	93,275	90,853	92,192	94,262	96,636	95,881	97,873	2.1%
Retail Trade	238,417	236,726	239,985	243,699	249,235	251,499	257,204	2.3%
Transportation and Warehousing	59,072	57,134	57,863	59,850	62,398	62,204	64,017	2.9%
Information	74,679	71,694	71,950	69,733	69,817	69,569	69,841	0.4%
Finance and Insurance	100,856	98,229	98,056	99,754	103,136	101,331	103,770	2.4%
Real Estate and Rental and Leasing	42,930	41,348	41,194	41,895	42,849	42,399	43,409	2.4%
Professional and Technical Services	169,561	167,505	172,096	178,313	188,984	182,057	191,772	5.3%
Management of Companies and Enterprises	28,550	28,818	29,914	31,761	34,591	32,344	34,832	7.7%
Administrative and Waste Services	132,028	133,522	137,331	145,383	148,745	149,517	152,220	1.8%
Educational Services	28,049	28,979	30,145	31,494	31,997	32,010	32,652	2.0%
Health Care and Social Assistance	225,933	232,262	239,967	246,951	250,654	250,886	255,261	1.7%
Arts, Entertainment, and Recreation	44,555	44,621	45,564	46,704	47,166	44,513	44,330	-0.4%
Accommodation and Food Services	217,785	217,976	225,702	232,875	242,100	232,399	240,421	3.5%
Other Services	65,701	65,278	66,134	67,988	69,554	68,352	69,462	1.6%
Unclassified	761	434	492	745	1,388	754	2,654	252.0%
Government	372,472	374,911	373,154	374,628	383,637	379,108	388,247	2.4%
Total*	**2,201,406**	**2,177,069**	**2,213,075**	**2,266,539**	**2,335,786**	**2,300,401**	**2,370,492**	**3.0%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2014. 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

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,900
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
Centura Health	Healthcare	12,500
HCA - HealthONE LLC	Healthcare	12,200
University of Colorado Health[2]	Healthcare	11,000
Safeway Inc	Supermarkets	8,900
SCL Health System	Healthcare	8,900
Lockheed Martin	Aerospace & Defense Related Systems	8,700
CenturyLink	Telecommunications	7,000
Target Coporation	General Merchandise	6,800
Home Depot	Building Materials Retailer	6,600
Wells Fargo	Banking/Financial Services	6,600
Kaiser Permanente	Health Maintenance Organization	6,300
Comcast Corporation	Telecommunications	6,000
University of Denver	Private University	6,000
Vail Resorts	Leisure & Hospitality	6,000
Children's Hospital Colorado	Healthcare	5,600
United Airlines	Air Transportation	4,900
Banner Health	Healthcare	4,600
DISH Network LLC	Satellite TV & Equipment	4,500
Oracle Corporation	Software & Network Computer Systems	4,300
IBM Corporation	Computer Systems & Services	4,200
JBS Swift & Company	Beef Processing/Corporate Office	4,200
Walgreen Company	General Merchandise	3,800
Lowe's	Building Materials Retailer	3,800

[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 2014.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2014.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	47,200
Federal Government (except USPS)	43,200
University of Colorado System[2]	17,400
Denver Public Schools	14,500
Jefferson County Public Schools	12,000
City & County of Denver	10,900
U.S. Postal Service	10,300
Cherry Creek School District No 5	7,800
Colorado State University	7,200
Douglas County School District RE-1	7,200
Denver Health	5,700
Aurora Public Schools	5,300
Adams 12 Five Star Schools	5,200
Colorado Springs Memorial Hospital	5,200
Colorado Springs School District 11	4,700
Poudre School District R-1	4,300
City of Aurora	4,200
Boulder Valley School District RE-2	4,100
St. Vrain Valley School District RE-1J	3,900
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,100
Jefferson County	2,800
Thompson School District R2J	2,600
City of Colorado Springs	2,500
Regional Transportation District (RTD)	2,500

[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 2014.

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
2009	$184.56		$134.17	
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$225.12	5.4%	$164.57	6.1%
2013	$234.06	4.0%	$171.11	4.0%
Year-to-date totals through Feb:				
2013	$29.74		$23.30	
2014	$31.36	5.4%	$24.22	4.0%

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	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change	Year-to-date totals through February 2013	2014	% Change
Agriculture/Forestry/Fishing	283.6	-6.7%	336.3	18.6%	411.7	22.4%	406.2	-1.3%	393.3	-3.2%	31.0	28.4	-8.5%
Mining	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,815.6	22.6%	4,601.2	20.6%	558.9	742.7	32.9%
Utilities	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,332.9	-0.3%	7,612.2	3.8%	1,397.7	1,499.8	7.3%
Construction	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,396.0	20.0%	3,443.8	1.4%	380.7	480.0	26.1%
Manufacturing	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	18,192.1	14.3%	19,168.4	5.4%	2,460.2	2,540.6	3.3%
Wholesale Trade	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	14,012.4	7.1%	14,995.2	7.0%	1,630.8	1,782.0	9.3%
Retail Trade													
Motor Vehicle and Auto Parts	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,435.4	11.2%	15,644.7	8.4%	2,174.9	2,309.4	6.2%
Furniture and Furnishings	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,265.5	10.6%	2,447.4	8.0%	351.1	366.8	4.5%
Electronics and Appliances	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,077.8	-6.6%	1,983.9	-4.5%	279.3	308.3	10.4%
Building Materials/Nurseries	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,824.6	6.9%	5,289.6	9.6%	650.9	688.5	5.8%
Food/Beverage Stores	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,298.5	6.0%	15,698.7	2.6%	1,896.3	1,893.5	-0.1%
Health and Personal Care	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,886.9	6.4%	3,093.3	7.1%	421.6	494.4	17.3%
Gas Stations	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	6,011.1	4.0%	5,870.8	-2.3%	830.2	852.3	2.7%
Clothing and Accessories	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,510.2	5.2%	3,554.4	1.3%	473.7	472.0	-0.4%
Sporting/Hobby/Books/Music	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,674.0	-0.2%	2,753.1	3.0%	433.9	432.2	-0.4%
General Merchandise/Warehous	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,185.7	4.0%	12,401.7	1.8%	1,774.8	1,769.4	-0.3%
Misc Store Retailers	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,147.8	7.1%	3,622.5	15.1%	459.6	531.1	15.6%
Non-Store Retailers	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,456.0	-6.1%	1,545.1	6.1%	228.2	267.9	17.4%
Total Retail Trade	**58,477.1**	**-12.3%**	**61,770.7**	**5.6%**	**66,927.5**	**8.3%**	**70,773.7**	**5.7%**	**73,905.2**	4.4%	**9,974.5**	**10,385.9**	**4.1%**
Transportation/Warehouse	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	710.2	19.7%	806.1	13.5%	100.4	113.6	13.1%
Information	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,242.2	-1.3%	5,787.9	-7.3%	857.4	802.4	-6.4%
Finance/Insurance	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,130.7	1.5%	2,331.6	-25.5%	396.9	149.1	-62.4%
Real Estate/Rental/Lease	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,240.7	2.7%	3,540.1	9.2%	553.2	615.1	11.2%
Professional/Scientific/Technical	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,818.2	0.7%	7,114.2	4.3%	842.8	781.0	-7.3%
Admin/Support/Waste/Remediatio	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,866.1	-0.9%	1,965.1	5.3%	231.9	242.7	4.7%
Education	421.8	-8.6%	480.0	13.8%	487.1	1.5%	490.8	0.8%	459.7	-6.3%	66.0	61.8	-6.2%
Health Care/Social Assistance	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,318.5	1.5%	6,452.9	2.1%	1,048.2	1,065.4	1.6%
Arts/Entertainment/Recreation	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,036.6	5.0%	1,092.7	5.4%	161.3	169.1	4.8%
Accommodation	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,199.2	6.1%	3,365.8	5.2%	543.5	588.8	8.3%
Food/Drinking Services	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,474.1	6.7%	9,891.5	4.4%	1,510.8	1,603.8	6.2%
Other Services	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,867.8	2.8%	3,936.5	1.8%	520.8	533.5	2.4%
Government	242.5	-2.9%	262.4	8.2%	268.2	2.2%	244.5	-8.8%	250.7	2.5%	35.9	37.4	4.4%
Total All Industries	**134,166.8**	**-12.2%**	**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**164,568.4**	**6.1%**	**171,114.1**	4.0%	**23,302.6**	**24,223.1**	**4.0%**

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]: *Conventions*		*Delegates*		*Spending*		Skier Visits[3]	
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2009	5.44		66		244.7		$487.4		11.86	
2010	5.64	3.5%	75	13.6%	267.6	9.4%	$533.1	9.4%	11.86	0.1%
2011	5.82	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.81	-0.1%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%
2013	5.39	-7.2%	84	-14.3%	265.7	-0.2%	$529.3	-0.2%	11.45	3.9%

[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 booked by VISIT DENVER and 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
2009	7,261	142	93	1,859	9,355	
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%
2013	15,772	408	148	11,189	27,517	18.1%
Year-to-date totals through April:						
2013	5,011	98	8	3,382	8,499	
2014	5,699	148	43	3,506	9,396	
% change	*13.7%*	*51.0%*	*437.5%*	*3.7%*	*10.6%*	

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
2009	46,394		20,437	
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%
2013	15,333	-46.3%	9,318	-41.4%
Year-to-date totals through first quarter:				
2013	4,571		2,935	
2014	3,441	-24.7%	1,718	-41.5%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing.

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APPENDIX E

STATE PENSION SYSTEM

The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2013 (the "PERA 2013 CAFR"), which is the most current PERA CAFR available. 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.

The information in the State's Fiscal Year 2012-13 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2012. However, the information in this Appendix and the State's Fiscal Year 2013-14 Unaudited BFS is derived from the PERA 2013 CAFR.

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 2013 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 18 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement and Note 8 to the PERA 2013 CAFR for a discussion of the DC Plan.

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 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, the PERA 2013 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 10.5% 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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, although 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 offset a 2.5% reduction in the State contribution for these 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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 60-year amortization period (at December 31, 2013, 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, 2013, (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 2004 and 2005; State Division 2006 through 2013
(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	2013	$495,241	$401,658 [4]	$401,658	79.00%	$ 98,500
State Division	2012	393,991	335,073 [5]	335,073	83.00	58,918
State Division	2011	326,274	283,222 [6]	283,222	86.81 [7]	43,052
State Division	2010	452,821	287,624 [8]	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

[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 the 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 60 years as of December 31, 2013.

[5] 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.

[6] Results in amortization of UAAL over 56 years as of December 31, 2011.

[7] Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.

[8] 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, 2012 and 2013

Plan Assets, Liabilities and Funding Levels

At December 31, 2013, based on PERA's 2013 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately $13.1 billion and $22.8 billion, respectively, resulting in a UAAL of approximately $9.7 billion and a funded ratio of 57.5%, assuming an investment rate of return of 7.5%. The UAAL would amortize over a 60-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.5%. At December 31, 2013, the funded ratio of the Plan based on the market value of assets was 61.0%, representing a UAAL of $8.9 billion. Table 2 below sets forth for each of the ten years through December 31, 2013, 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, 2013, 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 2013 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 3.90% to 9.57%; (5) the rate of inflation is assumed to be 2.80% and the rate of productivity increase is 1.10%; however, both are included in the assumed 7.50% rate of investment return and in the projected salary increases; (6) a 7.50% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2013 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2013 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 2004; State Division 2005 through 2013
(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	2013	$13,129,460	$22,843,725	$ 9,714,265	57.5%	$2,474,965	392.5%
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

[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, 2012 and 2013

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2004 and 2005; State Division 2006 through 2013
(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	2013	$13,935,754	$22,843,725	$ 8,907,971	61.0%	$2,474,965	392.5%
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

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 2004 through 2013

The following table sets forth PERA's change in net position for Fiscal Years 2004 through 2013.

Table 4
PERA Changes in Net Position[1]
(Dollar Amounts in Thousands)

State and School Division Trust Fund[2]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ADDITIONS										
Employer contributions	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222	$ 335,073	$ 401,658
Member contributions	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678	227,058	202,799
Purchased service	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277	16,358	22,241
Investment income (loss)	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	1,931,658
Other	30	(9)	1	4	7	3	1	331	150	4,869
Total additions	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	2,563,225
DEDUCTIONS										
Benefit payments	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707	1,231,922	1,295,780
Refunds	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090	69,221	68,735
Disability insurance premiums	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685	1,570	2,229
Administrative expenses	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685	8,568	9,780
Other	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)	3,911	3,593
Total deductions	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	1,380,117
Change in net position available	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)	774,691	1,183,108
Net position at beginning of year	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	12,797,352
Net position at end of year	$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	$13,980,460

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 2013

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 2013 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Current Litigation Affecting the PERA Act

The State, PERA and others were 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 of 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October of 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 of 2012, both the plaintiff and defendants filed appeals to the Colorado Supreme Court regarding the decision of the Court of Appeals. On October 20, 2014, the Colorado Supreme Court reversed the decision of the Court of Appeals and upheld the summary judgment of the trial court in favor of the defendants.

PERA is a defendant in a legal proceeding brought in 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 that Memorial's share of the unfunded liability is in the range of approximately \$200-\$250 million. On February 10, 2014, the Denver District Court granted summary judgment in favor of PERA, finding that the City and the System are required by statute to pay into PERA a reserve to fund retirement benefits for vested employees and former employees who are presently or in the future will receive retirement benefits from PERA. The decision of the District Court is being appealed.

See Note 7 to the PERA 2013 CAFR for a discussion of this litigation.

Future Accounting Standards

Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 - <u>Accounting and Financial Reporting for Pensions</u>, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded accrued actuarial liability of approximately \$9.7 billion as of December 31, 2013. However, both at June 30, 2013 and June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement.

Effect of Pension Liability on the Series 2014B Notes

The Series 2014B Notes are short-term obligations maturing on June 29, 2015, 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, 2015, as repayment of their Program Loans and a portion of the proceeds of the Series 2014B Notes deposited to the Series 2014-15 Notes Repayment Account as discussed in "THE SERIES 2014B 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 pay the Series 2014B 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 2012-13 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 2014B 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 2014B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2014B Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2014B Notes. The Series 2014B 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 2014B Note certificate will be issued for the Series 2014B 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 2014B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014B 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 2014B 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 2014B Notes except in the event that use of the book-entry system for the Series 2014B Notes is discontinued.

To facilitate subsequent transfers, all Series 2014B 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 2014B 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 2014B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014B 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 2014B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014B Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2014B Notes may wish to ascertain that the nominee holding the Series 2014B 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 2014B 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 2014B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2014B 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 2014B 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 2014B 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 2014B Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2014B 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 2014B Notes. In that event, Series 2014B 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

J.P. Morgan Securities LLC

$245,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2014B

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 2014B," in the aggregate principal amount of $245,000,000 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 22, 2014, 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 2014-15 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 2014-15 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,

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