Financial Section

Comprehensive Annual Financial Report
June 30, 2006

STATE OF COLORADO

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State Auditor

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December 8, 2006

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements for 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 and for the fiscal year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenue of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents 3 percent of the total assets, 3 percent of the net assets, and 7 percent of the total revenue of Higher Education Institutions, a major enterprise fund, and 2 percent of the total assets, 2 percent of the net assets, and 5 percent of the total revenue of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., are based solely on the reports of the other auditors, except as explained in Note 4.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, University of Northern Colorado Foundation, Colorado School of Mines Foundation, discretely presented component units, and University Physicians, Inc. a blended component unit, were not audited in accordance with *Government Auditing Standards*. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30,

2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* a report on our consideration of the State of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters will be issued under a separate cover. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The sections entitled "Management's Discussion and Analysis" on pages 19 through 40 and "Budgetary Information" and "Infrastructure Assets Reported Under The Modified Approach" on pages 129 through 141 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the state's financial condition, the attached financial statements and notes should be reviewed in their entirety. To avoid duplication of the analysis, the cause of the significant items identified in the Financial Highlights Section and the Overall Financial Position and Results of Operations Section are explained in the Individual Fund Analysis Section that follows.

FINANCIAL HIGHLIGHTS

Government-wide:
Assets of the state's governmental activities exceeded liabilities by $15,083.9 million, an increase of $957.6 million as compared to the prior year amount of $14,126.3 million. Assets of the state's business-type activities exceeded liabilities by $4,456.8 million, an increase of $479.6 million as compared to the prior year amount of $3,977.2 million. In total, net assets of the state increased by $1,437.2 million to $19,540.7 million.

Fund Level:
Governmental fund assets exceeded liabilities resulting in total fund balances of $4,318.7 million (prior year $3,441.1 million), of which, $2,905.2 million (prior year $2,349.3 million) was reserved, and the balance of $1,413.5 million (prior year $1,091.8 million) was unreserved. In total, governmental fund balances increased $877.6 million from the prior year primarily due to increases in the General Fund, the Capital Projects Fund, and nonmajor Special Revenue Funds in the aggregate. The unreserved undesignated fund balance of the General Fund (on the GAAP basis) was $295.9 million and $0 at June 30, 2006, and June 30, 2005, respectively. This significant increase was the result of a large transfer into the General Fund from the Controlled Maintenance Trust Fund and the passage of Referendum C in the 2005 election, which allowed the state to retain revenues in excess of the constitutional limits.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $4,456.8 million (prior year $3,977.2 million), of which, $3,392.4 million (prior year $3,106.0 million) was restricted or invested in capital assets, and the balance of $1,064.4 million (prior year $871.2 million) was unrestricted. The total increase of $479.6 million in Enterprise Fund net assets primarily occurred in the Higher Education Institutions and Unemployment Insurance funds.

Debt Issued and Outstanding:
The outstanding governmental activities' notes, bonds, and certificates of participation at June 30, 2006 were $2,029.9 million (prior year $2,096.3 million), which is 34.6 percent (prior year 40.6 percent) of financial assets (cash, receivables, and investments) and 10.5 percent (prior year 11.3 percent) of total assets of governmental activities. The debt is primarily related to infrastructure, and future federal revenues and state highway revenues are pledged to the related debt service. The state's Enterprise Funds have revenue bonds outstanding that total $2,572.0 million (prior year $2,148.5 million). The revenue bond proceeds are primarily invested in loans and capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:
The State Constitution indirectly limits the rate of spending increases and directly limits the state's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the state to retain revenues in excess of the limit for Fiscal Years 2005-06 through 2009-10. As a result, the $1,116.1 million of revenues in excess of the TABOR limit is not shown as a TABOR Refund Liability on the Fiscal Year 2005-06 financial statements; the $2.9 million shown on the financial statements is the amount of Fiscal Year 2004-05 TABOR refund that was not distributed as June 30, 2006. (See page 26 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 MDA), including budget-to-actual and infrastructure information, is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include internal service funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the state is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 69.

Fund Level Statements

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

fund level statements, each fund type has a pair of statements that show financial position and activities of the fund; a statement showing cash flows is also presented for the proprietary fund type.

- Governmental Funds – A large number of the state's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column. 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 well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, 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 charge other state agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal service fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an adjustment 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 in these funds 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 several 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 accrual accounting.

The state has elected to present combining financial statements for its component units. The component unit financial statements follow the fund level financial statements discussed above.

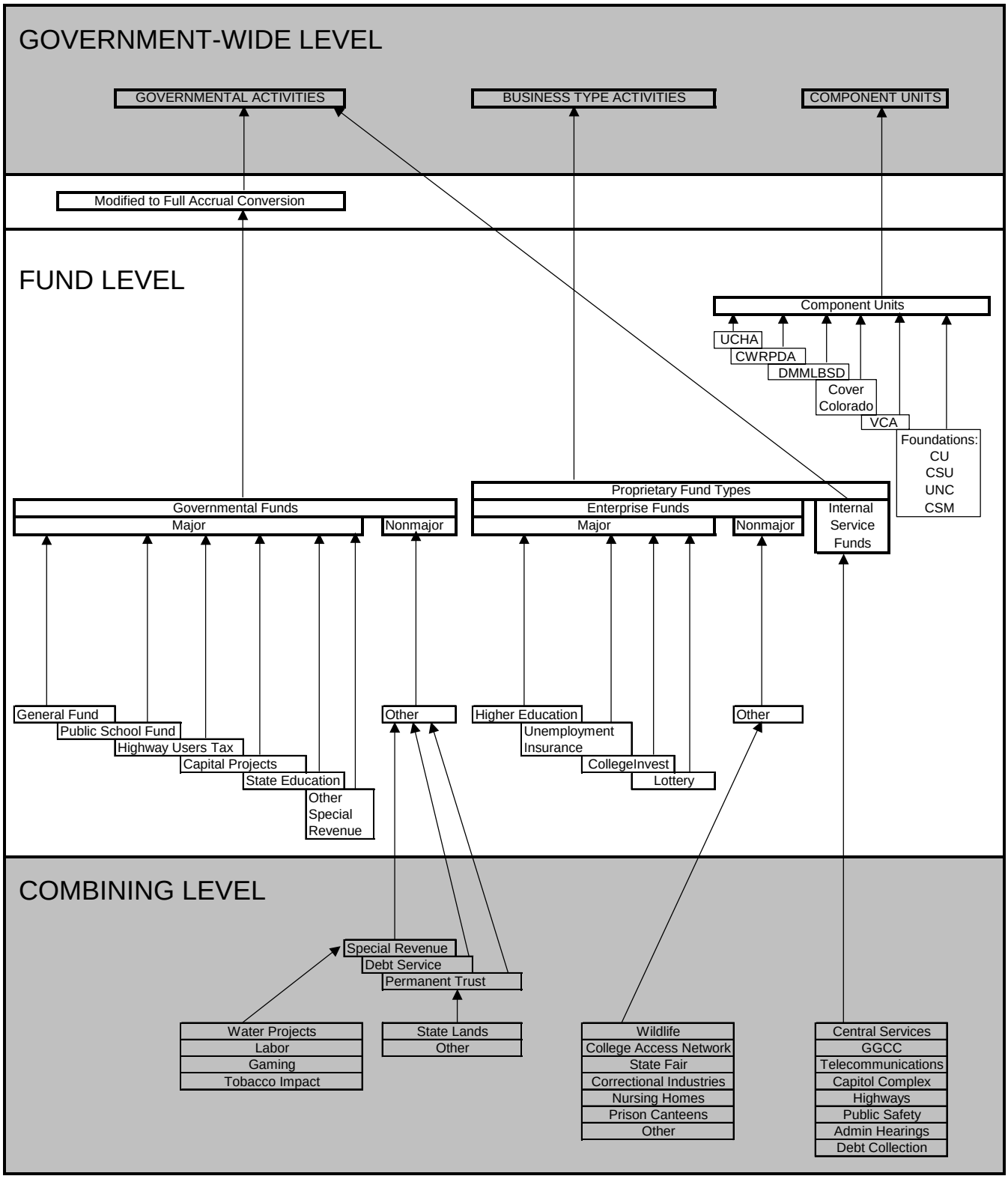
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

Generally accepted accounting principles require certain supplementary information to be presented following the notes to the financial statements. Required supplementary information differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes budgetary comparison schedules and information about transportation infrastructure reported under the modified approach.

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
UCHA
CWRPDA
DMMLBSD
Cover Colorado
VCA
Foundations: CU CSU UNC CSM
Proprietary Fund Types
Governmental Funds
Major
Nonmajor
Enterprise Funds
Major
Nonmajor
Internal Service Funds
General Fund
Public School Fund
Highway Users Tax
Capital Projects
State Education
Other Special Revenue
Other
Higher Education
Unemployment Insurance
CollegeInvest
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Impact
State Lands
Other
Wildlife
College Access Network
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Other
Central Services
GGCC
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Hearings
Debt Collection

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Noncapital Assets	$ 6,301,963	$ 5,558,672	$ 4,747,593	$ 3,962,351	$11,049,556	$ 9,521,023
Capital Assets	12,972,737	12,962,066	3,279,660	3,122,815	16,252,397	16,084,881
Total Assets	19,274,700	18,520,738	8,027,253	7,085,166	27,301,953	25,605,904
Current Liabilities	2,004,430	2,166,682	787,471	757,133	2,791,901	2,923,815
Noncurrent Liabilities	2,186,405	2,227,761	2,782,982	2,350,862	4,969,387	4,578,623
Total Liabilities	4,190,835	4,394,443	3,570,453	3,107,995	7,761,288	7,502,438
Invested in Capital Assets, Net of Related Debt	11,662,529	11,771,877	2,256,602	2,238,068	13,919,131	14,009,945
Restricted	1,719,232	1,455,029	1,135,776	867,919	2,855,008	2,322,948
Unrestricted	1,702,104	899,389	1,064,422	871,184	2,766,526	1,770,573
Total Net Assets	$15,083,865	$14,126,295	$ 4,456,800	$ 3,977,171	$19,540,665	$18,103,466

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

Capital assets, net of related debt, account for $13,919.1 million or 71.2 percent of the state's total net assets, which represents a decrease of $90.8 million from the prior year. This line item shows the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. The current year decline in the amount indicates that current year depreciation exceeded the liquidation of borrowing related to the capital assets, which means the state is not paying off the borrowing for capital assets at the rate at which the capital assets are declining in service utility. 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 $2,855.0 million or 14.6 percent of net assets, which represents a $532.1 million increase over the prior year. In general, these restrictions dictate how the related assets must be used by the state, and therefore, the amount may not be available for the general use of the state's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the state's net assets. The largest increases were in restrictions related to Unemployment Insurance ($227.1 million) and Highway Construction and Maintenance ($145.3 million).

The Unrestricted Net Assets of $2,766.5 million or 14.2 percent of total net assets represents the amount by which total assets exceed total liabilities after all restrictions are considered. This represents an increase of $995.9 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $802.7 million of this increase with the balance in business-type activities. The largest portion of unrestricted net assets is reported in the General Fund and in Special Revenue Funds, and generally, legislative action is required to make the Special Revenue Fund resources available for state programs other than the program for which the revenue was collected.

Another important measure of the state's financial health is the change in net assets from the prior year. The following condensed statement of activities shows that net assets of both the governmental and business-type activities increased during the fiscal year. The Fiscal Year 2004-05 balances have been restated to aggregate Payments to School Districts and Payments to Other Governments in the function that made those payments and to disaggregate the Wildlife Fund and College Access Network Fund out of Other Business-Type Activities. For the governmental activities, revenues and transfers-in exceeded expenses and transfers-out resulting in net assets increasing by $1,086.5 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by $877.6 million. Program revenue of the governmental activities increased by $278.4 million (5.8 percent), and general-purpose revenues increased by $1,103.0 million (14.9 percent) while expenses increased by $1,074.9 million (9.5 percent) from the prior year.

Business-type activities' revenues and transfers-in exceeded expenses by $476.3 million resulting in an increase in net assets. Program revenue of the business-type activities increased by $809.6 million while expenses decreased by $237.3 million. Transfers from the governmental activities to the business-type activities decreased from $555.5 million to $80.9 million primarily due to the new Higher Education funding mechanism under which transfers to the institutions are replaced with student stipends and fee for service contracts with the institutions. 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	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Program Revenues:						
Charges for Services	$ 759,259	$ 743,151	$ 3,451,987	$ 2,704,665	$ 4,211,246	$ 3,447,816
Operating Grants and Contributions	3,909,382	3,684,878	1,466,045	1,403,928	5,375,427	5,088,806
Capital Grants and Contributions	447,283	409,458	16,856	16,667	464,139	426,125
General Revenues:						
Taxes	7,451,149	6,396,801	34,728	-	7,485,877	6,396,801
Restricted Taxes	922,872	868,251	-	-	922,872	868,251
Unrestricted Investment Earnings	35,372	29,736	-	-	35,372	29,736
Other General Revenues	84,335	95,912	-	-	84,335	95,912
Total Revenues	13,609,652	12,228,187	4,969,616	4,125,260	18,579,268	16,353,447
Expenses:						
General Government	164,276	434,357	-	-	164,276	434,357
Business, Community, and Consumer Affairs	449,411	604,096	-	-	449,411	604,096
Education	4,394,236	3,503,528	-	-	4,394,236	3,503,528
Health and Rehabilitation	524,736	532,139	-	-	524,736	532,139
Justice	1,197,334	1,164,956	-	-	1,197,334	1,164,956
Natural Resources	112,753	66,864	-	-	112,753	66,864
Social Assistance	4,348,466	4,060,907	-	-	4,348,466	4,060,907
Transportation	1,205,556	960,033	-	-	1,205,556	960,033
Interest on Debt	31,969	26,925	-	-	31,969	26,925
Higher Education Institutions	-	-	3,446,716	3,294,154	3,446,716	3,294,154
Unemployment Insurance	-	-	305,447	352,712	305,447	352,712
CollegeInvest	-	-	73,745	54,453	73,745	54,453
Lottery	-	-	402,391	367,474	402,391	367,474
Wildlife	-	-	91,221	89,023	91,221	89,023
College Access Network	-	-	115,200	85,235	115,200	85,235
Other Business-Type Activities	-	-	138,773	93,150	138,773	93,150
Total Expenses	12,428,737	11,353,805	4,573,493	4,336,201	17,002,230	15,690,006
Excess (Deficiency) Before Contributions, Transfers, and Other Items	1,180,915	874,382	396,123	(210,941)	1,577,038	663,441
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(80,894)	(555,478)	80,894	555,478	-	-
Special Item	(13,534)	(1,112)	(707)	-	(14,241)	(1,112)
Total Contributions, Transfers, and Other Items	(94,428)	(556,590)	80,187	555,478	(14,241)	(1,112)
Total Changes in Net Assets	1,086,487	317,792	476,310	344,537	1,562,797	662,329
Net Assets - Beginning	14,126,295	13,807,166	3,977,171	3,616,740	18,103,466	17,423,906
Prior Period Adjustment	(128,917)	1,337	3,319	15,894	(125,598)	17,231
Net Assets - Ending	$15,083,865	$ 14,126,295	$ 4,456,800	$ 3,977,171	$19,540,665	$18,103,466

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2005-06 is the thirteenth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, that 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.

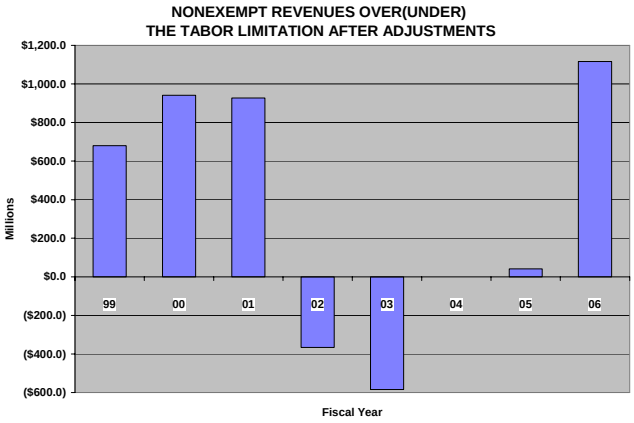
TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits including the previously existing statutory six percent limit on General Fund expenditure growth. With the exception of a declared emergency, taxes can only be raised by a vote of the people 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 are significant factors in the changing fiscal health of the state's General Fund. This condition continues to be important under Referendum C because revenues in excess of the limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and spent from the General Fund Exempt Account created in the General Fund by Referendum C.

The state's ability to retain revenues is also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the state's ability to retain revenues collected. Except for the five year refund hiatus, Referendum C did not change this provision; however, ratchet down did not occur in Fiscal Year 2005-06.

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 beginning of Fiscal Year 2005-06, this amounted to total required refunds of $3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the state recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years.

In Fiscal Year 2005-06, state revenues subject to TABOR were $9,161.4 million, which was $1,116.1 million over the adjusted current year limit; however, the $1,116.1 million is not reported as a liability on the fund-level General Fund Balance Sheet or the government-wide Statement of Net Assets because under Referendum C it will not be refunded to taxpayers. At the beginning of Fiscal Year 2005-06, the Petroleum Storage Tank Fund and nearly all Higher Education Institutions, that were not already TABOR enterprises, became fully qualified TABOR enterprises. The revenues of these qualified enterprises are not subject to the TABOR revenue limits. As required by TABOR, the



State Controller makes qualifications of enterprises neutral in the TABOR calculations by removing the activities' revenues from the base upon which the TABOR limit is calculated. In Fiscal Year 2005-06, the TABOR base was reduced by $374.1 million related to enterprise qualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the state will retain $3.9 billion during the five-year refund time-out authorized by Referendum C.

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.
- 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 amount of revenues in excess of the limit cannot be known until the completion of the TABOR audit of revenues, which is available four months after fiscal year end. The referendum authorized spending the moneys in the same year the revenues are retained, and therefore in the 2006 legislative session, the Legislature appropriated the moneys in the General Fund Exempt Account for Fiscal Year 2005-06. The appropriation was based on the Legislative Council March 20, 2006, estimate of the total retained revenue, which was $815.2 million or $300.9 million less than the actual amount retained.

A portion of the revenues retained and spent were earned in various cash funds, but are required to be appropriated from the General Fund Exempt Account in the General Fund. In lieu of transferring the moneys from those cash funds to the General Fund Exempt Account, the Legislature reduced some general funded appropriations and increased some cash funded appropriations, which is referred to as refinancing the appropriation. However, there is no requirement for the appropriation refinancing to occur in the same funds that contributed to the excess revenues.

To understand the effect of Referendum C, it is necessary to understand what likely would have occurred absent its passage. The last OSPB estimate prior to passage of the referendum showed a $440.4 million TABOR refund and a shortfall of $117.1 million in the required reserve. After that estimate, cash fund revenues (which are not available in the General Fund for making a refund) exceeded estimates by $385.1 million. In order to maintain the required four percent reserve and refund the increasing cash fund revenues from the General Fund, the Legislature would have needed $502.2 million of additional General Fund spending reductions (or refinancings) or General Fund resource enhancements (transfers in from cash funds). The need for those actions was avoided by Referendum C.

With the passage of Referendum C, moneys that would have been used to make refunds became available for appropriation. To explain the effect of referendum, it is necessary to compare the budget plan before Referendum C passed to the actual results at year end. The passage of Referendum C affected the following events:

- The Legislature increased the General Fund appropriations subject to the six percent growth limit by $113.0 million dollars, which raised the General Fund appropriation growth from 4.1 percent to 6.0 percent. The $113.0 million was distributed equally among health care programs, higher education programs, and kindergarten through 12th grade education programs.

- The increase in the appropriation growth percentage activated the Senate Bill 97-1 diversion of sales tax from the General Fund to the Highway Users Tax Fund in the amount of $220.4 million.
- Because the passage of Referendum C reduced the General Fund obligation for a TABOR refund, the December 20, 2005, revenue estimate showed that General Fund revenues were adequate to meet General Fund obligations. This activated the provisions of Colorado Revised Statutes 24-175-217 authorizing $67.1 million of transfers out of the General Fund to repay various cash funds amounts that had been provided to augment the General Fund resources in earlier fiscal years.
- Because the passage of Referendum C reduced General Fund obligations related to the TABOR refund, the state avoided the $117.1 million shortfall in the required reserve, which was anticipated by the Office of State Planning and Budgeting at September 20, 2005. In part, the retained revenues were used to ensure that the required four percent reserve remained whole at the same time that expenditures grew at the six percent limit.
- As a result of additional excess General Fund revenue and reductions of General Fund appropriations (some of which were appropriation refinancings), the General Fund Surplus at June 30, 2006, was $436.8 million. State statute requires the General Fund Surplus be transferred in the following year to the Highway Users Tax Fund and the Capital Projects Fund in the ratio of two thirds ($291.8 million) to one third ($145.9 million), respectively.
- The Legislature appropriated the estimate of the fiscal year retained revenues from General Fund Exempt account in the amount of $815.2 million as follows:

(Amounts in Millions)

Department	Purpose	Amount
Department of Education	Education - Total Program	$ 261.4
Department of Health Care Policy and Financing	Health Care - Medical Services Premiums	261.3
Department of Higher Education	Education - Tuition Stipends	253.4
Department of Treasury	Fire & Police Retirement Plans	25.3
Office of the State Controller	Transfer to Capital Construction	10.0
Department of Local Affairs	Fire & Police Retirement Plans	3.8
TOTAL		$ 815.2

The total of the uses of funds cited in the bullets above is $1,770.5 million, which is $654.4 million in excess of actual retained revenues of $1,116.1 million. Some of these uses were for requirements that existed in statute before the passage of Referendum C, but were only activated by the additional resources made available by the referendum. Due to the constitutional requirement for a balanced budget, the Legislature could not authorize the use of more than the amount made available by Referendum C; therefore, it reduced General Fund spending through refinancing of appropriations and appropriation reductions. Most of the appropriation reduction and refinancing was done in the general funded portion of the line items where the General Fund Exempt appropriations were made.

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. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General 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. Federal revenues are closely matched with federal expenditures. Even though significant federal grant revenues are accounted for in the General Fund, they have little impact on the General Fund fund balance.

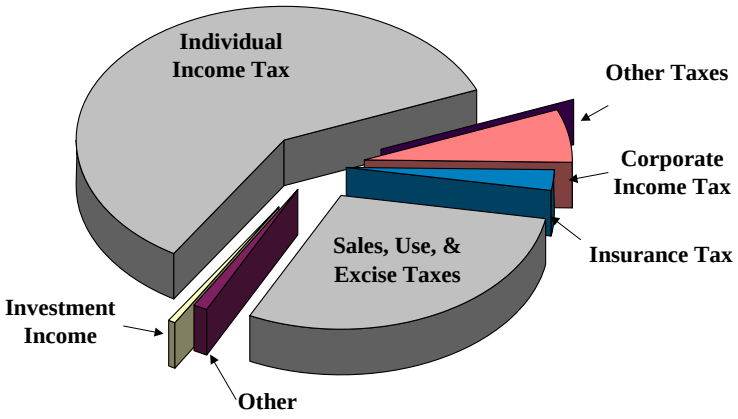
The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $592.8 million, an increase of $353.9 million over the prior year. The General Fund available for the Reserve for

Statutory Purposes was $251.7 million, an increase of $52.9 million over the prior year. Several factors contributed to the increase in fund balance including increased revenues due to improved economic conditions, Referendum C's elimination of the TABOR refund liability, and a $185.6 million transfer-in to the General Fund from the Controlled Maintenance Trust Fund (CMTF) at year end. Unusual transfers into the General fund of $225.7 million included the CMTF transfer, $30.9 million from the Tobacco Settlement Trust Fund, and the $8.1 million from the Children's Basic Health Plan. These transfers were approximately $160.0 million more than was transferred into the fund in Fiscal Year 2004-05. In addition to the large volume of standard transfers out of the General Fund to cash funds, the General Fund transferred $67.1 million to repay cash funds for resources that were transferred into the General Fund in prior years.

The General Fund's $841.9 million cash balance increased $133.1 million over the prior year; however, it would have increased an additional $101.6 million except the State Treasurer's Tax Revenue Anticipation Notes (TRANS) issued on behalf of local school districts declined by that amount. The cash related to the school district TRANS does not result in increased fund balance because the State Treasurer records a matching liability for the repayment due in August 2006. The same factors that affected the increased fund balance affected the increase in ending General Fund Cash.

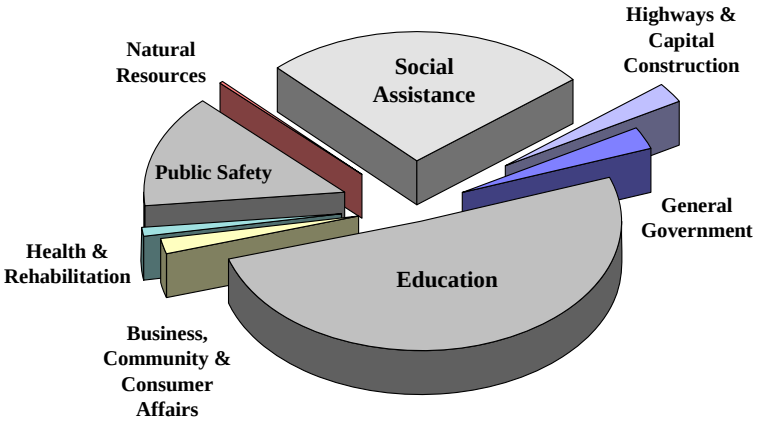
General-purpose revenues for Fiscal Years 2005-06 and 2004-05 were $6,746.4 million (see page 137) and $6,160.8 million, respectively – an increase of $585.5 million or 9.5 percent. Individual income tax revenue increased by $623.1 million. The major categories of individual income tax, all of which contributed to the increase, were withholding payments (up 7.8 percent), estimated payments (up 28.7 percent), and payments with returns (up 40.8 percent). The change in income tax refunds (down 4.2 percent) added to these increases. The significant percentage increase in estimated tax payments and payments with returns is normally associated with self-employment or taxpayers' investment earnings, while the comparatively smaller increase in withholding reflects limited job growth and limited wage inflation. Corporate income tax receipts increased by $129.4 million or 44.2 percent. Investment income of the General Fund increased by $5.6 million or 20.1 percent; the increase reflects higher cash balances in the General Fund and other funds that surrender their investment earnings to the General Fund as required by statute. Sales, use, and excise taxes decreased by $109.8 million or 5.2 percent; this revenue source would have increased except for the $220.4 million diversion of sales and uses tax to the Highway Users Tax Fund made possible by the passage of Referendum C. Insurance premium taxes decreased by $14.1 million or 7.5 percent partially due to insurance companies applying credits they purchased at a discount from the Venture Capital Authority (VCA). Enabling legislation provided the general fund insurance tax premium credits to the VCA as a funding mechanism. The VCA is considered a component unit of the state. Other Taxes decreased by $19.2 million or 73.9 percent due to the phase out of federal estate taxes and the related credit claimed by the state against those taxes. This revenue source will continue to decline through the end of the decade when the federal estate tax is schedule to reduce to zero at which time it will return to its original level unless Congress acts to make the reduction permanent. Other revenue decreased by $29.5 million or 29.7 percent primarily related to the diversion of $19.0 million of Gaming Fund transfer to the Travel and Tourism Promotion Fund that previously was general-purpose revenue of the General Fund. The reduction was also the result of $11.4 million of federal revenues reverted to the General Fund in Fiscal Year 2004-05 related to a study of Medicaid cost recoveries; this revenue was not available in Fiscal Year 2005-06.

GENERAL-PURPOSE REVENUES BY SOURCE



On the budgetary basis, total expenditures and transfers-out (excluding transfers specifically to repay cash funds) funded from general-purpose revenues during Fiscal Years 2005-06 and 2004-05 were $6,442.6 million (see page 137) and $6,025.1 million, respectively. The total annual increase in general-funded expenditures (including expenditures from the General Fund Exempt Account authorized by Referendum C) is limited to six percent over the previous year with certain adjustments. The primary adjustments are for changes in federal mandates and lawsuits against the state. This limitation is controlled through the legislative budget process and carries the weight of a constitutional requirement because of the TABOR amendment. In Fiscal Year 2005-06, appropriation growth was six percent after supplemental increases made possible by Referendum C.

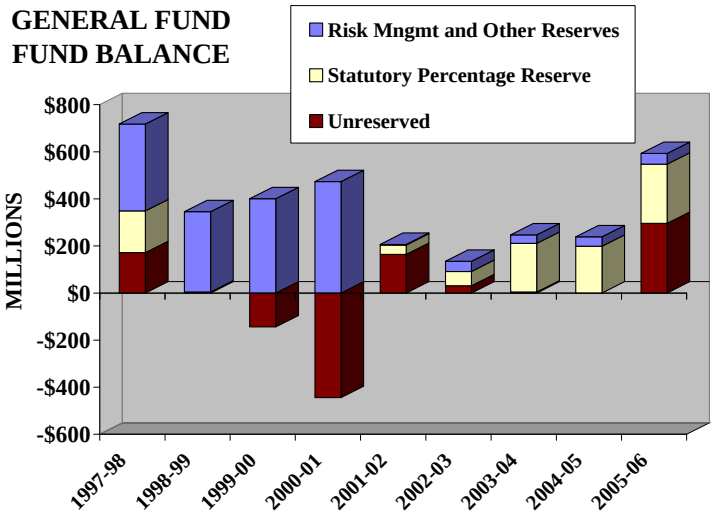
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



Expenditures (measured under generally accepted accounting principles) for the Departments of Education, Health Care Policy and Financing, Higher Education, Human Services, and Corrections accounted for approximately 80.2 percent of all Fiscal Year 2005-06 general funded expenditures, which is an increase of 3.1 percent from the prior year. Most of the dollar increase in this 3.1 percent occurred in the Departments of Education and Health Care Policy and Financing. Of the departments with substantial General Fund expenditures, the major expenditure increases were in the Department of Education ($204.2 million or 8.1 percent), the Department of Health Care Policy and Financing ($115.6 million or 9.3 percent), the Department of Higher Education ($48.4 million or 8.2 percent), the Department of Corrections ($39.0 million or 7.9 percent), and the Judicial Branch ($18.1 million or 8.2 percent). The Department of Public Health and Environment does not have substantial general-funded expenditures, but it had a significant increase ($7.5 million or 57.6 percent) due to supplemental appropriations for youth programs and distributions to local health departments.

Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending while participation in the federal Medicaid program mandates the increase in the Department of Health Care Policy and Financing expenditures. The Department of Corrections increase was primarily for payments to house state prisoners in local jails, with smaller increases related to utilities costs, the inspector general program, and the housing program. Each of these increases is affected by the general increase in the offender population. The increases in the Department of Higher Education and the Judicial Branch represent a partial restoration of general-funded spending cuts in prior years caused by limited General Fund resources in the economic downturn.

Most of the increases in the departments listed above were funded by the allowed six percent growth in the general fund appropriation. However, the Departments of Human Services, Natural Resources, Personnel & Administration, Public Safety, and Revenue, along with the Governor's Office and the Legislative Branch received appropriation increases less than the allowed six percent, thereby contributing to the other department's general-funded appropriation increases. The Departments of Agriculture and Local Affairs general funded appropriations were reduced by 1.7 percent and 0.9 percent respectively.



The chart at the right shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes required a four percent fund balance reserve ($251.7 million) in Fiscal Year 2005-06. In recent years, the General Fund had inadequate resources to meet the required four percent reserve on the GAAP basis, and compliance was achieved on the budgetary basis by deferring certain payroll and Medicaid costs into the following year. However, in the current year the economic conditions and the absence of a TABOR refund (authorized by Referendum C) resulted in adequate resources to meet the required four percent reserve on both the GAAP and budgetary basis. Therefore, the deferral of payroll and Medicaid expenditures would not have been necessary to maintain the required four percent reserve. However, since it remained as current law at June 30, 2006, the deferral resulted in a budgetary basis excess over the required reserve that will be transferred to the Highway Fund and the Capital Projects Fund as discussed below. (Note to the General Fund Fund Balance Chart: Before Fiscal Year 2001-02, the reserves of a large number of funds were reported as part of the General Fund; from Fiscal Year 2001-02 forward they are reported as Special Revenue Funds, and therefore, are not included in the chart. The large deficit Unreserved Fund Balance in Fiscal Years 1999-00 and 2000-01 were the result of very large TABOR refund liabilities that were recognized on a GAAP basis but deferred on a budget basis. The statute that allowed that treatment has been repealed.)

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. This change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. On the GAAP financial statements the net General Fund revenues that are available for expenditure are titled Unreserved Reported in: General Fund; the analogous legally defined title on the budgetary basis statement is General Fund Surplus. Deferring payroll expenditures moved $67.3 million of expenditures into the following year, while deferring Medicaid related expenditures moved $149.5 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $76.0 million. In total, the effect was to increase General Fund fund balance by $140.8 million, which was $4.1 million more than the effect of deferring Fiscal Year 2004-05 expenditures into Fiscal Year 2005-06.

In Fiscal Year 2005-06, the beginning General Fund fund balance transfer consisted of the entire $98.0 million Fiscal Year 2004-05 ending General Fund Surplus of which $65.3 million went to the Highway Users Tax Fund and $32.7 million went to the Capital Projects Fund. The transfer is required by statute and is equal to the General Fund Surplus calculated on the budgetary basis (the amount in excess of the required four percent reserve with certain payroll and Medicaid expenditures deferred into the following year). The transfer will be $436.8 million in Fiscal Year 2006-07 with $291.2 million going to the Highway Users Tax Fund and $145.6 million going to the Capital Projects Fund. These transfers were significantly larger than they otherwise would have been without the transfer of $185.6 million from the Controlled Maintenance Trust Fund, and they would not have been possible without the passage of Referendum C.

Public School Fund

The Public School Fund is a statutory fund whose primary revenue source is quarterly transfers from the General Fund. The fund distributes substantially all of the transfer to local school districts resulting in year end fund balances that are not significant. The fund made distributions of $2,577.2 million and $2,434.4 million in Fiscal Year 2005-06 and 2004-05, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance increased by $60.9 million over the prior year primarily related to the following:

- A $260.5 million increase in revenue primarily comprising a $220.4 million increase in sales and use tax revenue diverted from the General Fund and made possible by the passage of Referendum C, an $18.6 million increase in Federal grants and contracts, and a $13.5 million increase in motor vehicle registrations and fines,
- A $9.5 million decrease in expenditures including a $10.7 million reduction in capital outlay for noninfrastructure assets, a $20.8 million reduction primarily related to construction and maintenance activities, an $11.1 million increase in distributions to cities, and smaller increases related to public safety activities and distributions to counties and special districts, and
- A $116.2 million increase in other financing uses, which was primarily a combination of an $86.4 million increase in transfers to the Debt Service Fund for payments on the outstanding Transportation Revenue Anticipation Notes and a $6.0 million transfer to the Statewide Tolling Authority enterprise to continue funding startup costs. The increase in other financing uses was also affected by a reduced inflows of approximately $11.2 million related to Certificates of Participation issued in the prior year but not in the current year.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $22.1 million. Historically the Highway Users Tax Fund shows a deficit unreserved fund balance because its reserve for encumbrances is usually greater than net assets. The encumbrances are related to multiple year construction project contracts that are to be funded primarily from future gas tax and motor vehicle license fee revenues. However, in the current year the Highway Users Tax Fund has a large restricted cash balance, $94.9 million of which is partially related to unspent Transportation Revenue Anticipation Notes (TRANs) issued in prior years. Since the liability related to the TRANs is not reported on the fund level statements, the fund shows a positive Unreserved Fund Balance. Both the TRANs liability and the related capital assets are reported along with the fund's other assets and liabilities on the government-wide *Statement of Net Assets.*

Capital Projects Fund

The Capital Projects Fund fund balance increased by $216.5 million from the prior fiscal year end primarily related to a $72.1 million increase in transfers-in primarily from the General Fund (made possible by the passage of Referendum C) and the issuance of $130.6 million of Certificates of Participation for prison construction. Most of the transfer increase and COP issuance remains in fund balance because construction contracts routinely take several years to complete. The Fiscal Year 2005-06 transfer from the General Fund to the Capital Projects Fund was small in comparison to the amounts transferred during the mid-to-late 1990s. The small transfers of General Fund resources to the Capital Projects fund in Fiscal Years 2001-02 through 2004-05 means that significant amounts of construction and maintenance remain deferred.

State Education Fund

The State Education Fund fund balance increased by $29.2 million during Fiscal Year 2005-06 after three straight years of decline. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and the fund's portion of those receipts increased in Fiscal Year 2005-06 by $43.3 million from the prior year, while investment income decreased by $5.7 million. Investment income decreased in comparison to the prior year primarily because current year unrealized losses were $5.3 million. Expenditures of the fund are limited to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $328.4 million and $340.0 million in Fiscal Year 2005-06 and 2004-05, respectively.

Other Special Revenue Funds

Other Special Revenue Funds are presented in the CAFR as a major fund for Fiscal Year 2005-06. This is an aggregation of 410 funds that do not have common characteristics but collectively meet the Governmental Accounting Standards Board thresholds for presentation as a major fund. The collective fund balance of these funds increased by $32.0 million. Major events underlying this increase were a $185.6 million reduction in the Controlled Maintenance Trust Fund related to a transfer to the General Fund, and a $27.7 million reduction in the Federal Tax

Relief Act Fund related to spending proceeds received under the act from the federal government in prior years. These decrease were offset by increases in other funds including:

- $146.1 million combined in the Mineral Leasing Fund, the Severance Tax Fund, and the Severance Tax Trust Fund which is primarily due to the increase in energy prices and related increases in extraction activities.
- $26.4 million in the Hazardous Substance Response Fund that was primarily the result of repayment by the General Fund of amounts previously transferred to augment General Fund resources,
- $20.0 million in the Travel and Tourism Promotion Fund from Gaming Fund revenues newly diverted from the General Fund to this fund,
- $19.3 million in the School Construction and Renovation Fund transferred from the General Fund,
- $19.1 million in the Employment Support Fund related to surcharges on increased Unemployment Insurance Premium Tax, and
- $15.0 million in the newly created Colorado Health Care Services Fund.

Higher Education Institutions

Current period activity along with prior period adjustments increased the net assets of the Higher Education Institutions by $160.1 million. The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $312.7 million, sales of goods and services increased by $277.1 million, federal revenues decreased by $7.7 million, investment income decreased by $22.0 million and other revenues increased by $24.4 million. The increase in tuition and fees was primarily the result of a major change in the state's method of funding higher education under which transfers to the institutions were partially replaced by an appropriation to the College Opportunity Fund that provides stipends to students. The students use the stipends to pay the increased tuition and fees authorized by the Legislature. The sales of goods and services category increased for a similar reason when part of the funding historically done through transfers directly to the institutions was replaced with an appropriation to the Colorado Commission on Higher Education to purchase specific programs under fee-for-service contracts with the state's individual Higher Education Institutions. The state made capital contributions of $9.2 million and $9.8 million in Fiscal Years 2005-06 and 2004-05, respectively, that were funded by the Capital Projects Fund and transferred $139.3 million ($599.4 million in Fiscal Year 2004-05) to Higher Education Institutions primarily from the General Fund. The reduction in the transfers was primarily related to the change in the higher education funding mechanism discussed above.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund increased by $227.1 million. The net asset increase was affected by a $41.6 million increase in unemployment insurance premiums, a $2.3 million increase in federal revenue, an $8.1 million increase in investment earnings, and a decrease in unemployment benefits of $53.6 million. Statutes require the fund to increase unemployment insurance premiums when the fund's balance declines below established thresholds. The decrease in benefits paid was due to a combination of the expiration of benefits for the unemployed and partial recovery in employment within the state.

CollegeInvest

CollegeInvest's net assets increased by $39.1 million or 27.4 percent. The fund experienced a $8.6 million increase in federal revenue, a $25.0 million transfer-in from the Colorado College Access Network, and a $9.6 million increase in Pledged Other Revenue. CollegeInvest's debt service increased $20.5 million related to an increase of $137.0 million in outstanding bonds. Assets of the fund increased from $1,269.6 million to $1,447.9 million while liabilities increased from $1,126.7 million to $1,265.8 million, primarily due to a $141.4 million bond issuance. CollegeInvest uses bond proceeds to fund loans to students that are recorded on the *Statement of Net Assets* in the line items Student and Other Receivables and Restricted Receivables.

State Lottery

The Lottery produced operating income of $124.3 million ($104.6 million in Fiscal Year 2004-05) on sales of $474.3 million ($420.7 million in Fiscal Year 2004-05), which represents an 18.8 percent increase in operating income. The Lottery distributed $50.2 million ($50.2 million in Fiscal Year 2004-05) to the Great Outdoors Colorado program, a related organization, and transferred $75.7 million ($53.9 million in Fiscal Year 2004-05) to other state funds, of which, $12.5 million was distributed to local school districts through the Public School Fund, $12.6 million was used to fund operations of the state Division of Parks and Recreation, and $50.6 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little 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 137. That schedule isolates general-purpose revenues and expenditures funded from those revenues; it is therefore the best source for identifying General Fund budget activities.

Differences Between Original and Final Budgets

The following list shows departments that had net changes in General Fund budget greater than $10.0 million. Most of the budget adjustments were made possible by funds that became available as the result of the passage of Referendum C in the 2005 general election.

- Department of Education – The department's final budget exceeded the original budget by $20.5 million. This variance comprises special bill increases totaling $45.0 million and net supplemental bill reductions of $24.5 million. The $45.0 million was appropriated in House Bill 06-1375 and was part of increasing General Fund spending to the six percent limit, which was made possible primarily by additional funds from Referendum C. The increases included $5.75 million for the School Capital Construction Expenditure Reserve, $20.0 million for the Special Education Program for Children with Disabilities, and $19.25 million for the School Construction and Renovation Fund. The $24.5 million net reduction was appropriated primarily in House Bill 06-1385, which decreased general-funded Total Education Program appropriations by $310.2 million, increased general-funded Read-to-Achieve appropriations by $11.6 million, and increased general-exempt-funded appropriations (Referendum C moneys) by $261.4 million. House Bill 06-1215 also affected the $24.5 million net reduction when it increased general-funded Total Education Program appropriations by $10.4 million. Smaller increases and decreases account for the remaining amount of the net $24.5 million change.
- Department of Higher Education – The department's final budget exceeded the original budget by $38.6 million. This increase was primarily due to supplemental appropriations in House Bill 06-1385 that reduced general-funded stipends by $271.4 million, increased general-exempt-funded (Referendum C moneys) stipends by $253.4 million, increased general-funded fee-for-service contracts by $23.8 million, and increased Need Based Grants by $1.7 million. The net increase was also affected by House Bill 06-1370, which increased Fee-for-Service Contracts appropriations by $30.3 million. Smaller increases and decreases account for the remaining amount of the net $38.6 million change.
- Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $20.5 million. The reduction was the result of a large number of adjustments to the department's spending authority. The following are the adjustments that exceeded $10.0 million. House Bill 06-1385 reduced general-funded appropriations for Medical Service Premiums by $309.9 million, increased general-exempt-funded appropriations (Referendum C moneys) for Medical Service Premiums by $261.3 million, and increased The Children's Hospital Clinic Based Indigent Care general-funded appropriation by $15.1 million. House Bill 06-1217 reduced general-funded Medical Services Premium appropriations by $23.4 million (including a $31.0 million reduction in State Contribution to the Medicare Modernization Act of 2003 offset by various increases) and established a separate appropriation for State Contribution to the Medicare Modernization Act of 2003 of $31.5 million. Senate Bill 06-044 reduced The Children's Hospital Clinic

Based Indigent Care general-funded appropriation by $15.0 million and established a $15.0 million general funded appropriation to the Colorado Health Care Services Fund.

- Department of Treasury – The department's final budget exceeded the original budget by $17.7 million. The increase was the result of recording statutory spending authority for the General Fund to pay the debt service on Tax Revenue Anticipation Notes that the State Treasurer issued to fund an interest free loan program for local school districts pending their receipt of property tax revenues.

- Appropriation to the Capital Projects Fund – The State Controller's final nonoperating budget exceeded the original budget by $62.2 million. House Bill 06-1385 increased a significant number of Capital Construction appropriations that were funded by a $42.1 million transfer from the General Fund to the Capital Construction Fund. House Bill 06-1373 appropriated a $20.0 million transfer from the General Fund to the Capital Construction Fund for construction of an Institute for Forensic Psychiatry at the Colorado Mental Health Institute at Pueblo. The remaining $.1 million was related to several appropriations to the Corrections Expansion Reserve Fund.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $1,100,994 for Fiscal Year 2005-06. General-funded overexpenditures were not significant, and they are discussed in detail in Note 8A on page 80. In total, state departments reverted $4.0 million of general funded appropriations; the reversion amount would have been $14.6 million greater if not for a negative reversion of that amount related to the Old Age Pension program. The 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 Legislature of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $5.2 million of revenue in excess of that which was required to support specific appropriations in the General Fund. The final budget is presented without regard to 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 $2.4 million, which included a $0.7 million reversion related to payments not made to private prison facilities to house inmates, and a $1.5 million reversion related to payments not made for inmate medical services to private providers and the state hospital. The private prison payments were less than projected because the department needed approximately one percent fewer beds than originally estimated. The medical services payments were less than projected because of reduced utililization attributable to improved inmate health care services management provided by a newly contracted service provider. The balance of the reversion was related to a large number of operating, contract services, and personal services line items that were not individually significant.

- Department of Health Care Policy and Financing (DHCPF) – The department reverted $4.3 million from a large number of program appropriations. Individually significant reversions included the following. The department reverted $.3 million from the Medicaid Management Information System Fiscal Agent Contract because a small variable portion of the contract resulted in fewer than expected pharmacy prior-authorization reviews. The following reversions are from DHCPF appropriations, but the programs are managed by the Department of Human Services (DHS). DHCPF reverted $.6 million related to funding the DHS Executive Director's Office primarily due to lower than anticipated Worker's Compensation claims in DHS funded by Medicaid. DHCPF reverted $.4 million related to a reduction of transfers to fund indirect costs of the DHS Regional Centers; the reduction was to comply with Medicaid allowable cost requirements. DHCPF reverted $.7 million related to revenue from the federal government for DHS Regional Center depreciation; since the depreciation is not a budgetary expense, the line item is designed to revert the entire amount of depreciation related revenue collected. DHCPF reverted $.5 million from the appropriation for Mental Health Institutes because the Department of Human services had fewer Medicaid eligible clients in the Mental Health Institutes than was originally estimated.

- Department of Human Services (DHS) – The department reverted $3.9 million of general funded appropriation from a large number of budget line items. The individually significant items included the following: DHS reverted $.3 million from its Colorado Benefits Management System appropriation primarily

due to staffing reductions made possible by efficiencies achieved through system process improvements, vacancy savings due to delays in filling positions, and a current year budget restriction related to a prior year overexpenditure for which the department did not receive a supplemental appropriation. DHS reverted $.6 million from its Aid to Needy Disabled (State Supplement) line item, and $1.1 million from its Aid to Needy Disabled (State Only) line item. In both instances the primary reason for the reversion was lower than anticipated caseloads. The department increased the grant standard effective April 2006, but due to the short amount of time remaining in the fiscal year the increase did not eliminate the reversion. DHS reverted $.8 million from its Colorado Child Care Assistance Program primarily due to an unsolicited supplemental increase. Expenditures of this program are driven by eligibility and reimbursement rates set by counties within the state, and notwithstanding reductions in the county disbursements, the department would have had a small overexpenditure if not for the supplemental appropriation.

- Legislative Branch – The Legislative Branch reverted $2.1 million due to staff vacancy savings, special legislative session funds not utilized, and information services contingency funds that were not utilized.
- Department of Revenue (DOR) – The department reverted $4.1 million, not including the $14.6 million negative reversion related to Old Age Pension expenditures discussed above. DOR reverted $3.1 million related to Old Age Heat and Fuel refunds because the number of refunds claimed was less than originally estimated. The department reverted $.6 million from the personal services appropriation to the Taxation and Compliance Division because retirements, resignations, and resulting internal turnover caused an unexpected amount of vacancy savings. The positions involved require extensive training and are difficult to fill in the current job market.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2006, was $16.3 billion ($16.1 billion in Fiscal Year 2004-05). Included in this amount were $4.0 billion of depreciable capital assets net of $3.1 billion of depreciation. Also included was $12.2 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $715.0 million and $750.3 million of capital assets in Fiscal Year 2005-06 and 2004-05, respectively. Of the Fiscal Year 2005-06 additions, $299.8 million was recorded by governmental funds and $415.2 million was recorded by proprietary funds. Of the additions, $25.0 million was funded by general-purpose revenues and the balance was funded by federal funds, cash funds, or borrowing. The table below provides information on the state's capital assets by asset type for both governmental and business-type activities.

The state neared completion of a major project to rebuild a portion of Interstate 25 in Denver. The project increases the capacity and efficiency of the highway and adds a light rail line. The project is funded by Transportation Revenue Anticipation Notes (TRANs) authorized by a vote of the people in the November 1999 election. The state will repay the notes from future federal and other state revenues.

The state's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2006, the state had commitments of $189.1 million in the Capital Projects Fund ($64.6 million in Fiscal Year 2004-05) and $625.7 million in the Highway Users Tax Fund ($564.8 million in Fiscal Year 2004-05). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation; additionally, commitments for the related capital expenditures are not shown because the enterprise funds do not report a reserve for encumbrances.

The state's capital assets at June 30, 2006 and 2005, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 83	$ 83	$ 221	$ 211	$ 304	$ 294
Collections	9	9	13	13	22	22
Construction in Progress	1,208	1,165	328	179	1,536	1,344
Infrastructure	10,350	10,356	-	-	10,350	10,356
Total Capital Assets Not Being Depreciated	11,650	11,613	562	403	12,212	12,016
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,484	1,464	3,724	3,597	5,208	5,061
Vehicles and Equipment	645	643	736	699	1,381	1,342
Library Books, Collections, and Other Capital Assets	28	27	410	397	438	424
Infrastructure	104	77	19	19	123	96
Total Capital Assets Being Depreciated	2,261	2,211	4,889	4,712	7,150	6,923
Accumulated Depreciation	(939)	(862)	(2,171)	(1,992)	(3,110)	(2,854)
Total	$ 12,972	$ 12,962	$ 3,280	$ 3,123	$ 16,252	$ 16,085

The state is constitutionally prohibited from issuing general obligation debt. 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 taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 25 for additional detail).

Fiscal Year 2005-06
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 17.5	$ 2.5	$ 1,418.4	$ 441.6	$ 196.5	$ 89.1	$ 1,632.4	$ 533.2
Business-Type Activities	60.7	31.2	2,304.5	2,151.5	260.6	180.4	2,625.8	2,363.1
Total	$ 78.2	$ 33.7	$ 3,722.9	$ 2,593.1	$ 457.1	$ 269.5	$ 4,258.2	$ 2,896.3

Fiscal Year 2004-05
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 22.3	$ 5.7	$ 1,513.0	$ 516.7	$ 63.3	$ 24.0	$ 1,598.6	$ 546.4
Business-Type Activities	90.1	55.0	2,063.4	1,450.1	75.7	46.1	2,229.2	1,551.2
Total	$ 112.4	$ 60.7	$ 3,576.4	$ 1,966.8	$ 139.0	$ 70.1	$ 3,827.8	$ 2,097.6

In Fiscal Year 2004-05, the total principal amount of revenue bonds and COPs was 40.2 percent of net asset other than capital assets. In Fiscal Year 2005-06, that measure decreased to 38.5 percent because debt principal increased less than did noncapital net assets on a proportional basis. Total per capita debt including bonds, certificate of participation, mortgages, notes, and leases was $661, $800, $923, and $977 per person in Fiscal Years 2002-03, 2003-04, 2004-05, and 2005-06, respectively.

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. The amendment 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.

INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

The state has elected to report infrastructure owned and maintained by the state Department of Transportation under the modified approach. The main feature of the modified approach is that annual maintenance costs are reported rather than depreciation. In order to continue using the modified approach, the condition of the infrastructure must be maintained at a level set in advance by the state. The state's maintenance of the infrastructure is measured by condition assessments compared to the target condition level. The state must also disclose how the amount actually spent on maintenance compares to the estimate of the amount needed to maintain the established condition level.

The established condition level set by the Colorado Transportation Commission increased from 54 percent of roadways in the good or fair categories to 60 percent in the good or fair categories; the assessed condition level continues to trend upward at 65 percent in the good or fair categories. The following table presents the roadway condition assessment for the preceding six years and shows that the most recent condition assessment meets the established condition level.

	2005	2004	2003	2002	2001	2000
Percent Rated Good/Fair	65	61	58	58	54	54
Percent Rated Poor	35	39	42	42	46	46

The established condition level for bridges is unchanged from the prior year and requires that no more than 25 percent of bridges be rated as structurally deficient. The following table presents the condition assessment of bridges for the current and preceding six years and shows that the most recent condition assessment significantly exceeds the established condition level.

	2006	2005	2004	2003	2002	2001	2000
Percent Structurally Deficient	6.6	6.2	6.5	6.3	6.6	6.7	6.3

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain. The following table shows that in some years the department expended more than the amount budgeted for maintaining the infrastructure. This does not represent an overexpenditure, but occurs because of the multi-year nature of construction contracts.

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2005-06	$ 210.9	$ 460.6
2004-05	138.0	452.8
2003-04	554.1	529.9
2002-03	631.0	1,457.1
2001-02	968.5	1,051.8
2000-01	1,842.2	929.2
1999-00	688.6	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	$ 6,755.3	$ 7,319.1

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Some of the conditions affecting future operations of the state that were included in the Fiscal Year 2004-05 Management Discussion and Analysis continue to affect the state at the end of Fiscal Year 2005-06. However, there has been a very significant change caused by the passage of Referendum C in November 2005. The most important effect of Referendum C is that refunds of revenues in excess of the TABOR limits will not have to be paid out of the state's General Fund. The Governor's Office of State Planning and Budgeting currently estimates retained revenues of $2,758.6 million for the period from Fiscal Year 2006-07 to 2009-10.

Per Referendum C, the retained revenues must be expended from the General Fund Exempt account within the General Fund for the purposes dictated in the Referendum. This requirement exists even though the resources related to the excess TABOR revenue may be in other funds from which it cannot be removed, such as, the Highway Users Tax Fund. As a result, the Legislature's ability to allocate resources of the General Fund is impaired.

An existing statute provides for diversion of general-purpose sales tax revenue to the Highway Fund when other General Fund obligations have been met. Another statute provides that any General Fund Surplus be distributed to the Highway Fund and Capital Projects Fund in a two-thirds and one-third ratio, respectively. These statutes resulted in significant general-purpose revenues of the General Fund being made available to the Highway Fund and Capital Projects Fund. The Governor's Office of State Planning and Budgeting currently estimates that there will be no General Fund Surplus between Fiscal Years 2006-07 and 2009-10, but that $255.2 million will be credited to the Highway Fund under the required sales tax diversion.

Several conditions adversely affect the state's future operations:

- Pension Plan Contributions – Notwithstanding a 9.8 percent return on investments in 2005, the funding ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State Division and the School Division of the Public Employees Retirement Association (PERA) did not change significantly from the prior year (2004 State and School Division – 70.1 percent, 2005 State Division – 71.5 percent and 2005 School Division – 73.9 percent). In 2000, the State and School Division had a funding ratio of 104.7 percent. The amortization period for the plan is infinite, which means that at the current contribution level and actuarial assumptions the liability associated with existing benefits will never be fully paid. The current contribution rate of 10.65 percent is .8 percentage points (or 7.0 percent) below the average during the 1990s. PERA's actuary estimates that the contribution rate would need to be 19.3 percent to achieve the 40-year amortization period currently called for by the Governmental Accounting Standards Board. In the 2006 session, the Legislature approved a Supplemental Amortization Equalization Disbursement that will add three percentage points to the annual contribute in addition to the three percentage points required by the Amortization Equalization Disbursement (approved in the 2004 session). These increases will be phased in through 2013. Barring further changes, they will increase the annual contribution in Fiscal Year 2013-14 and subsequent years to 16.15 percent of salary.
- Election 2000 Amendment 23 – This constitutional requirement was originally designed to dedicate a portion of TABOR refunds to education programs. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund even though Referendum C has eliminated TABOR refunds through Fiscal Year 2009-10. OSPB currently estimates that $361.4 million will be diverted from general-purpose tax revenue in Fiscal Year 2006-07 under this requirement. In addition, the state is required to increase funding of education by specified percentages over inflation. This requirement will have increasing impact if the inflation rate increases. This revenue diversion and mandated expenditure growth infringes on general funding for other programs because of the existing spending limits.
- 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). This causes the outflow of resources to be deferred into the following year. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($140.8 million net of related deferred revenue in Fiscal Year 2005-

06) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the state's credit rating. It will be difficult for the state to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll and Medicaid expenditures that were previously deferred.

- Temporary Spending Reductions – Referendum A, passed by the voters in 2000, required the state to reimburse counties for revenue loss due to the senior Homestead Property Tax Exemption established in the Referendum. The Legislature suspended those payments for Fiscal Years 2003-04 through 2005-06. OSPB currently estimates that the state will reimburse counties an average of $67.6 million in both Fiscal Year 2006-07 and Fiscal Year 2007-08.

- Debt Service – Debt service payments on the remaining $1.3 billion of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $168.0 million per year over the next five years. While a portion of the debt services will be funded by federal funds, a significant amount will be funded by state sources. When most of the notes were issued, the diversion of surplus general-purpose revenues was expected to accumulate to fund that debt service. Due to the economic recession, those diversions did not occur for several years. As discussed above, the diversion of General Fund resumed with the passage of Referendum C, but is currently projected to decline significantly over the next five years.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,334,948	$ 1,188,953	$ 3,523,901	$ 131,602
Investments	12,637	328,466	341,103	44,448
Taxes Receivable, net	845,241	105,973	951,214	312
Contributions Receivable, net	-	-	-	24,046
Other Receivables, net	153,916	209,497	363,413	150,659
Due From Other Governments	264,688	99,040	363,728	3,647
Internal Balances	26,313	(26,313)	-	-
Due From Component Units	56	11,141	11,197	-
Inventories	14,906	35,747	50,653	9,612
Prepaids, Advances, and Deferred Charges	28,735	13,148	41,883	9,588
Total Current Assets	3,681,440	1,965,652	5,647,092	373,914
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,349,184	187,895	1,537,079	210,384
Restricted Investments	491,780	424,826	916,606	551,172
Restricted Receivables	335,774	1,173,312	1,509,086	12,185
Investments	48,173	887,302	935,475	1,415,539
Contributions Receivable, net	-	-	-	42,210
Other Long-Term Assets	395,612	108,606	504,218	1,140,282
Depreciable Capital Assets and Infrastructure, net	1,322,945	2,718,135	4,041,080	551,971
Land and Nondepreciable Infrastructure	11,649,792	561,525	12,211,317	130,744
Total Noncurrent Assets	15,593,260	6,061,601	21,654,861	4,054,487
TOTAL ASSETS	19,274,700	8,027,253	27,301,953	4,428,401
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	457,124	-	457,124	-
Accounts Payable and Accrued Liabilities	633,685	380,194	1,013,879	88,699
TABOR Refund Liability (Note 8B)	2,917	-	2,917	-
Due To Other Governments	247,548	30,749	278,297	5,027
Due To Component Units	-	1,067	1,067	-
Deferred Revenue	66,290	171,411	237,701	6,529
Accrued Compensated Absences	9,437	14,284	23,721	11,946
Claims and Judgments Payable	49,415	7,430	56,845	6,688
Leases Payable	1,461	4,851	6,312	280
Notes, Bonds, COP's Payable	526,235	83,271	609,506	51,665
Other Current Liabilities	10,318	94,214	104,532	301,497
Total Current Liabilities	2,004,430	787,471	2,791,901	472,331
Noncurrent Liabilities:				
Deposits Held In Custody For Others	17	-	17	134,993
Accrued Compensated Absences	112,860	136,837	249,697	-
Claims and Judgments Payable	343,452	48,396	391,848	-
Capital Lease Payable	16,021	55,873	71,894	4,556
Notes, Bonds, COP's Payable	1,503,686	2,488,738	3,992,424	1,625,051
Other Long-Term Liabilities	210,369	53,138	263,507	115,481
Total Noncurrent Liabilities	2,186,405	2,782,982	4,969,387	1,880,081
TOTAL LIABILITIES	4,190,835	3,570,453	7,761,288	2,352,412
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,662,529	2,256,602	13,919,131	221,150
Restricted for:				
Highway Construction and Maintenance	824,698	-	824,698	-
State Education	153,043	-	153,043	-
Unemployment Insurance	-	548,780	548,780	-
Debt Service	580	105,348	105,928	-
Emergencies	79,800	29,883	109,683	19
Permanent Funds and Endowments:				
Expendable	1,642	4,757	6,399	585,558
Nonexpendable	460,473	82,698	543,171	431,195
Court Awards and Other Purposes	198,996	364,310	563,306	397,406
Unrestricted	1,702,104	1,064,422	2,766,526	440,661
TOTAL NET ASSETS	$ 15,083,865	$ 4,456,800	$ 19,540,665	$ 2,075,989

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

(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	$ 182,121	$ (17,845)	$ 73,427	$ 182,511	$ 2,213
Business, Community, and Consumer Affairs	447,449	1,962	118,776	235,383	566
Education	4,392,964	1,272	14,421	469,449	3,289
Health and Rehabilitation	523,587	1,149	44,310	312,523	-
Justice	1,193,299	4,035	135,102	42,360	9,888
Natural Resources	111,273	1,480	110,984	25,044	22
Social Assistance	4,345,554	2,912	20,137	2,556,654	457
Transportation	1,204,199	1,357	242,102	85,458	430,848
Interest on Debt	31,969	-	-	-	-
Total Governmental Activities	12,432,415	(3,678)	759,259	3,909,382	447,283
Business-Type Activities:					
Higher Education	3,444,448	2,268	2,197,540	1,247,400	16,789
Unemployment Insurance	305,447	-	504,039	28,467	-
CollegeInvest	73,726	19	43,842	44,009	-
Lottery	402,140	251	476,191	1,119	-
Wildlife	90,525	696	86,099	15,896	64
College Access Network	115,090	110	45,057	124,199	-
Other Business-Type Activities	138,439	334	99,219	4,955	3
Total Business-Type Activities	4,569,815	3,678	3,451,987	1,466,045	16,856
Total Primary Government	17,002,230	-	4,211,246	5,375,427	464,139
Component Units:					
University of Colorado Hospital Authority	524,987	-	542,784	719	2,268
Denver Metropolitan Baseball Stadium District	4,816	-	444	-	2,038
Colorado Water Resources and Power Development Authority	50,381	-	38,629	21,169	-
University of Colorado Foundation	84,628	-	12,554	113,567	-
Colorado State University Foundation	27,736	-	-	55,558	-
Colorado School of Mines Foundation	15,522	-	-	29,574	-
University of Northern Colorado Foundation	9,026	-	-	12,734	-
CoverColorado	29,836	-	22,278	4,777	-
Venture Capital Authority	114	-	-	-	-
Total Component Units	$ 747,046	$ -	$ 616,689	$ 238,098	$ 4,306

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

Payment from State of Colorado
Special and/or Extraordinary Items
(Transfers-Out) / Transfers-In

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 28)

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 93,875	$ -	$ 93,875	
(94,686)	-	(94,686)	
(3,907,077)	-	(3,907,077)	
(167,903)	-	(167,903)	
(1,009,984)	-	(1,009,984)	
23,297	-	23,297	
(1,771,218)	-	(1,771,218)	
(447,148)	-	(447,148)	
(31,969)	-	(31,969)	
(7,312,813)	-	(7,312,813)	
-	15,013	15,013	
-	227,059	227,059	
-	14,106	14,106	
-	74,919	74,919	
-	10,838	10,838	
-	54,056	54,056	
-	(34,596)	(34,596)	
-	361,395	361,395	
(7,312,813)	361,395	(6,951,418)	
-	-	-	20,784
-	-	-	(2,334)
-	-	-	9,417
-	-	-	41,493
-	-	-	27,822
-	-	-	14,052
-	-	-	3,708
-	-	-	(2,781)
-	-	-	(114)
-	-	-	112,047
2,148,981	-	2,148,981	152
266,747	-	266,747	-
4,044,581	-	4,044,581	-
422,656	-	422,656	-
568,184	34,728	602,912	-
330,234	-	330,234	-
27,005	-	27,005	-
-	-	-	-
564,936	-	564,936	-
697	-	697	-
35,372	-	35,372	67,811
84,335	-	84,335	-
-	-	-	19,164
(13,534)	(707)	(14,241)	-
(80,894)	80,894	-	-
8,399,300	114,915	8,514,215	87,127
1,086,487	476,310	1,562,797	199,174
14,126,295	3,977,171	18,103,466	1,876,815
(128,917)	3,319	(125,598)	-
$ 15,083,865	$ 4,456,800	$ 19,540,665	$ 2,075,989

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 841,918	$ 32,507	$ 25,538
Taxes Receivable, net	914,327	-	-
Other Receivables, net	60,188	-	2,871
Due From Other Governments	257,082	1,617	198
Due From Other Funds	20,772	16,219	2,155
Due From Component Units	56	-	-
Inventories	7,514	-	6,049
Prepaids, Advances, and Deferred Charges	21,382	-	78
Restricted Cash and Pooled Cash	-	-	945,099
Restricted Investments	-	-	-
Restricted Receivables	-	-	319,118
Investments	4,539	-	-
Other Long-Term Assets	91	-	9,925
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,127,869	$ 50,343	$ 1,311,031
LIABILITIES:			
Tax Refunds Payable	$ 450,166	$ -	$ 568
Accounts Payable and Accrued Liabilities	405,823	1,705	133,843
TABOR Refund Liability (Note 8B)	2,917	-	-
Due To Other Governments	104,288	-	73,187
Due To Other Funds	8,748	70	677
Deferred Revenue	140,008	-	17,937
Compensated Absences Payable	48	-	-
Claims and Judgments Payable	1,631	-	6,332
Notes, Bonds, COP's Payable	415,000	-	-
Other Current Liabilities	6,472	-	45
Deposits Held In Custody For Others	7	-	-
TOTAL LIABILITIES	1,535,108	1,775	232,589
FUND BALANCES:			
Reserved for:			
Encumbrances	12,233	-	625,684
Noncurrent Assets	91	-	9,925
Debt Service	-	-	-
Statutory Purposes	251,704	-	-
Risk Management	32,851	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	420,760
Unreserved Undesignated, Reported in:			
General Fund	295,882	-	-
Special Revenue Funds	-	48,568	22,073
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	592,761	48,568	1,078,442
TOTAL LIABILITIES AND FUND BALANCES	$ 2,127,869	$ 50,343	$ 1,311,031

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 285,022	$ -	$ 821,221	$ 297,822	$ 2,304,028
-	-	33,697	31,410	979,434
7,371	-	22,076	61,034	153,540
1,719	-	3,514	341	264,471
8,793	-	98,970	8,983	155,892
-	-	-	-	56
-	-	275	-	13,838
2,918	-	3,998	32	28,408
-	96,872	72,931	234,282	1,349,184
-	55,176	-	436,604	491,780
-	995	21	15,640	335,774
-	-	12,637	43,634	60,810
148	-	24,122	229,931	264,217
-	-	-	11,433	11,433
$ 305,971	$ 153,043	$ 1,093,462	$ 1,371,146	$ 6,412,865
$ -	$ -	$ 6,390	$ -	$ 457,124
22,440	-	31,997	27,570	623,378
-	-	-	-	2,917
-	-	47,842	22,032	247,349
349	-	3,479	116,539	129,862
4,114	-	36,419	1,549	200,027
-	-	69	-	117
-	-	96	-	8,059
-	-	-	-	415,000
3	-	3,767	31	10,318
-	-	1	9	17
26,906	-	130,060	167,730	2,094,168
189,127	-	-	-	827,044
148	-	89,339	242,929	342,432
-	-	-	580	580
137,530	-	-	-	389,234
-	-	-	-	32,851
-	-	19,300	60,500	79,800
-	153,043	53,192	606,277	1,233,272
-	-	-	-	295,882
-	-	801,571	-	872,212
(47,740)	-	-	-	(47,740)
-	-	-	291,488	291,488
-	-	-	1,642	1,642
279,065	153,043	963,402	1,203,416	4,318,697
$ 305,971	$ 153,043	$ 1,093,462	$ 1,371,146	$ 6,412,865

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,304,028	$ 30,880	$ -	$ -	$ -	$ 40	$ -	$ 2,334,948
Investments	-	-	-	-	-	12,637	-	12,637
Taxes Receivable, net	979,434	-	-	-	-	(134,193)	-	845,241
Other Receivables, net	153,540	369	-	-	-	7	-	153,916
Due From Other Governments	264,471	217	-	-	-	-	-	264,688
Due From Other Funds	155,892	90	-	-	-	(6)	(129,663)	26,313
Due From Component Units	56	-	-	-	-	-	-	56
Inventories	13,838	1,068	-	-	-	-	-	14,906
Prepaids, Advances, and Deferred Charges	28,408	327	-	-	-	-	-	28,735
Total Current Assets	3,899,667	32,951	-	-	-	(121,515)	(129,663)	3,681,440
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,349,184	-	-	-	-	-	-	1,349,184
Restricted Investments	491,780	-	-	-	-	-	-	491,780
Restricted Receivables	335,774	-	-	-	-	-	-	335,774
Investments	60,810	-	-	-	-	(12,637)	-	48,173
Other Long-Term Assets	264,217	532	-	-	-	130,863	-	395,612
Depreciable Capital Assets and Infrastructure, net	-	60,673	1,262,272	-	-	-	-	1,322,945
Land and Nondepreciable Infrastructure	11,433	-	11,638,359	-	-	-	-	11,649,792
Total Noncurrent Assets	2,513,198	61,205	12,900,631	-	-	118,226	-	15,593,260
TOTAL ASSETS	6,412,865	94,156	12,900,631	-	-	(3,289)	(129,663)	19,274,700
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	457,124	-	-	-	-	-	-	457,124
Accounts Payable and Accrued Liabilities	623,378	8,298	-	2,009	-	-	-	633,685
TABOR Refund Liability (Note 8B)	2,917	-	-	-	-	-	-	2,917
Due To Other Governments	247,349	-	-	-	-	199	-	247,548
Due To Other Funds	129,862	-	-	-	-	(199)	(129,663)	-
Deferred Revenue	200,027	456	-	-	-	(134,193)	-	66,290
Compensated Absences Payable	117	61	-	-	-	9,259	-	9,437
Claims and Judgments Payable	8,059	-	-	-	28,852	12,504	-	49,415
Leases Payable	-	276	-	1,185	-	-	-	1,461
Notes, Bonds, COP's Payable	415,000	11,970	-	99,265	-	-	-	526,235
Other Current Liabilities	10,318	-	-	-	-	-	-	10,318
Total Current Liabilities	2,094,151	21,061	-	102,459	28,852	(112,430)	(129,663)	2,004,430
Noncurrent Liabilities:								
Deposits Held In Custody For Others	17	-	-	-	-	-	-	17
Accrued Compensated Absences	-	1,550	-	-	-	111,310	-	112,860
Claims and Judgments Payable	-	-	-	-		343,452	-	343,452
Capital Lease Payable	-	13,165	-	2,856	-	-	-	16,021
Notes, Bonds, COP's Payable	-	32,398	-	1,471,288	-	-	-	1,503,686
Other Long-Term Liabilities	-	-	-	-	78,438	131,931	-	210,369
Total Noncurrent Liabilities	17	47,113	-	1,474,144	78,438	586,693	-	2,186,405
TOTAL LIABILITIES	2,094,168	68,174	-	1,576,603	107,290	474,263	(129,663)	4,190,835
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	11,433	2,863	12,900,631	(1,252,398)	-	-	-	11,662,529
Restricted for:								
Highway Construction and Maintenance	1,046,444	-	-	(221,746)	-	-	-	824,698
State Education	153,043	-	-	-	-	-	-	153,043
Debt Service	580	-	-	-	-	-	-	580
Emergencies	79,800	-	-	-	-	-	-	79,800
Expendable	1,642	-	-	-	-	-	-	1,642
Nonexpendable	460,473	-	-	-	-	-	-	460,473
Court Awards and Other Purposes	198,996	-	-	-	-	-	-	198,996
Unrestricted	2,366,286	23,119	-	(102,459)	(107,290)	(477,552)	-	1,702,104
TOTAL NET ASSETS	$ 4,318,697	$ 25,982	$ 12,900,631	$ (1,576,603)	$ (107,290)	$ (477,552)	$ -	$ 15,083,865

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

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

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

- Fleet management, printing, and mail services;
- Information management services;
- Telecommunication services;
- Building maintenance and management in the capitol complex;
- Administrative hearings services;
- Debt collection.

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,044,317	$ -	$ -
Corporate Income	422,027	-	-
Sales and Use	1,902,781	-	220,418
Excise	92,292	-	564,934
Other Taxes	185,655	-	697
Licenses, Permits, and Fines	43,130	-	252,536
Charges for Goods and Services	50,132	-	3,868
Rents	123	-	851
Investment Income (Loss)	43,419	12	19,774
Federal Grants and Contracts	3,316,673	-	462,417
Other	243,576	9,318	41,064
TOTAL REVENUES	10,344,125	9,330	1,566,559
EXPENDITURES:			
Current:			
General Government	202,252	-	12,555
Business, Community and Consumer Affairs	151,013	-	-
Education	645,543	157	-
Health and Rehabilitation	409,328	-	7,322
Justice	896,975	-	70,221
Natural Resources	57,085	-	-
Social Assistance	3,137,143	-	-
Transportation	-	-	960,617
Capital Outlay	11,277	-	13,849
Intergovernmental:			
Cities	20,711	-	122,062
Counties	1,334,265	-	160,794
School Districts	524,330	2,577,214	-
Special Districts	69,275	-	20,019
Federal	2,226	-	-
Other	46,930	-	464
Debt Service	31,121	-	-
TOTAL EXPENDITURES	7,539,474	2,577,371	1,367,903
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,804,651	(2,568,041)	198,656
OTHER FINANCING SOURCES (USES):			
Transfers-In	438,183	2,603,267	71,865
Transfers-Out	(2,890,154)	(3,201)	(212,899)
Capital Leases and Certificates of Participation	1,533	-	-
Sale of Capital Assets	-	-	1,376
Insurance Recoveries	525	-	3
TOTAL OTHER FINANCING SOURCES (USES)	(2,449,913)	2,600,066	(139,655)
NET CHANGE IN FUND BALANCES	354,738	32,025	59,001
FUND BALANCE, FISCAL YEAR BEGINNING	238,913	11,157	1,017,584
Prior Period Adjustment (See Note 28)	(890)	5,386	1,857
FUND BALANCE, FISCAL YEAR END	$ 592,761	$ 48,568	$ 1,078,442

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 331,792	$ -	$ -	$ 4,376,109
-	25,447	-	-	447,474
-	-	18,849	-	2,142,048
-	-	3,029	170,983	831,238
-	-	262,689	149,346	598,387
-	-	169,490	75,851	541,007
-	-	44,564	694	99,258
-	-	5,331	62,614	68,919
3,618	4,067	32,649	13,565	117,104
20,645	-	253,327	658	4,053,720
5,501	28	39,632	2,103	341,222
29,764	361,334	829,560	475,814	13,616,486
5,587	-	35,477	-	255,871
18	-	103,955	18,925	273,911
3,375	95	4,208	19,790	673,168
-	-	43,072	26,193	485,915
4,715	-	26,419	-	998,330
2,172	-	33,263	4,275	96,795
415	-	78,772	47,124	3,263,454
-	-	1,686	-	962,303
36,316	-	20,490	489	82,421
650	-	88,404	18,785	250,612
122	-	89,056	31,570	1,615,807
-	328,117	9,593	16,056	3,455,310
183	156	23,777	1,864	115,274
-	-	3,919	504	6,649
953	1	20,683	5,700	74,731
-	-	20	172,764	203,905
54,506	328,369	582,794	364,039	12,814,456
(24,742)	32,965	246,766	111,775	802,030
121,271	3,552	199,784	207,373	3,645,295
(11,278)	(7,341)	(411,488)	(171,360)	(3,707,721)
130,576	-	-	-	132,109
-	-	1,988	14	3,378
719	-	4	-	1,251
241,288	(3,789)	(209,712)	36,027	74,312
216,546	29,176	37,054	147,802	876,342
62,519	123,867	931,460	1,055,614	3,441,114
-	-	(5,112)	-	1,241
$ 279,065	$ 153,043	$ 963,402	$ 1,203,416	$ 4,318,697

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,376,109	$ -	$ -	$ -	$ (5,506)	$ 4,370,603
Corporate Income	447,474	-	-	-	628	448,102
Sales and Use	2,142,048	-	-	-	6,933	2,148,981
Excise	831,238	-	-	-	443	831,681
Other Taxes	598,387	-	-	-	(1,039)	597,348
Licenses, Permits, and Fines	541,007	-	-	-	28	541,035
Charges for Goods and Services	99,258	-	-	-	-	99,258
Rents	68,919	-	-	-	-	68,919
Investment Income (Loss)	117,104	568	-	-	57	117,729
Federal Grants and Contracts	4,053,720	-	-	-	-	4,053,720
Other	341,222	-	22	-	4	341,248
TOTAL REVENUES	13,616,486	568	22	-	1,548	13,618,624
EXPENDITURES:						
Current:						
General Government	255,871	(468)	2,188	-	15,837	273,428
Business, Community and Consumer Affairs	273,911	(137)	(9,184)	-	(83,720)	180,870
Education	673,168	(13)	1,044	-	266	674,465
Health and Rehabilitation	485,915	21	5,228	-	102	491,266
Justice	998,330	1,501	25,685	-	2,207	1,027,723
Natural Resources	96,795	116	3,674	-	800	101,385
Social Assistance	3,263,454	(128)	7,321	-	47	3,270,694
Transportation	962,303	419	(159,647)	-	(183)	802,892
Capital Outlay	82,421	-	(72,501)	-	-	9,920
Intergovernmental:						
Cities	250,612	-	-	-	-	250,612
Counties	1,615,807	-	-	-	-	1,615,807
School Districts	3,455,310	-	-	-	-	3,455,310
Special Districts	115,274	-	-	-	-	115,274
Federal	6,649	-	-	-	-	6,649
Other	74,731	-	-	-	-	74,731
Debt Service	203,905	1,557	-	(97,563)	-	107,899
TOTAL EXPENDITURES	12,814,456	2,868	(196,192)	(97,563)	(64,644)	12,458,925
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	802,030	(2,300)	196,214	97,563	66,192	1,159,699
OTHER FINANCING SOURCES (USES):						
Transfers-In	3,645,295	1,343	-	-	-	3,646,638
Transfers-Out	(3,707,721)	(4,106)	-	-	-	(3,711,827)
Capital Leases and Certificates of Participation	132,109	-	-	(132,109)	-	-
Sale of Capital Assets	3,378	-	(12,434)	-	-	(9,056)
Insurance Recoveries	1,251	-	-	-	-	1,251
TOTAL OTHER FINANCING SOURCES (USES)	74,312	(2,763)	(12,434)	(132,109)	-	(72,994)
Internal Service Fund Charges to BTAs	-	(218)	-	-	-	(218)
NET CHANGE FOR THE YEAR	$ 876,342	$ (5,281)	$ 183,780	$ (34,546)	$ 66,192	$ 1,086,487

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 Funds makes a profit, the other funds of the state have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the state have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management, printing, and mail services;
- Information management services;
- Telecommunication services;
- Building maintenance and management in the capitol complex;
- Administrative hearings services;
- Debt collection.

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 581,208	$ 455,792
Investments	323,536	-
Taxes Receivable, net	-	105,973
Student and Other Receivables, net	180,646	3,796
Due From Other Governments	92,774	908
Due From Other Funds	8,527	-
Due From Component Units	11,141	-
Inventories	22,623	-
Prepaids, Advances, and Deferred Charges	7,152	-
Total Current Assets	1,227,607	566,469
Noncurrent Assets:		
Restricted Cash and Pooled Cash	113,276	-
Restricted Investments	279,508	-
Restricted Receivables	-	-
Investments	782,533	-
Other Long-Term Assets	97,398	-
Depreciable Capital Assets and Infrastructure, net	2,620,620	-
Land and Nondepreciable Infrastructure	428,194	-
Total Noncurrent Assets	4,321,529	-
TOTAL ASSETS	5,549,136	566,469
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	352,002	171
Due To Other Governments	-	-
Due To Other Funds	8,891	-
Due To Component Units	1,067	-
Deferred Revenue	133,797	-
Compensated Absences Payable	13,365	-
Claims and Judgments Payable	-	7,430
Leases Payable	4,740	-
Notes, Bonds, COP's Payable	41,768	-
Other Current Liabilities	60,175	10,088
Total Current Liabilities	615,805	17,689
Noncurrent Liabilities:		
Accrued Compensated Absences	128,774	-
Claims and Judgments Payable	48,396	-
Capital Lease Payable	54,268	-
Notes, Bonds, COP's Payable	1,319,596	-
Other Long-Term Liabilities	16,716	-
Total Noncurrent Liabilities	1,567,750	-
TOTAL LIABILITIES	2,183,555	17,689
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,042,258	-
Restricted for:		
Unemployment Insurance	-	548,780
Debt Service	8,666	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	4,757	-
Nonexpendable	82,698	-
Court Awards and Other Purposes	361,670	-
Unrestricted	865,532	-
TOTAL NET ASSETS	$ 3,365,581	$ 548,780

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 12,437	$ 31,261	$ 108,255	$ 1,188,953	$ 30,880
4,930	-	-	328,466	-
-	-	-	105,973	-
1,362	16,068	7,492	209,364	369
-	-	5,358	99,040	217
211	-	2,702	11,440	90
-	-	-	11,141	-
-	826	12,298	35,747	1,068
316	3,754	1,926	13,148	327
19,256	51,909	138,031	2,003,272	32,951
-	-	74,619	187,895	-
145,318	-	-	424,826	-
1,168,143	-	5,169	1,173,312	-
104,769	-	-	887,302	-
9,485	-	1,723	108,606	532
895	754	95,866	2,718,135	60,673
-	-	133,331	561,525	-
1,428,610	754	310,708	6,061,601	61,205
1,447,866	52,663	448,739	8,064,873	94,156
5,805	2,616	19,600	380,194	8,298
22,968	54	5,296	28,318	-
456	28,796	1,908	40,051	-
-	-	-	1,067	-
-	234	37,380	171,411	456
-	-	919	14,284	61
-	-	-	7,430	-
-	-	111	4,851	276
39,612	-	1,891	83,271	11,970
4,276	17,432	2,243	94,214	-
73,117	49,132	69,348	825,091	21,061
111	839	7,113	136,837	1,550
-	-	-	48,396	-
-	-	1,605	55,873	13,165
1,156,304	-	12,838	2,488,738	32,398
36,314	108	-	53,138	-
1,192,729	947	21,556	2,782,982	47,113
1,265,846	50,079	90,904	3,608,073	68,174
895	754	212,695	2,256,602	2,863
-	-	-	548,780	-
96,682	-	-	105,348	-
-	-	29,883	29,883	-
-	-	-	4,757	-
-	-	-	82,698	-
-	-	2,640	364,310	-
84,443	1,830	112,617	1,064,422	23,119
$ 182,020	$ 2,584	$ 357,835	$ 4,456,800	$ 25,982

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Taxes	$ -	$ 504,035
License and Permits	-	-
Tuition and Fees	1,264,513	-
Pledged Tuition and Fees	82,553	-
Scholarship Allowance for Tuition and Fees	(228,730)	-
Sales of Goods and Services	794,409	-
Pledged Sales of Goods & Services	218,780	-
Scholarship Allowance for Sales of Goods & Services	(16,226)	-
Investment Income (Loss)	1,512	-
Pledged Investment Income	-	-
Rental Income	14,890	-
Gifts and Donations	14,681	-
Federal Grants and Contracts	762,204	13,857
Pledged Federal Grants and Contracts	134,119	-
Intergovernmental Revenue	9,917	-
Other	159,647	-
Pledged Other Revenues	5,928	-
TOTAL OPERATING REVENUES	3,218,197	517,892
OPERATING EXPENSES:		
Salaries and Fringe Benefits	2,290,902	-
Operating and Travel	731,716	305,588
Cost of Goods Sold	116,704	-
Depreciation and Amortization	213,719	-
Intergovernmental Distributions	9,375	-
Debt Service	-	-
Prizes and Awards	372	-
TOTAL OPERATING EXPENSES	3,362,788	305,588
OPERATING INCOME (LOSS)	(144,591)	212,304
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	24	-
Fines and Settlements	33	-
Investment Income (Loss)	100,062	14,640
Pledged Investment Income	2,272	-
Rental Income	11,926	-
Gifts and Donations	87,675	-
Intergovernmental Distributions	(21,107)	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,615)	111
Debt Service	(58,123)	-
Other Expenses	-	-
Other Revenues	18,390	-
TOTAL NONOPERATING REVENUES (EXPENSES)	138,537	14,751
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(6,054)	227,055
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	32,305	-
Additions to Permanent Endowments	252	-
Special and/or Extraordinary Item (See Note 32)	(707)	-
Transfers-In	139,325	-
Transfers-Out	(3,269)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	167,906	-
CHANGE IN NET ASSETS	161,852	227,055
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,205,531	321,725
Prior Period/Other Adjustments (See Note 28)	(1,802)	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 3,365,581	$ 548,780

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ -	$ 504,035	$ -
-	72	75,316	75,388	-
-	-	356	1,264,869	-
-	-	-	82,553	-
-	-	-	(228,730)	-
303	474,282	90,395	1,359,389	84,095
-	-	-	218,780	-
-	-	-	(16,226)	-
(184)	-	2,203	3,531	-
10,428	-	-	10,428	-
-	-	1,618	16,508	9,736
-	-	-	14,681	-
-	-	148,842	924,903	-
33,762	-	-	167,881	-
-	-	9,782	19,699	-
-	1,838	43,096	204,581	512
43,539	-	-	49,467	-
87,848	476,192	371,608	4,671,737	94,343
1,919	8,486	117,898	2,419,205	24,527
18,842	46,355	175,690	1,278,191	50,956
1,757	9,727	21,958	150,146	5,649
367	182	6,827	221,095	16,161
-	-	5,584	14,959	3
50,841	-	15,600	66,441	-
-	287,114	723	288,209	-
73,726	351,864	344,280	4,438,246	97,296
14,122	124,328	27,328	233,491	(2,953)
-	-	34,705	34,729	-
-	-	696	729	5
-	1,119	1,975	117,796	568
-	-	-	2,272	-
-	-	331	12,257	-
-	-	1,289	88,964	-
-	(50,230)	-	(71,337)	-
-	-	-	-	863
-	(6)	401	(2,109)	589
-	-	(462)	(58,585)	(1,439)
-	-	(14)	(14)	(146)
-	-	-	18,390	-
-	(49,117)	38,921	143,092	440
14,122	75,211	66,249	376,583	(2,513)
-	-	617	32,922	-
-	-	-	252	-
-	-	-	(707)	-
25,000	-	13,189	177,514	1,343
(27)	(75,676)	(31,282)	(110,254)	(4,106)
24,973	(75,676)	(17,476)	99,727	(2,763)
39,095	(465)	48,773	476,310	(5,276)
142,925	3,049	303,941	3,977,171	31,258
-	-	5,121	3,319	-
$ 182,020	$ 2,584	$ 357,835	$ 4,456,800	$ 25,982

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,122,479	$ -
Fees for Service	969,972	-
Sales of Products	4,643	-
Gifts, Grants, and Contracts	1,052,084	14,207
Loan and Note Repayments	38,440	-
Unemployment Insurance Taxes	-	498,154
Income from Property	26,816	-
Other Sources	71,073	-
Cash Payments to or for:		
Employees	(2,210,525)	-
Suppliers	(759,289)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(301,774)
Scholarships	(55,648)	-
Others for Student Loans and Loan Losses	(21,002)	-
Other Governments	(9,375)	-
Other	(33,037)	(834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	196,631	209,753
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	139,325	-
Transfers-Out	(3,269)	-
Receipt of Deposits Held in Custody	480,797	-
Release of Deposits Held in Custody	(505,463)	-
Gifts for Other Than Capital Purposes	86,959	-
Intergovernmental Distributions	(21,107)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(2,088)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	175,154	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(345,944)	-
Capital Contributions	2,122	-
Capital Gifts, Grants, and Contracts	19,401	-
Proceeds from Sale of Capital Assets	422	111
Capital Debt Proceeds	328,732	-
Capital Debt Service Payments	(100,331)	-
Capital Lease Payments	(34,770)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(130,368)	111

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 876	$ 1,123,355	$ -
1,743	-	155,938	1,127,653	81,107
116	479,723	41,186	525,668	1,799
30,992	-	147,199	1,244,482	852
438,822	-	-	477,262	-
-	-	-	498,154	-
-	-	1,948	28,764	9,715
-	1,910	58,659	131,642	552
(1,915)	(7,966)	(96,491)	(2,316,897)	(22,078)
(19,202)	(25,837)	(91,666)	(895,994)	(57,641)
-	(321,447)	(5,796)	(327,243)	(869)
-	-	-	(301,774)	-
-	-	-	(55,648)	-
(548,812)	-	(105,292)	(675,106)	-
-	-	(5,568)	(14,943)	(3)
-	(48)	(28,453)	(62,372)	(61)
(98,256)	126,335	72,540	507,003	13,373
25,000	-	13,189	177,514	1,343
(27)	(75,676)	(31,282)	(110,254)	(4,106)
-	-	400	481,197	-
-	-	(442)	(505,905)	-
-	-	939	87,898	-
-	(49,214)	-	(70,321)	-
181,000	-	-	181,000	-
(94,490)	-	(325)	(96,903)	-
111,483	(124,890)	(17,521)	144,226	(2,763)
(90)	(81)	(16,834)	(362,949)	(31,309)
-	-	-	2,122	-
-	-	-	19,401	-
-	-	188	721	18,986
-	-	15	328,747	34,576
-	-	(518)	(100,849)	(29,522)
-	-	(263)	(35,033)	(277)
(90)	(81)	(17,412)	(147,840)	(7,546)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	103,047	14,640
Proceeds from Sale/Maturity of Investments	3,930,365	-
Purchases of Investments	(4,181,926)	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(6,727)	-
NET CASH FROM INVESTING ACTIVITIES	(155,241)	14,640
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	86,176	224,504
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	608,308	231,288
Prior Period Adjustment	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 694,484	$ 455,792
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (144,591)	$ 212,304
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	213,719	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	31,229	-
Loss on Disposal of Capital Assets	(75)	-
Compensated Absences	5,334	-
Interest and Other Expense in Operating Income	(1,035)	-
(Increase) Decrease in Operating Receivables	(11,933)	(1,438)
(Increase) Decrease in Inventories	(102)	-
(Increase) Decrease in Other Operating Assets	15,657	-
Increase (Decrease) in Accounts Payable	27,151	(1,980)
Increase (Decrease) in Other Operating Liabilities	61,277	867
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 196,631	$ 209,753
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	7,066	-
Capital Assets Acquired by Grants or Donations and Payable Increases	4,685	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	11,730	-
Gain/(Loss) on Disposal of Capital Assets	(2,294)	111
Disposal of Capital Assets	411	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	332	-
Assumption of Capital Lease Obligation or Mortgage	4,144	-
Application of Prepaid Lease Expense	38	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
11,656	1,419	6,388	137,150	599
3,517,159	-	150	7,447,674	-
(3,555,511)	-	-	(7,737,437)	-
(98)	(326)	(2,209)	(9,360)	(31)
(26,794)	1,093	4,329	(161,973)	568
(13,657)	2,457	41,936	341,416	3,632
26,094	28,804	138,407	1,032,901	27,248
-	-	2,531	2,531	-
$ 12,437	$ 31,261	$ 182,874	$ 1,376,848	$ 30,880
$ 14,122	$ 124,328	$ 27,328	$ 233,491	$ (2,953)
367	182	6,827	221,095	16,161
(10,244)	-	(2,203)	(12,447)	-
-	-	36,561	67,790	878
-	-	48	(27)	-
(8)	(9)	(327)	4,990	248
50,841	-	693	50,499	425
(155,473)	5,581	(3,232)	(166,495)	103
-	408	(1,255)	(949)	55
1,096	199	(1,177)	15,775	(46)
2,939	(4,498)	3,563	27,175	(221)
(1,896)	144	5,714	66,106	(1,277)
$ (98,256)	$ 126,335	$ 72,540	$ 507,003	$ 13,373
-	-	550	7,616	-
-	-	67	4,752	-
(2,248)	-	-	9,482	-
-	(6)	(132)	(2,321)	579
-	-	-	411	-
-	-	-	332	-
-	-	1,641	5,785	-
-	-	-	38	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,372	$ 135,361	$ 346,782
Taxes Receivable, net	-	-	118,073
Other Receivables, net	6,949	10,510	477
Due From Other Funds	87	456	2,087
Inventories	-	-	2
Prepaids, Advances, and Deferred Charges	13	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	8,132	-
Corporate Bonds	-	10,003	-
Asset Backed Securities	-	13,179	-
Mortgages	-	21,939	-
Mutual Funds	323,553	2,434,223	-
Other Investments	5,785	22,944	-
Other Long-Term Assets	-	-	13,227
TOTAL ASSETS	339,759	2,656,747	480,648
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	432
Accounts Payable and Accrued Liabilities	7,128	54,852	477
Due To Other Governments	-	-	211,343
Due To Other Funds	6	131	2
Claims and Judgments Payable	-	-	397
Other Current Liabilities	-	-	212,714
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	498	54,949
Accrued Compensated Absences	41	-	-
Other Long-Term Liabilities	-	2,128	334
TOTAL LIABILITIES	7,175	57,609	480,648
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	331,785	-	-
Individuals, Organizations, and Other Entities	-	2,599,138	-
Unrestricted	799	-	-
TOTAL NET ASSETS	$ 332,584	$ 2,599,138	$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 829,797
Member Contributions	112,097	-
Employer Contributions	95,381	-
Investment Income/(Loss)	22,319	125,765
Employee Deferral Fees	2,129	-
Unclaimed Property Receipts	-	53,800
Other Additions	15,770	1,731
TOTAL ADDITIONS	247,696	1,011,093
DEDUCTIONS:		
Distributions to Participants	-	272,523
Benefits and Withdrawals	37,824	-
Health Insurance Premiums Paid	53,461	-
Other Benefits Plan Expense	17,594	-
Payments in Accordance with Trust Agreements	-	213,425
Administrative Expense	947	-
Other Deductions	120,894	-
Transfers-Out	102	1,969
TOTAL DEDUCTIONS	230,822	487,917
CHANGE IN NET ASSETS	16,874	523,176
NET ASSETS AVAILABLE:		
FISCAL YEAR BEGINNING	315,710	2,075,932
Prior Period Adjustment	-	30
FISCAL YEAR ENDING	$ 332,584	$ 2,599,138

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 23,869	$ 90,050	$ 2,008	$ 8,920
Investments	-	-	-	-
Taxes Receivable, net	-	-	312	-
Contributions Receivable, net	-	-	-	12,811
Other Receivables, net	86,145	59,948	54	1,540
Due From Other Governments	-	3,647	-	-
Inventories	9,612	-	-	-
Prepaids, Advances, and Deferred Charges	8,734	-	11	412
Total Current Assets	128,360	153,645	2,385	23,683
Noncurrent Assets:				
Restricted Cash and Pooled Cash	-	203,674	-	5,995
Restricted Investments	176,450	374,722	-	-
Restricted Receivables	5,478	6,707	-	-
Investments	200,961	-	-	749,493
Contributions Receivable, net	-	-	-	11,966
Other Long-Term Assets	18,229	1,083,809	273	1,433
Depreciable Capital Assets and Infrastructure, net	345,059	30	139,902	65,165
Land and Nondepreciable Infrastructure	112,568	-	18,176	-
Total Noncurrent Assets	858,745	1,668,942	158,351	834,052
TOTAL ASSETS	987,105	1,822,587	160,736	857,735
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	65,016	15,325	-	5,998
Due To Other Governments	-	5,027	-	-
Deferred Revenue	-	870	-	529
Compensated Absences Payable	11,946	-	-	-
Claims and Judgments Payable	-	-	-	-
Leases Payable	-	-	-	280
Notes, Bonds, COP's Payable	7,600	43,065	-	1,000
Other Current Liabilities	10,176	281,919	-	9,333
Total Current Liabilities	94,738	346,206	-	17,140
Noncurrent Liabilities:				
Deposits Held In Custody For Others	-	-	-	109,072
Capital Lease Payable	-	-	-	4,556
Notes, Bonds, COP's Payable	543,073	1,014,948	-	67,030
Other Long-Term Liabilities	2,125	41,483	-	26,446
Total Noncurrent Liabilities	545,198	1,056,431	-	207,104
TOTAL LIABILITIES	639,936	1,402,637	-	224,244
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	68,927	30	158,079	(7,701)
Restricted for:				
Emergencies	-	-	19	-
Permanent Funds and Endowments:				
Expendable	-	-	-	388,173
Nonexpendable	-	-	-	206,509
Court Awards and Other Purposes	7,823	350,672	491	-
Unrestricted	270,419	69,248	2,147	46,510
TOTAL NET ASSETS	$ 347,169	$ 419,950	$ 160,736	$ 633,491

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	COVER COLORADO	VENTURE CAPITAL AUTHORITY	TOTAL
$ 532	$ 1,284	$ 2	$ 1,021	$ 3,916	$ 131,602
-	-	-	44,448	-	44,448
-	-	-	-	-	312
4,092	2,106	513	-	4,524	24,046
-	1,943	585	444	-	150,659
-	-	-	-	-	3,647
-	-	-	-	-	9,612
430	-	-	-	1	9,588
5,054	5,333	1,100	45,913	8,441	373,914
-	715	-	-	-	210,384
-	-	-	-	-	551,172
-	-	-	-	-	12,185
200,290	170,005	94,391	-	399	1,415,539
24,394	5,483	367	-	-	42,210
2,141	265	91	-	34,041	1,140,282
270	359	1,181	5	-	551,971
-	-	-	-	-	130,744
227,095	176,827	96,030	5	34,440	4,054,487
232,149	182,160	97,130	45,918	42,881	4,428,401
715	1,047	464	130	4	88,699
-	-	-	-	-	5,027
-	-	-	606	4,524	6,529
-	-	-	-	-	11,946
-	-	-	6,688	-	6,688
-	-	-	-	-	280
-	-	-	-	-	51,665
-	-	-	69	-	301,497
715	1,047	464	7,493	4,528	472,331
13,015	12,215	691	-	-	134,993
-	-	-	-	-	4,556
-	-	-	-	-	1,625,051
1,020	10,192	173	-	34,042	115,481
14,035	22,407	864	-	34,042	1,880,081
14,750	23,454	1,328	7,493	38,570	2,352,412
270	359	1,181	5	-	221,150
-	-	-	-	-	19
115,803	43,208	38,374	-	-	585,558
79,770	98,571	46,345	-	-	431,195
-	-	-	38,420	-	397,406
21,556	16,568	9,902	-	4,311	440,661
$ 217,399	$ 158,706	$ 95,802	$ 38,425	$ 4,311	$ 2,075,989

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:				
Fees	$ -	$ 38,597	$ -	$ 7,462
Sales of Goods and Services	524,477	-	-	-
Investment Income (Loss)	-	17,060	-	-
Rental Income	-	-	444	5,092
Gifts and Donations	-	-	-	63,522
Federal Grants and Contracts	-	3,243	-	-
Other	18,307	32	-	1,897
TOTAL OPERATING REVENUES	542,784	58,932	444	77,973
OPERATING EXPENSES:				
Salaries and Fringe Benefits	238,830	1,075	-	-
Operating and Travel	124,217	5,033	64	18,522
Cost of Goods Sold	102,559	-	-	-
Depreciation and Amortization	37,427	13	4,002	-
Debt Service	-	44,260	-	-
Foundation Program Distributions	-	-	-	66,106
TOTAL OPERATING EXPENSES	503,033	50,381	4,066	84,628
OPERATING INCOME (LOSS)	39,751	8,551	(3,622)	(6,655)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	152	-
Investment Income (Loss)	20,397	-	52	68,548
Gifts and Donations	-	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(3,020)	-	-	-
Debt Service	(17,503)	-	-	-
Other Expenses	(1,431)	-	(750)	-
Other Revenues	-	-	2,038	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,557)	-	1,492	68,548
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	38,194	8,551	(2,130)	61,893
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	2,987	17,926	-	3,500
TOTAL CONTRIBUTIONS AND TRANSFERS	2,987	17,926	-	3,500
CHANGE IN NET ASSETS	41,181	26,477	(2,130)	65,393
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	305,988	393,473	162,866	568,098
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 347,169	$ 419,950	$ 160,736	$ 633,491

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	COVER COLORADO	VENTURE CAPITAL AUTHORITY	TOTAL
$ -	$ -	$ -	$ 22,278	$ -	$ 68,337
-	-	-	-	-	524,477
-		-	-	(200)	16,860
-	-	-	-	-	5,536
43,766	15,184	3,910	-	-	126,382
-	-	-	3,928	-	7,171
202	(147)	1,535	-	-	21,826
43,968	15,037	5,445	26,206	(200)	770,589
-	-	-	-	-	239,905
1,604	2,453	1,967	29,829	115	183,804
-	-	-	-	-	102,559
-	-	-	7	-	41,449
-	-	-	-	-	44,260
26,133	13,069	7,058	-	-	112,366
27,737	15,522	9,025	29,836	115	724,343
16,231	(485)	(3,580)	(3,630)	(315)	46,246
-	-	-	-	-	152
17,584	17,409	8,505	849	21	133,365
-	-	-	4,272	4,598	8,870
-	-	-	-	-	(3,020)
-	-	-	-	-	(17,503)
-	-	-	-	-	(2,181)
-	-	-	6,794	-	8,832
17,584	17,409	8,505	11,915	4,619	128,515
33,815	16,924	4,925	8,285	4,304	174,761
-	-	-	-	-	24,413
-	-	-	-	-	24,413
33,815	16,924	4,925	8,285	4,304	199,174
183,584	141,782	90,877	30,140	7	1,876,815
$ 217,399	$ 158,706	$ 95,802	$ 38,425	$ 4,311	$ 2,075,989

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 68,337	Charges for Services	$ 68,337
Sales of Goods and Services	524,477	Charges for Services	524,477
Investment Income (Loss)	16,860	Unrestricted Investment Earning	16,860
Rental Income	5,536	Charges for Services	5,536
Gifts and Donations	126,382	Operating Grants & Contributions	126,381
Federal Grants and Contracts	7,171	Operating Grants & Contributions	7,171
Other	21,826	Charges for Services	18,339
		Operating Grants & Contributions	3,487
TOTAL OPERATING REVENUES	770,589		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	239,905	Expenses	239,904
Operating and Travel	183,804	Expenses	183,804
Cost of Goods Sold	102,559	Expenses	102,559
Depreciation and Amortization	41,449	Expenses	41,449
Debt Service	44,260	Expenses	44,260
Foundation Program Distributions	112,366	Expenses	112,366
TOTAL OPERATING EXPENSES	724,343		
OPERATING INCOME (LOSS)	46,246		
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	152	Sales & Use Taxes	152
Investment Income (Loss)	133,365	Unrestricted Investment Earning	50,951
		Operating Grants & Contributions	82,414
Gifts and Donations	8,870	Payment from State	8,870
Gain/(Loss) on Sale or Impairment of Capital Assets	(3,020)	Expenses	(3,020)
Debt Service	(17,503)	Expenses	(17,503)
Other Expenses	(2,181)	Expenses	(2,181)
Other Revenues	8,832	Payment from State	6,794
		Capital Grants & Contributions	2,038
TOTAL NONOPERATING REVENUES (EXPENSES)	128,515		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	174,761		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	24,413	Operating Grants & Contributions	18,645
		Capital Grants & Contributions	2,268
		Payment from State	3,500
TOTAL CONTRIBUTIONS AND TRANSFERS	24,413		
CHANGE IN NET ASSETS	199,174		199,174
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	1,876,815		1,876,815
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,075,989		$ 2,075,989

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. In Fiscal Year 2005-06 the state implemented the following GASB Statements:

- No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries
- No. 44 – Economic Condition Reporting: The Statistical Section
- No. 46 – Net Assets Restricted by Enabling Legislation
- No. 47 – Accounting for Termination Benefits

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, expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the state, its 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, which are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The state is financially accountable for those entities for which the state appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the state. For those entities that the state does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the state and the state can access those resources.

The following entities qualify as discretely presented component units:

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
Denver Metropolitan Major League Baseball Stadium District
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
CoverColorado
Venture Capital Authority

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

The University of Colorado Hospital Authority and CoverColorado are included because they present a financial burden on the state. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the entity. The Colorado Water Resources and Power Development Authority is included because the state is able to impose its will upon the authority. The Venture Capital Authority's primary capitalization was insurance premium tax credits foregone by the General Fund, and therefore, it qualifies as a component unit because it would be misleading to exclude it.

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

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-401, P.O. Box 6506
Aurora, Colorado 80045-0506

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

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

Colorado State University Foundation
410 University Services Center
Fort Collins, Colorado 80523

Colorado School of Mines Foundation, Inc.
923 16th Street
Golden, Colorado 80401

University of Northern Colorado Foundation, Inc.
Campus Box 20
Greeley, Colorado 80639

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

Venture Capital Authority
1625 Broadway, Suite 1700
Denver, Colorado 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 Statement No. 39:

- Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Facilities Authority
- Colorado Institute of Technology
- 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
- Statewide Internet Portal Authority

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, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

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

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

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

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

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

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities (BTAs) in state government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or BTA. Direct costs are those that can be specifically identified with a program. The state allocates indirect costs based on an approved Statewide Federal Indirect Cost Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants. Taxes, with the exception of unemployment insurance tax used to support business-type activities, are presented as general revenues. General revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

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

Interfund transactions, such as federal and state grants moving between state agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or BTAs, 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. However, there were no significant receivable and payable balances between the primary government and those component units at the fiscal year end reporting dates. The four foundations reported as component units have the same fiscal year end as the state. Amounts shown as due from or due to the component units are receivable from or payable to these foundations.

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, the Unemployment Insurance 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. All of the state's component units are reported as major.

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

Transactions related to resources obtained and used for those services traditionally provided by state government, which are not legally required to be accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Public School Fund
The Public School Fund receives transfers from the General Fund on a quarterly basis and makes distributions to local school districts on a monthly basis. The fund also receives smaller transfers from other state programs, such as, Lottery and State Lands that are also distributed to the local school districts.

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. Other financing sources include the issuance of revenue bonds. Most of the state's infrastructure is financed 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.

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's 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.

Other Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Other Special Revenue Funds. Individually significant funds include the Controlled Maintenance Trust Fund, the Help America Vote Fund, the Division of Registrations Cash Fund, the Children's Basic Health Plan Fund, and the Conservation Trust Fund. A combining schedule of total assets, total liabilities, and total net assets for the larger of the individual funds in this category is presented in Supplementary Information in the Comprehensive Annual Financial Report.

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 and the payment of unemployment benefits to eligible claimants.

CollegeInvest
CollegeInvest issues revenue bonds to originate and purchase student loans in addition to operating a limited prepaid tuition program. CollegeInvest also operates an IRS Section 529 tax-advantaged College Savings Plan that is presented as a Private Purpose Trust Fund.

Lottery
The State Lottery encompasses the various lottery and lotto games run under state statute. 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 contingency reserve in the State Public School 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 categorizes and reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report.

GOVERNMENTAL FUND TYPE (NONMAJOR):

Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include the Water Projects Fund, the Labor Fund, the Gaming Fund, and the Tobacco Impact Mitigation Fund.

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 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 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.

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds
The state uses Enterprise Funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include, the Wildlife Fund, College Access Network, the State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, and several smaller 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 included Central Services, General Government Computer Center, Telecommunications, Capitol Complex, Highways, Public Safety, Administrative Hearings, and Debt Collection. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in Fiduciary Fund types are not available for use in the state's programs; therefore, none of the Fiduciary Funds are included in the government-wide financial statements.

Pension 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 Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. (Individual financial statements of these plans are presented in Note 21). Participation in the defined contribution plan was previously limited to select employees – primarily legislators and elected officials, however, beginning January 1, 2006, the defined contribution plan became an option for current and newly hired state employees. Most state employees continue to be covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 19).

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 (including escheats activity), the College Savings Plan operated by CollegeInvest, and several smaller funds.

Agency Funds
Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

In the governmental fund types, expenditures are presented on a functional basis rather than an individual program basis because of the large number of programs operated by the state. The state's eight functional classifications include:

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, Department of Health Care Policy and Financing, and the Office of the Colorado Benefits' Management System in the Governor's Office

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the state's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2006.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2005.

The Denver Metropolitan Major League Baseball Stadium District uses proprietary fund accounting in preparation of its financial statements. CoverColorado and the Venture Capital Authority use proprietary accounting in preparing their financial statements, and they apply applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2005.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2006.

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 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, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction.

- 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 may be 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, termination benefits, and environmental postremediation liabilities are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund level statements are reported as expenses/liabilities on the government-wide statements.

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

Component Units

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

Both the Colorado Water Resources and Power Development Authority and Venture Capital Authority use the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. Neither authority has elected to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

A. CASH AND POOLED CASH

Primary Government

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.

Component Units

The University of Colorado Hospital Authority defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

CoverColorado, the Colorado State University Foundation, and the Venture Capital Authority each consider highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Denver Metropolitan Major League Baseball Stadium District, the Colorado Water Resources and Power Development Authority, and the Colorado School of Mines Foundation consider highly liquid investments with maturity of three months or less to be cash equivalents.

The University of Northern Colorado Foundation considers all cash on deposit in demand savings and time deposits with maturity of three months or less to be cash equivalents.

The University of Colorado Foundation considers money market accounts and investments purchased with original maturities of less than three months to be cash equivalents.

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 and the Colorado State University Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation recognizes conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

C. INVENTORY

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

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The state uses various valuation methods (FIFO, average cost, etc.) depending upon the state agency. 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 15). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

Component Units

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

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

The mission of the Venture Capital Authority 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 VCA investments, estimated values may differ from the values that would have been reported had a ready market existed, and the differences could be material.

E. CAPITAL ASSETS

Primary Government

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Assets*. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). State agencies are allowed to capitalize works of art, historical treasures, and assets below established thresholds. Agencies must capitalize all land regardless of cost and furniture and equipment when the cost of the item exceeds $5,000. The state uses a higher threshold for buildings ($50,000) and infrastructure ($500,000). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	50
Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	20	20
Infrastructure	25	25

Infrastructure owned by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81, is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded (see Note RSI-2 to the Required Supplementary Information, page 140, for more information on the modified approach). Other infrastructure, which is primarily owned by the

Department of Natural Resources, is capitalized and depreciated.

The state capitalizes interest incurred during the construction of capital assets that are reported in Enterprise Funds.

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings and building improvements, and equipment. The hospital recorded an impairment loss of approximately $3.0 million in Fiscal Year 2005-06.

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures are made. On the fund level financial statements, revenues related to taxes receivable that the state does not expect to collect until after the following fiscal year are deferred. However, these receivables 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 are paid for one-fourth of their unused sick leave upon death or retirement.

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

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

Component Units

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

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

H. INSURANCE

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

The state insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 22).

I. NET ASSETS AND FUND BALANCES

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

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

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation. However, management may also make designations of unreserved fund balance that signal management's intent that certain fund balance

amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

The following paragraphs describe the restrictions reported in the financial statements.

Invested in Capital Assets Net of Related Debt – This item comprises capital assets net of accumulated depreciation if applicable. It is 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 Highway Construction and Maintenance – Article X Section 18 of the State Constitution restricts the motor fuels tax portion of the Highway Users Tax Fund. The unrestricted portion of the fund is appropriated for activities other than highway construction and maintenance.

Restricted for State Education – The entire net assets balance of the State Education Fund, a major governmental fund, is restricted 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.

Restricted for Unemployment Insurance – The entire net assets balance of the Unemployment Insurance Fund, a major Enterprise Fund, is reported as restricted because federal regulations limit its use to paying unemployment insurance claims.

Restricted for Debt Service – The net assets of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation, but also include payments on certificates of participation issued by the Department of Personnel & Administration. The Higher Education Institutions Enterprise Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

Restricted for Emergencies – The State Legislature 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 three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises (see Note 8B).

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, and the endowment portion of the Higher Education Institutions Enterprise Fund that must be maintained in perpetuity. The restricted balances reported as expendable are the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Court Awards and Other Purposes – The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. The state received $73.1 million and $73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these types of funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted.

The following paragraphs describe the reservations reported in the fund-level financial statements.

The fund balance of the General Fund is reserved as provided by statute and as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis (see page 137) remaining at year end is required by legislation to be transferred in the following year to the Highway Fund and the Capital Projects Fund in the ratio of two-thirds to one-third.

Reserved for Encumbrances - In the General Fund, this reserve is for the portion of the current fiscal year appropriation that was encumbered for goods and services that were not received before June 30 due to extenuating circumstances. The specific appropriation related to these items is rolled-forward to the following fiscal year. The reserve also includes earned augmenting revenue, such as insurance proceeds, that agencies are not required to revert into General Fund fund balance.

In the Special Revenue Funds and Capital Projects Fund this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects. Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

Reserved for Noncurrent Assets – This item reserves the portion of fund balance that relates to long-term interfund receivables and other long-term assets that are not offset by deferred revenue. These assets are not currently available for appropriation.

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The

payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation but also include payments on certificates of participation issued by the Department of Personnel & Administration.

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations for expenditures, and it is only presented in full when the unreserved undesignated fund balance is greater than zero.

Reserved for Risk Management – The Reserve for Risk Management represents the fund equity of the state Risk Management Funds. Because there is no plan to fund the actuarial liabilities of the Risk Management Fund, it is accounted for in the General Fund as required by Governmental Accounting Standards Board Statement No. 10.

Reserved 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 three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. See Note 8B for more information on the current year amount of the emergency reserve.

Reserved for Funds Reported as Restricted – This reserve is the portion of fund balance that is restricted by the State Constitution or external parties. The balances are reserved because they are restricted; and therefore, are not available for appropriation for general governmental purposes.

Unreserved - Designated for Unrealized Investment Gains In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments. This reserve is only shown when a governmental fund category has net unrealized gains.

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 tax used to support business-type activities, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, part of the Tobacco Impact Mitigation 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,
- 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 (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2005-06. The Plan uses cost from Fiscal Year 2003-04 that will be incorporated in state agency indirect cost rates and plan to be charged to federal grants in Fiscal Year 2007-08. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs 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

Primary Government

The state reports four major Enterprise Funds and several nonmajor Enterprise Funds. Because these enterprises engage in a wide variety of activities, the state's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

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

- Interest earnings and expenses of proprietary funds for which the core business activity is lending are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Assets* but

are reported as investing activities on the *Statement of Cash Flows.*

- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Assets* but are reported as cash from operations on the *Statement of Cash Flows.*

The state higher education institutions 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.

Component Units

The Denver Metropolitan Major League Baseball Stadium District defines operating revenues as those revenues for which cash flows are reported as operating activities. In general these revenues are derived from its principal on-going operations – leasing the ballpark and related activities. Nonoperating revenues include revenue from other than exchange or exchange-like transactions, such as, taxes, interest, and other income.

NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – 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. 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. 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 129.

Within the limitations discussed below, the State Controller 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; however, there were no overexpenditures in the Medicaid program in Fiscal Year 2005-06. The Department of Human Services is allowed $1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1 million in total for the remainder of the Executive Branch. An additional $1 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required to restrict the subsequent year appropriation whether or not he allows an overexpenditure. The 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.

Total overexpenditures at June 30, 2006, were $1,100,994 as described below.

Department of Human Services Overexpenditures Other Than Medicaid:

- Older Americans Act Program – The Department of Human Services overexpended this budget line item by $54,847 of general funds. The original appropriation authorized spending of cash funds exempt from TABOR; however, since supporting revenues were not available, the expenditure became general funded. The overexpenditure occurred because the department was unable to access the available fund balance of the state's Older Coloradoans Cash Fund to provide match funds for the federal funds available for the program. The department requested and received access to the Older Coloradoans Cash Fund fund balance in Fiscal Year 2004-05 that it believed was ongoing. However, the department did not receive that same access in the Fiscal Year 2005-06 appropriations. The general fund resources used to provide the match for the federal funds exceeded the general fund appropriation available to the department.

Judicial Branch Overexpenditures Subject to the $1 Million Limit:

- Alternate Defense Council - Conflict of Interest – The Judicial Branch overexpended this general funded line item by $199,856. The overexpenditure occurred because both case loads and court costs were more than anticipated in setting the budget.

Statewide Overexpenditures Subject to the $1 million Limit:

- Executive Director's Office - Fleet Operating Expense – The Department of Personnel & Administration over-expended this line item by $413,295 of cash funds exempt from TABOR. The overexpenditure occurred because fuel costs for the fleet increased more than was anticipated in the final budget.
- Executive Director's Office – Risk Management Property Premiums – The Department of Personnel & Administration over-expended this line item by $375,358 of cash funds exempt from TABOR. The overexpenditure occurred because one state agency opted out of the statewide property insurance program after the allocation of premium costs to agencies was formalized in the state budget. The department plans to submit a supplemental budget request in Fiscal Year 2006-07 to collect the additional funds from other state agencies participating in the statewide property insurance program.
- Executive Director's Office - Lease Purchase 1881 Pierce Street – The Department of Revenue overexpended this line item by $2,467 of cash funds exempt from TABOR and $2,171 of cash funds not exempt from TABOR. The department overexpended the line item because it was appropriated less than the debt service appropriated to the Department of Personnel & Administration for the related Certificates of Participation. The Department of Revenue's appropriation supports the debt service paid by the Department of Personnel & Administration. A supplemental appropriation was requested by the department to correct the discrepancy between the two appropriations, but it was denied as not material. The department was unable to use other funds to cover the shortfall because the use of operating funds for lease payments is specifically prohibited.
- Colorado Commission on Higher Education – Fee For Service Contracts – The commission over-expended this line item by $53,000 of general funds when it failed to reduce its fee-for-service contracts with state institutions of higher education after the legislature converted $60,000 of the commission's appropriation from fee-for-service contracts to student stipends. The change was made by the Legislature to relax the restrictions on in-state tuition for returning military service personnel.

The General Fund Surplus Schedule (page 137) shows a negative reversion of $10.4 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 $14.6 million of excess expenditures of the Old Age Pension program which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department did not record the additional continuously appropriated spending authority for the $14.6 million so that the General Fund Surplus Schedule and the reversion report would 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 State Controller's Office.

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 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 state and 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 limitation 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 measure referred to the ballot by the Legislature that authorizes the state to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. As a result, there is no TABOR refund required for Fiscal Year 2005-06 even though the TABOR nonexempt revenues exceeded the TABOR limit by $1,116.1 million. The $2.9 million TABOR refund liability shown on the government wide *Statement of Net Assets* and the fund level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability. Historically, unrefunded amounts continue to be distributed after the end of the fiscal year when returns with filing extensions and amended returns are processed.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2005-06 this amount was $274,841,722. At June 30, 2006, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $20,000,000
- Subsequent Injury Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $35,000,000
- Worker's Compensation Cash Fund, a portion of the Other Special Revenue Fund, a major fund – $12,000,000
- Operational Account of the Severance Tax Trust Fund, a portion of the Other Special Revenue Funds, a major fund – $7,300,000
- Colorado River Recovery Program Loan Fund, part of the Water Projects Fund, a nonmajor Special Revenue Fund – $5,500,000
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Funds net assets not invested in capital assets (net of related debt) total $29,882,729, and that amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets* in the Comprehensive Annual Financial Report. The remaining $70,117,271 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $73,898,630 of cash and receivables that are reported as restricted.

The 2005 session Long Appropriations Act, as amended by the 2006 session Long Appropriations Act, designated up to $80,000,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2005 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly more than estimated, the amount designate for the reserve was $15,041,722 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 and general capital assets would have to be liquidated to meet the constitutional requirement.

C. BOND COVENANT NONCOMPLIANCE

The State Fair Authority is required by its bond covenant to generate sufficient revenue to cover general operating expenses plus 125 percent of the annual debt service on its outstanding bonds. The Authority was not in compliance with this requirement for the year ended June 30, 2006. In order to address the shortfall, in the future the Fair will receive funding from the interest earned on unclaimed property, which is projected to be sufficient to pay off loans and bonds outstanding.

NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

The GAAP requirement to reduce unrestricted net assets for amounts invested in capital assets (net of related debt) results in some funds showing unrestricted net asset deficits. These deficits do not represent a legal infraction. The following net asset deficits appear on combining statements presented in supplementary information in the Comprehensive Annual Financial Report.

The State Fair Authority, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of $2,238,203 on the *Combining Statement of Net Assets – Enterprise Funds*.

The Telecommunications Fund, an Internal Service Fund, shows a deficit unrestricted net assets of $207,649 on the *Combining Statement of Net Assets – Internal Service Funds.*

NOTE 10 through 18 – DETAILS OF ASSET ITEMS

NOTE 10 – 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 Fund unless a specific statute directs otherwise. Most funds are required to invest in non-interest bearing warrants of the General Fund if the General 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 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 those 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, the Cash and Pooled Cash line on the financial statements includes $4,767.2 million of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2006, the treasurer had invested $4,728.3 million of the pool with the balance of $38.9 million held in demand deposits and certificates of deposit. At June 30, 2006, the state had cash deposit balances in all funds with a carrying value of $1,006.9 million; this amount includes the $38.9 million held as cash in the treasurer's pool. Under the GASB Statement No. 40 definitions, $191.1 million of the state's total bank balance of $1,017.4 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $23.9 million at June 30, 2006, and a related bank balance of $36.1 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of $424,201 of which $100,000 was federally insured, $216,077 was collateralized with the securities held by the pledging institution in a collateral pool, and the remaining $108,124 was collateralized with the 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 $67.1 million held by the State Treasurer in a Treasurer's Agency Fund and $226.5 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at $1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. The COLOTRUST investment has a credit quality rating of AAA, and the investment held by the State Treasurer is not rated for credit quality.

At December 31, 2005 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of $15,206. They also had $2.0 million held by a major bank paying interest of 3.5 percent at year-end. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Assets*) and be reported outside of the Cash From Operation 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 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 to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donation of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets;* therefore, they are reported as noncash.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds recorded 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 are shown as increases or decreases in investment balances, and therefore, are

reported as noncash transactions. Note 15 shows the combined effect of these two sources of unrealized gains or losses.

- Loss on Disposal of Capital Assets – When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets*. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation – Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the *Statement of Net Assets*. Therefore, these transactions are reported as noncash.

NOTE 12 – RECEIVABLES

Primary Government

The taxes receivable of $951.2 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $780.1 million, primarily of self-assessed income, estate, and sales taxes recorded in the General Fund. In addition, $134.2 million of taxes receivable is expected to be collected after one year and is reported as an Other Long-Term Asset on the government-wide *Statement of Net Assets* – these receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $31.4 million recorded in nonmajor Special Revenue Funds, of which, approximately $11.1 million is from gaming taxes, and $20.3 million is insurance premium taxes, and
- $106.0 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, $58.1 million of taxes receivable, $16.2 million of other receivables, and $244.8 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government, and all three items were reported as restricted receivables.

The other receivables of $363.4 million shown on the government-wide *Statement of Net Assets* are net of $98.8 million in allowance for doubtful accounts and primarily comprise the following:

- $180.6 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- $60.2 million of receivables recorded in the General Fund, of which $22.3 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $23.4 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $8.1 million of patient receivables.
- $61.0 million of receivables recorded by Other Governmental Funds including $39.4 million of tobacco settlement revenues expected within the following year, $13.6 million recorded by the Water Projects Fund, and $7.5 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,158.4 million of student loan receivables of CollegeInvest, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported primarily as Other Long-Term Assets. These receivables are restricted to paying the debt service of bonds issued by CollegeInvest.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $524.5 million, which it recorded net of third-party contractual allowances ($874.4 million), indigent and charity care ($117.0 million), provision for bad debt ($58.5 million), and self-pay discounts ($22.2 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $29.4 million for Fiscal Year 2005-06. The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 35 percent to a level more equivalent to insured patients.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (20 percent), Medicaid (10 percent), managed care (38 percent), other commercial insurance (4 percent), and self-pay and medically indigent (23 percent). However, the authority's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category where the concentration of accounts remained consistent with the prior year at 23 percent. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2005-06 was approximately $165.2 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the year ended June 30, 2006, increased approximately $5.0 million, due to final settlements.

The hospital reports pledges at their net present value. As a result, a pledge received during 2001 totaling $10.0 million was discounted at 4.25 percent. At June 30, 2006, $3.0 million remains payable on the pledge and the related discount is $120,000. Three pledges restricted to the Center for Dependency, Addiction, and Rehabilitation received during 2004 totaling $12.0 million were discounted at a rate of 5.75 percent. $3.5 million remained payable on these pledges, and the related discount was approximately $200,000 at June 30, 2006. During Fiscal Year 2005-06, the hospital received final payment of $8.3 million on a $30 million pledge recorded in 2001. An additional pledge totaling $500,000 was received during 2006. As of June 30, 2006, the authority had no restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.12 billion at December 31, 2005. During 2005, the authority made new loans of $259.0 million and canceled or received repayments for existing loans of $42.0 million.

The University of Colorado Foundation contributions receivable of $12.8 million and $12.0 million are reported as Contributions Receivable Current and Noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2006, the amount reported as contributions receivable includes $36.1 million of unconditional promises to give which were offset by a $9.5 million allowance for uncollectible contributions and a $1.8 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2006, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $35.1 million, which were offset by $6.8 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2006, contributions from one donor represented approximately 68 percent of total contributions receivable for the foundation.

At June 30, 2006, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $7.6 million was offset by $449,211 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 47 percent of the foundation's contributions receivable at June 30, 2006, consists of pledges from two donors in 2006, and approximately $3.3 million is due from irrevocable remainder trusts.

The Venture Capital Authority management determined that no allowance was necessary related to the $38.5 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.5 million) and Other Long-Term Assets ($34.0 milllion) on the *Statement of Net Assets.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 13 – INVENTORY

Inventories of $50.7 million shown on the government-wide *Statement of Net Assets* at June 30, 2006, primarily comprise:

- $10.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $18.2 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $16.2 million and the Colorado Lottery, a major Enterprise Fund, recorded $.7 million, and
- $16.8 million of consumable supplies inventories, of which, $5.8 million was recorded by the Highway User's Tax Fund, a major Special Revenue Fund, $6.4 million by the Higher Education Institutions, a major Enterprise Fund, and $3.0 million by the General Fund.

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances and Deferred Charges of $41.9 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $17.0 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $5.6 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund, and
- $3.8 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game.

NOTE 15 – INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for certain entities as provided by law. 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 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 type of securities in which public funds of governmental entities in the state may be invested. In general, the statute allows investment in bank acceptances, commercial paper, repurchase agreements, domestic corporate or bank debt, guaranteed investment contracts, securities issued or guaranteed by the federal government, general obligation debt of other states, or registered money market funds with policies that meet specific criteria. For major investment types, the statute establishes minimum credit quality ratings as assigned by national rating agencies. The state may also enter securities lending agreements that meet certain collateralization and other requirements, and it may invest in securities issued by Colorado public entities including authorities established by the state. This statute does 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 international banks, reverse repurchase agreements, and certain 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 15, 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. Realized gains from the sale of investments underlying the treasurer's pooled cash were $50,722 for Fiscal Year 2005-06. Excluding the Deferred Compensation Plan and the Defined Contribution Plan, the state recognized $6,551,706 of net realized gains from the sale of investments of other funds during Fiscal Year 2005-06.

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 10)	$	1,006,912
Investments:		
Governmental Activities		5,280,900
Business-Type Activities		1,640,596
Fiduciary Activities		2,839,757
Total	$	10,768,165
Financial Statement Amounts		
Net Cash and Pooled Cash	$	4,009,416
Add: Warrants Payable Included in Cash		188,728
Total Cash and Pooled Cash		4,198,144
Add: Restricted Cash		1,537,079
Add: Restricted Investments		916,606
Add: Investments		4,116,336
Total	$	10,768,165

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2006 and 2005, the treasurer had $46.8 million and $41.7 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a Private Purpose Trust Fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a part of the major fund Other Special Revenue Funds. A portion of these earnings are transferred from the Tourism Promotion Fund to the State Fair, a nonmajor Enterprise Fund.

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 safekeeping receipts. 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 table also shows the fair value of securities that are subject to custodial credit risk:

(Amounts in Thousands)

	GOVERNMENTAL ACTIVITIES				
	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
INVESTMENT TYPE					
U.S. Government Securities	$ 1,927,320	$ -	$14,876	$ 127,433	$ 2,069,629
Commercial Paper	1,403,523	-	-	12,044	1,415,567
Corporate Bonds	492,332	-	40,301	80,066	612,699
Asset Backed Securities	722,392	-	-	74,756	797,148
Mortgages Securities	79,742	4,539	-	197,983	282,264
Mutual Funds	103,000	-	-	293	103,293
Other	-	-	-	300	300
TOTAL INVESTMENTS	$ 4,728,309	$ 4,539	$55,177	$ 492,875	$ 5,280,900
INVESTMENTS SUBJECT TO CUSTODIAL RISK					
Commercial Paper	$ -	$ -	$ -	$ 12,044	$ 12,044
TOTAL SUBJECT TO CUSTODIAL RISK	$ -	$ -	$ -	$ 12,044	$ 12,044

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. The table 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	COLLEGE INVEST	TOTAL	FIDUCIARY
INVESTMENT TYPE				
U.S. Government Securities	$ 112,881	$ 4,641	$ 117,522	$ 8,132
Commercial Paper	2,123	71,500	73,623	-
Corporate Bonds	88,722	28,372	117,094	10,003
Corporate Securities	31,286	-	31,286	-
Repurchase Agreements	307,141	-	307,141	-
Asset Backed Securities	53,924	-	53,924	13,179
Mortgages Securities	94,482	-	94,482	21,939
Mutual Funds	500,998	28,156	529,154	2,757,776
Other	194,021	122,349	316,370	28,728
	$ 1,385,578	$ 255,018	$ 1,640,596	$ 2,839,757
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 291	$ -	$ 291	$ -
Corporate Bonds	2,716	-	2,716	-
Corporate Securities	16,291	-	16,291	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 19,298	$ -	$ 19,298	$ -

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 national 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 and 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 $22.9 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Total
Treasurer's Pool:									
Long-term Ratings									
Gilt Edge	$ 709,380	$ -	$ 46,064	$ -	$ 802,134	$ 103,000	$ -	$ -	$ 1,660,578
High Grade	-	-	202,879	-	-	-	-	-	202,879
Upper Medium	-	-	240,426	-	-	-	-	-	240,426
Lower Medium	-	-	2,964	-	-	-	-	-	2,964
Short-term Ratings									
Highest	531,405	1,403,523	-	-	-	-	-	-	1,934,928
Higher Education Institutions:									
Long-term Ratings									
Gilt Edge	$ 29,738	$ 1,976	$ 4,264	$ -	$ 93,902	$ 183,499	$ 780	$ 82,351	$ 396,510
High Grade	-	-	5,494	-	3,100	-	1,466	-	10,060
Upper Medium	-	-	15,268	-	755	12,705	28	-	28,756
Lower Medium	-	-	18,984	-	1,192	-	56	-	20,232
Speculative	-	-	1,626	-	258	-	9	-	1,893
Very Speculative	-	-	2,705	-	-	-	-	-	2,705
High Default Risk	-	-	432	-	-	-	-	-	432
Short-term Ratings									
Unrated	3,065	147	2,220	307,141	48,228	32,296	32,526	-	425,623
Fiduciary Funds:									
Long-term Ratings									
Gilt Edge	$ 867	$ -	$ 1,419	$ -	$ 35,118	$ -	$ -	$ -	$ 37,404
High Grade	-	-	2,391	-	-	-	-	4,334	6,725
Upper Medium	-	-	6,193	-	-	-	-	-	6,193
Short-term Ratings									
Unrated	-	-	-	-	-	2,434,223	126,543	-	2,560,766
All Other Funds:									
Long-term Ratings									
Gilt Edge	$ 110,625	$ -	$ 34,664	$ -	$ 256,286	$ 293	$ -	$ -	$ 401,868
High Grade	-	-	51,424	-	-	-	-	-	51,424
Upper Medium	-	-	62,651	-	-	-	-	-	62,651
Short-term Ratings									
Highest	-	12,044	-	-	-	-	-	-	12,044
Unrated	-	71,500	-	-	16,453	28,156	-	122,349	238,458

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.

State statute requires the State Treasurer to formulated 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 Labor Fund (5 - 8 years), and the Unclaimed Property Tourism Trust Fund (5 - 10 years).

The University of Colorado, which operates a treasury function separate of the State Treasurer, 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 greater than five years. UPI requires its securities to be rated A or better, and limits investments in a single issuer to $1.0 million or less.

The CollegeInvest program has investments reported in the CollegeInvest major Enterprise Fund and in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest manages interest rate risk using weighted average maturity for the Enterprise Fund; it also uses laddering to ensure cash flow and liquidity matched to debt service and operating requirements. CollegeInvest reports the weighted average maturity of selected mutual funds in the College Savings Plan to disclose the related interest rate risk, but it does not actively manage that risk for the College Savings Plan except through its mutual fund selection process.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure:

(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	$ 1,927,319	1.300	$ 13,461	1.257	$ 7,513	6.600	$ 146,949	5.400
Commercial Paper	1,403,523	0.100	1,976	0.260	-	-	12,044	0.080
Corporate Bonds	492,332	2.400	36,778	2.137	10,003	6.500	148,739	5.146
Asset Backed Securities	802,134	2.200	95	1.000	35,118	7.100	272,739	7.165
Money Market Mutual Funds	103,000	0.100	-	-	-	-	-	-
Bond Mutual Funds	-	-	1,401	2.600	-	-	9,550	6.200
Total Investments	$ 4,728,308		$ 53,711		$ 52,634		$ 590,021	

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 Associations Incorporated data. For approximately $2.7 million of mortgage-backed securities, the custodian was unable to provide duration amounts.

The University of Colorado participated in tri-party repurchase agreements of $307,140,812 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 collateral is required to have term to maturity of less than seven years and is marked to market weekly. The $307.1 million is not shown in the weighted average maturity table above or the duration table shown below.

Some state agencies invest in mutual funds or are the fiduciary in offering mutual fund investments to participants where the mutual fund manages investment risk using a duration measure. The state, acting as fiduciary for the deferred compensation and defined contribution plan, employs a policy that limits the average duration of the portfolio to between two and five years. The following table presents the duration measure and fair value amount for state agencies that manage investments using the duration measure.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
Bond Mutual Funds	$126,543	3.717
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$241,457	5.120
Bond Mutual Fund-2	308,786	8.600
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 59,540	5.870
U.S. Treasury Strips	2,278	16.480
U.S. Treasury Inflation Protected Securities	4,507	7.790
U.S. Government Agency Notes	27,953	1.730
U.S. Government Agency Strips	1,963	1.750
Commercial Paper	147	0.220
Corporate Bonds	50,467	5.050
Asset Backed Securities	147,436	2.360
Bond Mutual Funds	32,526	2.790
Colorado State University:		
Bond Mutual Funds	$ 940	2.540
Colorado School of Mines:		
Bond Mutual Funds	$ 12,705	0.058

Foreign Currency Risk

Certain of the University of Colorado Treasury's investments in equity securities are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University held investments denominated in the following currencies; Euro - $748,100, Australian Dollar - $95, Norway Krone $19,572, Japanese Yen – $323,177, Swiss Franc - $218,896, British Pound - $284,120, Canadian Dollar - $135,710, and $76,455,553 of commingled foreign equities and fixed income investments that cannot be identified by the currency in which they are denominated.

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 US Treasury securities with more restrictive limits (ranging from 5 percent to 75 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major Special Revenue Fund. The State Education Fund has a concentration of credit risk because the following corpor-

ate bond holdings each exceed 5 percent of the total investment in the fund; Bristol-Myers Squibb - 9.0 percent, First Data Corporation - 9.0 percent, Verizon - 8.9 percent, Eli Lilly - 9.2 percent, Bank of America - 9.3 percent, Citigroup - 9.3 percent, Colgate Palmolive - 9.2 percent, and General Electric - 9.1 percent. The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance. However, the State Education Fund investments have not grown as expected because the Legislature has appropriated the fund's resources. The Treasurer is gradually liquidating the investments to mitigate the credit risk concentration.

The Attorney Regulation Agencies, in the Judicial Branch, has a concentration of credit risk in funds reported as part of the Other Special Revenue Funds, a major fund. Of the $12.0 million of investments reported by these agencies, 38.2 percent is invested in the General Electric Capital Corporation and 49.8 percent is invested in the American General Finance Corporation. The investments are commercial paper that is required to be rated A-1+.

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. The following schedule shows the state's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2005-06	Fiscal Year 2004-05
Governmental Activities:		
Major Funds		
General Fund	$ (12,866)	$ (6,843)
Highway Users Tax	(8,712)	(4,394)
Capital Projects	(2,057)	(519)
State Education	(5,287)	731
NonMajor Funds:		
State Lands	(25,375)	5,250
Other Permanent Trusts	(75)	(59)
Water Projects	(1,004)	(627)
Labor	(3,199)	54
Gaming	(1,243)	(963)
Tobacco Impact Mitigation	(3,171)	(798)
Other Special Revenue	(8,531)	(5,471)
Highways (Internal Service)	(31)	(25)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(4,168)	2,249
CollegeInvest	(2,346)	(4,978)
Lottery	(326)	(218)
NonMajor Funds:		
Wildlife	(965)	(710)
College Access Network	(944)	(275)
State Fair Authority	-	4
Correctional Industries	(40)	(39)
State Nursing Homes	(48)	(39)
Prison Canteens	(54)	(38)
Petroleum Storage Tank	(83)	-
Other Enterprise Activities	(75)	(36)
Fiduciary:		
Pension/Benefits Trust	(239)	(49)
Private Purpose Trust	25,754	18,558
	$ (55,085)	$ 765

Component Units – Non-Foundations

In 2005, the Colorado Water Resources and Power Development Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. 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 following this section.

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2006:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
Cash Equivalents	$ 16,311
U.S. Government Securities	104,172
Corporate Bonds	18,681
Corporate Securities	72,941
Other	168,465
TOTAL INVESTMENTS	$ 380,570

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 describe at the beginning of this Note 15. The Colorado Water Resources and Power Development Authority's investments at December 31, 2005, were:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
U.S. Government Securities	$ 27,730
Repurchase Agreements	346,992
TOTAL INVESTMENTS	$ 374,722

The authority's repurchase agreements were all subject to custodial credit risk because its trustee is considered both the purchaser and the custodian of the investments, which are not held in the authority's name.

At December 31, 2005, CoverColorado held $44.4 million of U. S. Government securities at fair value that were not subject to custodial credit risk or credit quality risk. Of the total fair value amount, $23.7 million matures within one year, and the remaining $20.7 million matures between one and five years.

Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-man rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The following table presents the credit quality ratings by investment type for the authority at June 30, 2006:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 28,460	$ -	$ 29,742	$ 126,178	$ 184,380
High Grade	-	1,044	-	46,705	47,749
Lower Medium	-	3,473	-	-	3,473
Short-term Ratings					
Highest	-	6,314	-	-	6,314
High	-	1,018	-	-	1,018
Good	-	6,832	-	-	6,832

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with securities having fair value between 103 and 105 percent, and all of the underlying securities were rated AAA.

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the authority's investments at June 30, 2006:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Years
U.S. Government Securities	$45,482	3.435
Corporate Bonds	18,681	2.395
Asset Backed Securities	29,742	1.890

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cashflow needs of its future bond debt service and holding those investments to maturity. The authority had $374.7 million of investments subject to interest rate risk with the following maturities; one year or less – 39 percent, two to five years – 22 percent, six to ten years – 18 percent, eleven to fifteen years – 13 percent, and 16 years or more – 8 percent. The authority has entered put 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.

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2006, the authority had the following foreign currency exposures in thousands of United States dollars: British Pound - $3,316, Euro - $3,080, Japanese Yen - $1,937, Hong Kong Dollar - $1,197, South Korean Won - $812, and Taiwan New Dollar - $638. An additional $2,740,000 was held in various international currencies, none of which exceeded $500,000.

Concentration of Credit Risk

At June 30, 2006, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer.

Investments Highly Sensitive to Interest Rate Risk

The University of Colorado Hospital Authority uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Credit loss from counter party nonperformance is not anticipated.

At June 30, 2006, the hospital was party to a basis swap agreement having a notional amount of $72.0 million, a fixed to floating rate swap having a notional value of $50.0 million, and a floating to fixed rate swap having a notional value of $110.0 million. At June 30, 2006, the agreements had fair values of $3,100, ($1,415,000), and $2,947,000, and are scheduled to terminate in 2006, 2010, and 2033, respectively. In Fiscal Year 2005-06, these three swap agreements produced a net cash outflow of approximately $713,000. Realized and unrealized gains and losses are reported in income, as the agreements do not qualify for hedge accounting.

Component Units – Foundations

The four Higher Education Institution foundations reported as component units on the *Statement of Net Assets – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2006, the University of Colorado Foundation held $183.2 million of domestic equity securities, $153.8 million of international equity securities, $117.6 million of fixed income securities, and $237.5 million of alternative investments including real estate, private equities, hedge funds, venture capital, absolute return funds, and oil and gas assets. The fair value of the alternative investments have been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's investment income of $68.5 million is net of $2.7 million of investment fees and comprises $11.6 million of interest and dividends, $49.1 million of realized gains, and $10.5 million of unrealized gains. At June 30, 2006, the foundation could be obligated to fund an additional $102.5 million of alternative investment commitments.

At June 30, 2006, the Colorado State University Foundation held international and large, small, and micro capitalization equity securities totaling $99.5 million, fixed income investments of $39.0 million, and alternative and other investment types of $61.8 million.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 5.25 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. At June 30, 2006, the CSMF held bonds and bond mutual funds totaling $17.1 million, stocks and stock mutual funds totaling $77.8 million, and investments in limited partnerships and real estate totaling

$45.6 million in its long term investments pool. Of the foundation's $170.0 million of investments, $16.9 million, or 9.9 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.0 million and a long-term trust valued at $1.9 million which are reported as Investments on the *Statement of Net Assets – Component Units*. Thirty-two percent of the foundation's investment portfolio (twenty-four percent in Fiscal Year 2004-05) 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, 2006, the University of Northern Colorado Foundation held $25.4 million of fixed income securities (including $18.2 million of corporate notes), $57.3 million of equity securities, and $11.7 million of other investments. These amounts include $3.8 million of assets held in a separate trust for the benefit of the foundation.

NOTE 16 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all state agencies with the exception of the University of Colorado and its blended component units. 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.

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2005-06, the State Treasury loaned U.S. government and federal agencies' securities held for the Colorado Treasury Pool, the Public School Permanent Fund, and the State Education Fund to Morgan Stanley.

The agreement with Morgan Stanley requires that all securities must be collateralized to at least 105 percent of the market value of the securities loaned. The collateral is deposited and held in a custodial bank. At June 30, 2006, collateral held by the custodial bank included A-rated or better domestic corporate securities. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the treasurer accept cash as collateral.

Morgan Stanley, acting as principal, agent, and fiduciary, is directly responsible for safeguarding the assets, and it carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2006, the market value of securities on loan to Morgan Stanley was $1,739,545,930, and the market value of the collateral securities pledged was $1,829,349,066. The State Treasurer monitors the pledged collateral on an ongoing basis to ensure compliance with the 105 percent requirement.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2005-06 the state capitalized $9.7 million of interest incurred during the construction of capital assets. Of that amount, the Parking Fund, a nonmajor Other Enterprise Fund, capitalized $360,419, the State Nursing Homes, a nonmajor Enterprise Fund, capitalized $60,336, and the balance was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded $2.6 million of insurance recoveries during Fiscal Year 2005-06. Of that amount $296,093 was recorded in the General Fund and was related to asset impairments that occurred in prior years. The remaining amount relates to the current year and was primarily recorded by the Capital Projects Fund ($719,006), a major Governmental Fund, the Higher Education Institutions ($855,213), a major Enterprise Fund, the Wildlife Fund ($380,530), a nonmajor Enterprise Fund, and the General Fund ($229,300).

The Colorado State University Center for the Arts Building with a carrying value of $9.5 million is idle. An impairment was not recorded because the construction stoppage was considered temporary, and work has resumed on the asbestos abatement project.

The University of Northern Colorado recorded a loss on impairment of capital assets and removed $1,100,843 of construction in progress when it determined that a construction project would not be completed. The university also recorded a gain on impairment related to flood damage at the university library. See Note 32 for more information on this impairment.

The following page shows the capital asset activity for Fiscal Year 2005-06.

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 90,708	$ 7,637	$ -	$ (17,639)	$ 80,706
Land Improvements	2,575	-	-	-	2,575
Collections	8,831	-	-	-	8,831
Construction in Progress (CIP)	1,030,919	189,249	(9,139)	(3,407)	1,207,622
Infrastructure	10,336,330	15,787	3,594	(5,653)	10,350,058
Total Capital Assets Not Being Depreciated	11,469,363	212,673	(5,545)	(26,699)	11,649,792
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	77,865	16,469	-	(14,598)	79,736
Buildings	1,386,247	25,478	5,530	(12,885)	1,404,370
Vehicles and Equipment	642,725	42,143	15	(39,818)	645,065
Library Materials and Collections	5,123	411	-	(169)	5,365
Other Capital Assets	22,300	833	-	-	23,133
Infrastructure	102,166	1,771	-	-	103,937
Total Capital Assets Being Depreciated	2,236,426	87,105	5,545	(67,470)	2,261,606
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(36,777)	(2,953)	-	54	(39,676)
Buildings	(480,482)	(31,390)	-	405	(511,467)
Vehicles and Equipment	(296,865)	(51,697)	-	30,414	(318,148)
Library Materials and Collections	(3,846)	(279)	-	169	(3,956)
Other Capital Assets	(16,985)	(90)	-	-	(17,075)
Infrastructure	(40,892)	(7,447)	-	-	(48,339)
Total Accumulated Depreciation	(875,847)	(93,856)	-	31,042	(938,661)
Total Capital Assets Being Depreciated, net	1,360,579	(6,751)	5,545	(36,428)	1,322,945
TOTAL GOVERNMENTAL ACTIVITIES	12,829,942	205,922	-	(63,127)	12,972,737
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	199,294	12,418	-	(2,873)	208,839
Land Improvements	12,362	170	-	(762)	11,770
Collections	12,785	530	-	-	13,315
Construction in Progress (CIP)	178,597	280,531	(62,797)	(68,730)	327,601
Total Capital Assets Not Being Depreciated	403,038	293,649	(62,797)	(72,365)	561,525
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	344,148	3,175	8,540	12,976	368,839
Buildings	3,252,623	31,299	52,972	18,293	3,355,187
Vehicles and Equipment	699,941	66,421	1,285	(31,769)	735,878
Library Materials and Collections	388,111	20,637	-	(7,224)	401,524
Other Capital Assets	8,674	-	-	-	8,674
Infrastructure	19,184	-	-	-	19,184
Total Capital Assets Being Depreciated	4,712,681	121,532	62,797	(7,724)	4,889,286
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(130,593)	(15,060)	-	(38)	(145,691)
Buildings	(1,125,862)	(126,890)	-	8,455	(1,244,297)
Vehicles and Equipment	(476,804)	(59,088)	-	29,312	(506,580)
Library Materials and Collections	(250,816)	(19,615)	-	4,670	(265,761)
Infrastructure	(8,352)	(470)	-	-	(8,822)
Total Accumulated Depreciation	(1,992,427)	(221,123)	-	42,399	(2,171,151)
Total Capital Assets Being Depreciated, net	2,720,254	(99,591)	62,797	34,675	2,718,135
TOTAL BUSINESS-TYPE ACTIVITIES	3,123,292	194,058	-	(37,690)	3,279,660
TOTAL CAPITAL ASSETS, NET	$ 15,953,234	$ 399,980	$ -	$ (100,817)	$ 16,252,397

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	$ 9,392
Business, Community, and Consumer Affairs	4,337
Education	1,044
Health and Rehabilitation	5,228
Justice	26,881
Natural Resources	3,674
Social Assistance	8,052
Transportation	19,086
Internal Service Funds (Charged to programs and BTAs based on useage)	16,162
Total Depreciation Expense Governmental Activities	93,856
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	213,719
CollegeInvest	367
State Lottery	182
Other Enterprise Funds	6,827
Total Depreciation Expense Business-Type Activities	221,095
Total Depreciation Expense Primary Government	$ 314,951

Component Units

At June 30, 2006, the University of Colorado Hospital Authority reported $112.6 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $466.6 million and equipment of $208.5 million. Accumulated depreciation related to these capital assets was $330.0 million.

As of June 30, 2006, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient and Outpatient Pavilions, the Leprino Office Building, and the Fitzsimons campus infrastructure. Costs incurred at June 30, 2006, for these projects approximated $130.0 million while estimated costs to complete are $315.0 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $30,410, net of accumulated depreciation of $133,103 at December 31, 2005.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of $158.1 million, net of accumulated depreciation of $47.7 million, at December 31, 2005. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment, of $65.2 million, net of accumulated depreciation of $10.4 million, at June 30, 2006. Most of the buildings and equipment assets were held in the name of Bear Creek I, LLC limited liability company whose sole member is the foundation.

NOTE 18 – OTHER LONG-TERM ASSETS

The $504.2 million shown as Other Long-Term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $134.2 million, related to the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund*, but rather they are shown in Taxes Receivable and are offset by Deferred Revenue.

The $264.2 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($9.9 million), a major Special Revenue Fund, and the Water Projects Fund ($229.9 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state. The loans are made for periods ranging from 10 to 40 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest.

In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable not offset by deferred revenue.

The $108.6 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and CollegeInvest, but also includes deferred debt issuance costs. Most of the CollegeInvest student loans are not reported in this line but rather are reported as restricted receivables.

NOTE 19 through 26 – DETAILS OF LIABILITY ITEMS

NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372.

Administration of the Plan

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). In 1931, state statute established PERA and the State Division Trust Fund; subsequently statutes created the School and Municipal Division Trust Fund, the Judicial Division Trust Fund, and the Health Care Trust Fund. The State and School Division Trust Funds were combined in 1997. The General Assembly retains authority to establish or amend plan benefits as specified in Title 24, Article 51 of the Colorado Revised Statutes (CRS).

The State and School Division of PERA was separated into a State Division and a School Division effective January 1, 2006, as required by House Bill 04-257. PERA's financial statements at December 31, 2005, presented the state and school portions of the trust as a single division.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

Employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. PERA members electing the 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. Employer contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

Defined Retirement Benefits

Plan members are eligible to receive a monthly retirement benefit when they meet the following age and service requirements:

Service Retirement Benefits
(Other Than Troopers)

Minimum Service Credit	Minimum Age
30 years*	50
Age and Service = 80 years or more	55
5 years	65
Less than 5 years	65

*Members hired on or after July 1, 2005, are eligible for service retirement benefits at age 55 with 30 years of service, and are eligible at any age with 35 years of service.

Reduced Service Retirement Benefits
(Other Than Troopers)

Minimum Service Credit	Minimum Age
25 years	50
20 years	55
5 years	60

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. Reduced service benefits are calculated similarly to 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. As shown in the table above, members are also eligible for retirement benefits without a reduction for early retirement if they are at least

55, have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more.

Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is 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. Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit. The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

PERA retirement and survivor benefits increase at 3.5 percent (the lesser of 3 percent or actual inflation for those employees hired on or after July 1, 2005) compounded annually. If the member has not been retired for a full year at the March increase date, the benefit is increased proportionately.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. For members who have less than five years of service, a money purchase benefit is payable beginning at age 65.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who withdraw their accounts before reaching retirement eligibility or 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. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of five percent. Effective July 1, 2004, the PERA Board set the rate at 5 percent compounded annually.

Disability and Survivor Benefits

PERA provides a two-tiered disability program. 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. 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) and rehabilitation or retraining services. 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.

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.

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 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. 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.

From July 1, 2005, to December 31, 2005, the state contributed 10.15 percent (12.85 percent for state troopers and 13.66 percent for judges in the Judicial Branch) of the employee's gross covered wages to the plan. From January 1, 2006, to June 30, 2006, the state contributed 10.65 (13.35 for state troopers and 14.16 percent for judges in the Judicial Branch), which represents an additional one half percent related to the Amortization Equalization Disbursement (AED).

In the 2004 legislative session, the general assembly established the AED to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

The Fiscal Year 2005-06 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, 2005, to December 31, 2005, 9.13 percent was allocated to the defined benefit plan, and
- From January 1, 2006, to June 30, 2006, 9.63 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, 2005, the State Division of PERA had a funded ratio of 71.5 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. The infinite amortization period does not reflect the full effect of legislation enacted in 2006. In the 2006 legislative session, along with other provisions affecting the plan, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

The state made the following retirement contributions:

- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million
- Fiscal Year 2001-02 - $135.8 million
- Fiscal Year 2000-01 - $156.0 million
- Fiscal Year 1999-00 - $174.2 million

These amounts do not include the Health Care Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

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 2005-06 and 2004-05, the Department of Local Affairs transferred $3.7 million and $3.80 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. Transfers to ensure the actuarial soundness of the pension plan were suspended in Fiscal Years 2003-04 and 2004-05 to address state budget shortfalls. In Fiscal Year 2005-06, the State Treasurer transferred $25.3 million to the pension plan.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of $147,000 to this plan in Fiscal Year 2005-06. The other plan is single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $13.8 million and $13.0 million in Fiscal Years 2005-06 and 2004-05, respectively. Those amounts were equivalent to the annual required contribution. At July 1, 2005, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 1998. The authority also provides three other retirement plans, as discussed in Note 21.

Employees of CoverColorado and the Colorado Water Resources and Power Development Authority are covered under the State and School Division of PERA discussed above.

NOTE 20 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Primary Government

Health Care Program

The PERA Health Care Program 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 it is reduced by 5 percent for each year 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, 2005, the Health Care Trust Fund had an unfunded actuarial accrued liability of $925.4 million, a funded ration of 17.1 percent, and a 35-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 $20.6 million, $21.2 million, $20.4 million, $24.6 million, and $24.8 million in Fiscal Years 2005-06, 2004-05, 2003-04, 2002-03, and 2001-02, 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, all four of PERA's insurance carriers offered high deductible health care plans in 2005. As of December 31, 2005, there were 41,080 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.

Life Insurance Program

During Fiscal Year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,180 members participated. Active members may join the Unum Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 13,375 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Other Programs

Separate postemployment health care and life insurance benefit plans exist in some state colleges and universities, but are small in comparison to the PERA plan for state employees.

The state provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Standard Insurance Company 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 CoverColorado and the Colorado Water Resources and Power Development Authority are covered under the PERA Health Care Trust Fund discussed above.

NOTE 21 – OTHER EMPLOYEE BENEFITS

Primary Government

Some employees of various institutions of higher education may be covered under other retirement plans. Presidents, deans, professors, and instructors in state educational institutions are enrolled in defined benefit plans such as the Teachers Insurance and Annuity Association, the Variable Annuity Insurance Corporation, or other similar plans.

Faculty members at the University of Colorado are also under Social Security. Faculty members at Colorado State University were covered exclusively by PERA until May 1993. Faculty members hired after that time are covered by one of several defined contribution plans. Faculty previously covered by PERA had the choice of converting entirely to the defined contribution plan or remaining in PERA for their service until May 1993, with service after that time credited to the defined contribution plan.

The state made contributions to other pension plans of $65.6 million and $62.5 million during Fiscal Years 2005-06 and 2004-05, respectively. In addition, the state paid $57.3 million and $54.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2005-06 and 2004-05, respectively.

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-insured using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-insured 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 once again became self-insured for certain employee and state-official medical claims. The state's contribution to the premium is subject to approval of the legislature each year, and state employees pay the difference between the state's contribution and the premium. The premiums set by the state are intended to cover claims and include a fee to offset the costs of administering the plan, such as, the online benefits system and communicating benefit provisions. Employee healthcare premiums are allowed on a pretax basis under the state's flexible spending account benefits plan.

The Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund shown in the financial statements on page 102, reports a net asset deficit of $150,219, which was the result of claims in excess of those anticipated by the plan's actuary. The plan began the year with a net asset surplus of $4,734,067.

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.

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 19-A). 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.

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In 2005, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution), to a maximum of $14,000. In 2006, the maximum increased to $15,000. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,000 catch-up contribution in 2006, for a total contribution of $20,000. Contributions and earnings are tax deferred. On December 31, 2005, the plan had net assets of $1,297.0 million and 72,867 accounts.

Employee Deferred Compensation Plan

The state initiated a deferred compensation (457) plan for state employees in 1981. The nine-member Deferred Compensation Committee establishes rules and regulations for implementation of the plan. The Committee comprises the State Controller, the State Treasurer, four plan participants elected by plan members, a participant of the Public Officials' and Employees' Defined Contribution Plan appointed by the Governor, and two members of the General Assembly – one each appointed by the President of the Senate and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was $324.3 million and $303.8 million at June 30, 2006 and June 30, 2005, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

Defined Contribution Retirement Plan

On January 1, 1999, the state began providing a defined contribution retirement plan for certain eligible employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-208 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

Prior to January 1, 2006, the following state employees were eligible to participate in the plan: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the Governor's Office.

After December 31, 2005, in addition to the individuals listed above, any new employee hired in the state personnel system is eligible to participate in the defined contribution plan unless the employee is:

- an employee of a Higher Education Institution,
- commencing employment as an elected official, or
- has been a member of the Public Employees Retirement Association (PERA) within the prior twelve months.

Notwithstanding these limitations, an employee is eligible to participate in the defined contribution plan if they are a PERA retiree serving as a state elected official. Participation in the plan by eligible employees is voluntary; however, if the election to participate is not made within 60 days the employee automatically becomes a member of the Public Employees Retirement Association (PERA). At June 30, 2006, the plan's three investment contractors reported a total of 756 accounts with 264 individuals actively contributing to the plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan and defined contribution plans administered by PERA. From July 1, 2005, to December 31, 2005, the state contribution rate was 10.15 percent and from January 1, 2006, to June 30, 2006 the rate was 10.65 percent. The employee was required to contribute 8 percent of gross covered wages throughout the year.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis of accounting in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as additions in the period in which the employee provides services. Investments are reported at fair value.

The following page presents the financial statements for the state's pension and other employee benefits plans discussed above.

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 836	$ -	$ 2,536	$ 3,372
Other Receivables, net	2,700	130	4,119	6,949
Due From Other Funds	-	-	87	87
Prepaids, Advances, and Deferred Charges	-	-	13	13
Total Current Assets	3,536	130	6,755	10,421
Noncurrent Assets:				
Investments:				
Mutual Funds	315,208	8,345	-	323,553
Other Investments	5,785	-	-	5,785
Total Noncurrent Assets	320,993	8,345	-	329,338
TOTAL ASSETS	324,529	8,475	6,755	339,759
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	230	26	6,872	7,128
Due To Other Funds	-	6	-	6
Total Current Liabilities	230	32	6,872	7,134
Noncurrent Liabilities:				
Accrued Compensated Absences	8	-	33	41
Total Noncurrent Liabilities	8	-	33	41
TOTAL LIABILITIES	238	32	6,905	7,175
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	323,440	8,345	-	331,785
Unrestricted	851	98	(150)	799
TOTAL NET ASSETS	$ 324,291	$ 8,443	$ (150)	$ 332,584

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Member Contributions	$ 36,418	$ 623	$ 75,056	$ 112,097
Employer Contributions	-	799	94,582	95,381
Investment Income/(Loss)	21,389	627	303	22,319
Employee Deferral Fees	971	130	1,028	2,129
Other Additions	-	-	15,770	15,770
TOTAL ADDITIONS	58,778	2,179	186,739	247,696
DEDUCTIONS:				
Benefits and Withdrawals	37,009	815	-	37,824
Health Insurance Premiums Paid	-	-	53,461	53,461
Other Benefits Plan Expense	-	-	17,594	17,594
Administrative Expense	857	90	-	947
Other Deductions	406	6	120,482	120,894
Transfers-Out	11	5	86	102
TOTAL DEDUCTIONS	38,283	916	191,623	230,822
CHANGE IN NET ASSETS	20,495	1,263	(4,884)	16,874
FISCAL YEAR BEGINNING	303,796	7,180	4,734	315,710
FISCAL YEAR ENDING	$ 324,291	$ 8,443	$ (150)	$ 332,584

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

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA 401K Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the authority to make matching contributions of $4.2 million in Fiscal Year 2005-06. The hospital also provides a single employer tax deferred plan (457b) that did not require authority contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the authority.

NOTE 22 – 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 part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance, which includes flood and terrorism coverage.

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (not including CSU-Pueblo), and the University of Northern Colorado, participate in the Risk Management Fund. 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 such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the short and long-term liabilities of the Risk Management Fund.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The state uses the services of Pinnacol Assurance, a related organization, to administer its plan. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

Before January 1, 2000, the state was self-insured for medical claims of employees and state officials under the State Employee and Officials Group Insurance Internal Service Fund. From January 1, 2000 through June 30, 2005, the state purchased insurance for those claims. Beginning July 1, 2005, the state returned to self insurance for employee and officials medical claims except for stop-loss insurance purchased for claims over $50,000 per individual. In Fiscal Year 2005-06, the claims and related liabilities were reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund (see Note 21).

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participates in the University of Colorado Insurance Pool – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim. 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.

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 at Denver and Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $175,000 per person and $6.5 million in aggregate annually. There have been no collections against the aggregate stop-loss insurance in the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado at Denver and Health Sciences Center 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 $6.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study.

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. A liability is recorded for the university's employee long-term disability plan based on expected claims payout as determined by the third party administrator. The university is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims from $500,000 to $1.0 million. For general liability claims, the university is self-insured up to $500,000 per occurrence and has purchased excess insurance for claims over that amount.

General liability claims arising out of employment practices are self-insured with excess insurance purchased for claims between $1.0 million and $5.0 million. The university is self-insured for property damage up to $100,000, but has purchase excess insurance providing coverage up to $1.0 billion per occurrence.

During Fiscal Year 2006, the University of Northern Colorado became self-insured for general liability, property, auto, and workers' compensation. The university has purchased $250.0 million of commercial property insurance, $1.0 million per event of commercial auto insurance, and $100,000 of commercial crime coverage. In prior years, the university was covered under the state risk management program. See Note 28 for information regarding the prior period adjustment of $1.1 million related to the liability previously recorded under state risk management. The change-over to self-insurance for workers' compensation and general liability occurred late in the fiscal year, and the liability shown in the following schedule is the university's portion of the total liability from the Department of Personnel & Administration's actuarial study.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Restated Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2005-06	$ 18,962	$ 11,476	$ 5,271	$ 25,167
2004-05	24,541	(142)	5,437	18,962
2003-04	39,750	(8,083)	7,126	24,541
Workers' Compensation				
2005-06	74,072	34,530	26,479	82,123
2004-05	69,582	27,421	22,931	74,072
2003-04	68,730	35,242	29,842	74,130
Group Benefit Plans:				
2005-06	-	118,491	103,316	15,175
2004-05	-	-	-	-
2003-04	-	-	-	-
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2005-06	15,012	6,072	5,364	15,720
2004-05	12,841	8,838	6,667	15,012
2003-04	12,033	7,025	6,217	12,841
University of Colorado at Denver and Health Sciences Center:				
Medical Malpractice				
2005-06	6,556	965	960	6,561
2004-05	8,759	(225)	1,978	6,556
2003-04	8,759	149	1,269	7,639
Graduate Medical Education Health Benefits Program				
2005-06	972	5,723	5,671	1,024
2004-05	812	5,166	5,006	972
2003-04	788	4,135	4,111	812
Colorado State University:				
Medical, Dental, and Disability Benefits				
2005-06	10,242	18,951	17,451	11,742
2004-05	9,841	16,166	15,765	10,242
2003-04	5,293	11,313	11,832	4,774
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2005-06	-	-	-	1,078

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits and contracts with a commercial insurance company for coverage to $6.0 million per occurrence when governmental immunity does not apply. For Fiscal Year 2005-06, the hospital recorded premium and administrative expenses of $413,000. The trust had a fund balance of $3.7 million, which was in excess of $6.6 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss.

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2005. There were no significant reductions in insurance coverage from the prior year.

NOTE 23 – 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, 2006, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

	Land	Buildings	Equipment and Other
Governmental Activities	$ -	$ 17,414	$ 5,274
Business-Type Activities	2,665	58,334	17,754
Total	$ 2,665	$ 75,748	$ 23,028

At June 30, 2006, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ -	$ 30	$ 30
Business-Type Activities	-	490	490
Total	$ -	$ 520	$ 520

During the year ended June 30, 2006, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 31	$ 31
Total	$ -	$ 31	$ 31

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2006, for the space and vehicles was $57,837 and $371,278, respectively. The Colorado State University System leases equipment from the foundation and has a total lease obligation of $2,654,054.

Aurora Community College made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

Morgan Community College made lease payments of $73,500 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of $124,467 to the Trinidad State Junior College Educational Foundation.

The State Board for Community Colleges and Occupational Education made lease principal payments of $136,735 to the Colorado Community College System Foundation.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2005-06, the state recorded building and land rent of $36.8 million and $18.5 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $6.6 million and $27.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program. The state recorded $0.22 million of lease interest costs in the governmental activities and $0.92 million in the business-type activities.

The $132.1 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Corrections issuing $130.6 million of certificates of participation for the purchase and upgrade of buildings. These proceeds were not fully expended at June 30, 2006.

Future minimum payments at June 30, 2006, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2007	$ 29,894	$ 11,429	$ 1,704	$ 8,274
2008	25,064	8,362	1,115	7,113
2009	20,802	6,571	915	6,327
2010	18,508	5,089	833	5,920
2011	16,687	2,537	803	5,258
2012 to 2016	60,095	8,457	4,469	25,118
2017 to 2021	17,971	78	6,087	20,117
2022 to 2026	-	-	4,058	8,902
2027 to 2031	-	-	-	3,715
2032 to 2036	-	-	-	1,228
Total Minimum Lease Payments	189,021	42,523	19,984	91,972
Less: Imputed Interest Costs	-	-	2,502	31,248
Present Value of Minimum Lease Payment	$ 189,021	$ 42,523	$ 17,482	$ 60,724

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.9 million for Fiscal Years 2005-06. Future minimum lease payments for these leases at June 30, 2006, are:

(Amounts in Thousands)

Fiscal Year	Amount
2007	$ 7,179
2008	3,313
2009	2,522
2010	1,769
2011	1,683
Thereafter	6,823
Total Minimum Obligations	$23,289

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease expiring in 2006. Total rental expense for the year ended December 31, 2005 was $122,338. The total minimum rental commitment under this lease is $37,591 for 2006.

CoverColorado leases office facilities under an operating lease that expires in 2007. Total rental expense for the year ended December 31, 2005, was $26,381. The total minimum rental commitment under this lease is $59,300 for years 2006 through 2007.

Effective October 1, 1999, the University of Colorado Foundation entered an agreement to lease the building in which it operated. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which is currently $4.8 million. Total minimum lease payments including interest at June 30, 2006, were $7.6 million. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $3.4 million, net of accumulated depreciation of $2.4 million, as of June 30, 2006.

NOTE 24 – SHORT-TERM DEBT

On July 1, 2005, the State Treasurer issued $700.0 million of General Fund Tax Revenue Anticipation Notes, Series 2005A. The notes were due and payable on June 27, 2006, at an average coupon rate of 3.81 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2006, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. On July 1, 2005, the State Treasurer issued $225.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2005A. The notes carried an average coupon rate of 4.17 percent and matured on August 7, 2006.

On December 13, 2005, the State Treasurer issued $190.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2005B. The notes carried an average coupon rate of 6.25 percent and matured on August 7, 2006. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2006, in an amount adequate to fully defease the outstanding notes. School districts were required to repay the loans prior to the state's fiscal year end, and the State Treasurer placed the loan repayments in a separate account that was restricted to paying off the notes on the August 7, 2006, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2006:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 700,000	$ (700,000)	$ -
Education Loan Anticipation Notes	520,000	415,000	(520,000)	415,000
Total Governmental Activities Short-Term Financing	520,000	1,115,000	(1,220,000)	415,000
Total Short-Term Financing	$ 520,000	$ 1,115,000	$ (1,220,000)	$ 415,000

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

Many Higher Education Institutions, the Department of Corrections, the Highway Fund, the State Nursing Homes, and CollegeInvest have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations.

During Fiscal Year 2005-06, the state's governmental activities had $168.0 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the state's business-type activities had $299.5 million of available net revenue after operating expenses to meet the $168.6 million of debt service requirement related to these bonds. However, the revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. The State Fair Authority, a nonmajor enterprise fund, did not earn adequate net available revenues from pledged sources to fund its debt service.

The state recorded $238.1 million of interest costs, of which, $114.2 million was recorded by governmental activities and $123.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $36.2 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $76.1 million of Highway User Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $1.2 million of interest primarily on certificates of participation issued primarily by internal service funds in the Department of Personnel & Administration. The business-type activities interest cost primarily comprises $57.0 million of interest on revenue bonds issued by Higher Education Institutions, $50.8 million of interest on bonds issued by CollegeInvest, and $15.6 million of interest on bonds issued by the College Access Network, a nonmajor enterprise fund.

Annual maturities of notes and bonds payable at June 30, 2006, are as follows:

(Amounts in Thousands)

Fiscal Year	Governmental 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
2007	$ 97,490	$ 70,492	$ 415,000	$ 16,885	$ 13,745	$ 8,000	$ 526,235	$ 95,377
2008	102,475	65,514	-	-	9,816	7,618	112,291	73,132
2009	107,795	60,197	-	-	6,396	7,371	114,191	67,568
2010	113,300	54,691	-	-	8,807	11,348	122,107	66,039
2011	119,385	48,605	-	-	12,616	7,025	132,001	55,630
2012 to 2016	701,056	138,903	-	-	55,426	27,385	756,482	166,288
2017 to 2021	127,185	3,180	-	-	62,615	13,702	189,800	16,882
2022 to 2026	-	-	-	-	4,050	3,644	4,050	3,644
2027 to 2031	-	-	-	-	6,515	2,400	6,515	2,400
2032 to 2036	-	-	-	-	5,460	561	5,460	561
Subtotals	1,368,686	441,582	415,000	16,885	185,446	89,054	1,969,132	547,521
Unamortized Prem/Discount	49,760	-	-	-	11,029	-	60,789	-
Totals	$1,418,446	$ 441,582	$ 415,000	$ 16,885	$ 196,475	$ 89,054	$2,029,921	$ 547,521

(Amounts in Thousands)

Fiscal Year	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2007	$ 75,183	$ 103,114	$ 715	$ 291	$ 43	$ 7	$ 7,330	$ 11,942	$ 83,271	$ 115,354
2008	52,529	100,094	741	262	45	5	7,174	11,640	60,489	112,001
2009	60,400	97,362	768	231	48	2	6,704	11,352	67,920	108,947
2010	39,470	95,152	803	199	-	-	6,634	11,083	46,907	106,434
2011	40,740	93,449	402	164	-	-	6,894	10,829	48,036	104,442
2012 to 2016	225,918	444,071	2,281	547	-	-	39,453	49,327	267,652	493,945
2017 to 2021	225,642	401,513	1,098	73	-	-	48,870	38,897	275,610	440,483
2022 to 2026	364,075	340,953	60	8	-	-	60,050	25,566	424,185	366,527
2027 to 2031	191,850	260,431	-	-	-	-	68,177	9,534	260,027	269,965
2032 to 2036	499,000	171,382	-	-	-	-	3,035	230	502,035	171,612
2037 to 2041	512,830	43,962	-	-	-	-	-	-	512,830	43,962
Subtotals	2,287,637	2,151,483	6,868	1,775	136	14	254,321	180,400	2,548,962	2,333,672
Unamortized Prem/Discount	16,848	-	(58)	-	-	-	6,257	-	23,047	-
Totals	$2,304,485	$2,151,483	$ 6,810	$ 1,775	$ 136	$ 14	$ 260,578	$ 180,400	$2,572,009	$2,333,672

Component Units

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2005, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2006	$ 43,065	$ 49,814	$ 92,879
2007	44,885	48,673	93,558
2008	46,390	46,672	93,062
2009	47,385	44,561	91,946
2010	50,430	42,345	92,775
2011 to 2015	255,790	174,293	430,083
2016 to 2020	225,530	114,836	340,366
2021 to 2025	158,115	65,384	223,499
2026 to 2030	55,115	39,639	94,754
2031 to 2035	90,480	25,106	115,586
2036 to 2040	23,215	8,261	31,476
2041 to 2043	17,065	1,822	18,887
Total Future Payments	$ 1,057,465	$ 661,406	$ 1,718,871

The original principal amount for the outstanding bonds was $1.6 billion. Total interest paid during 2005 amounted to $44.3 million.

All of the Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation. The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources

Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bond Series 2005D are insured as to payment of principal and interest by Financial Security Assurance, Inc. The authority can issue up to $150,000,000 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds and as of December 31, 2005, had $103,965,000 of these bonds outstanding.

In April 2006, the University of Colorado Hospital Authority entered into a 5-year capital lease for medical equipment totaling approximately $1.9 million. Due to rapid changes in technology, the authority opted to lease, rather than purchase the equipment.

In May 2006, the University of Colorado Hospital Authority issued a combined total of $103.0 million of Series 2006A and 2006B Revenue Bonds with interest rates averaging 5.13 and 4.50 percent, respectively. Proceeds from the bonds will be used to construct the Leprino Office Building.

During Fiscal Year 2005-06, the authority met all the financial ratio requirements of its bond indentures. Cash paid for interest by the hospital in Fiscal Year 2005-06 approximated $21.3 million. Total interest cost capitalized in Fiscal Year 2005-06 amounted to $1.3 million, which is net of $3.8 million of investment income from the unexpended bond funds. The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2006 are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2007	$ 7,600	$ 24,924	$ 32,524
2008	7,955	24,627	32,582
2009	8,352	24,264	32,616
2010	8,732	23,892	32,624
2011	8,962	23,508	32,470
2012 to 2016	37,900	111,294	149,194
2017 to 2021	52,015	98,370	150,385
2022 to 2026	100,835	81,636	182,471
2027 to 2031	100,355	59,983	160,338
2032 to 2036	123,905	34,103	158,008
2037 to 2042	103,000	12,295	115,295
Total Long-Term Debt Payments	559,611	518,896	1,078,507
Less: Unamortized Discount	(3,425)		
Deferred Amount on Refunding of Series 1997 A Bonds	(5,513)		
Total Carrying Amount of Long-Term Debt	$ 550,673		

Bear Creek I, LLC (Bear Creek) is a Colorado limited liability company whose sole member is the University of Colorado Foundation. Bear Creek borrowed $69.1 million of the proceeds from the Colorado Educational and Cultural Facilities Authority (CECFA) 2002 Student Housing Revenue Bonds issuance. CECFA is a related party of the state. Bear Creek used the borrowing proceeds to fund construction and to furnish a student housing facility and a community center, to fund interest costs during the construction period, and to pay issuance costs. The bonds carry a true interest cost of 5.2 percent. They are payable from loan payments made by Bear Creek to CECFA, from funds held by the bond trustee, and from a Commitment of Support agreement in which Bear Creek has agreed to make up any deficiency from the first two sources. At June 30, 2006, the scheduled June 30 principal payments were $1.0 million for 2007, $1.2 million for 2008, $1.4 million for 2009, $1.5 million for 2010, $1.5 million for 2011, and $61.2 million thereafter. At June 30, 2006, the trustee held $6.0 million in overnight repurchase agreements for various purposes related to Bear Creek's activities and debt service.

In June 2004, the University of Colorado Foundation established a $20.0 million unsecured line of credit with a bank. The credit line carries variable interest based on the LIBOR or the prime rate. As of June 30, 2006, no amounts were outstanding.

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2005-06:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,227	$ 3	$ 571	$ 3,801	$ 3,784
Accrued Compensated Absences	119,317	28,878	(25,898)	122,297	9,437
Claims and Judgments Payable	469,716	10,527	(87,376)	392,867	49,415
Capital Lease Obligations	22,307	2,443	(7,268)	17,482	1,461
Bonds Payable	1,512,986	126,806	(94,541)	1,545,251	97,490
Certificates of Participation	63,332	20,408	(14,070)	69,670	13,745
Other Long-Term Liabilities	198,520	12,215	(366)	210,369	-
Total Governmental Activities Long-Term Liabilities	2,389,405	201,280	(228,948)	2,361,737	175,332
Business-Type Activities					
Accrued Compensated Absences	145,987	18,097	(12,963)	151,121	14,284
Claims and Judgments Payable	28,252	73,505	(45,931)	55,826	7,430
Capital Lease Obligations	90,139	5,520	(34,935)	60,724	4,851
Bonds Payable	2,063,379	308,529	(67,423)	2,304,485	75,183
Certificates of Participation	75,729	215,971	(31,123)	260,577	7,330
Notes, Anticipation Warrants, Mortgages	9,401	367	(2,821)	6,947	758
Other Long-Term Liabilities	55,950	5,837	(4,373)	57,414	4,276
Total Business-Type Activities Long-Term Liabilities	2,468,837	627,826	(199,569)	2,897,094	114,112
Fiduciary Activities					
Deposits Held In Custody For Others	266,636	7,442	(7,656)	266,422	210,974
Accrued Compensated Absences	34	8	(1)	41	-
Other Long-Term Liabilities	2,026	471	(35)	2,462	-
Total Fiduciary Activities Long-Term Liabilities	268,696	7,921	(7,692)	268,925	210,974
Total Primary Government Long-Term Liabilities	$ 5,126,938	$ 837,027	$ (436,209)	$ 5,527,756	$ 500,418

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 employees salary. As a result, the resources of nearly all of the state's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for notes, bonds, and certificates of participation do not include the short-term borrowing disclosed in Note 24. A current portion is not normally identifiable for other long-term liabilities.

Long-term liabilities that are actuarially determined often 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 Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.

At June 30, 2006, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets.*

The $210.4 million shown for governmental activities represents tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The $53.1 million shown for business-type activities primarily comprises:

- $36.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $4.3 million will be paid within one year and is reported as an other current liability.
- $16.7 million of deferred revenue that the state does not expect to recognize within the following year. The most significant balances relate to a ground lease at the University of Northern Colorado ($2.3 million) and accrued interest on Capital Appreciation Bonds not due until Fiscal Year 2015 at the Colorado School of Mines ($1.9 million).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 451,955	$ 105,629	$ 6,911	$ 550,673	$ 7,600
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 807,851	$ 387,715	$ 180,618	$1,014,948	$ 43,065
Other Long-Term Liabilities	$ 271,896	$ 266,398	$ 206,432	$ 331,862	$ 281,535

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), a pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation, and after termination of the other agreements, the relate assets revert to the foundation to create an endowment to support University activities. The related assets are generally marketable equity and fixed income securities recorded as investments at fair market value. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gift and Donation revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gift and Donation revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*.

At June 30, 2006, the University of Colorado Foundation held $112.5 million of endowments and other funds for the University of Colorado and its affiliates. On the *Statement of Net Assets – Component Units,* this liability is reported as Deposits Held in Custody.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2006, total life income agreement assets of CSUF were $1.2 million. Life income agreements payable at the same date totaled $1.0 million. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* At June 30, 2006, the foundation held $13.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets – Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2006, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.9 million; related liabilities of $6.6 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 an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

CSMF has also entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as an Other Long-Term Liability of $3.5 million on the *Statement of Net Assets – Component Units.* At June 30, 2006, CSMF reported $12.2 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 27 – DEFEASED DEBT

Primary Government

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 2005-06, debt was defeased in the business-type activities.

At June 30, 2006, 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	$ 666,485
Business-Type Activities:	
Auraria Higher Education Center	$ 24,419
University of Northern Colorado	21,640
Western State College	16,465
Colorado School of Mines	5,630
Fort Lewis College	4,570
Red Rocks Community College	2,280
Front Range Community College	1,620
Pikes Peak Community College	1,117
Total	$ 744,226

The Board of Trustees of the University of Northern Colorado issued $1,785,000 of Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2005 to defease $1,745,000 of Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 1994. The defeased debt had an interest rate of 5.75 percent and the new debt has an interest rate of 3.25 percent. The remaining term of the debt was unchanged at 3 years, and the estimated debt service cash flows decreased by $45,261. The defeasance resulted in an economic gain of $42,508 and a book loss of $66,758 that will be amortized as an adjustment of interest expense over the remaining three years of the new debt.

The Auraria Higher Education Center issued $17,520,000 of Certificates of Participation (Administrative Office Facility Project) Series 2005 to defease $16,330,000 of its Certificates of Participation (Administrative Office Facility Project) Series 1998. The defeased debt had interest rates ranging from 4.5 percent to 5.125 percent and the new debt has interest rates ranging from 3.25 percent to 4.5 percent. The remaining term of the debt was unchanged at 23 years, and the estimated debt service cash flows decreased by $722,936. The defeasance resulted in an economic gain of $704,397 and a book loss of $1,076,866 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Auraria Higher Education Center issued $15,315,000 of Auraria Higher Education Center Student Fee Revenue Refunding Bonds (Tivoli Student Center Revitalization Project) Series 2006 to advance refund $15,370,000 of its Auraria Higher Education Center Student Fee Revenue Refunding Bonds Series 1996. The certificates were redeemed May 1, 2006. The advance refunded debt had interest rates ranging from 3.5 percent to 5.3 percent and the new debt has interest rates ranging from 3.5 percent to 4.125 percent. The remaining term of the debt was unchanged at 15 years, and the estimated debt service cash flows decreased by $1,152,780. The advance refunding resulted in an economic gain of $1,061,093 and a book loss of $435,873 that will be amortized as an adjustment of interest expense over the remaining 15 years of the new debt.

The Auraria Higher Education Center issued $7,565,000 of its Auraria Higher Education Center (State of Colorado) Parking Enterprise Revenue Refunding Bonds Series 2006 to defease $7,020,000 of its Auraria Higher Education Center (State of Colorado) Parking Facilities System Revenue Bonds Series 2000. The defeased debt had interest rates ranging from 5.0 percent to 5.5 percent and the new debt has interest rates ranging from 4.25 percent to 4.5 percent. The remaining term of the debt was unchanged at 20 years, and the estimated debt service cash flows decreased by $338,035. The defeasance resulted in an economic gain of $340,075 and a book loss of $511,679 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

Component Units

In November 1997, the University of Colorado Hospital Authority issued $123.9 million in Hospital Refunding Revenue Bonds to advance refunds Series 1992A bonds. The refunding resulted in legal defeasance and a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2006, the unamortized deferred loss on refunding is $5.5 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by $6.0 million and to obtain an economic gain of $3.2 million.

At December 31, 2005, the Colorado Water Resources and Power Development Authority had $139.6 million of bonds previously issued but defeased, and therefore, not reflected in bonds payable. During the year, the authority issued $135.9 million of revenue bonds (2004A, 2005A, 2005A2 Wastewater Revolving Fund Refunding Revenue Bonds and 2005A Drinking Water Revolving Fund Refunding Revenue Bonds) to advance refund portions of its 1996A, 1997B, 1998A, 1998B, 1999A, 2000A, and 2001A Clean Water Revenue Bonds, as well as, its 2000A Drinking Water Revolving Fund Revenue Bonds totaling $137.5 million. The difference between the new debt and the carrying amount of the old debt was $1.6 million,

which will be amortized against the new debt over the life of the refunded debt. The refunding resulted in an economic gain of approximately $7.0 million.

Total debt service, including principal and interest, remaining for the Denver Metropolitan Major League Baseball Stadium District's in-substance defeased debt was $7.8 million at December 31, 2005. The cost of the related escrow securities was $7.5 million.

NOTES 28 THROUGH 29 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 28 – PRIOR PERIOD ADJUSTMENTS

Primary Government

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $128,916,676 as follows:

- The Department of Transportation decreased beginning net assets of the Governmental Activities by $134,406,277 as the result of correcting errors in recording and depreciating capital assets in prior years.
- The Department of Treasury increased beginning fund balance of the Governmental Activities by $1,856,942 when it recognized tax receipts that were inappropriately recorded in an agency fund by the Department of Revenue in the prior fiscal year. The correction of this error also increased the beginning fund balance of the Highway Users Tax Fund (a major fund) in the fund level financial statements.
- The Department of Human Services increased beginning net assets of the Governmental Activities by $2,319,098 when it capitalized costs incurred in prior years in constructing the Institute for Forensic Psychiatry at the Colorado Mental Health Institute - Pueblo. The construction project was stopped in Fiscal Year 2002 due to lack of funding and was deemed permanently terminated. However, the project was later resumed. This adjustment recognizes the initial construction expenditures that had not been capitalized.
- The Department of Education increased beginning net assets of the Governmental Activities by $5,386,670 when it removed liabilities inappropriately accrued at the end of Fiscal Year 2004-05 related to reimbursement-type capital construction grants for which the department had no proof of local school district expenditures. This error correction also increased the beginning fund balance of the Public School Fund (a major Special Revenue Fund) on the fund level *Statement of Revenues, Expenditure, and Changes in Fund Balances.*
- The Department of Labor and Employment reduced beginning net assets of the Governmental Activities by $5,121,373 when the Petroleum Storage Tank Fund became an enterprise as required by Colorado Revised Statutes 8-20.5-103. The change increased beginning net assets of the Petroleum Storage Tank Fund, an Other Enterprise Fund (a nonmajor fund), in the fund level financial statements by the same amount and reduced the beginning fund balance of the Other Special Revenue Funds (a major fund) by $5,082,133. The difference between the two adjustments relates to $39,240 of capital assets previously reported only in the government-wide *Statement of Net Assets.*
- The Department of Personnel & Administration reduced beginning fund balance of the General Liability Risk Management Fund, which is reported as part of the General Fund, by $243,666 and $64,914 when it paid Colorado State University (CSU) and the University of Northern Colorado (UNC), respectively, to assume responsibility for university claims that would otherwise have been current liabilities of the fund in Fiscal Year 2005-06. The department reduced beginning fund balance of the Worker's Compensation Risk Management Fund, which is reported as part of the General Fund, by $581,462 when it paid the UNC to assume responsibility for university claims that would otherwise have been current liabilities of the fund in Fiscal Year 2005-06. These transactions had no effect on the Governmental Activities on the government-wide statements because the governmental fund reduction in beginning fund balance was offset by an increase in beginning net assets related to removing the CSU and UNC claims liability previously reported as long-term. The transaction had no impact on the Higher Education Institutions Enterprise Fund because CSU and UNC received cash equivalent to the newly assumed current liability.

- The Department of Personnel & Administration increased beginning net assets of the Governmental Activities by $1,078,154 when it removed the long-term portion of general liability and worker's compensation claims related to the University of Northern Colorado. The transaction had no effect on the fund level financial statements because the long-term liability is not reported on those statements.
- The Department of Personnel & Administration reduced beginning net assets of the Governmental Activities by $29,890 when it determined that the Colorado Combined Campaign Fund was misclassified. This change reduced the beginning fund balance of the Other Special Revenue Funds, a major fund, and increased the beginning net assets of the Other Private Purpose Trust Funds, a portion of the Private Purpose Trust Funds

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* increased by $3,319,283 as follows:

- The University of Northern Colorado decreased beginning net assets of the Business-Type Activities and the Higher Education Institutions Fund, a major Enterprise Fund, by $1,078,154 when it assumed actuarial liabilities for risk management that were previously reported by the Department of Personnel & Administration as discussed above.
- Mesa State College increased beginning net assets of the Business-Type Activities and the Higher Education Institutions Fund, a major Enterprise Fund, by $436,297 when it determined that depreciation expense that was overstated in prior years.
- The Colorado School of Mines decreased beginning net assets of the Business-Type Activities and the Higher Education Institutions Fund, a major Enterprise Fund, when it determined that debt service expenses of the prior year were understated by $351,502 and payroll expenses of prior years were understated by $808,732.
- The Department of Labor and Employment increased beginning net assets of the Business-Type Activities and the Petroleum Storage Tank Fund, a nonmajor Other Enterprise Fund by $5,121,374 as explained above.

NOTE 29 – FUND EQUITY

On the *Balance Sheet – Governmental Funds*, the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve, a Special Capital Construction Fund used to account for Department of Corrections Certificates of Participation, and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The deficit unreserved fund balance of $47.7 million is the result of encumbrances for construction contracts authorized by multi-year budgets (see Note RSI-1B). The cash funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund.

NOTE 30 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2006, were:

SELLER'S/LENDER'S RECEIVABLE	General Fund	Public School	Highway Users Tax	Capital Projects
GOVERNMENTAL FUNDS:				
General	$ -	$70	$ 370	$ -
Public School	-	-	-	-
Highway Users Tax	2,116	-	-	39
Capital Projects	1,600	-	-	-
State Lands	-	-	-	-
Other Permanent Trust	-	-	-	-
Water Projects	-	-	-	156
Labor	167	-	-	-
Gaming	31	-	-	-
Other Special Revenue	113	-	40	-
PROPRIETARY FUNDS:				
Higher Education Institutions	2,521	-	180	26
CollegeInvest	-	-	-	-
Correctional Industries	54	-	-	128
Nursing Homes	1,956	-	-	-
INTERNAL SERVICE FUNDS				
Central Services	-	-	-	-
Capitol Complex	24	-	-	-
Administrative Hearings	53	-	-	-
FIDUCIARY FUNDS				
Group Benefit Plan	-	-	87	-
College Savings Plan	-	-	-	-
Treasurer's Agency Funds	-	-	-	-
Other Agency Funds	113	-	-	-
Total	$ 8,748	$70	$ 677	$ 349

The $28.8 million interfund payable shown for the State Lottery is related to distributions to other state agencies and agency funds that were accrued at June 30, 2006, and were paid early in Fiscal Year 2006-07. The Treasurer's Agency Funds had $1.9 million due from the Lottery that the Treasurer distributes to the Great Outdoors Colorado Program, a related party. The Conservation Trust Fund had $11.5 million and the Department of Natural Resources Lottery Distribution Fund had $2.9 million due from the Lottery Fund; both funds are part of the major fund – Other Special Revenue Funds. The Public School Fund, a major fund, in the Department of Education had $12.5 million due from the Lottery Fund.

The $20.8 million receivable in the General Fund, which is shown as primarily payable from All Other Funds, is mostly related to the Gaming Fund distribution of $17.6 million. The Gaming Fund distribution to various funds was accrued at June 30, 2006, and was paid early in Fiscal Year 2006-07. The Gaming Fund is a nonmajor Special Revenue Fund. In addition, the General Fund had a $1.2 million receivable from the State Fair Fund, a nonmajor enterprise Fund, related to the State Fair's cash deficit.

(Amounts in Thousands)

BUYER'S/BORROWER'S PAYABLE

Other Special Revenue	Higher Education Institutions	CollegeInvest	State Lottery	All Other Funds	Total
$ 419	$ 691	$ -	$ -	$ 19,222	$ 20,772
-	-	-	12,546	3,673	16,219
-	-	-	-	-	2,155
-	7,193	-	-	-	8,793
-	-	-	-	91	91
10	-	-	-	-	10
1,473	-	-	-	-	1,629
-	55	-	-	-	222
-	-	-	-	7,000	7,031
181	21	-	14,398	84,217	98,970
1,394	358	-	-	4,048	8,527
-	-	-	-	211	211
-	560	-	-	2	744
2	-	-	-	-	1,958
-	13	-	-	-	13
-	-	-	-	-	24
-	-	-	-	-	53
-	-	-	-	-	87
-	-	456	-	-	456
-	-	-	1,852	-	1,852
-	-	-	-	122	235
$ 3,479	$ 8,891	$ 456	$ 28,796	$118,586	$ 170,052

The $99.0 million receivable in the Other Special Revenue Funds is primarily due from the Lottery Fund ($14.4 million as discussed previously), the Water Projects Fund, and the Gaming Fund. The Severance Tax Trust Fund, an Other Special Revenue Fund, held a long-term receivable of $65.2 million that was payable from the Water Projects Fund, a nonmajor Special Revenue Fund. The Water Projects Fund has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund. The loans have terms ranging from 10 to 40 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

The Gaming Fund, a nonmajor Special Revenue Fund, owed the Tourism Trust Fund, a part of the major Other Special Revenue Funds, $19.0 million that was accrued at June 30, 2006, and was paid early in Fiscal Year 2006-07.

No other long-term interfund receivable/payable balances are material. Other balances shown in the schedule above are the result of timing differences between when generally accepted accounting principles require that expenses/expenditures and revenues be accrued and when the related payment is made.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2006, were as follows:

TRANSFER-OUT FUND	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 2,490,068	$ 65,345	$ 105,441
Public School	934	-	-	-
Highway Users	35,586	-	-	1,873
Capital Projects	-	-	-	-
State Education	-	-	-	-
Other Special Revenue	310,364	69,249	6,520	5,774
Higher Education Institutions	3,269	-	-	-
CollegeInvest	27	-	-	-
Lottery	861	12,545	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	5,030	-	-	-
Labor	244	-	-	-
Gaming	18,553	-	-	1,198
Tobacco Impact Mitigation	51,207	-	-	6,985
PERMANENT FUNDS:				
State Lands Trust Expendable	35	31,405	-	-
State Lands Trust Nonexpendable	-	-	-	-
Other Permanent Trust Nonexpendable	-	-	-	-
OTHER GOVERNMENTAL FUNDS:				
Debt Service	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	4,336	-	-	-
College Access Network	80	-	-	-
Correctional Industries	347	-	-	-
Nursing Homes	96	-	-	-
Prison Canteens	68	-	-	-
Petroleum Storage	893	-	-	-
Other Enterprise Funds	438	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	1,404	-	-	-
General Government Computer Center	718	-	-	-
Telecommunications	771	-	-	-
Capitol Complex	572	-	-	-
Administrative Hearings	236	-	-	-
Debt Collection	169	-	-	-
FIDUCIARY FUNDS:				
Treasurer's Private Purpose	1,843	-	-	-
Other Fiduciary Funds	102	-	-	-
TOTAL	$ 438,183	$ 2,603,267	$ 71,865	$ 121,271

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 as shown in the above schedule. Large transfers into the General Fund are considered unusual and are discussed below.

The $310.4 million transfer out of the Other Special Revenue Funds, a major fund, and into the General Fund included both routine and nonroutine transfers and comprises the following. The state transferred $185.6 million from the Controlled Maintenance Trust Fund (CMTF) to the General Fund in Fiscal Year 2005-06. This transfer effectively depleted the Controlled Maintenance Trust Fund. The $185.6 million was transferred from the General Fund to the CMTF at June 30, 2005, to partially restore moneys to the CMTF that were moved into the General Fund to mitigate revenue shortfall in Fiscal Year 2001-02. Other significant transfers from the Other Special Revenue Funds to the General Fund included $17.0 million from the Severance Tax Trust Fund, $16.1 million from the Parks Cash Fund, $13.8 million from the Employment Support Fund, and $10.7 million from the Judicial Stabilization Cash Fund. The routine transfers included in the $310.4 million are primarily related to ongoing funding of programs reported in the General Fund by cash funded programs that collect specific fees and other revenues including indirect cost transfers from a large number of cash funds to the General Fund.

(Amounts in Thousands)

TRANSFER-IN FUND

Other Special Revenue	Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 82,126	$ 127,962	$ -	$ 19,212	$ 2,890,154
2,226	-	-	41	3,201
-	-	-	175,440	212,899
1	6,986	-	4,291	11,278
-	2,203	-	5,138	7,341
-	1,625	-	17,956	411,488
-	-	-	-	3,269
-	-	-	-	27
62,270	-	-	-	75,676
296	-	-	-	5,326
-	-	-	-	244
19,000	-	-	-	38,751
28,637	-	-	152	86,981
46	94	-	113	31,693
5,134	455	-	-	5,589
24	-	-	-	24
-	-	-	2,752	2,752
-	-	-	-	4,336
-	-	25,000	-	25,080
24	-	-	-	371
-	-	-	-	96
-	-	-	-	68
-	-	-	-	893
-	-	-	-	438
-	-	-	-	1,404
-	-	-	-	718
-	-	-	-	771
-	-	-	217	789
-	-	-	-	236
-	-	-	19	188
-	-	-	126	1,969
-	-	-	-	102
$ 199,784	$ 139,325	$ 25,000	$ 225,457	$ 3,824,152

The $51.2 million transfer out of the Tobacco Impact Mitigation Fund and into the General Fund primarily comprises a $37.4 million transfer from the Tobacco Litigation Settlement Fund and an $8.8 million transfer from the Children's Basic Health Plan.

Certain transfers into the General Fund from various cash funds during Fiscal Years 2001-02 and 2002-03 were done to address significant revenue shortfalls and were required to be repaid to the cash funds when General Fund resources became sufficient. As a result, in Fiscal Year 2005-06 the General Fund transferred $67.1 million to various cash funds as follows; $30.0 million to the Hazardous Substance Response Fund, $18.4 million to the Fitzsimons Trust Fund, $11.4 million to the Severance Tax Trust Fund, $4.0 million to the Petroleum Storage Tank Fund, $1.9 million to the Read-to-Achieve Cash fund, $.9 million to the Children's Basic Health Plan, and $0.5 million to the Persistent Drunk Driver Fund.

The following paragraphs describe the large routine transfers into the General Fund that are generally specified in the Long Appropriations Act, which is the state's primary budget document.

The $35.6 million transfer into the General Fund from the Highway Users Tax Fund, a major Special Revenue Fund, is primarily indirect cost transfers and specific funding of highway related programs reported in the General Fund (other than construction and maintenance).

The $18.6 million transfer into the General Fund from the Gaming Fund, a nonmajor Special Revenue Fund, is a routine transfer done because the Gaming Fund is allowed to retain only a portion of gaming taxes and fees and the remaining balance becomes general-purpose revenue of the General Fund.

NOTE 32 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows two items that were considered extraordinary because they are both unusual and infrequent.

The Department of Local Affairs expended $13.6 million when a Governor's Executive Order activated the Colorado National Guard to assist in emergency response efforts in Louisiana related to hurricane Katrina. The amount also includes costs related to sheltering hurricane evacuees at the former Lowry Air Force base in Aurora, Colorado.

The University of Northern Colorado received insurance recoveries of $753,872 related to flood damage at the Michener Library. Applying the restoration cost approach the University recognized a gain on impairment of $707,872 after offsetting the insurance recovery against the asset impairment loss.

NOTE 33 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no state law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of $6.2 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported $499,670 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds*. The President of the university authorizes the expenditure of investment income from endowment earnings, and the university's Board of Governors is notified of those expenditures.

Colorado State University reported $494,195 of net appreciation on its donor-restricted endowments held by its foundation. The full amount was available for spending. On the *Statement of Net Assets – Proprietary Funds*, the university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out 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, and a management fee of 1 to 1.5 percent.

The University of Northern Colorado reported $289,074 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.*

NOTE 34 – SEGMENT INFORMATION

Primary Government

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.

CollegeInvest issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CollegeInvest is not presented because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions' 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 at Denver and Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund. UPI also provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the state.

The Colorado State University - Pueblo student activities segment charges students fees for programs and facilities provided at the campus.

The Colorado School of Mines auxiliary housing segment charges students for housing. The School of Mines' general research facilities segment charges rent to research programs.

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.

The following two pages present condensed financial information for the state's segments that are not presented as major funds.

CONDENSED STATEMENT OF NET ASSETS

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY OF COLORADO UNIVERSITY PHYSICIANS INCORPORATED
ASSETS:		
Current Assets	$ 295	$ 79,743
Due From Other Funds	-	-
Other Assets	30	43,466
Capital Assets	10,406	17,548
Total Assets	10,731	140,757
LIABILITIES:		
Current Liabilities	2,535	19,542
Due To Other Funds	1,227	-
Noncurrent Liabilities	134	19,421
Total Liabilities	3,896	38,963
NET ASSETS:		
Invested in Capital Assets , Net of Related Debt	9,073	(2,150)
Other Restricted Net Assets	-	6
Unrestricted	(2,238)	103,938
Total Net Assets	$ 6,835	$ 101,794

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OPERATING REVENUES :		
Tuition and Fees	$ -	$ -
Sales of Goods and Services	6,255	238,205
Other	529	-
Total Operating Revenues	6,784	238,205
OPERATING EXPENSES:		
Depreciation	581	1,575
Other	7,933	224,828
Total Operating Expenses	8,514	226,403
OPERATING INCOME (LOSS)	(1,730)	11,802
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income	5	2,158
Gifts and Donations	348	-
Other Nonoperating Revenues	-	-
Debt Service	(177)	(635)
Other Nonoperating Expenses	-	(2,189)
Total Nonoperating Revenues(Expenses)	176	(666)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions and Additions to Endowments	550	-
Transfers-In	263	-
Transfers-Out	-	-
Total Contributions, Transfers, and Other	813	-
CHANGE IN NET ASSETS	(741)	11,136
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	7,576	90,658
Prior Period Adjustments	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 6,835	$ 101,794

CONDENSED STATEMENT OF CASH FLOWS

NET CASH PROVIDED (USED) BY:		
Operating Activities	$ 18	$ 18,403
Noncapital Financing Activities	263	(2,190)
Capital and Related Financing Activities	(436)	(1,546)
Investing Activities	155	3,706
NET INCREASE (DECR.) IN CASH AND POOLED CASH	-	18,373
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	-	18,926
Prior Period Adjustment	-	-
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ -	$ 37,299

COLORADO STATE UNIVERSITY - PUEBLO	COLORADO SCHOOL OF MINES		AURARIA HIGHER EDUCATION CENTER	
STUDENT ACTIVITIES	AUXILIARY HOUSING	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDENT FACILITIES
$ 1,562	$ 2,318	$ 293	$ 2,948	$ 9,516
-	-	-	-	-
578	13,739	72	8,629	4,138
4,976	54,388	10,693	43,405	38,470
7,116	70,445	11,058	54,982	52,124
845	3,996	-	4,392	4,386
-	-	399	-	-
2,404	60,490	10,319	34,846	35,413
3,249	64,486	10,718	39,238	39,799
2,171	6,257	447	12,420	4,145
-	-	-	2,435	633
1,696	(298)	(107)	889	7,547
$ 3,867	$ 5,959	$ 340	$ 15,744	$ 12,325
$ 1,924	$ 1,623	$ -	$ -	$ 4,560
6,027	-	-	7,636	20,895
195	8,109	594	-	53
8,146	9,732	594	7,636	25,508
363	1,445	294	1,434	2,131
6,132	6,301	-	4,443	21,093
6,495	7,746	294	5,877	23,224
1,651	1,986	300	1,759	2,284
171	727	-	376	544
-	-	-	-	-
-	24	-	-	-
(557)	(1,394)	-	(1,558)	(1,989)
-	-	(459)	-	-
(386)	(643)	(459)	(1,182)	(1,445)
-	-	-	-	168
852	4,945	-	-	-
(514)	-	-	(1,571)	(542)
338	4,945	-	(1,571)	(374)
1,603	6,288	(159)	(994)	465
1,733	140	251	16,738	11,860
531	(469)	248	-	-
$ 3,867	$ 5,959	$ 340	$ 15,744	$ 12,325
$ 1,399	$ 10,560	$ 618	$ 3,036	$ 3,427
-	1,611	(444)	(1,571)	(542)
(485)	-	-	(6,574)	(5,871)
-	(12,923)	-	3,414	3,363
914	(752)	174	(1,695)	377
879	2,808	119	4,312	7,075
(957)	-	-	-	-
$ 836	$ 2,056	$ 293	$ 2,617	$ 7,452

NOTE 35 – COMPONENT UNITS

The state reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. All of the component units are considered major. Financial statements for the component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian general acute and psychiatric care regional hospital, licensed for 537 beds with six outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority (UCHA). It also includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado at Denver and Health Sciences Center (UCDHSC), a state institution of higher education. The hospital's mission is to provide education, research, and a full spectrum of primary, secondary, and tertiary healthcare services to the Denver metropolitan area and the Rocky Mountain Region. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(a) as a not-for-profit entity. The hospital is in the process of relocating its main campus from east central Denver to the Fitzsimons Campus in the Denver suburb of Aurora.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants.

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 district was authorized 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. In 2005, the district refunded $750,000 of the sales tax levy to the six counties initially included in the district because the funds were deemed unnecessary for the expenses and reserves of the district.

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 (a state institution of higher education) and through June 30, 2005, the University of Colorado Hospital Authority (a component unit of the state). During Fiscal Year 2004-05 the foundation and University of Colorado Hospital Authority mutually agreed to transfer all assets held for the benefit of the hospital to the hospital. 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 2005-06, it received $7.5 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, 2006, the foundation distributed $66.1 million to or for the benefit of the University of Colorado as follows: $51.7 million of gifts and income, $2.0 million in assets, $9.6 million for student housing, and $2.8 million to the Boulder Alumni Association, which is a division of the foundation. The university contributed $3.5 million to fund the operating costs of Bear Creek, a limited liability company of which the foundation is the sole member. The foundation holds $84.0 million of endowment related earnings that the university can request at any time as long as the request is consistent with donor intent.

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 2005-06, the foundation transferred $26.4 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 1966 to promote the general welfare, development, growth, and well being of the University of Northern Colorado (UNC). The foundation accomplishes this mission through solicitation and acquisition of gifts, investing in and managing property, and furnishing funds, facilities, equipment, and services. The foundation owed UNC $262,060 at June 30, 2006.

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.

The Venture Capital Authority (VCA) was established by Senate Bill 04-106 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 in premium tax credits, which it subsequently sold to insurance companies. The authority deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten year period.

In 2005, the authority created Colorado Fund 1 with a portion of the proceeds from the sale of premium tax credits. The authority has committed to providing up to $21.8 million to Colorado Fund 1 for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, and agritechnology and medical device industries and retail. As of December 31, 2005, the authority has contributed approximately $599,000 or 3 percent of its total funding commitment to Colorado Fund 1.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $2.2 million to the university during Fiscal Year 2005-06 and owed $164,685 at June 30, 2006.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as providing program development grants to Adams State College. The foundation provided $1.7 million and $1.1 million in scholarships and grants during Fiscal Year 2005-06 and 2004-05, respectively.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2004-05, the foundation awarded $365,097 of scholarships direct to Mesa State College students. The foundation donated real property to the college valued at $170,000.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.4 million of funding to the college in Fiscal Years 2005-06 and 2004-05. The foundation also reimbursed the college $139,305 for services provided by college employees in Fiscal Year 2005-06. At June 30, 2006, the foundation owed the college $383,793.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $1.9 million to the college in Fiscal Years 2005-06 and 2004-05.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of Front Range Community College, no foundations made annual transfers to their related colleges in excess of $500,000. The Front Range Community College Foundation was established to benefit Front Range Community College. The foundation transferred $758,432 to the college during Fiscal Year 2005-06 for student scholarships and instructional support.

The University of Northern Colorado Foundation, a component unit of the state, is the sole member of the University of Northern Colorado Foundation Student Housing LLC. The LLC owed the University of Northern Colorado $400,804 for a working capital loan at June 30, 2006.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation at June 30, 2006, and June 30, 2005, were $2.4 million and $3.3 million, respectively. At June 30, 2006, the Building Corporation had a receivable of $399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued $10.9 million of bonds in October 2002 and the construction funded by the bonds was completed in Fiscal Year 2002-03. The 2002 bonds were fully refunded and replaced by $10.6 million of bonds issued January 2005. The net assets of the Development Corporation were $187,195 and $250,757 at June 30, 2006 and 2005, respectively.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado 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 Years 2005-06 and 2004-05, the board funded $25.8 million and $24.3 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2006, GOCO owed the Department of Natural Resources $7.3 million.

In Fiscal Year 1997, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado that is reported a part of the Higher Education

Institutions Enterprise Fund, contributed $993,750 to the University of Colorado Hospital Authority (UCHA) for a 30 percent interest in UCHA's minority investment in TriWest. TriWest is discussed further in the Component Unit section below. UPI recorded $17.2 million of contract income from UCHA in Fiscal Year 2005-06. In January 2003, UPI entered an agreement to loan $487,500 to Colorado Access a health care maintenance organization (HMO). Colorado Access is also discussed below in regard to UCHA's loan to the HMO.

Component Units

The Hospital Authority and the University of Colorado at Denver and Health Sciences Center have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education approved the transfer of 186 acres of land (plus 41 additional acres) and buildings at the Fitzsimons Army Medical Center to the University of Colorado. Various quitclaim deeds convey the property in an "as is" condition, without warranty, and include conditions subsequent that, if not met, provide for reverting the property to the Department of Education. In July 2004, the authority entered into a 98-year Amended and Restated Ground Lease agreement with a one-dollar annual fee. The original lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of the property. The amended agreement increases the leased property to 45.5 acres, with an option for the authority to include an additional 7.1 acres, and provides for two renewals, up to 99 years each, for $100 per year. With certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

On January 14, 2005, the authority exercised its option to include the additional 7.1 acres under the Amended Ground Lease. On April 29, 2005, the lease was again amended to add the additional acreage to the land currently leased to the authority. The authority intends to use the 7.1 additional acres for the expansion of Anschutz Inpatient Pavilion and associated surface parking.

During 2006, the authority began the design and development of an office building and parking structure on 4.2 acres of land adjacent to the Anschutz Inpatient Pavilion. In May 2006, the lease was again amended to add the additional 4.2 acres to the land currently leased to the authority.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $32.0 million for these services in Fiscal Year 2005-06. Other contracts with the Regents for services that include educational support, clinic services, and research projects, resulted in payments by the hospital to the University of Colorado at Denver and Health Sciences Center (UCDHSC) of approximately $2.6 million in Fiscal Year 2005-06. UCDHSC paid the hospital $8.4 million in Fiscal Year 2005-06 and recorded $1.8 million of salaries and benefits paid by UCHA as on-behalf payments

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $1.7 million were billed to CRC for the cost of these services during Fiscal Year 2005-06. The amount due from the UCDHSC, including CRC, amounted to $0.5 million at June 30, 2006.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2005 and 2006. As part of the agreements, the hospital purchased a minority interest in TriWest for approximately $3.3 million. This investment is accounted for under the cost method, and the hospital received dividends of approximately $897,000 in Fiscal Year 2005-06.

The hospital created University Hospital Home Therapies (UHHT) in February 1996. Chartwell Rocky Mountain LLP is a Colorado limited liability partnership between UHHT and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain LLP was formed to provide home infusion and respiratory services to alternate-site patients. UHHT and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain LLP.

The hospital and two other entities participate in Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO that served Medicaid patients during Fiscal Year 2005-06. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001, the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest, which was 4.5 percent at June 30, was originally due on or before August 24 of each year. Currently, Colorado Access is unable to specify a repayment timeline due to negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital. During 2006 the hospital reserved approximately $762,000 due to the uncertainty of Colorado Access' ability to make payments under this agreement.

The Venture Capital Authority has a Limited Partnership Agreement with Colorado Fund 1 and has selected High Country Venture, LLC to serve as manager and general partner of the Fund. The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. In addition, the agreement requires that the authority pay an annual management fee as well as reimburse certain expenses to the fund manager. Effective January 3, 2006, the management fee will be paid in advance, on a quarterly basis, as a percentage of total capital commitments ranging from .5 percent to 2 percent through 2013.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, 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. 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. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental 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 of 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.

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. The state has been informed of an individual claim by the Office of the Inspector General of approximately $18.0 million related to an audit of Child Placement Agency grant payments. The Department of Agriculture has informed the state that it will disallow approximately $11.6 million of Food Stamps payments issued improperly due to problems incurred with the state's implementation of the Colorado Benefits Management System. The state normally contests such disallowances, and the outcome is uncertain at this time.

The College Access Network, in the event of adverse loss experience (default rate in excess of 9 percent), could be liable for approximately 25 percent ($2,094.5 million) of the outstanding balance of loans in repayment status ($8,377.9 million). However, the probability of a material loss is remote.

At June 30, 2006, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $558.8 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 $8.0 million individually.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state 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 over $6.86 billion are outstanding. Of this amount, $6.04 billion is covered by private insurance.

The State of Kansas asserts claims against the State of Colorado related to litigation costs associated with settlement of a suit claiming violations of the Arkansas River Compact. During Fiscal Year 2005-06, the State of

Colorado paid the State of Kansas $1.1 million based on an interpretation of the allowable litigation costs. The State of Kansas seeks up to an additional $9.0 million.

Plaintiffs filed suit in state court challenging the constitutionality of $442.7 million of transfers from cash funds to the General Fund made in Fiscal Years 2001-02, 2002-03, 2003-04 to mitigate general-purpose revenue shortfalls. The suit seeks class action status and alleges that the transfers caused the increase or continuation of cash fund fees that it contends are tax increases not approved by voters. Plaintiffs seek to prevent similar future transfers, to terminate existing fees replenishing the cash funds, to prevent fee increases intended to replenish the cash funds, and to require the General Fund to replenish the cash funds. Plaintiffs have appealed the district court's dismissal for Summary Judgment.

The Department of Health Care Policy and Financing may be responsible for between $6.0 million and $12.0 million of attorney's fees incurred by a class of Aid to Needy Disabled (AND) program clients. The state advanced the AND benefits to clients expected to win appeals to the federal government for Social Security benefits. The state was reimbursed for the AND benefits from the Social Security benefits awarded; however, the state did not reimburse the AND clients for the attorney's fees the clients incurred in pursuing the Social Security benefits. State statutes were subsequently changed to clarify that the state will not reimburse such attorney's fees.

School districts, students, and parents in the state's San Luis Valley have filed suit against the state asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of $5.7 billion to $10.0 billion is provided. All claims were dismissed by the district court, and the plaintiffs intend to bypass the Court of Appeals in requesting the Colorado Supreme Court to exercise jurisdiction. If the case proceeds to trial, plaintiff attorney fees and cost are expected to exceed $1.0 million.

The state believes it has a good chance of prevailing in the actions discussed in this footnote, but the ultimate outcome cannot presently be determined. No provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

Component Units

The Colorado School of Mines Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines formed for the purpose of purchasing, constructing, otherwise acquiring, extending or improving an educational facility for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the foundation may be called upon to repay principal, not to exceed $10.9 million in the event of default of the Development Corporation.

NOTE 38 – SUBSEQUENT EVENTS

DEBT ISSUANCE

On July 6, 2006, the State Treasurer issued $650.0 million of General Fund Tax Revenue Anticipation Notes, Series 2006A. The notes are due and payable on June 27, 2007, at an average coupon rate of 4.6 percent. The total interest related to this issuance will be $28.5 million. The notes are issued for cash management purposes.

One July 11, 2006, the State Treasurer issued $145.0 million of Education Loan Program Tax and Revenue Anticipation Notes Series 2006A. The notes carry a coupon rate of 4.5 percent, which will result in approximately $6.3 million of interest due at maturity. The notes mature on August 3, 2007, but the State Treasurer has established a Series 2006A Note Repayment Account that it will be funded by June 27, 2007, in an amount adequate to fully defease the outstanding notes.

On August 1, 2006, CollegeInvest issued its Tax-Exempt Bonds Series 2006XII-A1 and 2006XII-A2 of $49.5 million and $49.5 million, respectively, and its Taxable Notes Series 2006XII-A3 and 2006XII-A4 of $50.5 million and $50.5 million, respectively. The obligations were issued on a parity basis with the 1999 Series IV Master Indenture, and the proceeds will be used to acquire student loans.

On August 23, 2006, the University of Colorado issued $101.4 million of Enterprise Revenue Bonds – Series 2006A. The proceeds of the bonds will be used to finance capital improvements and acquisitions for a residence hall, outdoor recreation facilities, and the business school on the Boulder campus, a student recreation center on the Colorado Springs campus, and reimburse the University for the acquisition of two buildings for the downtown Denver campus. The bonds bear interest rates from four to five percent with final maturity in 2039. The revenue bonds are payable semiannually, have serial maturities, contain sinking fund requirements, and contain optional redemption provisions.

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, 2006

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 1,995,073	
Income Taxes			4,466,348	
Other Taxes			185,598	
Federal Grants and Contracts			13	
Sales and Services			710	
Interest Earnings			36,836	
Other Revenues			44,455	
Transfers-In			358,394	
TOTAL REVENUES AND TRANSFERS-IN			7,087,427	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 4,346	$ 4,279	4,053	$ 226
Corrections	533,090	536,006	533,553	2,453
Education	2,743,319	2,718,814	2,718,647	167
Governor	16,066	16,025	15,867	158
Health Care Policy and Financing	1,381,846	1,364,376	1,360,216	4,160
Higher Education	597,926	636,717	636,449	268
Human Services	500,181	509,448	504,203	5,245
Judicial Branch	236,698	236,984	236,177	807
Law	7,392	7,572	6,980	592
Legislative Branch	29,707	29,843	27,494	2,349
Local Affairs	8,614	8,614	8,519	95
Military and Veterans Affairs	4,138	4,424	4,314	110
Natural Resources	22,829	22,940	22,800	140
Personnel & Administration	8,447	8,387	8,169	218
Public Health and Environment	15,312	20,571	16,571	4,000
Public Safety	59,412	58,916	58,763	153
Regulatory Agencies	1,196	1,389	1,383	6
Revenue	158,219	158,346	168,727	(10,381)
Treasury	110,916	110,878	110,865	13
SUB-TOTAL OPERATING BUDGETS	6,439,654	6,454,529	6,443,750	10,779
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	750	-	750
Corrections	15,953	4,097	1,412	2,685
Education	1,005	425	12	413
Governor	-	310	65	245
Health Care Policy and Financing	-	112	-	112
Higher Education	60,483	64,961	15,283	49,678
Human Services	27,115	25,164	1,648	23,516
Judicial Branch	778	258	173	85
Military and Veterans Affairs	1,900	1,312	30	1,282
Personnel & Administration	7,741	8,141	5,677	2,464
Public Health and Environment	3,377	489	489	-
Public Safety	2,490	-	-	-
Revenue	8,651	261	260	1
Transportation	15,000	10,000	-	10,000
Budgets/Transfers Not Booked by Department	170,262	170,262	170,262	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	314,755	286,542	195,311	91,231
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 6,754,409	$ 6,741,071	6,639,061	$ 102,010
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 448,366	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 978,214	
Income Taxes			357,239	
Other Taxes			996,218	
Tuition and Fees			1,437,703	
Sales and Services			947,407	
Interest Earnings			314,733	
Other Revenues			2,333,450	
Transfers-In			4,799,555	
TOTAL REVENUES AND TRANSFERS-IN			12,164,519	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 25,378	$ 25,306	22,287	$ 3,019
Corrections	57,323	53,213	44,564	8,649
Education	2,909,482	2,976,988	2,947,300	29,688
Governor	27,830	41,404	16,758	24,646
Health Care Policy and Financing	430,500	361,605	306,350	55,255
Higher Education	2,447,098	2,463,936	2,137,669	326,267
Human Services	715,440	320,479	307,661	12,818
Judicial Branch	87,641	83,683	79,992	3,691
Labor and Employment	382,256	388,683	366,377	22,306
Law	29,751	30,823	28,888	1,935
Legislative Branch	2,582	2,462	1,614	848
Local Affairs	326,248	327,464	170,247	157,217
Military and Veterans Affairs	3,390	2,323	1,564	759
Natural Resources	490,008	469,205	298,417	170,788
Personnel & Administration	1,239,724	1,239,368	380,715	858,653
Public Health and Environment	168,443	180,675	123,799	56,876
Public Safety	126,601	124,218	105,416	18,802
Regulatory Agencies	62,343	62,493	58,972	3,521
Revenue	675,689	697,743	643,082	54,661
State	32,284	55,984	19,087	36,897
Transportation	238,649	238,682	219,217	19,465
Treasury	1,684,478	1,685,265	1,649,644	35,621
SUB-TOTAL OPERATING BUDGETS	12,163,138	11,832,002	9,929,620	1,902,382
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	2,110	2,110	-	2,110
Corrections	142,933	130,966	4,821	126,145
Higher Education	109,819	531,920	161,534	370,386
Human Services	1,028	956	490	466
Labor and Employment	33,000	65,748	31,394	34,354
Military and Veterans Affairs	658	1,209	50	1,159
Natural Resources	33,989	65,629	19,386	46,243
Personnel & Administration	12,698	12,696	6,918	5,778
Public Health and Environment	250	12,859	5,203	7,656
Public Safety	42	506	490	16
Regulatory Agencies	-	5	-	5
Revenue	-	6,429	1,786	4,643
Transportation	1,435,508	1,433,745	705,091	728,654
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	1,772,035	2,264,778	937,163	1,327,615
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 13,935,173	$ 14,096,780	10,866,783	$ 3,229,997
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,297,736	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,312,100	
TOTAL REVENUES AND TRANSFERS-IN			4,312,100	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 1,727	$ 16,563	7,173	$ 9,390
Corrections	1,399	10,592	6,902	3,690
Education	498,840	692,114	465,370	226,744
Governor	14,623	87,130	51,305	35,825
Health Care Policy and Financing	1,603,697	1,568,241	1,554,071	14,170
Higher Education	20,362	211,732	136,108	75,624
Human Services	542,832	1,202,032	951,645	250,387
Judicial Branch	1,159	5,820	3,814	2,006
Labor and Employment	103,853	183,261	110,510	72,751
Law	849	957	802	155
Legislative Branch	-	7	2	5
Local Affairs	84,851	228,589	115,490	113,099
Military and Veterans Affairs	130,961	15,174	9,510	5,664
Natural Resources	21,170	49,559	28,589	20,970
Personnel & Administration	172	2,635	2,205	430
Public Health and Environment	200,852	319,714	212,411	107,303
Public Safety	35,644	75,916	34,292	41,624
Regulatory Agencies	1,389	2,025	1,188	837
Revenue	1,674	4,291	2,310	1,981
State	-	240	109	131
Transportation	334,333	693,352	462,686	230,666
Treasury	-	149,014	148,949	65
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,600,387	5,518,958	4,305,441	1,213,517
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 3,600,387	$ 5,518,958	4,305,441	$ 1,213,517
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 6,659	

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

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES						
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:							
Revenues and Transfers-In:							
General	$ 6,972,044	$ -	$ -	$ 115,383	$ -	$ -	$ -
Cash	745,164	2,612,598	1,976,636	300,998	370,173	856,397	1,041,910
Federal	3,372,842	-	462,417	24,157	-	254,532	658
Sub-Total Revenues and Transfers-In	11,090,050	2,612,598	2,439,053	440,538	370,173	1,110,929	1,042,568
Expenditures/Expenses and Transfers-Out							
General Funded	6,613,934	-	-	25,127	-	-	-
Cash Funded	737,322	2,580,573	1,908,924	172,640	335,711	790,700	892,432
Federally Funded	3,372,874	-	462,417	24,167	-	276,579	658
Expenditures/Expenses and Transfers-Out	10,724,130	2,580,573	2,371,341	221,934	335,711	1,067,279	893,090
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	365,920	32,025	67,712	218,604	34,462	43,650	149,478
BUDGETARY BASIS ADJUSTMENTS:							
Increase/(Decrease) for Unrealized Gains/Losses	(12,866)	-	(8,711)	(2,057)	(5,287)	(8,531)	(34,068)
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	2,197	32,576
Increase/(Decrease) for GAAP Expenditures Not Budgeted	127,853	-	(7,537)	156,064	1	1,976	210
Increase/(Decrease) for GAAP Revenue Adjustments	(126,169)	-	7,537	(156,065)	-	(2,238)	(394)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	354,738	32,025	59,001	216,546	29,176	37,054	147,802
GAAP BASIS FUND BALANCES/NET ASSETS:							
FUND BALANCE/NET ASSETS, JULY 1	238,913	11,157	1,017,584	62,519	123,867	931,460	1,055,614
Prior Period Adjustments (See Note 28)	(890)	5,386	1,857	-	-	(5,112)	-
FUND BALANCE/NET ASSETS, JUNE 30	$ 592,761	$ 48,568	$ 1,078,442	$ 279,065	$ 153,043	$ 963,402	$ 1,203,416

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

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,087,427
1,484,622	518,790	132,452	477,631	307,967	97,248	1,241,933	12,164,519
-	14,020	33,765	-	148,846	863	-	4,312,100
1,484,622	532,810	166,217	477,631	456,813	98,111	1,241,933	23,564,046
-	-	-	-	-	-	-	6,639,061
1,478,669	287,703	124,773	477,663	254,596	97,687	727,390	10,866,783
-	14,050	-	-	153,833	863	-	4,305,441
1,478,669	301,753	124,773	477,663	408,429	98,550	727,390	21,811,285
5,953	231,057	41,444	(32)	48,384	(439)	514,543	1,752,761
(61)	-	(2,349)	(326)	(2,209)	(31)	25,515	(50,981)
-	-	-	81	10,663	1,294	-	46,811
3,727	(4,002)	-	(188)	(8,065)	(6,100)	(8)	263,931
-	-	-	-	-	-	-	(277,329)
152,233	-	-	-	-	-	-	152,233
161,852	227,055	39,095	(465)	48,773	(5,276)	540,050	1,887,426
3,205,531	321,725	142,925	3,049	303,941	31,258	2,391,642	9,841,185
(1,802)	-	-	-	5,121	-	30	4,590
$ 3,365,581	$ 548,780	$ 182,020	$ 2,584	$ 357,835	$ 25,982	$ 2,931,722	$ 11,733,201

GENERAL FUND

The General 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 Unreserved – Undesignated Fund Balance on the *Balance Sheet – Governmental Funds* by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* in several ways as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet – Governmental Funds* as "Reserved for Risk Management". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (see Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative excess general purpose and related augmenting revenues of the state. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the 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 expenditures. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance. (See Note 8A beginning on page 80 for information regarding the $10.4 million negative reversion at the Department of Revenue.)

Another purpose of this schedule is to establish the amount of General Fund Surplus that is available for subsequent transfer to the Highway Fund and the Capital Construction Fund. In order to identify that amount, encumbrances of the prior year 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 are considered expenditures and are added to the actual column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent restricted appropriations are reported as reversions on the schedule.

The $163.0 million deficit in Ending General Fund Surplus shown in the original budget column reflects the $339.0 million TABOR refund that was estimated at June 30, 2005. The TABOR refund was no longer required after the passage of Referendum C in the November 2005 election.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,119,000	$ 1,888,700	$ 1,902,781		
Other Excise Taxes	94,000	90,500	92,292		
Individual Income Tax, net	3,592,200	3,964,800	4,044,321		
Corporate Income Tax, net	282,200	426,100	422,027		
Estate Tax	1,100	7,200	6,795		
Insurance Tax	173,800	163,100	175,104		
Parimutuel, Courts, and Other	51,700	56,400	52,187		
Investment Income	12,100	44,200	33,279		
Gaming	42,100	18,500	17,564		
TABOR Refund (See Note 8B)	(339,300)	-	-		
TOTAL GENERAL PURPOSE REVENUES	6,028,900	6,659,500	6,746,350		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,345	4,278	4,053	$ 225	$ 91
Corrections	533,079	535,840	533,399	2,441	702
Education	2,698,319	2,718,816	2,718,649	167	643
Governor	16,066	16,025	15,867	158	87
Health Care Policy and Financing	1,384,834	1,364,344	1,360,014	4,330	-
Higher Education	597,931	636,486	636,341	145	174
Human Services	499,693	507,740	503,839	3,901	682
Judicial Branch	236,698	236,984	236,612	372	1,233
Law	7,131	7,203	7,093	110	(45)
Legislative Branch	29,685	29,686	27,583	2,103	38
Local Affairs	8,592	8,599	8,513	86	455
Military and Veterans Affairs	4,138	4,427	4,315	112	-
Natural Resources	22,829	22,844	22,727	117	1
Personnel & Administration	8,447	8,267	8,156	111	327
Public Health and Environment	15,062	20,571	20,571	-	130
Public Safety	59,412	58,902	58,806	96	-
Regulatory Agencies	1,096	1,383	1,383	-	21
Revenue	165,888	158,344	168,789	(10,445)	573
State	-	-	-	-	57
Treasury	26,071	43,778	43,765	13	9
Appropriation to the Capital Projects Fund	-	62,169	62,169	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	6,319,316	6,446,686	6,442,644	$ 4,042	$ 5,178
Variance Between Actual and Estimated Budgets	10,284	18,014	-		
TOTAL ESTIMATED BUDGET	6,329,600	6,464,700	6,442,644		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(300,700)	194,800	303,706		
EXCESS AUGMENTING REVENUES			5,178		
TRANSFERS:					
Transfers-In from Various Cash Funds	232,500	226,800	225,694		
Transfers-Out to Various Cash Funds	-	(67,100)	(67,100)		
Transfer-Out to Capital Projects	-	-	(10,000)		
Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds	-	(98,000)	(98,017)		
TOTAL TRANSFERS	232,500	61,700	50,577		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			359,461		
BEGINNING GENERAL FUND SURPLUS	(85,100)	98,000	98,017		
GAAP Revenues/(Expenditures) Not Budgeted			(6,515)		
(Increase)/Decrease in Long-Term Asset Reserve			101		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(9,700)	(14,300)	(14,296)		
ENDING GENERAL FUND SURPLUS	(163,000)	340,200	436,768		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2006-07 for Budget			(149,513)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2006-07 for Budget			(67,333)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			75,960		
ENDING GAAP UNRESERVED FUND BALANCE			$ 295,882		

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 130 to 132). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- 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 act.
- 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 Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash funded appropriations, with the exception of capital projects, lapse at year end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet – Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year end.

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 of like purpose. The appropriation may be 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, 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. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general funded expenditures. If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

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

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 134) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 130 to 132) related to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 46 to 63).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, General Fund payroll disbursements for employee time worked in June and Medicaid payments 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 as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as 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 accrued 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 budgetary integration 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, and thereby, committing the subsequent year's available appropriation.

NOTE RSI-2. INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense for infrastructure. The state capitalizes costs related to new construction and major replacements or improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81. Assets accounted for under the modified approach include approximately 23,000 lane miles of roads and 3,800 bridges for which the state has maintenance responsibilities.

To use the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount necessary to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

ROADWAY

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse, longitudinal, or fatigue. Slight rutting in the wheel paths.	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse or longitudinal or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring maintenance. Distress items include moderate and some high severity cracking such as transverse, longitudinal, or fatigue. Moderate rutting in the wheel paths.	Initial distresses are apparent requiring sealing. Distress items include moderate and some high severity cracking such as transverse or longitudinal or moderate corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction treatments. Distress items include a large amount of moderate to high severity cracking such as transverse, longitudinal, or fatigue. Moderate to severe rutting in the wheel paths.	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction. Distress items include a large amount of moderate to high severity transverse or longitudinal cracking or moderate to severe corner breaks.

Established Condition Level

The expected condition level for roadway is that 60 percent of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past six years.

Rating	2005	2004	2003	2002	2001	2000
Good/Fair	65%	61%	58%	58%	54%	54%
Poor	35%	39%	42%	42%	46%	46%

BRIDGES

Measurement Scale

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3,800 bridges under its jurisdiction.

The inventory rates bridges including the deck, superstructure, and substructure, using a 10-point scale as follows:

Rating	Description
9	Excellent
8	Very Good
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service – beyond corrective action.

Established Condition Level

The expected condition level for bridges is that no more than 25 percent shall be rated as "structurally deficient". "Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements, that is, deck, superstructure, or substructure.

Assessed Conditions

The following table reports the percentage of bridges whose condition was assessed as "structurally deficient".

Year	Percent
2006	6.6%
2005	6.2%
2004	6.5%
2003	6.3%
2002	6.6%
2001	6.7%
2000	6.3%

Budgeted and Estimated Costs to Maintain

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain. The following table presents the estimated cost to maintain the infrastructure and the related actual expenditures:

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2005-06	$ 210.9	$ 460.6
2004-05	138.0	452.8
2003-04	554.1	529.9
2002-03	631.0	1,457.1
2001-02	968.5	1,051.8
2000-01	1,842.2	929.2
1999-00	688.6	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	$ 6,755.3	$ 7,319.1

The Department reported $139.8 million of construction in progress additions in Fiscal Year 2005-06 that will be capitalized as infrastructure in future years.

Infrastructure maintenance projects by their nature span multiple years, and the related budgets do not lapse at year end. As a result, the Department of Transportation's spending in any fiscal year may be from amounts that were budgeted in the current and/or previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 297,822	$ -	$ -	$ 297,822
Taxes Receivable, net	31,410	-	-	31,410
Other Receivables, net	53,556	-	7,478	61,034
Due From Other Governments	-	341	-	341
Due From Other Funds	8,882	-	101	8,983
Prepaids, Advances, and Deferred Charges	32	-	-	32
Restricted Cash and Pooled Cash	204,642	239	29,401	234,282
Restricted Investments	6,721	-	429,883	436,604
Restricted Receivables	15,640	-	-	15,640
Investments	43,634	-	-	43,634
Other Long-Term Assets	229,931	-	-	229,931
Land and Nondepreciable Infrastructure	-	-	11,433	11,433
TOTAL ASSETS	$ 892,270	$ 580	$ 478,296	$ 1,371,146
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 27,541	$ -	$ 29	$ 27,570
Due To Other Governments	22,032	-	-	22,032
Due To Other Funds	112,766	-	3,773	116,539
Deferred Revenue	603	-	946	1,549
Other Current Liabilities	31	-	-	31
Deposits Held In Custody For Others	9	-	-	9
TOTAL LIABILITIES	162,982	-	4,748	167,730
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	231,496	-	11,433	242,929
Debt Service	-	580	-	580
Emergencies	60,500	-	-	60,500
Funds Reported as Restricted	145,804	-	460,473	606,277
Unreserved Undesignated, Reported in:				
Nonmajor Special Revenue Funds	291,488	-	-	291,488
Nonmajor Permanent Funds	-	-	1,642	1,642
TOTAL FUND BALANCES	729,288	580	473,548	1,203,416
TOTAL LIABILITIES AND FUND BALANCES	$ 892,270	$ 580	$ 478,296	$ 1,371,146

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Excise	$ 170,983	$ -	$ -	$ 170,983
Other Taxes	149,346	-	-	149,346
Licenses, Permits, and Fines	75,851	-	-	75,851
Charges for Goods and Services	580	-	114	694
Rents	241	-	62,373	62,614
Investment Income (Loss)	15,237	12	(1,684)	13,565
Federal Grants and Contracts	658	-	-	658
Other	1,531	22	550	2,103
TOTAL REVENUES	414,427	34	61,353	475,814
EXPENDITURES:				
Current:				
Business, Community and Consumer Affairs	18,925	-	-	18,925
Education	19,790	-	-	19,790
Health and Rehabilitation	26,193	-	-	26,193
Natural Resources	4,270	-	5	4,275
Social Assistance	47,124	-	-	47,124
Capital Outlay	219	-	270	489
Intergovernmental:				
Cities	18,785	-	-	18,785
Counties	31,553	-	17	31,570
School Districts	16,056	-	-	16,056
Special Districts	1,864	-	-	1,864
Federal	504	-	-	504
Other	5,700	-	-	5,700
Debt Service	-	172,764	-	172,764
TOTAL EXPENDITURES	190,983	172,764	292	364,039
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	223,444	(172,730)	61,061	111,775
OTHER FINANCING SOURCES (USES):				
Transfers-In	34,092	172,764	517	207,373
Transfers-Out	(131,302)	(2,752)	(37,306)	(171,360)
Sale of Capital Assets	-	-	14	14
TOTAL OTHER FINANCING SOURCES (USES)	(97,210)	170,012	(36,775)	36,027
NET CHANGE IN FUND BALANCES	126,234	(2,718)	24,286	147,802
FUND BALANCE, FISCAL YEAR BEGINNING	603,054	3,298	449,262	1,055,614
FUND BALANCE, FISCAL YEAR END	$ 729,288	$ 580	$ 473,548	$ 1,203,416

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the state.
LABOR	This fund accounts for injured workers' medical benefits provided by statutes that are 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.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 95,449	$ 17,184
Taxes Receivable, net	-	20,279
Other Receivables, net	13,608	544
Due From Other Funds	1,629	222
Prepaids, Advances, and Deferred Charges	-	-
Restricted Cash and Pooled Cash	5,488	48,279
Restricted Investments	-	6,721
Restricted Receivables	12	-
Investments	-	43,634
Other Long-Term Assets	229,931	-
TOTAL ASSETS	$ 346,117	$ 136,863
LIABILITIES:		
Accounts Payable and Accrued Liabilities	$ 3,691	$ 879
Due To Other Governments	-	-
Due To Other Funds	65,369	-
Deferred Revenue	-	-
Other Current Liabilities	-	1
Deposits Held In Custody For Others	-	-
TOTAL LIABILITIES	69,060	880
FUND BALANCES:		
Reserved for:		
Noncurrent Assets	231,496	-
Emergencies	5,500	55,000
Funds Reported as Restricted	-	-
Unreserved:		
Undesignated	40,061	80,983
TOTAL FUND BALANCES	277,057	135,983
TOTAL LIABILITIES AND FUND BALANCES	$ 346,117	$ 136,863

GAMING	TOBACCO IMPACT MITIGATION	TOTALS
$ 120,222	$ 64,967	$ 297,822
11,131	-	31,410
4	39,400	53,556
7,031	-	8,882
32	-	32
-	150,875	204,642
-	-	6,721
-	15,628	15,640
-	-	43,634
-	-	229,931
$ 138,420	$ 270,870	$ 892,270
$ 967	$ 22,004	$ 27,541
22,032	-	22,032
43,795	3,602	112,766
563	40	603
30	-	31
9	-	9
67,396	25,646	162,982
-	-	231,496
-	-	60,500
1,482	144,322	145,804
69,542	100,902	291,488
71,024	245,224	729,288
$ 138,420	$ 270,870	$ 892,270

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)

	WATER PROJECTS	LABOR
REVENUES:		
Taxes:		
Excise	$ -	$ -
Other Taxes	-	43,203
Licenses, Permits, and Fines	-	53
Charges for Goods and Services	51	-
Rents	-	-
Investment Income (Loss)	10,122	1,401
Federal Grants and Contracts	-	-
Other	601	200
TOTAL REVENUES	10,774	44,857
EXPENDITURES:		
Current:		
Business, Community and Consumer Affairs	-	11,068
Education	-	-
Health and Rehabilitation	-	-
Natural Resources	4,270	-
Social Assistance	-	-
Capital Outlay	219	-
Intergovernmental:		
Cities	386	-
Counties	194	-
School Districts	29	-
Special Districts	1,353	-
Federal	504	-
Other	282	-
TOTAL EXPENDITURES	7,237	11,068
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,537	33,789
OTHER FINANCING SOURCES (USES):		
Transfers-In	17,129	-
Transfers-Out	(5,326)	(244)
TOTAL OTHER FINANCING SOURCES (USES)	11,803	(244)
NET CHANGE IN FUND BALANCES	15,340	33,545
FUND BALANCE, FISCAL YEAR BEGINNING	261,717	102,438
FUND BALANCE, FISCAL YEAR END	$ 277,057	$ 135,983

GAMING	TOBACCO IMPACT MITIGATION	TOTALS
$ -	$ 170,983	$ 170,983
106,143	-	149,346
852	74,946	75,851
529	-	580
241	-	241
1,865	1,849	15,237
658	-	658
23	707	1,531
110,311	248,485	414,427
7,857	-	18,925
19,759	31	19,790
-	26,193	26,193
-	-	4,270
-	47,124	47,124
-	-	219
18,399	-	18,785
17,576	13,783	31,553
281	15,746	16,056
273	238	1,864
-	-	504
2	5,416	5,700
64,147	108,531	190,983
46,164	139,954	223,444
-	16,963	34,092
(38,751)	(86,981)	(131,302)
(38,751)	(70,018)	(97,210)
7,413	69,936	126,234
63,611	175,288	603,054
$ 71,024	$ 245,224	$ 729,288

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.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including the Land and Water Management Fund, the Hall Historical Marker Fund, the Wildlife for Future Generations Fund, and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,478	$ -	$ 7,478
Due From Other Funds	91	10	101
Restricted Cash and Pooled Cash	22,387	7,014	29,401
Restricted Investments	429,883	-	429,883
Capital Assets Held as Investments	11,038	395	11,433
TOTAL ASSETS	$ 470,877	$ 7,419	$ 478,296
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 11	$ 18	$ 29
Due To Other Funds	3,773	-	3,773
Deferred Revenue	944	2	946
TOTAL LIABILITIES	4,728	20	4,748
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	11,038	395	11,433
Funds Reported as Restricted	454,152	6,321	460,473
Unreserved:			
Undesignated	959	683	1,642
TOTAL FUND BALANCES	466,149	7,399	473,548
TOTAL LIABILITIES AND FUND BALANCES	$ 470,877	$ 7,419	$ 478,296

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 114	$ -	$ 114
Rents	62,373	-	62,373
Investment Income (Loss)	(1,881)	197	(1,684)
Other	347	203	550
TOTAL REVENUES	60,953	400	61,353
EXPENDITURES:			
Current:			
Natural Resources	-	5	5
Capital Outlay	-	270	270
Intergovernmental:			
Counties	17	-	17
TOTAL EXPENDITURES	17	275	292
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,936	125	61,061
OTHER FINANCING SOURCES (USES):			
Transfers-In	517	-	517
Transfers-Out	(37,282)	(24)	(37,306)
Sale of Capital Assets	14	-	14
TOTAL OTHER FINANCING SOURCES (USES)	(36,751)	(24)	(36,775)
NET CHANGE IN FUND BALANCES	24,185	101	24,286
FUND BALANCE, FISCAL YEAR BEGINNING	441,964	7,298	449,262
FUND BALANCE, FISCAL YEAR END	$ 466,149	$ 7,399	$ 473,548

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:

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ACCESS NETWORK	This fund records the activities of College Access Network which guarantees 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 Aurora, Homelake, Walsenburg, Florence, Rifle, and Trinidad.
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
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the state include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in state buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at state museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 5,995	$ 70,612	$ -
Student and Other Receivables, net	908	164	80
Due From Other Governments	602	2,417	10
Due From Other Funds	-	-	-
Inventories	839	5	37
Prepaids, Advances, and Deferred Charges	465	47	168
Total Current Assets	8,809	73,245	295
Noncurrent Assets:			
Restricted Cash and Pooled Cash	71,014	3,605	-
Restricted Receivables	2,885	2,284	-
Other Long-Term Assets	-	-	30
Depreciable Capital Assets and Infrastructure, net	49,564	918	9,185
Land and Nondepreciable Infrastructure	112,209	-	1,221
Total Noncurrent Assets	235,672	6,807	10,436
TOTAL ASSETS	244,481	80,052	10,731
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	8,312	607	420
Due To Other Governments	-	5,135	-
Due To Other Funds	467	91	1,227
Deferred Revenue	32,756	2,257	797
Compensated Absences Payable	474	-	-
Leases Payable	19	-	26
Notes, Bonds, COP's Payable	-	-	1,271
Other Current Liabilities	6	2,188	21
Total Current Liabilities	42,034	10,278	3,762
Noncurrent Liabilities:			
Accrued Compensated Absences	4,303	153	97
Capital Lease Payable	-	-	37
Notes, Bonds, COP's Payable	-	-	-
Total Noncurrent Liabilities	4,303	153	134
TOTAL LIABILITIES	46,337	10,431	3,896
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	161,754	918	9,073
Restricted for:			
Emergencies	29,883	-	-
Court Awards and Other Purposes	-	2,574	-
Unrestricted	6,507	66,129	(2,238)
TOTAL NET ASSETS	$ 198,144	$ 69,621	$ 6,835

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 4,289	$ 5,109	$ 5,532	$ 6,327	$ 10,391	$ 108,255
818	666	369	4,186	301	7,492
224	1,057	-	840	208	5,358
744	1,958	-	-	-	2,702
10,896	104	338	-	79	12,298
1,001	-	-	-	245	1,926
17,972	8,894	6,239	11,353	11,224	138,031
-	-	-	-	-	74,619
-	-	-	-	-	5,169
973	514	-	-	206	1,723
4,806	28,152	1,267	35	1,939	95,866
980	5,899	-	-	13,022	133,331
6,759	34,565	1,267	35	15,167	310,708
24,731	43,459	7,506	11,388	26,391	448,739
2,380	4,156	799	991	1,935	19,600
-	161	-	-	-	5,296
119	-	3	-	1	1,908
1,105	2	-	-	463	37,380
20	249	-	-	176	919
-	66	-	-	-	111
-	340	-	-	280	1,891
7	-	-	-	21	2,243
3,631	4,974	802	991	2,876	69,348
783	1,115	121	180	361	7,113
-	1,568	-	-	-	1,605
-	4,722	-	-	8,116	12,838
783	7,405	121	180	8,477	21,556
4,414	12,379	923	1,171	11,353	90,904
5,786	27,297	1,267	35	6,565	212,695
-	-	-	-	-	29,883
-	-	-	-	66	2,640
14,531	3,783	5,316	10,182	8,407	112,617
$ 20,317	$ 31,080	$ 6,583	$ 10,217	$ 15,038	$ 357,835

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 73,158	$ -	$ -
Tuition and Fees	19	-	-
Sales of Goods and Services	2,371	2,697	6,255
Investment Income (Loss)	-	2,203	-
Rental Income	-	-	516
Federal Grants and Contracts	14,265	121,993	-
Intergovernmental Revenue	9,651	-	-
Other	296	42,360	13
TOTAL OPERATING REVENUES	99,760	169,253	6,784
OPERATING EXPENSES:			
Salaries and Fringe Benefits	51,425	5,406	3,924
Operating and Travel	32,625	94,052	3,331
Cost of Goods Sold	-	-	-
Depreciation and Amortization	3,469	24	581
Intergovernmental Distributions	3,582	-	-
Debt Service	-	15,600	-
Prizes and Awards	43	-	678
TOTAL OPERATING EXPENSES	91,144	115,082	8,514
OPERATING INCOME (LOSS)	8,616	54,171	(1,730)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Fines and Settlements	664	-	-
Investment Income (Loss)	1,381	-	5
Rental Income	193	-	-
Gifts and Donations	475	-	348
Gain/(Loss) on Sale or Impairment of Capital Assets	301	-	-
Debt Service	(7)	-	(177)
Other Expenses	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	3,007	-	176
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	11,623	54,171	(1,554)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	64	-	550
Transfers-In	-	-	263
Transfers-Out	(4,336)	(25,080)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(4,272)	(25,080)	813
CHANGE IN NET ASSETS	7,351	29,091	(741)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	190,793	40,530	7,576
Prior Period/Other Adjustments (See Note 28)	-	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 198,144	$ 69,621	$ 6,835

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 486	$ 1,672	$ 75,316
-	-	-	-	337	356
30,637	32,311	11,576	135	4,413	90,395
-	-	-	-	-	2,203
-	1	-	-	1,101	1,618
67	10,608	-	1,051	858	148,842
-	131	-	-	-	9,782
219	52	21	20	115	43,096
30,923	43,103	11,597	1,692	8,496	371,608
8,519	30,496	2,734	8,552	6,842	117,898
6,519	8,732	1,393	25,967	3,071	175,690
14,806	-	7,003	-	149	21,958
828	1,599	61	4	261	6,827
-	2,002	-	-	-	5,584
-	-	-	-	-	15,600
-	1	1	-	-	723
30,672	42,830	11,192	34,523	10,323	344,280
251	273	405	(32,831)	(1,827)	27,328
-	-	-	34,705	-	34,705
-	-	-	26	6	696
92	76	145	89	187	1,975
134	4	-	-	-	331
-	48	-	-	418	1,289
93	(4)	-	-	11	401
-	(274)	-	-	(4)	(462)
-	(3)	-	-	(11)	(14)
319	(153)	145	34,820	607	38,921
570	120	550	1,989	(1,220)	66,249
-	3	-	-	-	617
6	168	-	4,000	8,752	13,189
(371)	(96)	(68)	(893)	(438)	(31,282)
(365)	75	(68)	3,107	8,314	(17,476)
205	195	482	5,096	7,094	48,773
20,112	30,885	6,101	-	7,944	303,941
-	-	-	5,121	-	5,121
$ 20,317	$ 31,080	$ 6,583	$ 10,217	$ 15,038	$ 357,835

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 19	$ 18	$ -
Fees for Service	75,101	3,171	5,158
Sales of Products	1,031	411	129
Gifts, Grants, and Contracts	14,093	121,173	13
Income from Property	193	-	516
Other Sources	12,481	42,360	1,447
Cash Payments to or for:			
Employees	(44,704)	(5,660)	(1,688)
Suppliers	(32,048)	(2,791)	(4,840)
Sales Commissions and Lottery Prizes	(5,274)	(522)	-
Others for Student Loans and Loan Losses	-	(105,292)	-
Other Governments	(3,583)	-	-
Other	(1,911)	-	(717)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,398	52,868	18
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	-	-	263
Transfers-Out	(4,336)	(25,080)	-
Receipt of Deposits Held in Custody	-	398	1
Release of Deposits Held in Custody	-	(429)	(1)
Gifts for Other Than Capital Purposes	475	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(3,861)	(25,111)	263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(7,594)	(523)	(100)
Proceeds from Sale of Capital Assets	-	174	-
Capital Debt Proceeds	-	-	4
Capital Debt Service Payments	(4)	-	(309)
Capital Lease Payments	(18)	(103)	(31)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(7,616)	(452)	(436)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 408	$ -	$ 95	$ 336	$ 876
3,938	31,124	-	33,966	3,480	155,938
27,118	27	11,591	-	879	41,186
67	10,520	-	599	734	147,199
134	4	-	-	1,101	1,948
1,416	7	21	26	901	58,659
(8,031)	(27,705)	(1,689)	(2,595)	(4,419)	(96,491)
(22,861)	(9,765)	(9,081)	(5,772)	(4,508)	(91,666)
-	-	-	-	-	(5,796)
-	-	-	-	-	(105,292)
-	(1,985)	-	-	-	(5,568)
(63)	(34)	(3)	(25,639)	(86)	(28,453)
1,718	2,601	839	680	(1,582)	72,540
6	168	-	4,000	8,752	13,189
(371)	(96)	(68)	(893)	(438)	(31,282)
1	-	-	-	-	400
(1)		-	-	(11)	(442)
-	46	-	-	418	939
-	(325)	-	-	-	(325)
(365)	(207)	(68)	3,107	8,721	(17,521)
(840)	(1,496)	(111)	(80)	(6,090)	(16,834)
-	7	-	-	7	188
-	-	-	-	11	15
-	(194)	-	-	(11)	(518)
-	(111)	-	-	-	(263)
(840)	(1,794)	(111)	(80)	(6,083)	(17,412)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006 (Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	2,346	3,147	5
Proceeds from Sale/Maturity of Investments	-	-	150
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(965)	(944)	
NET CASH FROM INVESTING ACTIVITIES	1,381	2,203	155
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	5,302	29,508	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	71,707	44,709	-
Prior Period Adjustment	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 77,009	$ 74,217	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 8,616	$ 54,171	$ (1,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,469	24	581
Investment/Rental Income and Other Revenue in Operating Income	-	(2,203)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	1,237	-	348
Loss on Disposal of Capital Assets	-	41	-
Compensated Absences	(162)	(485)	(9)
Interest and Other Expense in Operating Income	440	54	7
(Increase) Decrease in Operating Receivables	204	(1,590)	37
(Increase) Decrease in Inventories	(156)	64	-
(Increase) Decrease in Other Operating Assets	(8)	15	(36)
Increase (Decrease) in Accounts Payable	41	(1,033)	697
Increase (Decrease) in Other Operating Liabilities	1,717	3,810	123
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,398	$ 52,868	$ 18
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	550
Capital Assets Acquired by Grants or Donations and Payable Increases	64	-	-
Gain/(Loss) on Disposal of Capital Assets	(80)	(41)	-
Assumption of Capital Lease Obligation or Mortgage	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
132	124	199	172	263	6,388
-	-	-	-	-	150
(40)	(48)	(54)	(83)	(75)	(2,209)
92	76	145	89	188	4,329
605	676	805	3,796	1,244	41,936
3,684	4,433	4,727	-	9,147	138,407
-	-	-	2,531	-	2,531
$ 4,289	$ 5,109	$ 5,532	$ 6,327	$ 10,391	$ 182,874
$ 251	$ 273	$ 405	$ (32,831)	$ (1,827)	$ 27,328
828	1,599	61	4	261	6,827
-	-	-	-	-	(2,203)
226	3	-	34,730	17	36,561
7	-	-	-	-	48
(6)	152	9	180	(6)	(327)
43	11	-	80	58	693
418	(529)	15	(1,613)	(174)	(3,232)
(1,214)	44	(51)	-	58	(1,255)
(1,159)	4	-	-	7	(1,177)
1,220	1,044	400	254	940	3,563
1,104	-	-	(124)	(916)	5,714
$ 1,718	$ 2,601	$ 839	$ 680	$ (1,582)	$ 72,540
-	-	-	-	-	550
-	3	-	-	-	67
(7)	(4)	-	-	-	(132)
-	1,641	-	-	-	1,641

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, and motor pool.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for 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.
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.
ADMINISTRATIVE HEARINGS	This fund accounts for the operations of the Administrative Hearings Division in the Department of Personnel & Administration.
DEBT COLLECTION	This fund accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to state agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 20,113	$ 2,311	$ 2,361
Other Receivables, net	311	1	-
Due From Other Governments	-	-	217
Due From Other Funds	13	-	-
Inventories	478	-	-
Prepaids, Advances, and Deferred Charges	9	264	54
Total Current Assets	20,924	2,576	2,632
Noncurrent Assets:			
Other Long-Term Assets	532	-	-
Depreciable Capital Assets and Infrastructure, net	38,413	658	4,028
Total Noncurrent Assets	38,945	658	4,028
TOTAL ASSETS	59,869	3,234	6,660
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,411	927	2,389
Deferred Revenue	426	-	1
Compensated Absences Payable	7	27	22
Leases Payable	4	-	-
Notes, Bonds, COP's Payable	11,970	-	-
Total Current Liabilities	15,818	954	2,412
Noncurrent Liabilities:			
Accrued Compensated Absences	376	297	428
Capital Lease Payable	7	-	-
Notes, Bonds, COP's Payable	32,398	-	-
Total Noncurrent Liabilities	32,781	297	428
TOTAL LIABILITIES	48,599	1,251	2,840
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(5,966)	658	4,027
Unrestricted	17,236	1,325	(207)
TOTAL NET ASSETS	$ 11,270	$ 1,983	$ 3,820

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 1,628	$ 2,976	$ 283	$ 890	$ 318	$ 30,880
44	-	4	3	6	369
-	-	-	-	-	217
24	-	-	53	-	90
173	417	-	-	-	1,068
-	-	-	-	-	327
1,869	3,393	287	946	324	32,951
-	-	-	-	-	532
14,075	138	3,213	99	49	60,673
14,075	138	3,213	99	49	61,205
15,944	3,531	3,500	1,045	373	94,156
1,044	107	45	264	111	8,298
29	-	-	-	-	456
5	-	-	-	-	61
272	-	-	-	-	276
-	-	-	-	-	11,970
1,350	107	45	264	111	21,061
211	-	-	201	37	1,550
13,158	-	-	-	-	13,165
-	-	-	-	-	32,398
13,369	-	-	201	37	47,113
14,719	107	45	465	148	68,174
645	138	3,213	99	49	2,863
580	3,286	242	481	176	23,119
$ 1,225	$ 3,424	$ 3,455	$ 580	$ 225	$ 25,982

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 43,353	$ 11,639	$ 20,509
Rental Income	-	-	-
Other	47	15	422
TOTAL OPERATING REVENUES	43,400	11,654	20,931
OPERATING EXPENSES:			
Salaries and Fringe Benefits	6,619	4,209	5,718
Operating and Travel	20,660	6,351	14,514
Cost of Goods Sold	5,646	-	-
Depreciation and Amortization	12,211	280	3,070
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	45,136	10,840	23,302
OPERATING INCOME (LOSS)	(1,736)	814	(2,371)
NONOPERATING REVENUES AND (EXPENSES):			
Fines and Settlements	5	-	-
Investment Income (Loss)	599	-	-
Federal Grants and Contracts	-	-	136
Gain/(Loss) on Sale or Impairment of Capital Assets	749	-	(160)
Debt Service	(1,081)	-	-
Other Expenses	(146)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	126	-	(24)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,610)	814	(2,395)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	307	-	634
Transfers-Out	(1,404)	(718)	(771)
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,097)	(718)	(137)
CHANGE IN NET ASSETS	(2,707)	96	(2,532)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	13,977	1,887	6,352
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 11,270	$ 1,983	$ 3,820

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 1	$ 2,377	$ 155	$ 3,834	$ 2,227	$ 84,095
9,736	-	-	-	-	9,736
-	-	3	-	25	512
9,737	2,377	158	3,834	2,252	94,343
2,969	1,115	137	2,959	801	24,527
5,973	1,259	412	487	1,300	50,956
-	-	-	-	3	5,649
44	39	462	39	16	16,161
3	-	-	-	-	3
8,989	2,413	1,011	3,485	2,120	97,296
748	(36)	(853)	349	132	(2,953)
-	-	-	-	-	5
-	(31)	-	-	-	568
727	-	-	-	-	863
-	-	-	-	-	589
(358)	-	-	-	-	(1,439)
-	-	-	-	-	(146)
369	(31)	-	-	-	440
1,117	(67)	(853)	349	132	(2,513)
-	-	395	7	-	1,343
(789)	-	-	(236)	(188)	(4,106)
(789)	-	395	(229)	(188)	(2,763)
328	(67)	(458)	120	(56)	(5,276)
897	3,491	3,913	460	281	31,258
$ 1,225	$ 3,424	$ 3,455	$ 580	$ 225	$ 25,982

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Fees for Service	$ 41,422	$ 11,683	$ 20,579
Sales of Products	645	-	23
Gifts, Grants, and Contracts	-	-	125
Income from Property	-	-	-
Other Sources	52	15	431
Cash Payments to or for:			
Employees	(5,563)	(3,872)	(4,916)
Suppliers	(27,203)	(6,855)	(15,305)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(6)	(1)	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,347	970	936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	307	-	634
Transfers-Out	(1,404)	(718)	(771)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,097)	(718)	(137)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(30,051)	(453)	(424)
Proceeds from Sale of Capital Assets	18,972	-	-
Capital Debt Proceeds	34,576	-	-
Capital Debt Service Payments	(29,040)	-	-
Capital Lease Payments	(4)	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(5,547)	(453)	(424)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 1	$ 1,245	$ 163	$ 3,789	$ 2,225	$ 81,107
-	1,131	-	-	-	1,799
727	-	-	-	-	852
9,715	-	-	-	-	9,715
26	-	3	-	25	552
(2,805)	(1,077)	(136)	(2,912)	(797)	(22,078)
(5,652)	(1,252)	(410)	(549)	(415)	(57,641)
-	-	-	-	(869)	(869)
(3)	-	-	-	-	(3)
(1)	(2)	-	-	(50)	(61)
2,008	45	(380)	328	119	13,373
-	-	395	7	-	1,343
(789)	-	-	(236)	(188)	(4,106)
(789)	-	395	(229)	(188)	(2,763)
(350)	-	-	-	(31)	(31,309)
-	-	-	-	14	18,986
-	-	-	-	-	34,576
(482)	-	-	-	-	(29,522)
(273)	-	-	-	-	(277)
(1,105)	-	-	-	(17)	(7,546)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	599	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	-	-	-
NET CASH FROM INVESTING ACTIVITIES	599	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	3,302	(201)	375
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	16,811	2,512	1,986
CASH AND POOLED CASH, FISCAL YEAR END	$ 20,113	$ 2,311	$ 2,361
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (1,736)	$ 814	$ (2,371)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	12,211	280	3,070
Rents, Fines, Donations, and Grants and Contracts in NonOperating	5	-	146
Compensated Absences	(7)	(11)	292
Interest and Other Expense in Operating Income	43	-	58
(Increase) Decrease in Operating Receivables	15	46	106
(Increase) Decrease in Inventories	(39)	-	-
(Increase) Decrease in Other Operating Assets	(3)	(62)	16
Increase (Decrease) in Accounts Payable	159	(97)	(380)
Increase (Decrease) in Other Operating Liabilities	(1,301)	-	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 9,347	$ 970	$ 936
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Gain/(Loss) on Disposal of Capital Assets	749	-	(170)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
-	-	-	-	-	599
-	(31)	-	-	-	(31)
-	(31)	-	-	-	568
114	14	15	99	(86)	3,632
1,514	2,962	268	791	404	27,248
$ 1,628	$ 2,976	$ 283	$ 890	$ 318	$ 30,880
$ 748	$ (36)	$ (853)	$ 349	$ 132	$ (2,953)
44	39	462	39	16	16,161
727	-	-	-	-	878
(5)	-	-	(15)	(6)	248
324	-	-	-	-	425
(22)	-	2	(43)	(1)	103
(14)	108	-	-	-	55
-	-	-	1	2	(46)
181	(66)	9	(3)	(24)	(221)
25	-	-	-	-	(1,277)
$ 2,008	$ 45	$ (380)	$ 328	$ 119	$ 13,373
-	-	-	-	-	579

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are included in this category. However, financial statements for the state's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated in this supplementary information. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S	This fund primarily comprises the escheats fund 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 rights to the asset are protected in perpetuity. The fund records a liability for the expected payout from the fund based on historical percentages of payouts in relation to total receipts.
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 and distributes stipends appropriated by the Legislature for the educational benefit of students attending public and certain private institutions of higher education in the state. Students apply for the stipend, and the COF administrator distributes the stipend to the higher education institution on the students behalf.
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, and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 127,247	$ 4,336	$ 3,325	$ 453	$ 135,361
Other Receivables, net	361	10,130	19	-	10,510
Due From Other Funds	-	456	-	-	456
Noncurrent Assets:					
Investments:					
Government Securities	7,513	-		619	8,132
Corporate Bonds	10,003	-	-	-	10,003
Asset Backed Securities	13,179	-	-	-	13,179
Mortgages	21,939	-	-	-	21,939
Mutual Funds	-	2,434,223	-	-	2,434,223
Other Investments	-	22,944	-	-	22,944
TOTAL ASSETS	180,242	2,472,089	3,344	1,072	2,656,747
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 44,842	$ 6,675	$ 3,291	$ 44	54,852
Due To Other Funds	-	131	-	-	131
Noncurrent Liabilities:					
Deposits Held In Custody For Others	-	498	-	-	498
Other Long-Term Liabilities	2,128	-	-	-	2,128
TOTAL LIABILITIES	46,970	7,304	3,291	44	57,609
NET ASSETS:					
Held in Trust for:					
Individuals, Organizations, and Other Entities	133,272	2,464,785	53	1,028	2,599,138
TOTAL NET ASSETS	$ 133,272	$ 2,464,785	$ 53	$ 1,028	$ 2,599,138

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
ADDITIONS:					
Additions By Participants	$ -	$ 557,221	$ 272,576	$ -	$ 829,797
Investment Income/(Loss)	550	125,181	-	34	125,765
Unclaimed Property Receipts	53,800	-	-	-	53,800
Other Additions	411	-	-	1,320	1,731
TOTAL ADDITIONS	54,761	682,402	272,576	1,354	1,011,093
DEDUCTIONS:					
Distributions to Participants	-	-	272,523	-	272,523
Payments in Accordance with Trust Agreements	16,363	195,780	-	1,282	213,425
Transfers-Out	1,969	-	-	-	1,969
TOTAL DEDUCTIONS	18,332	195,780	272,523	1,282	487,917
CHANGE IN NET ASSETS	36,429	486,622	53	72	523,176
NET ASSETS AVAILABLE:					
FISCAL YEAR BEGINNING	96,843	1,978,163	-	926	2,075,932
Prior Period Adjustment	-	-	-	30	30
FISCAL YEAR ENDING	$ 133,272	$ 2,464,785	$ 53	$ 1,028	$ 2,599,138

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 87,978	$ 1,964,362	$ 1,962,115	$ 90,225
Taxes Receivable, net	93,687	24,140	4,013	113,814
Due From Other Funds	169	-	169	-
TOTAL ASSETS	$ 181,834	$ 1,988,502	$ 1,966,297	$ 204,039
LIABILITIES:				
Tax Refunds Payable	$ 558	$ 140	287	$ 411
Due To Other Governments	180,047	3,058,187	3,035,064	203,170
Due To Other Funds	799	-	799	-
Claims and Judgments Payable	181	2,612	2,666	127
Other Long-Term Liabilities	249	121	39	331
TOTAL LIABILITIES	$ 181,834	$ 3,061,060	$ 3,038,855	$ 204,039

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 119,028	$ 170,754	$ 161,414	$ 128,368
Taxes Receivable, net	3,950	423	114	4,259
Other Receivables, net	265	808	596	477
Due From Other Funds	-	323	88	235
Inventories	-	33	31	2
Prepaids, Advances, and Deferred Charges	-	5	5	-
Other Long-Term Assets	15,443	11,353	13,569	13,227
TOTAL ASSETS	$ 138,686	$ 183,699	$ 175,817	$ 146,568
LIABILITIES:				
Tax Refunds Payable	$ 67	$ 7	53	$ 21
Accounts Payable and Accrued Liabilities	535	9,426	9,484	477
Due To Other Governments	7,095	116,597	116,143	7,549
Due To Other Funds	5	11,683	11,686	2
Claims and Judgments Payable	291	74	95	270
Other Current Liabilities	125,089	85,547	76,240	134,396
Deposits Held In Custody For Others	5,599	2,048	3,797	3,850
Other Long-Term Liabilities	5	-	2	3
TOTAL LIABILITIES	$ 138,686	$ 225,382	$ 217,500	$ 146,568

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 125,508	$ 120,667	$ 117,986	$ 128,189
Due From Other Funds	12,198	1,853	12,199	1,852
TOTAL ASSETS	$ 137,706	$ 122,520	$ 130,185	$ 130,041
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 133	133	$ -
Other Current Liabilities	89,022	113,786	123,866	78,942
Deposits Held In Custody For Others	48,684	5,880	3,465	51,099
TOTAL LIABILITIES	$ 137,706	$ 119,799	$ 127,464	$ 130,041

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 332,514	$ 2,255,783	$ 2,241,515	$ 346,782
Taxes Receivable, net	97,637	24,563	4,127	118,073
Other Receivables, net	265	808	596	477
Due From Other Funds	12,367	2,176	12,456	2,087
Inventories	-	33	31	2
Prepaids, Advances, and Deferred Charges	-	5	5	-
Other Long-Term Assets	15,443	11,353	13,569	13,227
TOTAL ASSETS	$ 458,226	$ 2,294,721	$ 2,272,299	$ 480,648
LIABILITIES:				
Tax Refunds Payable	$ 625	$ 147	$ 340	$ 432
Accounts Payable and Accrued Liabilities	535	9,559	9,617	477
Due To Other Governments	187,142	3,174,784	3,151,207	210,719
Due To Other Funds	804	11,683	12,485	2
Claims and Judgments Payable	472	2,686	2,761	397
Other Current Liabilities	214,111	199,333	200,106	213,338
Deposits Held In Custody For Others	54,283	7,928	7,262	54,949
Other Long-Term Liabilities	254	121	41	334
TOTAL LIABILITIES	$ 458,226	$ 3,406,241	$ 3,383,819	$ 480,648

CAPITAL ASSETS

The following schedule presents the capital assets used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2006

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	-	-	-
Military Affairs	780	164	19,818	-
Personnel & Administration	5,684	2,506	54,975	-
Revenue	-	2,979	1,906	-
Subtotal	6,464	5,649	76,699	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	1,898	-
[1]GOV, OEC, OED	-	-	-	-
Labor and Employment	543	134	8,406	-
Local Affairs	-	119	1,434	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	293	-
State	-	-	-	-
Subtotal	1,067	253	12,031	-
EDUCATION				
Education	78	108	8,353	971
Higher Education	1,305	-	3,795	8,831
Subtotal	1,383	108	12,148	9,802
HEALTH AND REHABILITATION				
Public Health and Environment	188	259	7,707	-
Human Services	3,061	4,247	31,256	-
Subtotal	3,249	4,506	38,963	-
JUSTICE				
Corrections	3,872	4,615	527,703	-
DHS, Division of Youth Services	75	1,674	103,989	-
Judicial	1,605	-	4,944	438
Law	-	-	-	-
Public Safety	658	66	8,536	-
Regulatory Agencies	-	-	-	-
Subtotal	6,210	6,355	645,172	438
NATURAL RESOURCES				
Natural Resources	47,118	23,000	28,843	-
SOCIAL ASSISTANCE				
Human Services	-	246	-	-
Military Affairs	36	2,518	2,462	-
Health Care Policy and Finance	-	-	-	-
Subtotal	36	2,764	2,462	-
TRANSPORTATION				
Transportation	15,179	-	76,585	-
TOTAL GENERAL FIXED ASSETS	$ 80,706	$ 42,635	$ 892,903	$ 10,240

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

VEHICLES AND EQUIPMENT	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 81	$ -	$ -	$ -	$ 81
459	-	-	-	459
358	-	4,646	-	25,766
80,982	30	14,348	-	158,525
2,551	-	5,848	-	13,284
84,431	30	24,842	-	198,115
1,286	-	1	-	3,288
95	-	-	-	95
11,387	810	16,130	-	37,410
441	-	-	-	1,994
352	-	-	-	352
179	-	-	-	893
3,832	-	-	-	3,832
17,572	810	16,131	-	47,864
1,240	-	-	-	10,750
125	-	4,144	-	18,200
1,365	-	4,144	-	28,950
4,896	384	769	-	14,203
1,945	61	2,549	-	43,119
6,841	445	3,318	-	57,322
6,766	53	3,833	-	546,842
276	-	5,857	-	111,871
4,166	233	362	-	11,748
60	-	-	-	60
12,585	-	483	-	22,328
4	-	-	-	4
23,857	286	10,535	-	692,853
4,571	4,487	43,260	13,689	164,968
95,517	-	4,787	-	100,550
35	-	-	-	5,051
4	-	-	-	4
95,556	-	4,787	-	105,605
92,724	-	1,100,605	10,391,967	11,677,060
$ 326,917	$ 6,058	$ 1,207,622	$ 10,405,656	$ 12,972,737

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled “Other”. The schedule on the following pages provides a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled “Other”. Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2006

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	$ 5,548	$ -	$ 5,548
Wildlife for Future Generations (Expendable)	33-1-112	1,097	19	1,078
Other Permanent-Nonexpendable	Various	744	-	744
Veterans Monument Preservation	24-80-1401	22	1	21
Hall Historical Marker-Nonexpendable	24-80-209	8	-	8
Total Other Permanent Funds		$ 7,419	$ 20	$ 7,399
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	620	-	620
Brand Estray Fund	35-41-102	252	-	252
Americans with Disabilities Act Contractor Settlement	24-34-301 ADA	138	-	138
Colorado Combined Campaign Administration	Restricted	62	44	18
Total Other Private Purpose Funds		$ 1,072	$ 44	$ 1,028
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	16,357	8,585	7,772
Statewide Tolling Operating	43-4-805	5,034	716	4,318
Buildings and Grounds Rentals	None	1,836	162	1,674
Business Enterprise Program	None	1,240	532	708
Brand Inspection Fund	35-41-102	1,436	1,170	266
Clean Screen Authority	42-3-134	95	-	95
Work Therapy	None	146	68	78
Enterprise Services	24-80-209	181	120	61
Statewide Tolling Special Revenue	43-4-804(1)	45	-	45
Conference & Training	None	17	-	17
Other Enterprise Funds	Various	4	-	4
Total Other Enterprise Funds		$ 26,391	$ 11,353	$ 15,038
OTHER SPECIAL REVENUE FUNDS				
Severance Tax Trust -Base Account	39-29-109	201,763	1,568	200,195
Severance Tax	39-29-110(1)	189,761	22,537	167,224
Mineral Leasing	34-63-102	74,049	12,362	61,687
Severance Tax Trust -Operating	39-29-109	51,778	1,568	50,210
Help America Vote Fund	HAVA 2002	38,534	840	37,694
Employment Support Fund	8-77-109	37,157	-	37,157
Hazardous Substances Response	25-16-104.6	35,116	235	34,881
Federal Tax Relief Act - 2003	Restricted	28,154	390	27,764
Workers' Compensation Cash	8-44-112(7)	24,034	605	23,429
Travel and Tourism Promotion	24-49.7-106	20,880	660	20,220
School Construction and Renovation	22-43.7-103	20,388	1,017	19,371
Colorado Health Care Services	26-15-114(1)	14,962	-	14,962
Natural Resources Lottery Distribution	33-60-103(1)	16,957	2,253	14,704
Aviation Fund	43-10-109	16,159	2,365	13,794
Hazardous Substance Settlement	Restricted	12,420	59	12,361
Gear Up Scholarship Trust Fund	Restricted	10,305	10	10,295
Supreme Court Committee	Court Rule 227	10,830	755	10,075
Natural Resources Damage Recovery	25-16-104.7	9,521	44	9,477
Economic Development Fund	24-46-105	9,194	60	9,134
Victims Assistance	24-4.2-104	8,511	46	8,465
Excess Title IV-E Reimbursement	26-1-111(2)D	11,563	3,801	7,762
Breast & Cervical Cancer Prevention	26-4-532(7)	6,915	-	6,915
Oil & Gas Conservation Fund	34-60-122	6,974	406	6,568
Inactive Mines Fund	34-24-103(5)	6,286	-	6,286
Secretary of State Fees	24-21-104	8,598	3,189	5,409
Offender Services	16-11-214	5,456	265	5,191

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2006

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Species Conservation-Capital Account	24-33-111(2)	5,063	-	5,063
Consumer Protection-Custodial Funds	6-1-103	5,061	18	5,043
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Mined Land Subsidence Fund	PL95-87 401C	4,978	6	4,972
Division of Registrations Cash Fund	24-34-105	14,525	9,609	4,916
Unemployment Revenue Fund	8-77-106	4,520	-	4,520
Children's Basic Health Plan	26-19-105	11,309	6,952	4,357
Victims Compensation	24-4.1-124	4,193	13	4,180
Off Highway Vehicles	33-14.5-106	4,083	35	4,048
Species Conservation-Oper. & Main. Account	24-33-111(2)	3,835	-	3,835
Texaco Oil Overcharge Fund	None	3,526	244	3,282
Housing Rehabilitation Revolving Loans	29-4-728	3,488	406	3,082
Operating Vouchers	None	3,309	538	2,771
Other Expendable Trusts	Various	13,457	10,852	2,605
Public Employees' Social Security System	24-53-105	2,571	-	2,571
Disaster Emergency Fund	24-32-2106	3,571	1,170	2,401
Exxon Oil Overcharge Funds	None	2,229	29	2,200
Traumatic Brain Injury Fund	26-1-210(1)	2,315	159	2,156
Patient Benefit	None	2,057	10	2,047
Real Estate Proceeds	28-3-106	2,033	10	2,023
Performance Incentive Cash Fund	26-5-105.5(3	1,978	-	1,978
Stripper Well Settlement	None	2,031	117	1,914
Supplemental Old Age Pension Health & Medical	26-2-117(3)	1,850	-	1,850
Drug Offender Surcharge Fund	18-19-103(4)	1,899	158	1,741
Real Estate Cash Fund	12-61-111.5	4,061	2,428	1,633
State Rail Bank Fund	43-1-1309	10,900	9,356	1,544
Inspection & Consumer Service Cash	35-1-106.5	2,376	878	1,498
Stationary Sources	25-7-114.7(2	1,975	529	1,446
Transportation Renovation	43-1-210 6(B	1,419	-	1,419
Natural Resources Foundation Fund	24-33-108	1,426	32	1,394
Advance Technology Fund	23-1-106.5(9	1,361	-	1,361
Parks Cash Fund	33-10-111	1,818	533	1,285
Uniform Consumer Credit Code Custodial Funds	Restricted	1,266	1	1,265
Law Examiner Board Fund	Court Rule 201	1,281	43	1,238
Nursing Home Penalty Cash Fund	26-4-505(3)A	1,229	-	1,229
Victims Assistance	24-33.5-506	1,228	93	1,135
State Patrol Contraband	24-33.5-225	1,291	158	1,133
Library Trust Fund	24-90-105	1,126	4	1,122
Building Regulation Fund	24-32-3309	1,171	69	1,102
Waste Tire Recycling Fund	25-17-202(3)	1,265	164	1,101
Low Income Telephone Assist	40-3.4-108(2	1,164	138	1,026
Reclamation Warranty Forfeiture	34-32-122	1,023	13	1,010
Water Quality	25-8-502(II)	1,303	333	970
Travel and Tourism Additional	24-49.7-106	1,226	288	938
Judicial Performance Cash Fund	13-5.5-107	939	8	931
Boiler Inspection	9-4-109(4)	892	-	892
Historical Society Unrestricted	24-80-209	889	2	887
Continuing Legal Education Fund	Court Rule 260	897	21	876
Records and Reports Fund	19-1-307(2.5	923	65	858
Cumulative Surplus-HUD Section 8 Voucher	29-4-708(K)	2,675	1,819	856
CF&I Settlement Fund	Restricted	851	-	851
Howard Fund	26-8-104(1)C	833	2	831
Colorado Dealer License Board	12-6-123	938	120	818
Ballot Information Publication & Distribution Fund	1-40-124.5	775	-	775
Workers' Compensation Guarantee Fund	8-44-206(4)	794	20	774
Judicial Stabilization Cash	13-32-101	770	-	770
Small Business Loan Investment and Development	36-1-153(1)	784	15	769
Home Grant Revolving Loan Fund	None	769	5	764

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2006

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Division of Securities Cash Fund	11-51-707	1,689	944	745
Motor Carrier	40-2-110.5	1,747	1,027	720
Alcohol/Drug Driving Safety	42-4-1301.3	1,069	351	718
Persistent Drunk Driver	42-3-130.5	852	141	711
Alternative Fuels Rebate	39-33-105	700	-	700
Geological Survey Cash Fund	34-1-105	1,100	411	689
Fixed Utilities	40-2-114	1,328	650	678
Collaborative Management Incentive	24-1.9-104(1	1,207	550	657
Pesticide Registration Fund	35-9-126	1,028	371	657
Newborn Genetics	25-4-1006	823	184	639
Notary Administration Cash Fund	12-55-102.5	642	9	633
Clerk & Recorder Technology	30-10-422	618	-	618
Workers' Compensation Immediate Payment Fund	8-44-206(3)	558	-	558
Organ & Tissue Donation Awareness	42-2-107(4)	534	-	534
Legislative Legal Expenses Fund	2-3-1002(1)	511	-	511
EPA - Settlement Projects	Restricted	500	-	500
Colorado Children's Trust Fund	19-3.5-106	468	16	452
Conservation District Grants	35-1-106.7(1	450	-	450
Ground Water Management	37-80-111.5	433	-	433
Colorado Comprehensive Health Education Fund	22-25-109	435	5	430
Public Deposit Administration	11-10.5-112	664	240	424
Highway Crossing	43-4-201	419	-	419
HUD Section 8 Before Federal Fiscal Year 2004	None	429	14	415
CBI Contraband	24-33.5-415	405	-	405
Workers' Compensation Cost Containment	8-14.5-108	393	-	393
Colorado Family Support Loan	27-10.5-502	372	4	368
Family-Friendly Court Program	13-3-113(6)	401	44	357
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	349	-	349
Disabled Telephone Users Fund	40-17-104	505	156	349
Uniform Consumer Credit Code	5-6-204	418	76	342
Western Slope Military Veterans Cemetary	28-5-708	352	14	338
Mandatory Fruit & Vegetable Inspection Fund	35-23-114	701	367	334
Auto Theft Prevention Cash Fund	42-5-112(4A)	355	33	322
Crude Oil Refund	Ex. Order 56-87	306	-	306
Racing Cash Fund	12-60-205	444	149	295
Deaf and Hard of Hearing Fund	26-21-107(1)	307	25	282
Mined Land Reclamation Fund	34-32-127	475	195	280
Educator Licensure Cash Fund	22-60.5-112	373	95	278
Family Stabilization Services	19-1-125(2)	233	-	233
Parks Stores Revolving Fund	33-10-111.5	244	12	232
Solid Waste Management Reserve	30-20-118	301	91	210
Diamond Shamrock Settlement	None	203	-	203
Financial Services Cash Fund	11-40-106(2)	656	462	194
Private Occupational Schools	12-59-116	225	33	192
Cervidae Disease Fund	35-50-114.5	190	-	190
Conservation Trust Fund	24-35-210(10	11,742	11,555	187
Assisted Living Residence Fund	25-27-107.5	268	84	184
Vickers Oil Overcharge Funds	Ex. Order 56-87	184	-	184
Domestic Abuse Program	39-22-802	269	94	175
Hazardous Waste Fees	25-15-304	235	66	169
Older Coloradans Cash Fund	26-11-205.5	168	-	168
Vital Records	25-2-121(2)B	305	143	162
Family Support Registry Fund	26-13-115.5	161	-	161
Post Custodial Funds	Restricted	156	-	156
Collection Agency Board	12-14-136	188	35	153
161 Funds with Net Assets Below $150,000		14,590	8,916	5,674
Total Other Special Revenue Funds		$ 1,093,462	$ 130,060	$ 963,402