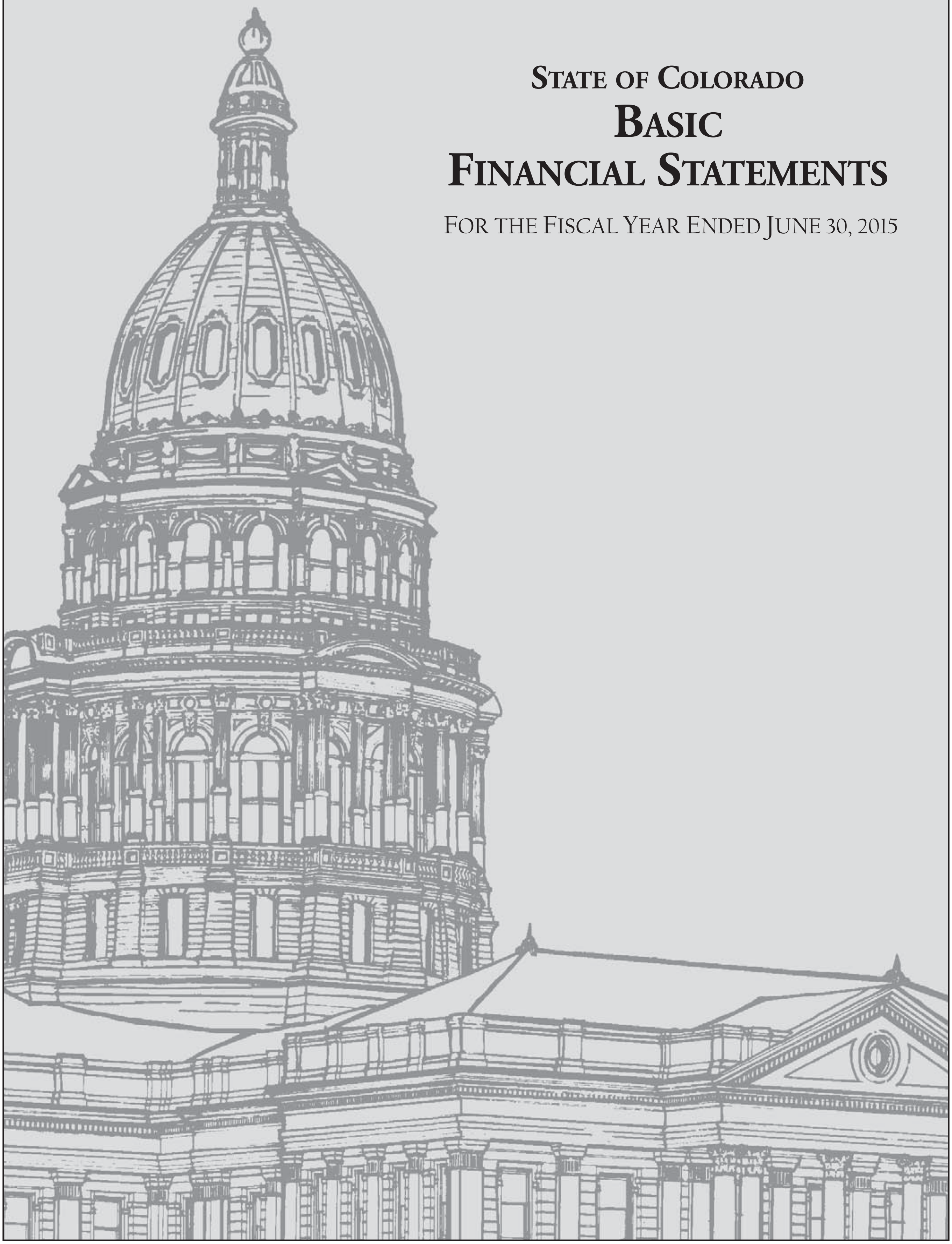
STATE OF COLORADO
BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



COLORADO
Office of the State Controller
Department of Personnel
& Administration

January 21, 2016

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Dickey Lee Hullinghorst
Speaker of the House
Colorado General Assembly

The Honorable Bill Cadman
President of the Senate
Colorado General Assembly

Dear Madam and Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with CRS 24-30-204. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased services from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated in April 2016 and will be included in the Comprehensive Annual Financial Report that I expect to issue in April 2016.

If you have questions, please contact me.

Sincerely,

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

cc: June Taylor, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CONTENTS

STATEMENT OF NET POSITION
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,696,951	$ 2,454,690	$ 5,151,641	$ 193,149
Deposit on Land	-	-	-	250
Investments	-	378,115	378,115	-
Taxes Receivable, net	1,252,906	142,244	1,395,150	-
Contributions Receivable, net	-	-	-	50,308
Other Receivables, net	451,056	430,046	881,102	78,800
Due From Other Governments	800,149	134,451	934,600	4,104
Internal Balances	28,010	(28,010)	-	-
Due From Component Units	135	11,370	11,505	-
Inventories	54,194	57,950	112,144	-
Prepaids and Advances	67,919	28,186	96,105	751
Total Current Assets	5,351,320	3,609,042	8,960,362	327,362
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,140,728	499,741	2,640,469	176,327
Restricted Investments	761,140	246,783	1,007,923	171,313
Restricted Receivables	363,299	31,609	394,908	2,726
Investments	280,101	1,969,155	2,249,256	2,395,205
Contributions Receivable, net	-	-	-	101,160
Other Long-Term Assets	636,260	129,849	766,109	972,440
Depreciable Capital Assets and Infrastructure, net	9,773,110	6,190,355	15,963,465	171,801
Land and Nondepreciable Capital Assets	1,968,046	1,788,596	3,756,642	24,744
Total Noncurrent Assets	15,922,684	10,856,088	26,778,772	4,015,716
TOTAL ASSETS	21,274,004	14,465,130	35,739,134	4,343,078
DEFERRED OUTFLOW OF RESOURCES:	331,692	348,635	680,327	4,145
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	669,993	-	669,993	-
Accounts Payable and Accrued Liabilities	1,362,906	751,006	2,113,912	26,470
TABOR Refund Liability (Note 8B)	153,597	-	153,597	-
Due To Other Governments	233,088	22,048	255,136	969
Due To Component Units	-	623	623	-
Unearned Revenue	100,131	407,106	507,237	-
Accrued Compensated Absences	12,185	20,960	33,145	-
Claims and Judgments Payable	47,683	-	47,683	-
Leases Payable	27,760	8,618	36,378	-
Notes, Bonds, and COPs Payable	200,975	251,946	452,921	45,650
Other Current Liabilities	19,207	124,964	144,171	134,997
Total Current Liabilities	2,827,525	1,587,271	4,414,796	208,086
Noncurrent Liabilities:				
Deposits Held In Custody For Others	139	-	139	395,892
Accrued Compensated Absences	149,817	268,599	418,416	-
Claims and Judgments Payable	299,785	41,460	341,245	-
Capital Lease Payable	141,835	45,663	187,498	-
Derivative Instrument Liability	-	9,515	9,515	-
Notes, Bonds, and COPs Payable	1,331,892	4,418,327	5,750,219	728,898
Due to Component Units	-	1,661	1,661	-
Net Pension Liability	5,436,025	3,579,748	9,015,773	
Other Postemployment Benefits	-	241,779	241,779	-
Other Long-Term Liabilities	423,809	83,522	507,331	76,966
Total Noncurrent Liabilities	7,783,302	8,690,274	16,473,576	1,201,756
TOTAL LIABILITIES	10,610,827	10,277,545	20,888,372	1,409,842
DEFERRED INFLOW OF RESOURCES:	47,257	38,379	85,636	537
NET POSITION:				
Net investment in Capital Assets:	10,638,597	4,417,947	15,056,544	196,572
Restricted for:				
Construction and Highway Maintenance	936,535	-	936,535	-
Education	766,688	583,437	1,350,125	-
Unemployment Insurance	-	620,575	620,575	-
Debt Service	56,534	72,098	128,632	-
Emergencies	217,328	34,000	251,328	-
Permanent Funds and Endowments:				
Expendable	7,301	9,967	17,268	1,069,452
Nonexpendable	896,872	87,679	984,551	865,754
Other Purposes	626,647	88,685	715,332	590,284
Unrestricted	(3,198,890)	(1,416,547)	(4,615,437)	214,782
TOTAL NET POSITION	$ 10,947,612	$ 4,497,841	$ 15,445,453	$ 2,936,844

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

(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	$ 469,872	$ (21,358)	$ 145,172	$ 173,097	$ 82
Business, Community, and Consumer Affairs	709,271	1,977	132,129	279,430	-
Education	5,686,162	1,386	30,955	612,458	75
Health and Rehabilitation	821,075	1,394	78,925	415,614	-
Justice	2,061,739	5,512	240,005	139,690	57
Natural Resources	118,804	1,129	204,487	53,523	882
Social Assistance	9,623,736	3,220	663,568	5,933,988	-
Transportation	1,894,494	2,195	448,691	137,324	816,155
Interest on Debt	59,078	-	-	-	-
Total Governmental Activities	21,444,231	(4,545)	1,943,932	7,745,124	817,251
Business-Type Activities:					
Higher Education	6,001,713	2,671	4,030,728	1,810,208	70,568
Unemployment Insurance	530,130	-	702,294	47,653	-
Lottery	473,926	636	539,033	442	-
Parks and Wildlife	190,486	664	143,826	37,615	7,309
College Assist	338,506	121	1,494	342,463	-
Other Business-Type Activities	217,330	453	273,063	43,562	427
Total Business-Type Activities	7,752,091	4,545	5,690,438	2,281,943	78,304
Total Primary Government	29,196,322	-	7,634,370	10,027,067	895,555
Component Units:					
Colorado Water Resources and Power Development Authority	61,330		38,696	34,510	
University of Colorado Foundation	132,224			149,999	
Colorado State University Foundation	54,998			71,473	
Colorado School of Mines Foundation	38,665		1,900	31,862	
University of Northern Colorado Foundation	12,288			15,087	
Other Component Units	16,747		15,119	219	3,153
Total Component Units	$ 316,252	$ -	$ 55,715	$ 303,150	$ 3,153

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

Payment from State of Colorado
Special Items (See Note 41)
(Transfers-Out) / Transfers-In
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (130,163)	$ -	$ (130,163)	
(299,689)	-	(299,689)	
(5,044,060)	-	(5,044,060)	
(327,930)	-	(327,930)	
(1,687,499)	-	(1,687,499)	
138,959	-	138,959	
(3,029,400)	-	(3,029,400)	
(494,519)	-	(494,519)	
(59,078)	-	(59,078)	
(10,933,379)	-	(10,933,379)	
-	(92,880)	(92,880)	
-	219,817	219,817	
-	64,913	64,913	
-	(2,400)	(2,400)	
-	5,330	5,330	
-	99,269	99,269	
-	294,049	294,049	
(10,933,379)	294,049	(10,639,330)	
-	-	-	11,876
-	-	-	17,775
-	-	-	16,475
-	-	-	(4,903)
-	-	-	2,799
-	-	-	1,744
-	-	-	45,766
2,781,973	-	2,781,973	-
267,858	-	267,858	-
5,847,141	-	5,847,141	-
613,316	-	613,316	-
673,275	7	673,282	-
460,192	-	460,192	-
59,610	-	59,610	-
-	-	-	-
599,386	-	599,386	-
67,327	-	67,327	-
11,992	-	11,992	51,259
96,613	-	96,613	-
-	-	-	4,150
-	-	-	(56,142)
(256,287)	256,287	-	-
302	-	302	-
11,222,698	256,294	11,478,992	(733)
289,319	550,343	839,662	45,033
15,649,715	7,289,798	22,939,513	2,891,810
(6,626)	-	(6,626)	-
(4,984,796)	(3,342,300)	(8,327,096)	-
$ 10,947,612	$ 4,497,841	$ 15,445,453	$ 2,936,844

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 313,019	$ 882,653	$ 49,427
Taxes Receivable, net	1,367,279	31,639	-
Other Receivables, net	294,757	34,134	2,940
Due From Other Governments	769,941	1,341	-
Due From Other Funds	85,892	10,535	4,074
Due From Component Units	135	-	-
Inventories	8,894	35,868	8,377
Prepaids and Advances	41,624	19,467	1,908
Restricted Assets:			
Restricted Cash and Pooled Cash	342,506	66,000	842,169
Restricted Investments	-	-	-
Restricted Receivables	172	-	363,128
Investments	91,652	-	-
Other Long-Term Assets	-	396,087	7,258
Depreciable Capital Assets and Infrastructure, net	9	-	-
Land and Nondepreciable Capital Assets	-	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,315,880	$ 1,477,724	$ 1,279,281
LIABILITIES:			
Tax Refunds Payable	$ 652,110	14,369	$ 2,814
Accounts Payable and Accrued Liabilities	929,985	14,246	221,298
TABOR Refund Liability (Note 8B)	153,597	-	-
Due To Other Governments	97,755	79,154	36,628
Due To Other Funds	47,622	261	565
Unearned Revenue	23,872	715	28,278
Claims and Judgments Payable	398	-	-
Other Current Liabilities	11,062	-	26
Deposits Held In Custody For Others	4	-	-
TOTAL LIABILITIES	1,916,405	108,745	289,609
DEFERRED INFLOW OF RESOURCES:	183,965	1,770	1,112
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	9	-	-
Inventories	8,894	35,868	8,377
Permanent Fund Principal	-	-	-
Prepaids	40,971	19,467	1,908
Restricted	399,785	78,971	942,510
Committed	746,333	1,232,903	35,765
Assigned	19,518	-	-
TOTAL FUND BALANCES	1,215,510	1,367,209	988,560
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,315,880	$ 1,477,724	$ 1,279,281

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 340,603	$ -	$ 1,065,723	$ 2,651,425
-	-	40,978	1,439,896
18	-	112,601	444,450
189	-	28,350	799,821
2,784	-	12,378	115,663
-	-	-	135
-	-	190	53,329
-	-	4,476	67,475
-	696,588	193,466	2,140,729
-	-	761,140	761,140
-	-	-	363,300
3,808	-	184,641	280,101
60	-	44,963	448,368
-	-	200	209
-	-	186	186
-	-	82,555	82,555
$ 347,462	$ 696,588	$ 2,531,847	$ 9,648,782
$ -	$ -	$ 699	$ 669,992
11,107	10,330	133,319	1,320,285
-	-	-	153,597
-	-	19,551	233,088
2,869	-	36,540	87,857
-	-	42,403	95,268
-	-	89	487
-	-	4,150	15,238
-	-	135	139
13,976	10,330	236,886	2,575,951
-	-	1,455	188,302
-	-	200	209
-	-	190	53,329
-	-	971,495	971,495
-	-	4,476	66,822
5	686,258	235,229	2,342,758
333,481	-	1,081,916	3,430,398
-	-	-	19,518
333,486	686,258	2,293,506	6,884,529
$ 347,462	$ 696,588	$ 2,531,847	$ 9,648,782

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,651,426	$ 45,525	$ -	$ -	$ -	$ -	$ -	$ 2,696,951
Taxes Receivable, net	1,439,896	-	-	-	-	(186,990)	-	1,252,906
Other Receivables, net	444,453	6,604	-	-	-	-	-	451,057
Due From Other Governments	799,821	328	-	-	-	-	-	800,149
Due From Other Funds	115,663	740	-	-	-	-	(88,393)	28,010
Due From Component Units	135	-	-	-	-	-	-	135
Inventories	53,329	865	-	-	-	-	-	54,194
Prepaids and Advances	67,475	444	-	-	-	-	-	67,919
Total Current Assets	5,572,198	54,506	-	-	-	(186,990)	(88,393)	5,351,321
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,140,728	-	-	-	-	-	-	2,140,728
Restricted Investments	761,140	-	-	-	-	-	-	761,140
Restricted Receivables	363,299	-	-	-	-	-	-	363,299
Investments	280,101	-	-	-	-	-	-	280,101
Other Long-Term Assets	448,369	-	-	-	-	187,891	-	636,260
Depreciable Capital Assets and Infrastructure, net	209	146,575	9,605,548	-	-	-	-	9,752,332
Land and Nondepreciable Capital Assets	186	1,121	1,904,961	-	-	-	-	1,906,268
Depreciable Capital Assets for Investment	82,555	-	-	-	-	-	-	82,555
Total Noncurrent Assets	4,076,587	147,696	11,510,509	-	-	187,891	-	15,922,683
								-
TOTAL ASSETS	9,648,785	202,202	11,510,509	-	-	901	(88,393)	21,274,004
DEFERRED OUTFLOW OF RESOURCES:	-	35,740	-	295,952	-	-	-	331,692
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	669,993	-	-	-	-	-	-	669,993
Accounts Payable and Accrued Liabilities	1,320,285	35,175	-	7,446	-	-	-	1,362,906
TABOR Refund Liability (Note 8B)	153,597	-	-	-	-	-	-	153,597
Due To Other Governments	233,088	-	-	-	-	-	-	233,088
Due To Other Funds	87,859	534	-	-	-	-	(88,393)	-
Unearned Revenue	95,268	5,086	-	-	-	(223)	-	100,131
Compensated Absences Payable	-	445	-	-	-	11,740	-	12,185
Claims and Judgments Payable	487	-	-	-	38,193	9,002	-	47,682
Leases Payable	-	19,255	-	8,505	-	-	-	27,760
Notes, Bonds, and COPs Payable	-	-	-	200,975	-	-	-	200,975
Other Current Liabilities	15,238	74	-	-	-	3,895	-	19,207
Total Current Liabilities	2,575,815	60,569	-	216,926	38,193	24,414	(88,393)	2,827,524
Noncurrent Liabilities:								
Deposits Held In Custody For Others	139	-	-	-	-	-	-	139
Accrued Compensated Absences	-	9,630	-	-	-	140,187	-	149,817
Claims and Judgments Payable	-	-	-	-	119,592	180,193	-	299,785
Capital Lease Payable	-	85,950	-	55,885	-	-	-	141,835
Notes, Bonds, and COPs Payable	-	-	-	94,472	-	-	-	94,472
Due to Component Units	-	-	-	1,237,420	-	-	-	1,237,420
Net Pension Liability	-	-	-	-	-	5,117,537	-	5,117,537
Other Postemployment Benefits	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	-	318,488	-	-	-	423,809	-	742,297
Total Noncurrent Liabilities	139	414,068	-	1,387,777	119,592	5,861,726	-	7,783,302
TOTAL LIABILITIES	2,575,954	474,637	-	1,604,703	157,785	5,886,140	(88,393)	10,610,826
DEFERRED INFLOW OF RESOURCES:	188,301	2,311	-	-	-	(143,355)	-	47,257
NET POSITION:								
Net investment in Capital Assets:	82,951	42,491	11,510,509	(997,354)	-	-	-	10,638,598
Restricted for:								
Construction and Highway Maintenance	935,268	-	-	1,267	-	-	-	936,535
Education	685,421	-	-	81,267	-	-	-	766,688
Debt Service	56,534	-	-	-	-	-	-	56,534
Emergencies	217,328	-	-	-	-	-	-	217,328
Permanent Funds and Endowments:								
Expendable	7,301	-	-	-	-	-	-	7,301
Nonexpendable	896,872	-	-	-	-	-	-	896,872
Other Purposes	626,647	-	-	-	-	-	-	626,647
Unrestricted	3,376,207	(281,496)	-	(393,931)	(157,785)	(5,741,885)	-	(3,198,890)
TOTAL NET POSITION	$ 6,884,529	$ (239,005)	$ 11,510,509	$ (1,308,751)	$ (157,785)	$ (5,741,885)	$ -	$ 10,947,612

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,888,036	$ -	$ -
Corporate Income	635,115	-	-
Sales and Use	2,726,624	-	-
Excise	97,161	-	599,386
Other Taxes	273,675	271,492	388
Licenses, Permits, and Fines	15,938	1,993	363,345
Charges for Goods and Services	77,788	8,815	136,633
Rents	290	3	2,132
Investment Income (Loss)	15,039	20,825	10,540
Federal Grants and Contracts	7,105,632	152,429	837,065
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	170,831	4,311	116,744
TOTAL REVENUES	17,006,129	459,868	2,066,233
EXPENDITURES:			
Current:			
General Government	222,085	-	54,013
Business, Community, and Consumer Affairs	185,394	12,953	-
Education	708,553	-	-
Health and Rehabilitation	594,796	-	10,158
Justice	1,313,523	-	117,513
Natural Resources	35,485	52,657	-
Social Assistance	7,809,575	-	-
Transportation	-	-	1,279,622
Capital Outlay	200,376	270	81,431
Intergovernmental:			
Cities	67,540	54,469	232,371
Counties	1,246,310	58,108	229,420
School Districts	4,036,372	3,190	-
Special Districts	66,169	18,286	33,836
Federal	10	1,156	-
Other	25,446	3,825	254
Debt Service	50,863	8	-
TOTAL EXPENDITURES	16,562,497	204,922	2,038,618
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	443,632	254,946	27,615
OTHER FINANCING SOURCES (USES):			
Transfers-In	3,772,300	3,029	9,796
Transfers-Out	(3,937,405)	(94,058)	(182,761)
Face Amount of Bond/COP Issuance	68	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	8,502	-	3,540
Bond/COP Premium Refunding Proceeds	11	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(156,524)	(91,029)	(169,425)
NET CHANGE IN FUND BALANCES	287,109	163,917	(141,812)
FUND BALANCE, FISCAL YEAR BEGINNING	935,027	1,203,292	1,130,372
Prior Period Adjustment (See Note 29A)	(6,626)	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,215,510	$ 1,367,209	$ 988,560

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 462,046	$ -	$ 6,350,082
-	57,756	-	692,871
-	-	50,741	2,777,365
-	-	170,955	867,502
965	-	158,893	705,413
12	-	420,135	801,423
-	-	662,312	885,548
-	-	196,642	199,067
4,540	7,900	39,128	97,972
7,007	-	196,087	8,298,220
-	-	302	302
-	-	60,883	60,883
298	212	40,369	332,765
12,822	527,914	1,996,447	22,069,413
3,224	-	25,455	304,777
938	-	269,312	468,597
2,511	46,298	27,763	785,125
44	-	93,848	698,846
4,918	-	212,518	1,648,472
-	-	14,814	102,956
1,087	-	815,231	8,625,893
-	-	2,808	1,282,430
38,844	-	4,227	325,148
-	-	67,072	421,452
-	-	92,972	1,626,810
-	826,586	42,802	4,908,950
-	-	13,076	131,367
-	-	332	1,498
-	465	43,275	73,265
3,637	-	214,999	269,507
55,203	873,349	1,940,504	21,675,093
(42,381)	(345,435)	55,943	394,320
264,858	25,403	455,960	4,531,346
(163,585)	(85,708)	(320,923)	(4,784,440)
-	-	-	68
-	-	3,341	3,341
610	-	(218)	12,434
-	-	-	11
101,883	(60,305)	138,160	(237,240)
59,500	(405,740)	194,105	157,079
273,986	1,091,998	2,099,400	6,734,075
-	-	-	(6,626)
$ 333,486	$ 686,258	$ 2,293,505	$ 6,884,528

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

(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	$ 6,350,082	$ -	$ -	$ -	$ (40,926)	$ 6,309,156
Corporate Income	692,871	-	-	-	(21,799)	671,072
Sales and Use	2,777,365	-	-	-	4,608	2,781,973
Excise	867,502	-	-	-	(257)	867,245
Other Taxes	705,413	-	-	-	(2,332)	703,081
Licenses, Permits, and Fines	801,423	-	-	-	2	801,425
Charges for Goods and Services	885,548	-	-	-	1	885,549
Rents	199,067	-	-	-	-	199,067
Investment Income (Loss)	97,972	9	-	-	19	98,000
Federal Grants and Contracts	8,298,220	-	-	-	(7,925)	8,290,295
Additions to Permanent Funds	302	-	-	-	-	302
Unclaimed Property Receipts	60,883	-	-	-	-	60,883
Other	332,765	-	-	-	3,632	336,397
TOTAL REVENUES	22,069,413	9	-	-	(64,977)	22,004,445
EXPENDITURES:						
Current:						
General Government	304,777	128	37,926	-	13,695	356,526
Business, Community, and Consumer Affairs	468,597	2,151	11,792	-	(12,559)	469,981
Education	785,125	79	28,842	-	(41)	814,005
Health and Rehabilitation	698,846	611	26,878	-	515	726,850
Justice	1,648,472	(7,831)	120,858	-	4,415	1,765,914
Natural Resources	102,956	804	4,386	-	172	108,318
Social Assistance	8,625,893	3,543	21,256	-	82	8,650,774
Transportation	1,282,430	420	451,186	-	130	1,734,166
Capital Outlay	325,148	-	(735,442)	-	-	(410,294)
Intergovernmental:						
Cities	421,452	-	-	-	-	421,452
Counties	1,626,810	-	(60)	-	-	1,626,750
School Districts	4,908,950	-	-	-	-	4,908,950
Special Districts	131,367	-	-	-	-	131,367
Federal	1,498	-	-	-	-	1,498
Other	73,265	-	-	-	-	73,265
Debt Service	269,507	2,611	-	(193,395)	-	78,723
TOTAL EXPENDITURES	21,675,093	2,516	(32,378)	(193,395)	6,409	21,458,245
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	394,320	(2,507)	32,378	193,395	(71,386)	546,200
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,531,346	2,457	-	-	-	4,533,803
Transfers-Out	(4,784,440)	(8,399)	-	-	-	(4,792,839)
Face Amount of Bond/COP Issuance	68	-	-	-	-	68
Bond/COP Premium/Discount	-	-	-	1,382	-	1,382
Sale of Capital Assets	3,341	-	(15,499)	-	-	(12,158)
Insurance Recoveries	12,434	-	-	-	-	12,434
Bond/COP Premium Refunding Proceeds	11	-	-	-	-	11
TOTAL OTHER FINANCING SOURCES (USES)	(237,240)	(5,942)	(15,499)	1,382	-	(257,299)
Internal Service Fund Charges to BTAs	-	420	-	-	-	420
NET CHANGE FOR THE YEAR	157,079	(8,029)	16,879	194,777	(71,386)	289,319
Prior Period Adjustment (See Note 29A)	(6,626)	-	-	-	-	(6,626)
Accounting Changes (See Note 29B)	-	(265,388)	-	(4,719,409)	-	(4,984,797)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 150,453	$ (273,417)	$ 16,879	$ (4,524,632)	$ (71,386)	$ (4,702,104)

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,148,885	$ 734,476
Investments	377,487	-
Premiums Receivable, net	-	142,241
Student and Other Receivables, net	365,102	5,046
Due From Other Governments	114,633	4,372
Due From Other Funds	4,378	-
Due From Component Units	11,370	-
Inventories	39,914	-
Prepaids and Advances	18,167	-
Total Current Assets	2,079,936	886,135
Noncurrent Assets:		
Restricted Cash and Pooled Cash	452,758	-
Restricted Investments	246,783	-
Restricted Receivables	-	-
Investments	1,917,306	-
Other Long-Term Assets	128,071	-
Depreciable Capital Assets and Infrastructure, net	5,595,452	1,521
Land and Nondepreciable Capital Assets	1,028,769	163
Total Noncurrent Assets	9,369,139	1,684
TOTAL ASSETS	11,449,075	887,819
DEFERRED OUTFLOW OF RESOURCES:	320,500	4,283
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	631,398	2,141
Due To Other Governments	-	1
Due To Other Funds	4,549	-
Due To Component Units	623	-
Unearned Revenue	239,877	3
Compensated Absences Payable	19,971	-
Leases Payable	8,197	-
Notes, Bonds, and COPs Payable	126,013	124,960
Other Current Liabilities	83,778	9,986
Total Current Liabilities	1,114,406	137,091
Noncurrent Liabilities:		
Due to Other Funds	1,321	-
Accrued Compensated Absences	256,737	-
Claims and Judgments Payable	41,460	-
Capital Lease Payable	41,401	-
Derivative Instrument Liability	9,515	-
Notes, Bonds, and COPs Payable	3,961,735	125,763
Due to Component Units	1,661	-
Net Pension Liability	3,166,397	6,989
Other Postemployment Benefits	241,779	-
Other Long-Term Liabilities	29,482	-
Total Noncurrent Liabilities	7,751,488	132,752
TOTAL LIABILITIES	8,865,894	269,843
DEFERRED INFLOW OF RESOURCES:	28,867	1
NET POSITION:		
Net investment in Capital Assets:	3,374,653	1,683
Restricted for:		
Education	583,437	-
Unemployment Insurance	-	620,575
Debt Service	1,845,739	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	9,967	-
Nonexpendable	87,679	-
Other Purposes	-	-
Unrestricted	(3,026,661)	-
TOTAL NET POSITION	$ 2,874,814	$ 622,258

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 38,456	$ 532,873	$ 2,454,690	$ 45,525
-	628	378,115	-
-	-	142,241	-
20,410	39,490	430,048	6,604
-	15,445	134,450	328
-	5,543	9,921	740
-	-	11,370	-
1,125	16,911	57,950	865
4,657	5,362	28,186	444
64,648	616,252	3,646,971	54,506
-	46,984	499,742	-
-	-	246,783	-
-	31,609	31,609	-
-	51,849	1,969,155	-
-	1,779	129,850	-
550	592,833	6,190,356	146,575
-	759,665	1,788,597	1,121
550	1,484,719	10,856,092	147,696
65,198	2,100,971	14,503,063	202,202
1,072	22,780	348,635	35,740
3,676	99,119	736,334	35,175
21	22,026	22,048	-
31,819	1,855	38,223	534
-	-	623	-
-	167,226	407,106	5,086
36	953	20,960	445
-	421	8,618	19,255
-	974	251,947	-
26,104	5,096	124,964	74
61,656	297,670	1,610,823	60,569
-	13,061	14,382	-
757	11,106	268,600	9,630
-	-	41,460	-
-	4,262	45,663	85,950
-	-	9,515	-
-	330,829	4,418,327	-
-	-	1,661	-
23,627	382,735	3,579,748	318,488
-	-	241,779	-
39	54,000	83,521	-
24,423	795,993	8,704,656	414,068
86,079	1,093,663	10,315,479	474,637
136	9,375	38,379	2,311
550	1,041,061	4,417,947	42,491
-	-	583,437	-
-	-	620,575	-
-	21,210	1,866,949	-
-	34,000	34,000	-
-	-	9,967	-
-	-	87,679	-
-	88,685	88,685	-
(20,495)	(164,243)	(3,211,399)	(281,497)
$ (19,945)	$ 1,020,713	$ 4,497,840	$ (239,006)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 698,609
License and Permits	-	107
Tuition and Fees	2,649,313	-
Scholarship Allowance for Tuition and Fees	(595,010)	-
Sales of Goods and Services	1,856,873	-
Scholarship Allowance for Sales of Goods & Services	(22,546)	-
Investment Income (Loss)	1,500	-
Rental Income	14,488	-
Gifts and Donations	37,979	-
Federal Grants and Contracts	971,879	30,670
Intergovernmental Revenue	7,944	-
Other	302,103	19
TOTAL OPERATING REVENUES	5,224,523	729,404
OPERATING EXPENSES:		
Salaries and Fringe Benefits	4,017,898	5,900
Operating and Travel	1,259,876	519,002
Cost of Goods Sold	146,479	-
Depreciation and Amortization	388,761	45
Intergovernmental Distributions	32,580	-
Debt Service	-	-
Prizes and Awards	344	-
TOTAL OPERATING EXPENSES	5,845,938	524,947
OPERATING INCOME (LOSS)	(621,415)	204,457
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	7
Fines and Settlements	21	3,558
Investment Income (Loss)	59,633	16,982
Rental Income	15,079	1
Gifts and Donations	242,995	-
Intergovernmental Distributions	(23,065)	-
Federal Grants and Contracts	287,255	-
Gain/(Loss) on Sale or Impairment of Capital Assets	19,274	-
Insurance Recoveries from Prior Year Impairments	36	-
Debt Service	(146,932)	(5,183)
Other Expenses	(5,940)	-
Other Revenues	11,630	-
TOTAL NONOPERATING REVENUES (EXPENSES)	459,985	15,366
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(161,430)	219,823
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	71,031	-
Additions to Permanent Endowments	656	-
Transfers-In	343,871	-
Transfers-Out	(3,971)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	411,588	-
CHANGE IN NET POSITION	250,157	219,823
NET POSITION - FISCAL YEAR BEGINNING	5,584,645	403,006
Accounting Changes (See Note 29B)	(2,959,988)	(571)
NET POSITION - FISCAL YEAR ENDING	$ 2,874,814	$ 622,258

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 698,609	$ -
66	118,532	118,704	-
-	662	2,649,975	-
-	-	(595,010)	-
538,026	204,922	2,599,820	329,355
-	-	(22,546)	-
-	6,763	8,263	-
-	1,659	16,147	11,084
-	-	37,979	-
-	411,676	1,414,225	-
-	29,070	37,014	-
942	8,121	311,184	880
539,034	781,405	7,274,364	341,320
10,590	231,915	4,266,302	198,654
57,644	418,280	2,254,802	112,208
11,663	41,283	199,425	7,774
557	17,575	406,939	22,601
-	10,108	42,688	1,128
-	13,576	13,576	-
331,499	913	332,756	1
411,953	733,650	7,516,488	342,367
127,080	47,754	(242,124)	(1,047)
-	39,267	39,275	-
-	389	3,968	-
442	6,045	83,102	9
-	10,716	25,797	-
-	4,203	247,197	-
(61,993)	-	(85,058)	-
-	-	287,255	-
-	363	19,637	1,238
-	6,470	6,506	-
-	(12,992)	(165,106)	(2,610)
-	(410)	(6,350)	-
-	-	11,630	-
(61,551)	54,051	467,852	(1,363)
65,529	101,805	225,728	(2,410)
-	1,344	72,376	323
-	-	656	-
-	22,240	366,111	2,457
(66,518)	(44,038)	(114,527)	(8,399)
(66,518)	(20,454)	324,616	(5,619)
(988)	81,352	550,344	(8,029)
3,074	1,299,073	7,289,798	34,411
(22,031)	(359,710)	(3,342,300)	(265,388)
$ (19,945)	$ 1,020,715	$ 4,497,842	$ (239,006)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,072,891	$ -
Fees for Service	1,766,059	5,511
Sales of Products	73,686	-
Gifts, Grants, and Contracts	1,546,066	20,603
Loan and Note Repayments	415,345	-
Unemployment Insurance Premiums	-	695,248
Income from Property	29,568	-
Other Sources	135,082	-
Cash Payments to or for:		
Employees	(3,854,511)	(4,282)
Suppliers	(1,247,340)	(7,656)
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(487,484)
Scholarships	(100,562)	-
Others for Student Loans and Loan Losses	(447,215)	-
Other Governments	(32,580)	- -
Other	(78,232)	(161)
NET CASH PROVIDED BY OPERATING ACTIVITIES	278,257	221,779
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	2,764,897	(5,511)
Transfers-Out	(2,523,647)	5,511
Receipt of Deposits Held in Custody	1,015,732	12
Release of Deposits Held in Custody	(1,018,471)	-
Gifts and Grants for Other Than Capital Purposes	187,410	-
Intergovernmental Distributions	(23,065)	-
NonCapital Debt Proceeds	67,360	-
NonCapital Debt Service Payments	-	(130,704)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	470,216	(130,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(816,933)	(1,504)
Capital Contributions	131,701	-
Capital Gifts, Grants, and Contracts	30,011	-
Proceeds from Sale of Capital Assets	63,847	-
Capital Debt Proceeds	737,021	-
Capital Debt Service Payments	(611,774)	-
Capital Lease Payments	(18,566)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(484,693)	(1,504)

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 662	$ 2,073,553	$ -
-	233,511	2,005,081	317,547
538,052	59,157	670,895	1,247
-	430,609	1,997,278	-
-	331	415,676	-
-	-	695,248	-
-	12,357	41,925	11,088
1,008	149,542	285,632	5,979
(9,877)	(232,991)	(4,101,661)	(180,495)
(29,786)	(131,025)	(1,415,807)	(113,819)
(371,686)	(6,729)	(378,415)	(795)
-	-	(487,484)	-
-	-	(100,562)	-
-	(297,713)	(744,928)	-
-	(10,183)	(42,763)	(1,128)
(164)	(40,295)	(118,852)	(482)
127,547	167,233	794,816	39,142
530	48,126	2,808,042	3,411
(67,048)	(70,605)	(2,655,789)	(8,987)
-	468	1,016,212	229
-	(572)	(1,019,043)	(192)
-	1,062	188,472	-
(61,993)	-	(85,058)	-
-	25,000	92,360	-
-	(465)	(131,169)	-
(128,511)	3,014	214,027	(5,539)
(150)	(215,650)	(1,034,237)	(16,121)
-	-	131,701	-
-	-	30,011	-
-	1,926	65,773	4,465
-	-	737,021	-
-	(11,028)	(622,802)	(8,406)
-	(573)	(19,139)	(25,848)
(150)	(225,325)	(711,672)	(45,910)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	84,808	16,983
Proceeds from Sale/Maturity of Investments	3,702,708	-
Purchases of Investments	(3,856,078)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(26,192)	-
NET CASH FROM INVESTING ACTIVITIES	(94,754)	16,983
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	169,026	106,566
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,432,617	627,910
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,601,643	$ 734,476
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (621,414)	$ 204,457
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	388,761	45
Investment/Rental Income and Other Revenue in Operating Income	-	(19)
Rents, Fines, Donations, and Grants and Contracts in NonOperating	315,665	3,567
(Gain)/Loss on Disposal of Capital and Other Assets	(26)	-
Compensated Absences	20,986	-
Interest and Other Expense in Operating Income	(5,472)	12
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	55,365	(3,693)
(Increase) Decrease in Inventories	(3,376)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(182,853)	8,349
Increase (Decrease) in Accounts Payable	48,149	522
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	262,472	8,539
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 278,257	$ 221,779
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	498	-
Capital Assets Acquired by Grants or Donations and Payable Increases	102,749	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	45,135	-
Loss on Disposal of Capital and Other Assets	3,977	-
Disposal of Capital Assets	9,576	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	31,333	489
Assumption of Capital Lease Obligation or Mortgage	24,743	-
Financed Debt Issuance Costs	2,745	-
Fair Value Change in Derivative Instrument	948	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
493	13,457	115,741	73
-	45,960	3,748,668	-
-	(235)	(3,856,313)	-
(51)	(672)	(26,915)	(64)
442	58,510	(18,819)	9
(672)	3,432	278,352	(12,298)
39,128	576,425	2,676,080	57,823
$ 38,456	$ 579,857	$ 2,954,432	$ 45,525
$ 127,080	47,756	$ (242,121)	$ (1,047)
557	17,575	406,938	22,601
-	(6,764)	(6,783)	-
-	59,962	379,194	-
-	-	(26)	5
58	541	21,585	1,514
-	(22,867)	(28,327)	(4,009)
(1,330)	(2,150)	48,192	(5,608)
131	(691)	(3,936)	(142)
(592)	(23,034)	(198,130)	(31,054)
12,802	37,421	98,894	1,944
(11,159)	59,484	319,336	54,938
$ 127,547	$ 167,233	$ 794,816	$ 39,142
-	79	577	254
-	1,265	104,014	-
-	64	45,199	-
-	229	4,206	313
-	-	9,576	-
-	4,279	36,101	-
-	-	24,743	21,809
-	-	2,745	-
-	-	948	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 76,975	$ 185,063	$ 561,836
Investments	-	643	-
Taxes Receivable, net	-	-	162,494
Other Receivables, net	1,201	16,940	544
Due From Other Funds	760	-	13,912
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	-	11,843	-
Repurchase Agreements	-	499	-
Asset Backed Securities	-	15,313	-
Mutual Funds	-	6,176,335	-
Other Investments	-	101,731	-
Other Long-Term Assets	-	-	12,047
TOTAL ASSETS	78,936	6,508,367	$ 750,838
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	1,965
Accounts Payable and Accrued Liabilities	17,938	15,112	1,894
Due To Other Governments	-	-	283,981
Unearned Revenue	-	7,406	-
Claims and Judgments Payable	14,717	-	125
Other Current Liabilities	-	-	430,496
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	3,298	31,706
Accrued Compensated Absences	62	-	-
Other Long-Term Liabilities	-	-	671
TOTAL LIABILITIES	32,717	25,816	$ 750,838
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	46,219	-	-
Individuals, Organizations, and Other Entities	-	6,482,551	-
TOTAL NET POSITION	$ 46,219	$ 6,482,551	$ -

FUND BALANCES:

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,092,226
Member Contributions	83,038	-
Employer Contributions	257,444	-
Investment Income/(Loss)	(17)	202,520
Employee Participation Fees	667	-
Unclaimed Property Receipts	-	38,748
Other Additions	2,724	3,551
Transfers-In	1,274	6,500
TOTAL ADDITIONS	345,130	1,343,545
DEDUCTIONS:		
Distributions to Participants	-	291,313
Health Insurance Premiums Paid	156,942	-
Health Insurance Claims Paid	168,424	-
Other Benefits Plan Expense	19,232	-
Payments in Accordance with Trust Agreements	-	619,988
Other Deductions	19,221	-
Transfers-Out	247	74
TOTAL DEDUCTIONS	364,066	911,375
CHANGE IN NET POSITION	(18,936)	432,170
NET POSITION - FISCAL YEAR BEGINNING	65,155	6,050,380
NET POSITION - FISCAL YEAR ENDING	$ 46,219	$ 6,482,550

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 146,715	$ 18,493
Deposit on Land		
Contributions Receivable, net	-	34,036
Other Receivables, net	76,019	3
Due From Other Governments	3,741	-
Prepaids and Advances	-	505
Total Current Assets	226,475	53,037
Noncurrent Assets:		
Restricted Cash and Pooled Cash	160,272	-
Restricted Investments	171,313	-
Restricted Receivables	2,726	-
Investments	-	1,524,867
Contributions Receivable, net	-	51,749
Other Long-Term Assets	970,008	-
Depreciable Capital Assets and Infrastructure, net	18	341
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,304,337	1,576,957
TOTAL ASSETS	1,530,812	1,629,994
DEFERRED OUTFLOW OF RESOURCES:	4,145	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	14,446	6,581
Due To Other Governments	969	-
Notes, Bonds, and COPs Payable	45,650	-
Other Current Liabilities	120,926	13,711
Total Current Liabilities	181,991	20,292
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	346,507
Notes, Bonds, and COPs Payable	674,735	-
Net Pension Liability		
Other Long-Term Liabilities	47,145	18,485
Total Noncurrent Liabilities	721,880	364,992
TOTAL LIABILITIES	903,871	385,284
DEFERRED INFLOW OF RESOURCES:	537	-
NET POSITION:		
Net investment in Capital Assets:	18	341
Restricted for:		
Expendable	-	723,887
Nonexpendable	-	451,210
Other Purposes	582,613	-
Unrestricted	47,918	69,272
TOTAL NET POSITION	$ 630,549	$ 1,244,710

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 1,047	$ 9,303	$ 1,362	$ 16,229	$ 193,149
			250	250
8,680	4,996	2,596	-	50,308
-	1,661	173	944	78,800
-	-	-	363	4,104
246	-	-	-	751
9,973	15,960	4,131	17,786	327,362
-	64	-	15,991	176,327
-	-	-	-	171,313
-	-	-	-	2,726
398,727	309,374	111,749	50,488	2,395,205
15,564	29,224	4,623	-	101,160
604	234	91	1,503	972,440
14	4	1,003	170,421	171,801
-	-	-	24,744	24,744
414,909	338,900	117,466	263,147	4,015,716
424,882	354,860	121,597	280,933	4,343,078
-	-	-	-	4,145
1,066	2,159	932	1,286	26,470
-	-	-	-	969
-	-	-	-	45,650
-	-	-	360	134,997
1,066	2,159	932	1,646	208,086
14,241	34,530	614	-	395,892
-	-	-	54,163	728,898
798	10,401	137	-	76,966
15,039	44,931	751	54,163	1,201,756
16,105	47,090	1,683	55,809	1,409,842
-	-	-	-	537
14	4	1,030	195,165	196,572
210,007	116,766	18,792	-	1,069,452
165,763	166,814	81,967	-	865,754
-	-	-	7,671	590,284
32,993	24,186	18,125	22,288	214,782
$ 408,777	$ 307,770	$ 119,914	$ 225,124	$ 2,936,844

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 37,069	$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	7,431	-
Rental Income	-	-
Gifts and Donations	-	131,646
Federal Grants and Contracts	7,155	-
Other	1,626	89
TOTAL OPERATING REVENUES	53,281	131,735
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,333	-
Operating and Travel	25,783	22,792
Depreciation and Amortization	15	228
Debt Service	34,199	-
Foundation Program Distributions	-	109,204
TOTAL OPERATING EXPENSES	61,330	132,224
OPERATING INCOME (LOSS)	(8,049)	(489)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	41,943
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	41,943
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(8,049)	41,454
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	27,356	-
Special Items (See Note 41)	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	27,356	-
CHANGE IN NET POSITION	19,307	41,454
NET POSITION - FISCAL YEAR BEGINNING	611,242	1,203,256
NET POSITION - FISCAL YEAR ENDING	$ 630,549	$ 1,244,710

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,900	$ -	$ 4,393	$ 43,362
-	-	-	9,366	9,366
-	-	-	12,689	20,120
-	-	-	1,360	1,360
70,717	33,235	11,783	-	247,381
-	-	-	-	7,155
293	526	530	-	3,064
71,010	35,661	12,313	27,808	331,808
-	-	-	-	1,333
3,178	5,515	941	7,253	65,462
5	3	57	6,105	6,413
-	-	-	-	34,199
51,815	33,146	11,290	-	205,455
54,998	38,664	12,288	13,358	312,862
16,012	(3,003)	25	14,450	18,946
7,084	(1,981)	3,545	150	50,741
-	-	-	4,369	4,369
-	-	-	987	987
-	-	-	(147)	(147)
-	-	-	(3,375)	(3,375)
-	-	-	(13)	(13)
-	-	-	2,312	2,312
7,084	(1,981)	3,545	4,283	54,874
23,096	(4,984)	3,570	18,733	73,820
-	-	-	-	27,356
-	-	-	(56,142)	(56,142)
-	-	-	(56,142)	(28,786)
23,096	(4,984)	3,570	(37,409)	45,034
385,681	312,754	116,344	262,533	2,891,810
$ 408,777	$ 307,770	$ 119,914	$ 225,124	$ 2,936,844

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - COMPONENT UNITS
RECAST TO THE
STATEMENT OF ACTIVITIES FORMAT
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 43,362			
Sales of Goods and Services	9,366			
Investment Income (Loss)	20,120	(20,120)		
Rental Income	1,360			
Gifts and Donations	247,381	(247,381)		
Federal Grants and Contracts	7,155	(7,155)		
Other	3,064	(1,437)		
TOTAL OPERATING REVENUES	331,808	(276,093)	55,715	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,333			
Operating and Travel	65,462			
Depreciation and Amortization	6,413			
Debt Service	34,199			
Foundation Program Distributions	205,455			
Other Expenses	-	3,390		
TOTAL OPERATING EXPENSES	312,862	3,390	316,252	EXPENSES
OPERATING INCOME (LOSS)	18,946			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	50,741	(50,741)		
Gifts and Donations	4,369	(4,369)		
Federal Grants and Contracts	987	(987)		
Gain/(Loss) on Sale or Impairment of Capital Assets	(147)	147		
Debt Service	(3,375)	3,375		
Other Expenses	(13)	13		
Other Revenues	2,312	(2,312)		
TOTAL NONOPERATING REVENUES (EXPENSES)	54,874	(54,874)		
		303,150	303,150	OPERATING GRANTS & CONTRIBUTIONS
		3,153	3,153	CAPITAL GRANTS & CONTRIBUTIONS
		51,260	51,260	UNRESTRICTED INVESTMENT EARNINGS
		4,150	4,150	PAYMENTS FROM THE STATE
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	73,820			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	27,356	(27,356)		
Special Items (See Note 41)	(56,142)		(56,142)	SPECIAL AND/OR EXTRAORDINARY ITEM
TOTAL CONTRIBUTIONS AND TRANSFERS	(28,786)	(27,356)		
CHANGE IN NET POSITION	45,034		45,034	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,891,810		2,891,810	NET POSITION - FISCAL YEAR BEGINNING
Prior Period Adjustments (See Note 29A)	-		-	
NET POSITION - FISCAL YEAR ENDING	$ 2,936,844		$ 2,936,844	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2014-15, the State implemented GASB Statement No. 68 - Accounting and Financial Reporting for Pensions, as amended by Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, and Statement No. 69 – Government Combinations and Disposals of Government Operations.

Statement No. 68 revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability and related deferred inflows and outflows. Statement No. 71 addresses amounts associated with contributions made to defined benefit pension plans after the measurement date of the beginning net pension liability.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity, as amended by GASB Statement No. 61. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

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

The following entities qualify as discretely presented component units:

- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (Nonmajor):
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority

The following table contains the primary factors for the inclusion of the non-foundation component units in the State's reporting entity:

Component Unit (Non Foundation)	Board Appointment	Ability to Impose Will	Financial Benefit/Burden Relationship
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
CoverColorado	Appointment by the Governor, with consent of the Senate.	None.	The State provides annual funding to CoverColorado through the Unclaimed Property program.
Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based on general-purpose revenue tax credits.
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

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

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

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

University of Colorado Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203

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

Colorado School of Mines Foundation, Inc.
P. O. Box 4005
Golden, Colorado 80402-4005

University of Northern Colorado Foundation
1620 Reservoir Road
Greeley, CO 80631

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street, Suite 300
Denver, Colorado 80205

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

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

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

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. The General Fund contains Special Purpose Funds that include the State Public School, Risk Management, and Other Special Purpose Funds. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. As a result of comingled current and cumulative general-purpose and special-purpose revenue in the General Fund, combining schedules detailing the components of the General Fund are included as supplementary information. The schedules segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which is referred to as the General Purpose Revenue Fund.

Resource Extraction

This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects.

Highway Users Tax Fund

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

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. A combining schedule of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

This fund accounts for the collection of unemployment insurance premiums from employers, related federal support, the payment of unemployment benefits to eligible claimants, and revenue bonds issued through a related party, Colorado Housing and Finance Authority.

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

The General Fund and its components are classified as a major fund in the basic financial statements. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining schedule detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects

The Capital Projects Fund and its components are classified as a major fund in the basic financial statements. The components are necessary to support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan, which provides Health, Life, Dental, and Short-Term Disability Benefits to State employees.

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2014.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements. The financial information for the Denver Metropolitan Major League Baseball Stadium District and the Venture Capital Authority is presented as of December 31, 2014 and March 31, 2015 for CoverColorado (see Note 41).

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2015.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred.

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	50
Vehicles and Equipment	1	50
Software	2	23
Library Books	3	20
Other Capital Assets	3	25
Infrastructure	20	75

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

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

F. UNEARNED REVENUE AND DEFERRED INFLOWS

Under reimbursement agreements, receipts from the federal government and other program sponsors are not earned until the related expenditures occur. These receipts are recorded as unearned revenue, except for amounts recorded as deferred inflows when the only eligibility requirement not met is the time requirement.

On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year are not earned and are reported as deferred inflows. However, taxes receivable are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES

LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

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

B. NET POSITION AND FUND BALANCES

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

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

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

Net Investment in Capital Assets – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset, Deferred outflows related to refunding losses also adjust this line item.

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

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

The net position of Higher Education Institutions, a major proprietary fund, is restricted for educational purposes that primarily include student loans and scholarships restricted by the federal government and other sponsoring entities and revenue balances pledged for auxiliary facility debt as a result of bond covenants. Balances related to various instructional, research and academic support programs and capital projects may also be restricted based on requirements of donors and sponsors. Finally, Article XVIII, Section 9 of the State Constitution, also known as Amendment 50, requires that specified gaming receipts only be used for instructional purposes and scholarship programs.

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

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

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

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

Restricted for Other Purposes – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties. The most significant purposes include:

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Federal moneys held for mining reclamation, housing programs, and scholarship trusts.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

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

Nonspendable – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The fund balance consists primarily of prepaid advances to counties for social assistance programs, to local entities for species conservation, permanent funds related to state lands, and to Colorado cities and special districts from emergency management funds.

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the Colorado Water Conservation Board Construction Fund and the Severance Tax Perpetual Base Fund in Resource Extraction, and the Controlled Maintenance Trust Fund within special-purpose General Funds. The gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, and funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet-Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund.

Committed – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority. Changes to constraints require legislative action by the General Assembly. The classification applies to the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1) (d) to reserve six and one-half percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $565.3 million was committed for this purpose.

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2014-15 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2014-15, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2014-15. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2011-12 that were incorporated in State agency budgets in Fiscal Year 14-15. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 115. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the `overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2015, were $59,728,154 as described in the following paragraphs.

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Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $21,509,588 of general funds. This appropriation pays for the majority of Medicaid services rendered for clients. Restrictions related to the prior year's overexpenditure in the amount of $27,130,236 were not lifted for the current fiscal year spending authority. This was the sole contributing factor to the General Fund overexpenditure this fiscal year.
- Medicare Modernization Act (MMA) State Contribution Payment – This line item overexpended general funds in the amount of $1,126,778. The reason for the overexpenditure is the same as the Medical Services Premium above. Restrictions were placed on this line due to the prior year's overexpenditure in the amount of $1,285,961. The restrictions were not lifted for the current year spending authority
- Behavioral Health Capitation – The Department of Health Care Policy and Financing overexpended this line item by a total of $30,669,714, of which $454,308 was an overexpenditure of general funds, $2,298,290 was overexpended in cash funds and $27,917,116 from federal funds. The overexpenditure in this line is related to under estimating caseload for populations funded by general funds and significantly under estimating the caseload for the Modified Adjusted Gross Income (MAGI) adults population, the population group under the Affordable Care Act that receive Medicaid depending on what the percentage of their MAGI is. This population is funded by cash and federal funds. Because Medicaid and is an entitlement program, there is always the risk an overexpenditure will occur.
- Behavioral Health Fee-for-service – This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. An unexpected increase in utilization is the cause of the general fund overexpenditure of this line in the amount of $489,536.

Approved State department Subject to the $3.0 Million Limit:

- Worker's Compensation, TPA Fees and Loss Control – The Department of Personnel and Administration overexpended this line item by $21,367 reappropriated cash funds. The overexpenditure in this line is due to a prior year accounting error that was corrected in the current fiscal year.

- Worker's Compensation, Legal Services – The Department of Personnel and Administration overexpended this reappropriated cash line in the amount of $250,368. The cause of the overexpenditure was that legal costs related to Worker's Compensation claims were higher than the amount appropriated for this line.
- IDS Operating Expenses –Reprographics – The Department of Personnel and Administration's overexpenditure of this line is $134,643. The factors causing this overexpenditure were one-time expenses incurred on Xerox contract extensions required until a new contract was executed, additional expenditures on the Department of Revenue pipeline project, and a high demand of outsourced printing job requests.
- COFRS Modernization – The Department of Education overexpended their reappropriated cash line by $47,897. The overexpenditure occurred because the department paid for the Federal portion of costs related to the implementation of a new Statewide accounting system from their reappropriated line item. The Department does not have a basis for assigning the costs to their Federal programs in proportion to the benefit provided as required by Federal regulations.
- Colorado Office of Film, Television and Media – The Office of Economic Development and International Trade has an overexpenditure of general funds in the amount of $515,982. Projects completed in prior years were not properly encumbered in the financial system at the time the projects started or carried forward into the current fiscal year. When payment was made in the current fiscal year for prior year projects and current year projects, it caused the overexpenditure.
- COFRS Modernization – The Department of Natural Resources overexpended their cash line related to this appropriation by $26,961 to pay their Federal portion of costs related to the implementation of a new Statewide accounting system. The amount overexpended was The Department does not have any Federal partners to provide funding for this cost.

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

- Home and Community Survey Cash Fund – This cash fund resides at the Department of Public Health and Environment, the Department stated that actual revenue received was about $50,000 less than expected and expenses were slightly higher than anticipated causing a deficit fund balance in the amount of $69,055 at year end.
- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $3,294,462. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has increased from last year's amount of $2,283,235.
- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $158,719 related to lower than anticipated tax revenues resulting from low fuel prices.
- State Share of Districts' Total Program – The Department of Education had a deficit fund balance related to this fund of $836,508. When setting the appropriation amount for fiscal year 2015, it was estimated that mineral leasing revenue would be about $6.5 million higher than the amount actually collected. The fund balance from previous years was not sufficient to absorb the decrease in revenue from mineral leasing.
- Personal Services Line of the Fixed Utilities Fund – The Department of Regulatory Agencies reported a deficit fund balance in this fund in the amount of $390,337. After managing to a structural revenue issue first identified in January, an unexpected further drop in fixed utility revenue (collected by the Department of Revenue) created a revenue shortfall for Fiscal Year 14-15. June revenue historically hits in the final days of the fiscal year, which is past potential consideration of a supplemental appropriation.
- Real Estate Cash Fund – The Department of Regulatory Agencies had a deficit fund balance in this fund of $81,141 due to an administrative oversight within the division when an invoice was not recorded timely..
- Registration Number Fund – The Governor's Office had a deficit fund balance related to this fund of $105,098. Pursuant to C.R.S. 42-1-407, the Department of Personnel and Administration loaned to cover start-up costs until proceeds from the auction of special license plates were generated. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2015-16 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2015:

- Department of Health Care Policy and Financing

  Health Care Expansion Fund - $2,475,085

  Medicaid Buy-In Cash Fund - $96,134

  Local Government Fund - $1,497

The General Fund Surplus Schedule on page 123 shows a negative reversion of $16.9 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 $18.9 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

In the 2005 general election, voters approved Referendum C, a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2014-15 ESRC of $12,353.7 million.

Revenue in Fiscal Year 2014-15 subject to the ESRC was $12.503.7 million, which is $150.0 million over the $12,353.7 million ERSC, and $2,534.1 million over the original TABOR limit. As a result of the ESRC, $150.0 million of Fiscal Year 2014-15 revenue is due back to taxpayers. Combined with un-refunded revenue over the original TABOR limit in Fiscal Year 2004-05 of $0.7 million, and the understatement of prior years' refunds through Fiscal Year 2005-06 of $2.9 million, total taxpayer refunds payable in Fiscal Year 2015-16 are $153.6 million.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $12,180.2 million -- $3,593.6 million during the initial five year revenue retention period, and an additional $8,586.6 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2014-15.

In the November 2015 general election, voters in Colorado approved Proposition BB, allowing the State to retain $66.1 million of retail marijuana sales and excise taxes that would otherwise have been refunded due to a 2013 Blue Book underestimate of the revenue impact from these taxes.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2014-15 that amount was $375.1 million.

At June 30, 2015, the financial net positions, or fund balance of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.

- Controlled Maintenance Trust Fund, a portion of the major General Fund - $68,328,000.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $5,000,000.
- The 2014 legislative session Long Appropriations Act designated up to $105,172,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2014 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $13,695,964 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government. Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,482.5 million ($7,489.8 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2015, the treasurer had invested $7,661.8 million (fair value) of the pool and held $5.5 million of certificates of deposit.

The State had an accounting system cash deposit balance of $1,169.7 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions $41.6 million of the State's total bank balance of $1,173.2 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $91,802 with a bank balance of $98,352 at December 31, 2014. Of the booked amount, $250,000 was federally insured. The authority also reported as cash and cash equivalents $21.0 million held by the State Treasurer, $239.1 million held in COLOTRUST and CSAFE, and $46.8 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualifies as 2a7-like investment pools, where the value of each share is maintained at $1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

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

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,359.8 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,367.3 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $187.0 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.
- $142.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $31.6 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $41.0 million recorded in nonmajor special revenue funds, of which, approximately $11.6 million is from gaming tax, $14.8 million is insurance premium tax, and $11.7 million is tobacco tax.

In addition, $61.0 million of Taxes Receivable, $79.1 mill ion of Other Receivables, and $223.0 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $881.1 million shown on the government-wide *Statement of Net Position* are net of $169.9 million in allowance for doubtful accounts and primarily comprise the following:

- $365.1 million of student and other receivables of Higher Education Institutions.
- $294.8 million of receivables recorded in the General Fund, of which $15.7 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $239.7 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.2 million of patient receivables.
- $34.1 million recorded by the Resource Extraction Fund.
- $112.6 million recorded by Other Governmental Funds including $45.4 million of tobacco settlement revenues expected within the following year, $11.8 million of rent and royalty receivables recorded by the State Lands Funds and $8.5 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2014. During 2014, the authority made new loans of $120.7 million and canceled or received repayments for existing loans of $109.5 million.

University of Colorado Foundation contributions receivable of $34.0 million and $51.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2015, the amount reported as contributions receivable includes $97.2 million of unconditional promises to give which were offset by a $9.1 million allowance for uncollectible contributions and a $2.4 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2015, Contributions Receivable for the Colorado State University Foundation included contributions of $25.8 million, which were offset by $0.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2015, contributions from two donors represented approximately 41 percent of net contributions receivable for the foundation.

At June 30, 2015, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $34.2 million was offset by $3.9 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 48 percent of the foundation's contributions receivable at June 30, 2015, consists of a pledge from one donor and approximately $5.0 million is due from trusts held by others.

At June 30, 2015, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was $7.5 million. It was offset by $0.3 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2015 consists of a pledge from two donors.

NOTE 12 – INVENTORY

Inventories of $112.1 million shown on the government-wide *Statement of Net Position* at June 30, 2015, primarily comprise:

- $69.2 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $29.6 million, and
- $22.3 million of consumable supplies inventories, of which, $10.3 million was recorded by the Higher Education Institutions, $8.1 million was recorded by the Highway Users Tax Fund, $2.5 million by the General Purpose Revenue Fund, and $1.0 million by Parks and Wildlife, a nonmajor enterprise fund, and

$14.7 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $96.1 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.2 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- $15.7 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $10.7 million in Higher Educational Institutions, of which $6.9 million was at Colorado State University that primarily related to library subscriptions.
- $4.7 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2014-15, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $143,767, for the Unclaimed Property Tourism Trust Fund of $9,393, for the Major Medical Fund of $149,728, and for the Treasurer's pooled cash of $243,773.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2015 and 2014, the treasurer had $59.2 million and $41.5 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $7.7 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $7.1 million as of June 30, 2015. See Note 38 for additional details.

Colorado State University and the Colorado School of Mines, both reported in the Higher Education Institutions Fund, held $891,791 and $7,229,617 respectively, of hedge funds that were valued based on the net asset value reported by their respective hedge fund managers. Net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized $978,107 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2014-15.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 1,169,668
Investments:	
Governmental Activities	8,718,340
Business-Type Activities	2,594,053
Fiduciary Activities	6,291,051
Total	$ 18,773,112
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,975,515
Add: Warrants Payable Included in Cash	215,470
Total Cash and Pooled Cash	6,190,985
Add: Restricted Cash	2,640,469
Add: Restricted Investments	1,007,923
Add: Investments	8,933,735
Total	$ 18,773,112

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $83.9 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($56.0 million reported in the Debt Service Fund, an Other Governmental Fund), the Ralph L. Carr Justice Center ($0.1 million reported in a Special Capital Projects Fund) and $3.7 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 3,636,259	$ -	$ 263,052	$ 3,899,311
Commercial Paper	484,971	-	-	484,971
Corporate Bonds	1,754,592	-	231,714	1,986,306
Asset Backed Securities	1,406,349	-	242,659	1,649,008
Mortgages Securities	9,616	7,722	163,951	181,289
Mutual Funds	370,000	-	3,696	373,696
Other	-	83,930	59,829	143,759
TOTAL INVESTMENTS	$ 7,661,787	$ 91,652	$ 964,901	$ 8,718,340

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($60.0 million), Absolute Return Funds ($39.5 million), Real Estate ($32.9 million), Venture Capital ($15.5 million), Miscellaneous investments ($17.2 million), International Equities ($11.2 million), Hedge Funds (8.1 million), Taxable Municipal Bonds ($8.5 million), Certificates of Deposit ($2.9 million) and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($2.2 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds primarily comprises the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of $34.8 million of bond issuances.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 326,655	$ -	$ 326,655	$ 12,486
Commercial Paper	2,002	-	2,002	-
Corporate Bonds	234,544	-	234,544	-
Corporate Securities	20,382	-	20,382	-
Repurchase Agreements	218,871	-	218,871	499
Asset Backed Securities	84,791	-	84,791	-
Mortgages Securities	87,089	-	87,089	-
Mutual Funds	1,369,404	15,401	1,384,805	6,176,335
Other	197,838	37,076	234,914	101,731
TOTAL INVESTMENTS	$ 2,541,576	$ 52,477	$ 2,594,053	$ 6,291,051

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 257	$ -	$ 257	$ -
Corporate Bonds	3,737	-	3,737	-
Corporate Securities	10,810	-	10,810	-
Repurchase Agreements	-	-	-	499
TOTAL SUBJECT TO CUSTODIAL RISK	$ 14,875	$ -	$ 14,875	$ 499

Credit Quality Risk

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

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

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

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

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

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 107,642	$ -	$ 1,406,349	$ 370,000	$ -	$ -	$ -	$ 1,883,991
High Grade	973,652	-	647,509	-	9,616	-	-	-	-	1,630,777
Upper Medium	33,484	-	887,026	-	-	-	-	-	-	920,510
Lower Medium	-	-	87,396	-	-	-	-	-	-	87,396
Speculative	-	-	25,019	-	-	-	-	-	-	25,019
Short-term Ratings										
Highest	1,709,933	484,971	-	-	-	-	-	-	-	2,194,904
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 6,248	$ -	$ 26,240	$ -	$ 46,522	$ 325,326	$ 185	$ -	$ -	$ 404,521
High Grade	148,289	-	37,806	-	27,872	-	111	-	3,284	217,362
Upper Medium	121	-	99,786	-	2,557	-	154	-	567	103,185
Lower Medium	-	-	55,272	-	3,293	-	123	-	-	58,688
Speculative	-	-	1,707	-	285	-	31	-	-	2,023
Very Speculative	-	-	105	-	593	-	6	-	-	704
High Default Risk	-	-	-	-	3,340	-	6	-	-	3,346
Default	-	-	319	-	1,568	-	-	-	-	1,887
Short-term Ratings										
High	-	2,002	-	-	-	-	-	-	-	2,002
Unrated	-	-	13,309	218,871	85,049	106	174,621	-	7,518	499,474
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,839	$ -	$ -	$ 499	$ -	$ -	$ -	$ -	$ -	$ 3,338
Short-term Ratings										
Unrated	5,126	-	-	-	-	6,176,335	101,731	-	-	6,283,192
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 23,853	$ -	$ 242,659	$ 3,269	$ -	$ -	$ -	$ 269,781
High Grade	202,166	-	139,913	-	158,105	991	-	-	3,252	504,427
Upper Medium	25,640	-	56,071	-	-	-	-	-	-	81,711
Lower Medium	-	-	11,776	-	-	-	-	-	-	11,776
Short-term Ratings										
Unrated	-	-	-	-	13,568	8,165	6,673	-	-	28,406
	3,107,498	486,973	2,220,749	219,370	2,001,376	6,884,192	283,641	0	14,621	15,218,420

Interest Rate Risk

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

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated, a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no more than ten years, based on the credit quality rating.

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds an inflation protected bond mutual funds in the amount of $235.9 million with a duration of 7.9 years and a short-term inflation protected securities index fund in the amount of $50.0 million with a duration of 2.4 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.092 year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 3,636,259	1.339	$ 72,845	4.104	$ 11,843	12.092	$ 263,052	4.774
Commercial Paper	484,971	0.063	2,002	0.500	-	-	-	-
Corporate Bonds	1,754,592	2.196	97,516	3.150	-	-	231,714	5.853
Asset Backed Securities	1,415,965	2.528	52,768	3.572	-	-	406,611	6.191
Municipal Bonds	-	-	-	-	-	-	3,252	9.460
Total Investments	$ 7,661,787		$ 225,131		$ 11,843		$ 904,629	

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

The University of Colorado holds repurchase agreements of $218.9 million to provide temporary investment of funds restricted for capital construction projects. The repurchase agreements are over-collateralized and 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 $218.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.39 years.

Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The trustees' investment in the pool is not segregated, but is a share in the overall pool.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 156,822,373	4.270
U.S. Government Agency Notes	92,246,046	6.440
Municipal Bonds	8,043,765	7.260
Corporate Bonds	132,480,426	7.840
Certificates of Deposit	2,911,788	3.100
Asset Backed Securities	118,311,057	14.570
Bond Mutual Funds	174,366,532	2.680
Colorado State University:		
Bond Mutual Funds	$ 617,248	1.100
Colorado School of Mines:		
Bond Mutual Funds-1	$ 1,031,259	6.400
Bond Mutual Funds-2	953,628	3.100
Bond Mutual Funds-3	725,866	0.800
Bond Mutual Funds-4	747,107	6.500
Colorado Mesa University:		
U.S. Government Securities	$ 814,884	2.730
Corporate Bonds	1,054,408	4.373
Bond Mutual Funds	254,185	3.700
Taxable Municipal Bonds	$ 413,655	2.454
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 671,850,334	6.500
Bond Mutual Fund-2	644,189,471	5.700
Bond Mutual Fund-3	394,554,568	0.121
Bond Mutual Fund-4	379,175,344	1.400
Bond Mutual Fund-5	235,938,672	7.900
Bond Mutual Fund-6	173,667,374	7.300
Bond Mutual Fund-7	100,760,990	4.100
Bond Mutual Fund-8	38,292,293	5.700
Bond Mutual Fund -9	2,363,931	6.600

Foreign Currency Risk

Some of the University of Colorado's investments are exposed to foreign currency risks. The University's investment policy allows, but does not require hedging of this risk. Following are the fair values of investments denominated in foreign currencies (U.S. dollar amounts in millions): Euro ($86.3), British Pound ($52.7), Japanese Yen ($57.4), Swiss Franc ($25.7), Chinese Yuan ($17.9), Hong Kong Dollar ($15.1), Korean Yuan ($10.0), Brazilian Real ($8.2), Swedish Kroner ($9.2), Canadian Dollar ($6.4), Danish Kroner ($7.8), South African Rand ($8.2), Australian Dollar ($9.0), Indian Rupee ($8.0), Taiwan Dollar ($6.8) and various other currencies totaling $25.3 million.

Approximately 9% or $2.2 million of Colorado State University's investments are exposed to foreign currency risk in five international equity funds. By policy, fund managers are to be invested in diversified portfolios consisting primarily of equities from countries with developed markets.

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

Concentration of Credit Risk

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

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2014-15	Fiscal Year 2013-14
Governmental Activities:		
Major Funds		
General-General Purpose	$ (1,911)	$ 1,184
General-Special Purpose	(116)	1,174
Resource Extraction	(252)	2,468
Highway Users Tax	(1,852)	2,787
Capital Projects-Regular	571	471
Capital Projects-Special	(4)	11
State Education	(2,156)	4,116
NonMajor Funds:		
State Lands	328	(655)
Other Permanent Trusts	(9)	34
Labor	(1,654)	(1,432)
Gaming	(111)	335
Tobacco Impact Mitigation	(24)	259
Resource Management	(34)	64
Environment Health Protection	(125)	279
Other Special Revenue	76	597
Unclaimed Property	502	966
Information Technology	(72)	131
Highways (Internal Service)	-	-
Administrative Courts	(2)	3
Legal Services	9	13
Other Internal Service	1	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(26,192)	138,831
Lottery	(51)	103
NonMajor Funds:		
CollegeInvest	(243)	217
Wildlife	(77)	331
College Assist	(88)	259
State Fair Authority	-	-
Correctional Industries	(10)	15
State Nursing Homes	(5)	48
Prison Canteens	1	11
Petroleum Storage Tank	(16)	20
Transportation Enterprise	(219)	972
Other Enterprise Activities	(15)	16
Fiduciary:		
Pension/Benefits Trust	(20)	159
Private Purpose Trust	(184,464)	525,314
	$(218,234)	$ 679,102

Component Units

Component units that are identified as foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board. Therefore, the foundation investment disclosures are presented separately from the other component units.

Component Units – Non-Foundations

Except for guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2014, were:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
U.S. Government Securities	$	93,447
Repurchase Agreements		77,866
TOTAL INVESTMENTS	$	171,313

The Venture Capital Authority, a nonmajor component unit, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. Because the Authority does not invest in foreign or fixed income securities, credit quality, interest rate, and foreign currency risks are not applicable to the Authority's investments.

Credit Quality Risk

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. Government agency securities collateralizing the repurchase agreements are all rated AAA. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment is not required.

Interest Rate Risk

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $171.3 million of investments subject to interest rate risk with the following maturities; one year or less – 7 percent, two to five years – 27 percent, six to ten years – 31 percent, eleven to fifteen years – 25 percent, and sixteen years or more – 10 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

Concentration of Credit Risk

Component Units – Foundations

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

At June 30, 2015, the University of Colorado Foundation held $336.2 million of domestic equity securities, $415.0 million of international equity securities, $162.7 million of fixed income securities and $546.9 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. All but $38.8 million of the $546.9 million alternative investments value falls under FASB's level three fair value hierarchy, meaning that there is little if any market activity for the investments and without pricing information, determination of fair value requires significant judgment or estimation. Estimated values may vary significantly from actual liquidation values.

The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $38.7 million is net of $9.8 million of investment fees and comprises $18.2 million of interest, dividends and other income, $50.6 million of realized gains, and $20.3 million of unrealized losses.

At June 30, 2015, the Colorado State University Foundation held $197.2 million of equity securities, $161.8 million of alternative investments (comprising hedged equities, absolute return, private equity and alternative fixed income investments), $17.2 million of standard fixed income securities, and $20.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2015 the CSMF held $308.7 million of investments, which consisted of $280.7 million held as a long-term investment pool, $9.7 million in beneficial interests in endowments, $12.1 million in split-interest agreements, $4.7 million in gift annuity agreements, $1.5 million in long-term trusts, and $0.7 million in other investments. Of the $280.7 million held as a long-term investment pool, $29.3 million was held in fixed income securities and mutual funds, $130.7 million in domestic and international equities, $106.5 million in hedge funds and venture capital, and $14.2 million in cash equivalents.

Thirty-eight percent of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, they are carried at values reported by investment managers. These values may vary significantly from a valuation at a subsequent date.

At June 30, 2015, the University of Northern Colorado Foundation held $44.2 million of equity securities, $25.5 million of fixed income securities, $29.6 million of alternative investments, $3.9 million of cash and other investments and 7.6 million in beneficial interest in trusts held by others. The foundation's investment income of $3.5 million is net of $0.3 million of management fees and comprises $1.9 million of interest and dividends and $1.9 million of realized and unrealized gains.

NOTE 15 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all State agencies with the exception of Colorado Mesa University, Colorado State University System, Colorado School of Mines, Fort Lewis State College, and the University of Colorado and its blended component units; however, all participate in the Treasurer's Pool with the exception of the University of Colorado. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

NOTE 16 – OTHER LONG-TERM ASSETS

The $766.1 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, and long-term loans. Long-term taxes receivable of $187.0 million and $58.2 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by unearned revenue.

The $448.4 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($7.3 million), a major special revenue fund, and the Resource Extraction Fund ($396.1 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years. Interest rates range from 2 to 6 percent for most projects, and they require the local entities or districts to make a yearly payment of principal and interest.

The $129.9 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2014-2015 the State capitalized $33.2 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $24.8 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2013-14 the Colorado General Assembly authorized the Department of Local Affairs (DOLA) to prepare and operate the decommissioned Fort Lyons Correctional Facility as a supportive residential community for the homeless, for the purpose of providing substance abuse support services, medical care, job training, and skill development for residents. The Department of Corrections and the Department of Personnel and Administration, on behalf of DOLA, executed a quit claim deed in January 2015 to transfer the land, structures and associated water rights The facility has remained idle, and on June 30, 2015 it had a carrying value of $16.9 million.

The schedule on the following page shows the capital asset activity for Fiscal Year 2014-15.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	89,608	$ 15,406	$ -	$ (590)	$ 104,424
Land Improvements	7,276	-	-	-	7,276
Collections	10,996	-	-	-	10,996
Other Capital Assets	6,948	7,615	-	(13,500)	1,063
Construction in Progress (CIP)	881,596	651,642	(622,600)	(12,665)	897,973
Infrastructure	935,408	6	10,900	-	946,314
Total Capital Assets Not Being Depreciated	1,931,832	674,669	(611,700)	(26,755)	1,968,046
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	46,556	3,865	1,173	(3,678)	47,916
Buildings	2,653,639	52,239	197,001	(48,268)	2,854,611
Software	250,022	19,809	36,313	(8,490)	297,654
Vehicles and Equipment	791,025	119,728	2,591	(44,235)	869,109
Library Materials and Collections	6,033	241	-	(71)	6,203
Other Capital Assets	38,839	167	-	(1,002)	38,004
Infrastructure	10,676,158	1,989	374,622	(11,726)	11,041,043
Total Capital Assets Being Depreciated	14,462,272	198,038	611,700	(117,470)	15,154,540
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(28,526)	(2,734)	-	953	(30,307)
Buildings	(811,459)	(81,378)	-	15,660	(877,177)
Software	(170,662)	(22,843)	-	7,800	(185,705)
Vehicles and Equipment	(493,443)	(51,914)	-	28,799	(516,558)
Library Materials and Collections	(3,967)	(417)	-	71	(4,313)
Other Capital Assets	(31,273)	(2,301)	-	258	(33,316)
Infrastructure	(3,322,519)	(416,708)	-	5,173	(3,734,054)
Total Accumulated Depreciation	(4,861,849)	(578,295)	-	58,714	(5,381,430)
Total Capital Assets Being Depreciated, net	9,600,423	(380,257)	611,700	(58,756)	9,773,110
TOTAL GOVERNMENTAL ACTIVITIES	11,532,255	294,412	-	(85,511)	11,741,156
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	507,159	13,034	5,524	(592)	525,125
Land Improvements	16,882	-	-	-	16,882
Collections	23,449	1,772	90	(32)	25,279
Construction in Progress (CIP)	808,508	959,180	(576,430)	(10,823)	1,180,435
Other Capital Assets	-	-	-	15,461	15,461
Infrastructure	14,144	-	11,270	-	25,414
Total Capital Assets Not Being Depreciated	1,370,142	973,986	(559,546)	4,014	1,788,596
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	585,039	4,532	52,175	(5,045)	636,701
Buildings	7,357,475	73,178	436,955	(172,860)	7,694,748
Software	194,920	7,511	2,088	(3,129)	201,390
Vehicles and Equipment	976,878	86,047	13,912	(30,559)	1,046,278
Library Materials and Collections	517,707	22,012	-	(4,830)	534,889
Other Capital Assets	19,595	25	-	(15,474)	4,146
Infrastructure	389,145	2,886	54,416	-	446,447
Total Capital Assets Being Depreciated	10,040,759	196,191	559,546	(231,897)	10,564,599
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(315,025)	(26,557)	-	4,668	(336,914)
Buildings	(2,606,264)	(245,097)	-	159,032	(2,692,329)
Software	(119,172)	(28,761)	-	2,150	(145,783)
Vehicles and Equipment	(700,674)	(79,793)	-	27,106	(753,361)
Library Materials and Collections	(387,213)	(20,598)	-	3,798	(404,013)
Other Capital Assets	(1,277)	(151)	-	-	(1,428)
Infrastructure	(34,436)	(5,980)	-	-	(40,416)
Total Accumulated Depreciation	(4,164,061)	(406,937)	-	196,754	(4,374,244)
Total Capital Assets Being Depreciated, net	5,876,698	(210,746)	559,546	(35,143)	6,190,355
TOTAL BUSINESS-TYPE ACTIVITIES	7,246,840	763,240	-	(31,129)	7,978,951
TOTAL CAPITAL ASSETS, NET	$ 18,779,095	$ 1,057,652	$ -	$ (116,640)	$ 19,720,107

On the government-wide *Statement of Activities,* depreciation was charged to the functional programs and business-type activities as follows:

(Amounts in Thousands)

GOVERNMENTAL ACTIVITIES	Depreciation Amount
General Government	$ 28,641
Business, Community and Consumer Affairs	2,017
Education	21,885
Health and Rehabilitation	9,767
Justice	42,341
Natural Resources	653
Social Assistance	12,582
Transportation	437,711
Internal Service Funds (Charged to programs and BTAs based on usage)	22,601
Total Depreciation Expense - Governmental Activities	578,199
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	388,761
State Lottery	557
Other Enterprise Funds	17,620
Total Depreciation Expense - Business-Type Activities	406,939
Total Depreciation Expense Primary Government	$ 985,137

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $149.5 million, net of accumulated depreciation of $82.7 million, at December 31, 2014. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC @ Metro, Inc., a nonmajor component unit, reported $40.7 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $5.0 million.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees, excluding four-year college and university employees, participate in a defined benefit (DB) pension plan; however, all employees, with the exception of certain higher education employees, have the option of participating in a defined contribution (DC) plan instead (see Note 20). The DB plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). The State plan and the other divisions' plans described below are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Info line at 1-800-759-7372, or by visiting http://www.copera.org.

Administration of the Plan

In 1931, State statute established PERA and the State Division Trust Fund; subsequent statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, the Denver Public Schools Division Trust Fund, and the Health Care Trust Funds. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

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

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which they last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 20C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional retirement plan.

Defined Retirement Benefits

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

Members with five years of service credit as of January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.

- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS was calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current benefit increase as the lesser of 2 percent or the average of the monthly CPI amounts for the calendar year preceding the year in which the benefits are paid, and moved the payment date for all increases to July.

If PERA's overall funded status is at or above 103 percent, the annual increase cap of 2 percent will increase by 0.25 percentage points per year. If PERA's overall funded status reaches 103 percent then subsequently drops below 90 percent, the adjusted annual increase cap will decrease by 0.25 percentage points per year, but will never drop below 2 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. Retiring members who are age 65 and have less than five years of service credit and less than 60 payroll postings will receive a service retirement benefit under the money purchase formula only.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2015.

State Division. In Fiscal Year 2014-15 the State made retirement contributions of $447.2 million excluding the Heath Care Trust Fund contribution.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8.0 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 10.0 percent. From July 1, 2010 through June 30, 2012, member and State Trooper (including Colorado Bureau of Investigation agents) rates were 10.5 and 12.5 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

The preceding contribution table reflects the increase required by the AED/SAED legislation. It also reflects the State increase of 2.5 percent at July 1, 2012 related to the restoration of the 8.0 percent member (employee) contribution.

The following table summarizes employer contribution requirements, including AED and SAED for all employees except Judges and State Troopers for the last three fiscal years:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the State Divis	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED)	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED)	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the State Division	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

The State of Colorado was required to contribute 12.85 percent for State Troopers and 13.66 percent for Judges as well as contribute AED and SAED based on the rates shown in the previous table.

The Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2014, the State Division of PERA had a funded ratio of 57.8 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 59.6 percent.

Employer contributions are recognized by the State Division in the period in which the compensation becomes payable to the member and the State of Colorado is statutorily committed to pay the contributions to the State Division. In Fiscal Year 2014-15 the State made retirement contributions of $447.2 million excluding the Heath Care Trust Fund contribution.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

C. PENSION RELATED BALANCES

At fiscal year ended 2015, the State of Colorado reported a liability of $9.0 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The proportion of the net pension liability was based on contributions to the State Division for the calendar year 2014 relative to the total contributions of participating employers to the State Division.

At December 31, 2014, the State of Colorado's proportion was 95.85 percent, which was a decrease of 0.01 percent from its proportion measured as of December 31, 2013.

For the Fiscal Year 2014-15, the State of Colorado recognized pension expense of $751.9 million and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	668
Net difference between projected and actual earnings on pension plan investments	183,833	-
differences between contributions recognized and proportionate share of contributions	81,603	82,413
Contributions subsequent to the measurement date	234,451	-
Total	$ 499,887	$ 83,081

Deferred outflows of resources totaling $234.5 million related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year ended 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts In Thousands)

Fiscal Year Ended	
2016	45,167
2017	45,270
2018	45,958
2019	45,958
2020	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 to 9.57%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The State Division's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation; ultimately support a long-term expected rate of return assumption of 7.50 percent.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the State Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

The following table shows the sensitivity of Colorado's proportionate share of the net pension liability to changes in the discount rate from 7.50 percent to what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent):

(Amount in Thousands)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 11,560,402	$ 9,015,773	$ 6,875,400

D. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2014-15 and 2013-14, the Department of Local Affairs transferred $4.2 million and $4.1 million, respectively, to the association for pension contributions and premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-2) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Title 24, Article 51, Part 12 of the Colorado Revised Statutes establishes the Fund and authorizes PERA to administer and subsidize a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2014, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.24 billion, a funded ratio of 19.4 percent, and a 30-year amortization period.

The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208(1)(f) of the Colorado Revised Statutes. 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 $27.0 million, $25.9, million, $24.9 million, $24.1 million, and $24.3 million, in Fiscal Years 2014-15, 2013-14, 2012-13, 2011-12, 2010-11 respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered health care plans in 2014. As of December 31, 2014, there were 54,076 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

In the December 31, 2014, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return and discount rate, and an aggregate 3.90 percent projection of salary increases, both assuming a 2.80 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually at various rates up to 5.45 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

The financial statements for the PERA Health Care Trust Fund can be found within PERA's financial statements as referenced at the beginning of Note 18.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, prescription drug, dental and life insurance benefits for employees who retire from the University, as well as their spouses, dependents, and survivors. The University's Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2014-15, the University contributed $16.3 million to the plan. Plan members contributed 0.33 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.24 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-retirement Health Care & Life Insurance Benefits Plan:

(Amounts In Thousands)

Annual required contribution	$ 65,667
Interest on net OPEB obligation	8,801
Adjustment to annual required contribution	(12,007)
Annual OPEB cost (expense)	62,461
Contributions made	(16,269)
Increase/(Decrease) in net OPEB obligation	46,192
Net OPEB obligation - beginning of year	195,587
Net OPEB obligation - beginning of year	241,779

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2014-15 were as follows:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $523.4 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $523.4 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.3 billion, and the ratio of UAAL to covered payroll was 39.2 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a 4.5 percent investment rate of return, and health care trend rates ranging from 5.5 to 10.0 percent in 2015, down to 5.0 percent in 2030. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare qualifying trust plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $394 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 555 S. Howes St., Fort Collins, CO 80523, or by going to: http://busfin.colostate.edu/finstmt.aspx.

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the University in consultation with outside benefit consultants, under-writers, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2014-15, the University contributed $1.4 million to the RMPR at a contribution rate of 0.45 percent of covered earnings, $3.0 million to the RMPS at a 10.87 percent contribution rate, and $0.2 million to the URX at a 0.63 percent contribution rate. Employees contributed $3.2 million to the LTD at a 0.40 percent contribution rate. Members of the RMPS, RMPR, or URX plans are not required to make contributions, however members of the LTD plan are required to contribute. As of June 30, 2015, RMPR had 4,614 active members and 365 retired members or beneficiaries receiving benefits; the RMPS had 664 active members, 182 terminated but eligible members, and 505 retired members or beneficiaries receiving benefits; the URX had 664 active members, 515 terminated but eligible members, and 357 retired members or beneficiaries receiving benefits; and LTD had 4,908 active members and 28 retired members or beneficiaries receiving benefits.

All four plans are on a full accrual basis of accounting. Plan assets are recorded at quoted market prices and contributions benefits and refunds are recorded in the month incurred. Administrative costs are financed as direct expenditures of the trust.

As of the most recent actuarial valuation date of January 1, 2015, The RMPR was 102.0 percent funded, the RMPS was 41.9 percent funded, the URX 21.1 percent funded, and the LTD 62.5 percent funded with net assets of $37.0 million, $21.6 million, $0.6 million, and $7.4 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $36.3 million, $51.5 million, $2.7 million, and $12.0 million respectively, resulting in unfunded actuarial accrued liabilities of -$0.7 million, $29.9 million, $2.2 million and $4.5 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $305.3 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.2 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans use the unit credit method. All four plans used a 4 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and URX assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of 7 percent declining to an ultimate rate of 5 percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years. The amortization period for the RMPR was reduced to a one-year open period with the transfer to a qualified trust, while 23 years remain on the closed period for the RMPR and URX and 30 years remains for the LTD open period.

<u>Other Programs</u>

The State provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life at no cost to the employee. Through the same company, the State also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA Health Care Trust Fund discussed above.

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. The State uses a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2014-15, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $10 or $20 depending on the level of participation.

The State offers two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had net position of $689.5 million and 17,738 participants.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2014, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. On December 31, 2014, the plan had net position of $2,682 million and 68,270 accounts.

<u>PERA Defined Contribution Retirement Plan</u>

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Title 24, Article 51, Part 15 of the Colorado Revised Statutes, assigns the authority to establish Plan provisions to the PERA Board of Trustees.

Contribution requirements are established under Title 24, Article 51, Section 1505 of the Colorado Revised Statutes. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). Additionally, the State of Colorado is required to contribute AED and SAED to the State Division as shown in the following table. The rates in the table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED)	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED)	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the State Division	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

Participating employees of the PERA defined contribution plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA defined contribution plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2014, the plan had a net position of $131.5 million and 5,046 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $142.0 million and $125.4 million during Fiscal Years 2014-15 and 2013-14, respectively. In addition, the State paid $101.9 million and $89.0 million in FICA and Medicare taxes on employee wages during Fiscal Years 2014-15 and 2013-14, respectively.

E. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2014-15 77 faculty members participated in the program at a present value accrued cost of $9.1 million, with an assumed discount rate of 5 percent.

Component Units

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

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (24-30-1501); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self insured as well; $450.0 million of property loss insurance ($500,000 deductible). Individual department property claims have a $5,000 deductible. Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University, and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the current and long-term liabilities of the Risk Management Fund.

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through the workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $375,000 per individual. In Fiscal Year 2014-15, the State recovered approximately $1.9 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $22.6 million of insurance recoveries during Fiscal Year 2014-15. Of that amount approximately $9.9 was related to asset impairments that occurred in prior years. The remaining $12.7 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.9 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.6 million by Higher Education in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the University's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.25 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2014-15, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $285,000 per person and $10.8 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2014-15 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years;

however, the University collected $193,745 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013 through 2015. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2013-15, however, the University collected $512,375 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013 through 2015.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 and has purchased reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2014-15, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability ($10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2014-15, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2014-15, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $408.3 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2014-15, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $1,000,000 ($1,000 deductible). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2014-15, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years..

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2014-15	23,395	10,599	6,565	27,429
2013-14	29,194	(2,094)	3,705	23,395
2012-13	29,883	4,715	5,404	29,194
Workers' Compensation				
2014-15	120,600	43,642	33,885	130,357
2013-14	119,689	32,911	32,000	120,600
2012-13	109,609	50,525	40,445	119,689
Group Benefit Plans:				
2014-15	14,248	183,548	183,079	14,717
2013-14	12,647	162,025	160,424	14,248
2012-13	13,695	138,851	139,899	12,647

Changes in Claims Liabilities
(Amounts in Thousands)

(Continued)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2014-15	14,445	8,684	9,271	13,858
2013-14	10,962	11,715	8,232	14,445
2012-13	10,015	7,694	6,747	10,962
University of Colorado Denver:				
Medical Malpractice				
2014-15	7,139	4,060	1,701	9,498
2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
Graduate Medical Education Health Benefits Program				
2014-15	1,711	7,644	7,556	1,799
2013-14	1,386	8,595	8,270	1,711
2012-13	1,408	6,806	6,828	1,386
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2014-15	33,555	40,237	45,132	28,660
2013-14	32,540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2014-15	81	32	57	56
2013-14	101	69	89	81
2012-13	57	133	89	101
Fort Lewis College:				
Worker's Compensation				
2014-15	21	24	32	13
2013-14	3	18	-	21
2012-13	301	(298)	-	3
General Liability				
2014-15	-	-	-	-
2013-14	-	-	-	-
2012-13	167	(167)	-	-
Adams State University				
General Liability				
2014-15	-	-	-	-
2013-14	-	-	-	-
2012-13	11	(11)	-	-
Colorado Mesa University:				
Workers' Compensation				
2014-15	17	50	39	28
2013-14	67	26	76	17
2012-13	67	56	56	67
General Liability				
2014-15	-	548	548	-
2013-14	118	(30)	88	-
2012-13	118	259	259	118
Western State Colorado University:				
Workers' Compensation				
2014-15	14	(11)	3	-
2013-14	110	-	96	14
2012-13	208	(70)	28	110
General Liability				
2014-15	-	-	-	-
2013-14	20	(20)	-	-
2012-13	-	20	-	20

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2015, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 69,514	$ 81,303
Business-Type Activities	-	42,738	43,940
Total	$ 735	$ 112,252	$ 125,243

At June 30, 2015, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 103	$ 373	$ 476
Business-Type Activities	-	735	735
Total	$ 103	$ 1,108	$ 1,211

During the year ended June 30, 2015, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 28	$ 28
Total	$ -	$ 28	$ 28

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $959,474 in Fiscal Year 2014-15 for leased space, and at June 30, 2015 had total future lease obligations for leased space of $6.9 million. It also paid CSURF $2.7 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $24.1 million.

In Fiscal Year 2014-15, the Community College of Aurora made operating lease payments of approximately $2.1 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2014-15, the State recorded building and land rent of $53.7 million and $27.8 million for governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $10.8 million and $40.5 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.4 million of capital lease interest costs for governmental activities and $1.5 million for business-type activities.

The State entered into approximately $23.2 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2015, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases			
			Governmental Activities		Business-Type Activities	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Principal	Interest	Principal	Interest
2016	$ 46,395	$ 21,544	$ 27,759	$ 4,611	$ 8,618	$ 1,537
2017	36,795	18,072	25,701	3,987	8,361	1,371
2018	32,986	16,329	20,573	3,353	6,003	1,178
2019	27,997	12,916	17,998	2,893	4,169	1,033
2020	21,243	11,079	15,456	2,467	3,801	941
2021 to 2025	75,557	20,293	45,097	7,161	18,575	2,996
2026 to 2030	9,732	4,147	14,091	2,050	4,422	398
2031 to 2035	1,793	656	2,920	272	332	11
2036 to 2040	873	613	-	-	-	-
2041 to 2045	733	443	-	-	-	-
2046 to 2050	677	266	-	-	-	-
2051 to 2055	661	-	-	-	-	-
Present Value of Minimum Lease Payments And Imputed Interest	$ 255,442	$ 106,358	$ 169,595	$ 26,794	$ 54,281	$ 9,465

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2014 was $128,862. The total minimum rental commitment as of December 31, 2014 is $474,956.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. According to the lease terms, payments were to be paid through September 2014. In May 2014 the lessor pledged to give $3.5 million to the Foundation instead of making a nonreciprocal transfer of the building, with a promise to pay no later than October 31, 2014. The pledge was fulfilled and the Foundation accounted for the gift as a $3,323,000 permanently restricted endowment and a $177,000 temporarily restricted asset. The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2018. The total rental expense for the year ended June 30, 2015 was $166,253. The total minimum rental commitment under the leases was $195,566 at June 30, 2015.

NOTE 23 – SHORT-TERM DEBT

On July 22, 2014 the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were due and payable on June 26, 2015, at a coupon rate of 1.8 percent. The total interest related to this issuance was $8.4 million; however, the notes were issued at a premium of $7.8 million resulting in net interest costs (including the cost of issuance) of $645,905 and a yield of 0.112 percent. The notes were issued for cash management purposes and were repaid by June 26, 2015, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 15, 2014, the State Treasurer issued $165.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A. The notes were due and payable on June 29, 2015, at a coupon rate of 1.0 percent. The total interest related to this issuance was $1.6 million; however, the notes were issued at a premium of $1.4 million, resulting in net interest costs (including cost of issuance) of $411,190 or 0.105 percent. The notes matured on June 29, 2015 and were repaid.

On January 5, 2015, the State Treasurer issued $245.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2014B. The notes were due and payable on June 29, 2015, at a coupon rate of 1.75 percent. The total interest related to this issuance was $2.1 million; however, the notes were issued at a premium of $2.0 million, resulting in net interest costs (including cost of issuance) of $265,085 or 0.097 percent. The notes matured on June 29, 2015, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2015:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ -	410,000	$ (410,000)	-
Total Governmental Activities Short-Term Financing	-	910,000	(910,000)	-
Total Short-Term Financing	$ -	$ 910,000	$ (910,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Treasury, Labor and Employment, and Personnel & Administration have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

During Fiscal Year 2014-15 the State's governmental activities had $167.3 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $1035.1 million in available net revenue after operating expenses to meet the $535.6 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 35.)

During Fiscal Year 2014-15 the State recorded $251.3 million of interest costs, of which $75.8 million was recorded by governmental activities and $175.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $20.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.6 million of interest on Certificates of Participation issued by the Judicial Branch, and $29.0 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises $146.4 million of interest on revenue bonds issued by institutions of higher education, $13.6 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $9.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $5.2 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2015, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 157,220	$ 10,268	$ 2,045	$ 317	$ 41,710	$ 48,223	$ 200,975	$ 58,808
2017	126,099	2,680	2,090	275	42,805	47,143	170,994	50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	45,280	44,627	47,455	44,814
2020	-	-	2,220	142	26,465	43,284	28,685	43,426
2021 to 2025	-	-	4,585	144	238,440	198,004	243,025	198,148
2026 to 2030	-	-	-	-	320,985	153,792	320,985	153,792
2031 to 2035	-	-	-	-	250,765	90,771	250,765	90,771
2036 to 2040	-	-	-	-	104,665	42,652	104,665	42,652
2041 to 2045	-	-	-	-	83,980	16,022	83,980	16,022
2046 to 2050	-	-	-	-	4,745	158	4,745	158
Subtotals	283,319	12,948	15,250	1,296	1,203,830	730,632	1,502,399	744,876
Unamortized Prem/Discount	6,470	-	-	-	23,998	-	30,468	-
Totals	$ 289,789	$ 12,948	$ 15,250	$ 1,296	$ 1,227,828	$ 730,632	$ 1,532,867	$ 744,876

(Amounts in Thousands)

Fiscal Year			Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
	2016		$ 229,275	$ 177,633	$ 1,192	$ 795	$ 20,854	$ 16,626	$ 251,321	$ 195,054
	2017		236,759	173,772	1,170	784	21,774	15,671	259,703	190,227
	2018		114,423	167,355	664	728	22,829	14,623	137,916	182,706
	2019		120,404	162,899	126	711	23,779	13,474	144,309	177,084
	2020		125,889	160,819	109	704	24,684	12,315	150,682	173,838
2021	to	2025	665,490	708,698	25,065	5,169	139,855	42,366	830,410	756,233
2026	to	2030	735,087	547,171	7	-	91,140	11,888	826,234	559,059
2031	to	2035	748,033	362,833	-	-	12,675	254	760,708	363,087
2036	to	2040	632,805	180,954	-	-	-	-	632,805	180,954
2041	to	2045	256,595	51,017	-	-	-	-	256,595	51,017
2046	to	2050	50,340	16,866	-	-	-	-	50,340	16,866
2051	to	2055	54,020	6,865	-	-	-	-	54,020	6,865
Subtotals			3,969,120	2,716,882	28,333	8,891	357,590	127,217	4,355,043	2,852,990
Unamortized Prem/Discount			242,776	-	(16)	-	41,641	-	284,401	-
Unaccreted Interest			(9,331)	-	-	-	-	-	(9,331)	-
Totals			$ 4,202,565	$ 2,716,882	$ 28,317	$ 8,891	$ 399,231	$ 127,217	$ 4,630,113	$ 2,852,990

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 28 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2015, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

Fiscal Year			Principal	Interest	Interest Rate Swap, Net	Total
	2016		$ 625	$ 50	$ 1,379	$ 2,054
	2017		675	49	1,356	2,080
	2018		975	48	1,327	2,350
	2019		550	47	1,302	1,899
	2020		575	46	1,282	1,903
2021	to	2025	4,325	217	6,015	10,557
2026	to	2030	9,675	177	4,909	14,761
2031	to	2035	14,125	98	2,715	16,938
2036	to	2040	8,635	16	440	9,091
Totals			$ 40,160	$ 748	$ 20,725	$ 61,633

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,075	$ 1,351,736	$ 2,861,311
Business Type Activities	5,371,698	34,011	466,203	$ 5,871,912
Total	$ 6,860,198	$ 55,086	$ 1,817,939	$ 8,733,223

Component Units

In April 2014 the University of Colorado Foundation set up a one-year, committed, unsecured line of credit for $10 million with a bank. The credit line contains annual loan covenants and carries an interest rate tied to the Daily One Month LIBOR plus 150 basis points. No amounts were outstanding at June 30, 2015.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2014, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	$ 45,650	$ 32,368	$ 78,018
2016	46,870	30,458	77,328
2017	46,445	28,303	74,748
2018	44,470	26,134	70,604
2019	42,970	24,083	67,053
2020 to 2024	185,575	93,306	278,881
2025 to 2029	135,170	57,358	192,528
2030 to 2034	127,970	29,883	157,853
2035 to 2039	38,825	4,350	43,175
2040 to 2044	6,440	779	7,219
Total Future Payments	$ 720,385	$ 327,022	$ 1,047,407

The original principal amount for the outstanding bonds was $1,368.8 million. Total interest paid during 2014 was $34.2 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004C, 2004E, Series 2005A, 2005E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, 2005D, Series 2008A, Series 2009A, Series 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2014, it had $10.9 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2015, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2016	$ 710	$ 3,202	$ 3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019	1,250	3,090	4,340
2020	1,300	3,038	4,338
2021 to 2025	7,165	14,198	21,363
2026 to 2030	8,535	11,965	20,500
2031 to 2035	10,390	8,980	19,370
2036 to 2040	12,750	5,227	17,977
2041 to 2043	10,475	899	11,374
Total Future Payments	$ 54,475	$ 56,915	$ 111,390

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2014-15:

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,117	$ 2,922	$ (2,985)	$ 3,054	$ 2,915
Accrued Compensated Absences	156,462	17,881	(12,341)	162,002	12,185
Claims and Judgments Payable	363,214	9,150	(24,896)	347,468	47,683
Capital Lease Obligations	174,996	33,804	(39,205)	169,595	27,760
Bonds Payable	443,880	-	(154,091)	289,789	157,220
Certificates of Participation	1,267,870	68	(40,110)	1,227,828	41,710
Notes, Anticipation Warrants, Mortgages	17,385	-	(2,135)	15,250	2,045
Net Pension Liability	4,984,796	451,229	-	5,436,025	-
Other Long-Term Liabilities	402,954	264,417	(243,562)	423,809	-
Total Governmental Activities Long-Term Liabilities	7,814,674	779,471	(519,325)	8,074,820	291,518
Business-Type Activities					
Accrued Compensated Absences	268,265	46,212	(24,918)	289,559	20,960
Claims and Judgments Payable	40,982	5,800	(5,322)	41,460	-
Capital Lease Obligations	42,192	24,743	(12,654)	54,281	8,618
Derivative Instrument Liabilities	8,566	1,617	(668)	9,515	-
Bonds Payable	3,967,022	1,116,723	(841,020)	4,242,725	229,901
Certificates of Participation	403,761	146,451	(150,981)	399,231	20,853
Notes, Anticipation Warrants, Mortgages	4,810	25,253	(1,746)	28,317	1,192
Net Pension Liability	3,342,300	237,448	-	3,579,748	-
Other Postemployment Benefits	181,511	60,268	-	241,779	-
Other Long-Term Liabilities	46,511	45,448	(6,776)	85,183	-
Total Business-Type Activities Long-Term Liabilities	8,305,920	1,709,963	(1,044,085)	8,971,798	281,524
Fiduciary Activities					
Deposits Held In Custody For Others	604,678	457,918	(599,326)	463,270	428,267
Accrued Compensated Absences	55	7	-	62	-
Other Long-Term Liabilities	4,708	671	(4,708)	671	-
Total Fiduciary Activities Long-Term Liabilities	609,441	458,596	(604,034)	464,003	428,267
Total Primary Government Long-Term Liabilities	$ 16,730,035	$ 2,948,030	$ (2,167,444)	$ 17,510,621	$ 1,001,309

The beginning balance was restated to include $4,984.8 million in governmental activities and $3,342.3 million in business type activities in net pension liabilities with the implementation of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions. The changes in the net pension liability are netted as increases for the governmental and business type activities since that information is not readily available. See Note 18 for additional pension information.

Accrued compensated absences and net pension liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence and net pension liabilities.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2015, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $423.8 million shown for governmental activities primarily comprises:

- $264.2 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $156.8 million of pollution remediation obligations at the Department of Public Health and Environment

  (see Note 27 for additional information on pollution remediation obligations).
- $2.8 million of unclaimed property liabilities estimated to be due to claimants.

The $85.2 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $29.5 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($8.5 million $18.6, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes $54.0 million payable under a Transportation Infrastructure Finance and Innovation loan.

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 768,410	$ 37,115	$ (85,140)	$ 720,385	$ 45,650
Other Long-Term Liabilities	$ 152,655	$ 121,753	$ (83,731)	$ 190,677	$ 121,063

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water and Water Pollution Control Funds, accounting for $35.0 million of the $47.1 million total. Other long-term liabilities of the Water Operations Fund were $12.1. Fifty-nine percent of total, other long-term liabilities ($28.0 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a pooled life income fund, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. After termination of charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.* Actuarially determined life expectancies and applicable rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2014, the foundation held $44.1 million of split interest agreement investments with $20.6 million of related liabilities and reported $6.3 million of net beneficial interest in charitable trusts held by others.

At June 30, 2015, the University of Colorado Foundation held $354.8 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2015, the Colorado State University Foundation held $14.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2015, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.8 million; related liabilities of $10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.1 million mentioned above and total $4.9 million. At June 30, 2015, CSMF reported $34.5 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2014-15, debt was defeased in both governmental and business-type activities.

At June 30, 2015, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

The Board of Trustees of the University of Colorado issued $97,695,000 of its Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2014B-1 to partially defease its 2005B Enterprise Revenue Bonds, 2006A Enterprise Revenue Bonds, 2006B Enterprise Revenue Bonds, 2007A Enterprise Revenue Bonds, and 2009 Enterprise Revenue Bonds. The defeased debt had an interest of 5.1 percent, and the new debt had an interest rate of 3.0 percent. The remaining term of the debt was 19.0 years and the estimated debt service cash flows decreased by $9,578,659. The defeasance resulted in an economic gain of $7,690,178 and a book gain of $10,999,673 that will be amortized as an adjustment of interest expense over the remaining 19.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $101,430,000 of its University Enterprise Refunding Revenue Bonds, Series 2015A to partially defease its 2006A Enterprise Revenue Bonds, 2007 Enterprise Revenue Bonds, and 2009 Enterprise Revenue Bonds. The defeased debt had an interest of 5.09 percent, and the new debt had an interest rate of 3.18 percent. The remaining term of the debt was 24.0 years and the estimated debt service cash flows decreased by $13,517,795. The defeasance resulted in an economic gain of $9,854,772 and a book gain of $13,554,685 that will be amortized as an adjustment of interest expense over the remaining 24.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $4,210,000 of its University Enterprise Refunding Revenue Bonds, Series 2015B to partially defease its 2005A Enterprise Revenue Bonds, and 2005B Enterprise Revenue Bonds. The defeased debt had an interest of 4.61 percent, and the new debt had an interest rate of 3.05 percent. The remaining term of the debt was 20.0 years and the estimated debt service cash flows decreased by $744,936. The defeasance resulted in an economic gain of $586,797 and a book gain of $25,629 that will be amortized as an adjustment of interest expense over the remaining 20.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $63,810,000 of its Taxable University Enterprise Refunding Revenue Bonds, Series 2015C to partially defease its 2007 Enterprise Revenue Bonds. The defeased debt had an interest of 4.94 percent, and the new debt had an interest rate of 2.63 percent. The remaining term of the debt was 12.0 years and the estimated debt service cash flows decreased by $5,375,800. The defeasance resulted in an economic gain of $3,795,178 and a book gain of $4,728,644 that will be amortized as an adjustment of interest expense over the remaining 12.0 years of the new debt.

The Board of Trustees of the Colorado State University issued $67,480,000 of its Colorado State University System Enterprise Revenue Refunding Bonds, Series 2015C to defease its 2007B Colorado State University System Enterprise Revenue Bonds, 2008A Colorado State University System Enterprise Revenue Bonds, and 2009A Colorado State University System Enterprise Revenue Bonds. The defeased debt had an interest of 4.925 percent, and the new debt had an interest rate of 4.265 percent. The remaining term of the debt was 23.0 years and the estimated debt service cash flows decreased by $8,314,719. The defeasance resulted in an economic gain of $5,094,336 and a book gain of $7,487,618 that will be amortized as an adjustment of interest expense over the remaining 23.0 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $21,355,742 of its Institutional Enterprise Revenue Refunding Bonds, Series 2015A to defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 5 percent, and the new debt had an interest rate of 4.129 percent. The remaining term of the debt was 25.0 years and the estimated debt service cash flows decreased by $3,453,708. The defeasance resulted in an economic gain of $2,248,062 and a book gain of $938,023 that will be amortized as an adjustment of interest expense over the remaining 25.0 years of the new debt.

The Board of Trustees of the Auraria Higher Education Center issued $12,635,000 of its Auraria Higher Education Center Certificates of Participation (Administrative Office Facility Refunding Project), Series 2015 to defease its 2005 Auraria Higher Education Center Certificates of Participation (Administrative Office Facility Project), The defeased debt had an interest of 4.32 percent, and the new debt had an interest rate of 2.2 percent. The remaining term of the debt was 7.0 years and the estimated debt service cash flows decreased by $1,767,125. The defeasance resulted in an economic gain of $1,531,999 and a book gain of $732,655 that will be amortized as an adjustment of interest expense over the remaining 7.0 years of the new debt.

The Board of Trustees of the Auraria Higher Education Center issued $6,550,000 of its Auraria Parking Enterprise Revenue Refunding Bonds, Series 2015 to defease its 2004A Auraria Parking Enterprise Revenue Bonds. The defeased debt had an interest of 4.4 percent, and the new debt had an interest rate of 4.306 percent. The remaining term of the debt was 14.0 years and the estimated debt service cash flows decreased by $1,092,180 The defeasance resulted in an economic gain of $819,439 and a book gain of $52,722 that will be amortized as an adjustment of interest expense over the remaining 14.0 years of the new debt.

The Board of Trustees of the Adams State University issued $16,415,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2015 to defease its 2009A Auxiliary Facilities Revenue Improvement Bonds, The defeased debt had an interest of 5.379 percent, and the new debt had an interest rate of 2.85 percent. The remaining term of the debt was 24.0 years and the estimated debt service cash flows decreased by $3,499,990. The defeasance resulted in an economic gain of $2,513,202 and a book gain of $2,312,583 that will be amortized as an adjustment of interest expense over the remaining 24.0 years of the new debt.

The Board of Trustees of the Colorado Mesa University issued $16,805,000 of its Board of Trustees for Colorado Mesa University Enterprise Revenue Refunding Note, Series 2014B to defease its 2007 Board of Trustees for Mesa State College Enterprise Revenue Bonds, The defeased debt had an interest of 4.96 percent, and the new debt had an interest rate of 2.96 percent. The remaining term of the debt was 22.0 years and the estimated debt service cash flows decreased by $3,766,764 The defeasance resulted in an economic gain of $2,891,395 and a book gain of $1,839,805 that will be amortized as an adjustment of interest expense over the remaining 22.0 years of the new debt.

The State of Colorado issued $115,195,000 of its State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation , Series 2014A to defease its 2008 State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, The defeased debt had an interest of 5.38 percent, and the new debt had an interest rate of 2.35 percent. The remaining term of the debt was 12.0 years and the estimated debt service cash flows decreased by $11,771,740 The defeasance resulted in an economic gain of $10,786,985 and a book gain of $18,370,173 that will be amortized as an adjustment of interest expense over the remaining 12.0 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Positions.*

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2015 was $161.6 million ($4.8 million of which was a current liability). Superfund sites account for approximately $160.4 million ($3.6 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $70.5 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.8 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2015, the State has received $6.0 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $57.0 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2017. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.8 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $18.1 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plant from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2015.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivative Instruments	-	2,167
Refunding Losses	8,963	169,310
Pensions:		
Investment Earnings	110,841	72,992
Decreases in Proportionate Share	69,367	12,236
Contributions After the Measurement Da	142,521	91,930
	331,692	348,635
Deferred Inflow of Resouces		
Derivatives		
Nonexchange Transactions	338	309
Refunding Gains	-	935
Unavailable Governmental Revenue	973	-
Pensions:		
Experience Losses	403	265
Increases in Proportionate Share	45,543	36,870
	47,257	38,379

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflows $2.2 million as of June 30, 2015.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $40.2 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.13 percent at June 30, 2015. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2015 was $9.5 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

There are inherent risks associated with interest rate swaps that the Colorado School of Mines monitors and addresses including:

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2015, Morgan Stanley's credit rating is A3 by Moody's and A- by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred outflows and generally amortized over the life of the new debt. On June 30, 2015, deferred outflows in governmental activities related to unamortized refunding losses included $5.0 million in the Department of Transportation and $4.0 in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. UNAVILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. The deferred inflow balance represents residual timing differences in recognizing the related revenue, primarily related to long-term taxes receivable.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2015, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.3 million in receipts awaiting the passage of time.

E. PENSIONS

Changes in Assumptions include differences between assumed and actual economic and demographic conditions. Related deferred inflow or outflow balances are amortized over the remaining service life of active and inactive employees.

Investment Returns includes the difference between expected an actual earnings includes differences between assumed and actual rates of return. Balances are amortized over a five year period.

Experience Losses includes the differences between items such as assumed and actual salaries, benefits, and mortality, disability, and retirement rates. The related balances are amortized over the remaining service life of active and inactive employees.

Increases/Decreases in Proportionate Share represent the difference between the employer share of a cost-sharing multiple-employer defined benefit plan in the current versus prior year. This is assessed at the pension plan employer level, which generally represents State Agencies or divisions thereof. The related balances are amortized over the remaining service life of active and inactive employees.

Contributions After the Measurement Date represent contributions after the pension plan's fiscal year end and the State's fiscal year end. The expenses related to these deferred outflows are recognized in full in the subsequent fiscal year.

Additional information about the State's pension plans can be found in Note 18.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $4.1 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded $0.5 million in deferred inflows of resources for bond refunding gains.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position/fund balance was restated as a result of the following prior period adjustments.

(Amounts in Thousands)

	Adjustment Related to Prior Year Errors
Governnent-Wide Statements	
Governmental Activities	$ 6,625,696
Total	$ 6,625,696
Fund-Level Statements	
Governmental Funds	
General Fund	$ 6,625,696
Total	$ 6,625,696

Governmental activities increased by $6,625,696 in the General Fund due to the Department of Health Care Policy and Financing incorrectly calculating the Home Clinical Pastoral Education receivable due from the federal government.

B. ACCOUNTING CHANGES

During Fiscal Year 2014-15, the State implemented GASB Statement No. 68 - Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As a result of this implementation, the state, as a cost-sharing employer participating in a defined benefit plan, is required to record their proportionate share of the unfunded pension liability, related deferred inflows and outflows and expenses/expenditures in the government-wide and fund financial statements.

(Amounts in Thousands)

	Adjustment Related to Accounting Change
Governnent-Wide Statements	
Governmental Activities	$ 4,984,797
Business-Type Activities	3,342,300
Total	$ 8,327,097
Fund-Level Statements	
Major Proprietary Funds	
Higher Education Institutions	$ 2,959,988
Unemployment Insurance	571
State Lottery	22,031
Other Entperprises	359,710
Internal Service Funds	265,388
Total	$ 3,607,688

Fiscal Year 2014-15 beginning fund balance or beginning net position was adjusted by PERA's calendar year 2014 net pension liability and contributions to PERA from January 1, 2014 to June 30, 2014. The table below shows the effect of these changes to the beginning fund balance or beginning net position on the government-wide Statement of Activities and the fund-level statements as listed.

Amounts shown in this note are actual balances and may not agree to the amounts shown on financial statements due to rounding on the statements.

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 85,196	$ 664,937	$ 19,518
Business, Community and Consumer Affairs	-	31,581	-
Education	246,260	7,746	-
Justice	68,328	18,135	-
Natural Resources	-	330	-
Social Assistance	-	23,604	-
TOTAL	$ 399,785	$ 746,333	$ 19,518
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ 215	$ -
Business, Community and Consumer Affairs	-	306,658	-
Education	-	16,000	-
Natural Resources	12,971	910,030	-
TOTAL	$ 78,971	$ 1,232,903	$ -
HIGHWAY USERS TAX:			
General Government	$ 63,820	$ 15,335	$ -
Health and Rehabilitation	3,132	-	-
Justice	947	4,242	-
Transportation	874,611	16,189	-
TOTAL	$ 942,510	$ 35,765	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 323,032	$ -
Education	-	6,082	-
Justice	5	3,781	-
Natural Resources	-	142	-
Social Assistance	-	445	-
TOTAL	$ 5	$ 333,481	$ -
STATE EDUCATION:			
Education	$ 686,258	$ -	$ -
TOTAL	$ 686,258	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 83,000	$ 457,241	$ -
Business, Community and Consumer Affairs	65,663	265,961	-
Education	60,489	23,465	-
Health and Rehabilitation	-	131,658	-
Justice	22,973	139,825	-
Natural Resources	3,103	14,572	-
Social Assistance	-	48,256	-
Transportation	-	937	-
TOTAL	$ 235,229	$ 1,081,916	$ -

The significant fund balances held for restricted purposes as of June 30, 2015, include:

- $246.3 million in the General Fund in the Education function includes $244.9 million related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $874.6 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $686.3 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.

The significant fund balances held for committed purposes as of June 30, 2015, include:

- $664.9 million in the General Fund in the General Government function includes $565.3 million that represents the portion of the $576.5 million representing the six and one-half percent statutory reserve available on a GAAP basis (see Note 6I). Additionally, the legislature set aside $58.0 million in the Proposition AA Refund Restricted Account pending the results of the November 2015 for a potential TABOR refund (see Note 8B).
- $306.7 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $299.0 million - $72.6 million from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments and $226.5 from severance tax receipts by the Department of Local Affairs.
- $910.0 million in the Resource Extraction Fund in the Natural Resources function includes $493.4 million that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board and $389.1 million represents long term severance tax loans receivables.
- $323.0 million primarily in the Capital Projects Fund in the General Government function represents cash and receivables related to appropriated multi-year capital projects.
- $457.2 million in the Other Governmental Funds in the General Government function primarily represents $224.3 million in the Unclaimed Property Funds, $73.0 million in Tobacco Litigation Settlement Funds and $49.3 million in the Disaster Emergency Fund in the Office of the Governor.
- $266.0 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $88.7 million in the Major Medical Fund, $49.9 million in the Limited Gaming Fund, $28.3 million in the Workmen's Compensation Fund, $25.2 million in the Clean and Renewable Energy Fund, and $20.3 million in the Employment Support Fund.
- $131.7 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $31.3 million in the Natural Resources Damage Recoveries Fund, $19.3 million in the Small Communities Water and Wastewater Grant Fund, $15.4 million from the Hazardous Substances Response Fund, and $15.1 million the Natural Disaster Cash Fund.
- The $139.8 million in Other Governmental Funds in the Justice function primarily represents $23.6 million in the Disaster Emergency Fund in the Department of Public Safety, $13.3 million in the Supreme Court Committee Fund, $10.6 million in the Victims Assistance Fund, and $10.2 million in the Victims Compensation Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1 1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as six and one-half percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2014-15 there was no use of the reserve. As of June 30, 2015, on a legal budgetary basis the reserve was $576.5 million. On a GAAP basis only $565.3 million was available for the reserve (see Note 6I).

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

UNAUDITED

NOTE 32 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2015, were:

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SELLER'S/LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ 13,340	$ -	$ 187	$ -
Special Purpose	27,431	-	-	-
Resource Extraction	-	-	-	-
Highway Users	66	-	-	-
Regular Capital Projects	1,177	-	-	1,607
Higher Education Institutions	1,092	261	140	643
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Environment and Health Protection	4,150	-	-	-
Other Special Revenue	-	-	238	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
State Fair Authority	250	-	-	-
Correctional Industries	-	-	-	-
INTERNAL SERVICE FUNDS:				
Information Technology	116	-	-	619
Highways	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 47,622	$ 261	$ 565	$ 2,869

All of the material receivables and related payables shown in the schedule above are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The General Purpose Revenue Fund receivable of $27.2 million from All Other Funds primarily includes $13.6 million of receivables from the Limited Gaming Fund, $6.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of $27.4 million from the General Purpose Revenue Fund primarily includes $26.1 million in personal services and operating line item reversions, payable to the State Employee Reserves Fund.

The Special Purpose General Fund receivable of $14.7 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $12.7 million, and to the Building Excellent Schools Today Grant Program in the amount of $2.0 million.

The Resource Extraction Fund receivable of $10.5 million from All Other Funds primarily includes $9.1 million of loans from the Division of Parks and Wildlife Fund.

The Other Fiduciary Fund receivable of $13.9 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 2,999	$ -	$ 27,210	$ 43,736
-	14,725	-	42,156
-	-	10,535	10,535
-	-	4,008	4,074
-	-	-	2,784
-	-	2,242	4,378
-	-	-	4,150
-	-	7,990	8,228
-	3,182	-	3,182
-	-	-	250
2,111	-	-	2,111
-	-	-	735
-	-	5	5
760	-	-	760
-	13,912	-	13,912
$ 5,870	$ 31,819	$ 51,990	$ 140,996

NOTE 33 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2015, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,253,290	$ -	$ 5,570
Special Purpose	108,168	-	6
Resource Extraction	72,935	-	-
Highway Users Tax	9,732	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	765	-	-
State Education	37,887	-	-
Higher Education Institutions	3,971	-	-
Lottery	53,190	-	530
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	355	3,029	-
Gaming	13,797	-	683
Tobacco Impact Mitigation	4,210	-	334
Resource Management	116	-	-
Environment and Health Protection	4,928	-	3
Unclaimed Property	197	-	-
Other Special Revenue	83,518	-	2,170
PERMANENT FUNDS:			
State Lands Trust	108,725	-	-
Other Permanent Trust	-	-	-
ENTERPRISE FUNDS:			
Wildlife	5,026	-	-
College Assist	66	-	-
State Fair	113	-	-
Correctional Industries	691	-	-
State Nursing Homes	1,857	-	-
Prison Canteens	77	-	-
Other Enterprise	182	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,367	-	-
Information Technology	317	-	-
Capitol Complex	1,806	-	-
Administrative Courts	230	-	-
Legal Services	3,211	-	-
Other Internal Service	1,272	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	247	-	-
Other Fiduciary	54	-	-
TOTAL	$ 3,772,300	$ 3,029	$ 9,796

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 249,848	$ 25,321	$ 181,088	$ 101,611	$ 3,816,728
1,000	82	-	11,421	120,677
-	-	3,697	17,426	94,058
640	-	-	172,389	182,761
1,607	-	131,812	21,450	155,369
-	-	-	7,451	8,216
-	-	7,296	40,525	85,708
-	-	-	-	3,971
-	-	-	12,798	66,518
-	-	-	30	3,414
4,517	-	5,874	25,512	50,383
7,124	-	13,008	1,524	26,200
-	-	-	-	116
-	-	-	167	5,098
-	-	-	21,771	21,968
118	-	-	16,524	102,330
-	-	1,096	1,311	111,132
-	-	-	282	282
-	-	-	1,830	6,856
-	-	-	-	66
-	-	-	-	113
-	-	-	-	691
-	-	-	-	1,857
-	-	-	-	77
4	-	-	34,192	34,378
-	-	-	-	1,367
-	-	-	-	317
-	-	-	134	1,940
-	-	-	-	230
-	-	-	63	3,274
-	-	-	-	1,272
-	-	-	-	247
-	-	-	20	74
$ 264,858	$ 25,403	$ 343,871	$ 488,431	$ 4,907,688

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund (a Special Purpose General Fund) of $3,184.0 million, to the Capital Projects Fund of $248.5 million for controlled maintenance and capital projects, and into the Higher Education Institutions of $181.1 million (primarily for student financial aid, occupational education, and job training).

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Additional transfers-out of the General Purpose Revenue Fund includes $25.3 million to the State Education Fund. Transfers-out of the General Purpose Revenue Fund to All Other Funds includes $35.5 million to the Marijuana Tax Cash Fund from additional sales tax on retail marijuana collected in the General Purpose Revenue Fund and $20.9 to the Department of Public Health primarily for recycling resources ($1.5 million), the nutrients grant program ($2.0 million), and for natural disasters ($17.0 million). The Judicial Department also transferred $15.2 million to the Correctional Treatment Cash Fund, the Department of Revenue $6.7 million to the Advanced Industries Acceleration Fund, and the Department of Regulatory Agencies $4.1 million to the Department of Public Safety.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $84.5 million in transfers from the Public School Fund to the Charter School Institute Fund. Other transfers include $10 million from the Older Coloradoans Cash Fund and $6.4 million from the State Employee Reserve Fund in the Department of Public Safety's account to the General Purpose Revenue Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprise $11.3 from the School Capital Construction Assistance Fund to the Debt Service Fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $69.5 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to All Other Funds includes $10.0 from the Severance Tax Perpetual Base Fund for the Small Communities Water and Wasterwater Grant Fund and $4.0 from the Severance Tax Operating Fund for various parks and wildlife programs in the Department of Natural Resources.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.8 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Capital Construction Fund transfers-out include $131.8 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions and $18.4 million to the Department of Correction's Debt Service Fund for payment towards outstanding certificates of participation related to some of its prisons.

The State Education Fund transfers-out includes $27.0 million to the special-purpose Professional Development and Student Support Fund in the General Fund for and $34 million to the Early Literacy Fund in All Other Funds.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $51.2 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $12.8 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out includes a distribution of limited gaming revenues to the General Purpose Revenue Fund of $13.6 million and $23.0 million to the Creative Industries Cash Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund transfers-out to Higher Education Institutions of $13.0 represents funding from the Tobacco Litigation Settlement Moneys Health Education Fund for the University of Colorado.

The Unclaimed Property transfers out include a transfer of $21.0 million to the Adult Dental Fund in the Department of Health Care Policy and Financing in All Other Funds.

The Other Special Revenue Fund transfers-out primarily includes transfers of $32.8 million from the Marijuana Tax Cash Fund to the General Fund, $23.9 million from the Retail Marijuana Excise Tax Fund to the School Capital Construction Assistance Fund, $9.5 million from the Correctional Treatment Cash Fund to the General Purpose Revenue Fund to support programs in the Departments of Human Services and Public Safety, and various indirect cost transfers with the largest occurring in the Department of Regulatory Agencies ($4.9 million) and in the Judicial Department ($1.9 million) Additionally, the transfers-out to All Other Funds includes transfers of $15.8 million from the Justice Center Cash Fund to the Debt Service Fund for payment on the outstanding certificates of participation related to the Ralph L. Carr Justice Center.

The State Lands Trust transfer-out to the special-purpose General Funds includes $92.5 million to the School Capital Construction Assistance fund and $16.0 million for the State Public School Fund related to distributions to school districts and charter schools.

The Other Enterprise Fund transfers-out to All Other Funds represents a transfer of $34.1 million from CollegeInvest to the Colorado Opportunity Scholarship Initiative Fund.

NOTE 34 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments appreciation totaled $12.8 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $13.3 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

NOTE 35 – PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2014-15, the following pledges were in place:

The Department of Transportation pledged $167.3 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 12.0 percent of the total revenue stream, and $296.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $113.7 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $643.4 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $249.9 million of Unemployment Insurance (UI) Premium collections to secure $256.5 of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $256.5 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2054-55. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $766.9 million. Individually significant Higher Education Institution pledges include:

- $338.0 million pledged by the University of Colorado to secure $129.2 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt will be issued in Fiscal Year 2015-16 and has a final maturity date of Fiscal Year 2045-46. The pledged revenue represents approximately 50.5 percent of the revenue stream, and $2.5 billion of the pledge (principal and interest) remains outstanding.
- $223.4 million pledged by Colorado State University to secure $49.0 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2054-55. The pledged revenue represents 100 percent of the total revenue stream, and $1.6 billion of the pledge (principal and interest) remains outstanding.
- $45.9 million pledged by the Colorado School of Mines to secure $20.6 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 55.2 percent of the total student fee and auxiliary revenue streams and 100% of the tuition and facilities fee revenues. and $198.1 million of the pledge (principal and interest) remains outstanding.

- $26.8 million pledged by Metropolitan State University of Denver to secure $5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $115.1 million of the pledge (principal and interest) remains outstanding.
- $23.5 million pledged by Colorado Mesa University to secure $13.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 56.8 percent of the revenue stream and $321.5 million of the pledge (principal and interest) remains outstanding.
- $29.2 million pledged by the University of Northern Colorado to secure $10.0 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 30.3 percent of the total auxiliary and student fee revenue streams and also represents 100.0 percent of gross tuition revenues. $209.9 million of the pledge (principal and interest) remains outstanding.
- $17.6 million pledged by Colorado State University – Pueblo to secure $5.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $171.1 million of the pledge (principal and interest) remains outstanding.
- $8.7 million pledged by the Fort Lewis College to secure $4.3 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents 39.3 percent of the revenue stream, and $81.5 million of the pledge (principal and interest) remains outstanding.
- $8.1 million pledged by the Western State Colorado University to secure $6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The related debt was originally issued in Fiscal Year 2008-09 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 42.5 percent of the revenue stream, and $188.3 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Department of Transportation	$ 1,358,950	$ (1,191,620)	$ 167,329	$ 147,225	$ 20,104	$ 167,329
Higher Education Institutions	1,250,735	(579,200)	671,536	107,878	152,923	260,801
Labor - Unemployment Insurance	249,925	-	249,925	249,925	6,623	256,548
Statewide Bridge Enterprise	113,687	-	113,687	-	18,234	18,234
	$ 2,973,297	$ (1,770,820)	$ 1,202,477	$ 505,028	$ 197,884	$ 702,912

NOTE 36 – SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement functions for professional services provided by the University of Colorado Denver teaching hospital. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a related party unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty and staff fees for the use of parking lots and structures. The Center's student facilities segment charges fees to students for the use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO UNIVERSITY PHYSICIANS INCORPORATED	AURARIA HIGHER EDUCATION CENTER PARKING FACILITIES	 STUDENT FACILITIES
ASSETS:			
Current Assets	$ 219,146	$ 6,021	$ 9,240
Other Assets	182,406	5,065	348
Capital Assets	44,112	48,593	22,990
Total Assets	445,664	59,679	32,578
DEFERRED OUTFLOW OF RESOURCES	-	110	322
LIABILITIES:			
Current Liabilities	57,589	3,169	4,229
Noncurrent Liabilities	10,194	42,146	31,317
Total Liabilities	67,783	45,315	35,546
DEFERRED INFLOW OF RESOURCES	-	8	22
NET POSITION:			
Net Investment in Capital Assets	32,549	4,654	(2,662)
Restricted for Permanent Endowments:			
Restricted Net Position	-	4,505	2,231
Unrestricted	345,332	5,307	(2,237)
Total Net Position	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,220
Sales of Goods and Services	680,035	9,611	17,890
Other	-	-	50
Total Operating Revenues	680,035	9,611	23,160
OPERATING EXPENSES:			
Depreciation	4,125	2,396	1,941
Other	625,251	5,579	20,319
Total Operating Expenses	629,376	7,975	22,260
OPERATING INCOME (LOSS)	50,659	1,636	900
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,612	164	15
Gifts and Donations	(15,029)	-	-
Other Nonoperating Revenues	(6)	-	-
Debt Service	(203)	(1,233)	(897)
Other Nonoperating Expenses	-	(2,375)	(6,963)
Total Nonoperating Revenues(Expenses)	(10,626)	(3,444)	(7,845)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-Out	-	(1,195)	(1,448)
Total Contributions, Transfers, and Other	-	(1,195)	(1,448)
CHANGE IN NET POSITION	40,033	(3,003)	(8,393)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	337,848	17,469	5,725
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 67,273	$ (1,159)	$ 2,889
Noncapital Financing Activities	(15,029)	(1,195)	(103)
Capital and Related Financing Activities	(7,664)	(2,378)	(2,114)
Investing Activities	(12,814)	(35)	27
NET INCREASE (DECR.) IN CASH AND POOLED CASH	31,766	(4,767)	699
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	67,125	10,482	4,536
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 98,891	$ 5,715	$ 5,235

NOTE 37 – COMPONENT UNITS

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and No. 34. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The Authority incurred $2.1 million in expenses for the State during 2014 for two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income In May 2013 the Foundation Board of Directors passed a resolution directing the Foundation to cede fundraising activities to the University of Colorado. For the fiscal year ended June 30, 2015, the foundation distributed $109.2 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2014-15, the foundation transferred $51.6 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide program, scholarship and other support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2014-15, the foundation granted $9.4 million to the University and paid $1.7 million to the University for contract expenses. At June 30, 2015 the Foundation owed the University $0.9 million.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado was a not-for-profit public entity created to provide access to health insurance for those Colorado residents who were unable to obtain health insurance, or who were unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado was eliminated. CoverColorado paid remaining health claim liabilities through December 2014 and ceased operations on March 31, 2015 (see Note 41).

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to the sale, and recognizes it as insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Position - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I LP, originally thru June 2015 and extended to June 2016 (unless otherwise terminated), for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agri-technology and medical device industries, and retail. As of December 31, 2014, the VCA has contributed approximately $21.8 million or 100 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2014, the VCA has contributed approximately $19.5 million or 77 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver (now Metropolitan State University of Denver) established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at MSU Denver. The facility, which opened in August 2012, includes a fully functioning hotel and learning laboratory for the University's Hospitality, Tourism, and Events department.

NOTE 38 – RELATED PARTIES AND ORGANIZATIONS

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2014-15, under these contracts, UCHealth paid the University $46.6 million and the University paid UCHealth $12.5 million. Not included in these amounts are $0.7 million in reimbursements during the fiscal year made by UCHealth to the University for salaries and benefits of state classified employees who work at UCHealth, and for whom the University is responsible. At June 30, 2015 the University had accounts receivable from UCHealth for $5.9 million, and had accounts payable to UCHealth for $20,000.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, UCHealth and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2014-15 the Trust paid medical claims on behalf of the University of $137.5 million. The University contributed $153.4 million to the Trust and its employees contributed $17.5 million. At June 30, 2015 the University had accounts receivable from the Trust for $567,000 and accounts payable to the Trust for $1.3 million.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $3.1 million in cash and $18,892 in in-kind assets to the University in Fiscal Year 2014-15. At June 30, 2015 the University had an account receivable from the Foundation for $2.1 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.3 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2014-15.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2014-15, the Foundation awarded $976,423 in scholarship funds directly to students. Also in Fiscal Year 2014-15, the Colorado Mesa University Real Estate Foundation donated $1.6 million in property to the University. The University made operating transfers to the Foundation for $571,437 and transferred $1.6 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2014-15 the Foundation funded $0.7 million for scholarships and passed through $1.3 million in grants for program support.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.4 million of funding to the University in Fiscal Year 2014-15. The foundation also reimbursed the University $236,505 for services provided by University employees. At June 30, 2015 the Foundation owed the University $747,900.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $4.0 million to the University in Fiscal Year 2014-15.

The Auraria Foundation provided $3.8 million to the Auraria Higher Education Center in Fiscal Year 2014-15. Of this amount, a grant for $100,000 was given for the Campus Signage Project and grant for $3.6 million was given for the Tivoli Project. At June 30, 2015 the Auraria

Higher Education Center had an account receivable from the Foundation of $1.7 million.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Front Range Community College, Northeastern Junior College, Pikes Peak Community College, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2014-15 the Northeastern Junior College Foundation funded $482,339.84 in student scholarships and instructional grants to Northeastern Junior College. It also passed through $4,587 in other funding and reimbursed the Junior College $13,775 for administration expenses.

The Front Range Community College provided scholarship funds totaling $514,418 to Front Range Community College. The College provided personnel and operating expense support to the Foundation totaling $314,151.

Pikes Peak Community College Foundation provided $573,726 to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support and grant funds. The College in turn reimbursed the Foundation $210,136 for operating expenditures. At June, 30, 2015, Pikes Peak Community College has an account receivable from the Foundation for $304,804.

The Pueblo Community College Foundation provided Pueblo Community College $1.4 million in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $1.7 million to Red Rocks Community College. Of this amount, the Foundation provided $408,841 for scholarships and a $1.0 million pass through grant for construction of the Arvada Health Professions and Science building. The remainder was given for various special programs, endowed teaching chairs and operating expenses. The College provided $277,483 to the Foundation for operating expenses.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2014-15, the board funded $23.9 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2015, GOCO owed the Department of Natural Resources $15.3 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. At the end of Fiscal Year 2014-15, History Colorado had billed the Colorado Historical Foundation $0.4 million and has an account receivable from the Foundation for that amount.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, is a related party to the State through the Department of Health Care Policy & Financing. During Fiscal Year 2014-15 the Colorado Health Benefit Exchange reimbursed the State $338,389 for personnel expenses and $3.9 million for software programming and other information technology expenses.

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

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds three CHFA bonds with a face value of $7.1 million as of June 30, 2015. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Colorado Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. In Fiscal Year 2014-15, the Energy Office paid CHFA $48,543 in administrative fees for this service.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums. The Department of Labor and Employment paid CHFA $60,000 in administration fees in Fiscal Year 2014-15 for this arrangement.

Component Units

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2014, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.8 million and $26.7 million respectively.

NOTE 39 - SERVICE CONCESSION ARRANGEMENTS

The High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). Plenary will finance, design and construct US-36 Phase I and Phase II tolled and managed lanes. Plenary will assume the liability of the HPTE's existing loan when Phase I is placed into service. Phase II is expected to be completed in January 2016. As of June 30, 2015, construction in progress totaled $183.8 million.

In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect 1-25 HOT lane tolls and the US-36 lanes tolls when those lanes are placed in service. For both the I-25 HOT and US-36 managed lanes, Plenary has the right to raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Upon completion of Phase I, Plenary will assume the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act as well loan interest totaling $2.0 million. In addition, Plenary will be responsible for maintaining the managed lanes.

NOTE 40 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and the Highway Users Tax Fund include multi-year encumbrances of $27.6 million, $113.7 million and $1.3 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 41 – SPECIAL ITEMS

Component Unit

On May 28, 2013 House Bill 13-1115 was enacted, and repealed Cover Colorado effective April 1, 2014. The program was required to settle all health claim liabilities by December 31, 2014 and make a final accounting by March 31, 2015. For the three months ended March 31, 2015, Cover Colorado recognized $231,731 of general and administrative operating expenses, and transferred its remaining assets to The Denver Foundation ($2.3 million) and to the Colorado Health Benefit Exchange ($0.8 million).

NOTE 42 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC@Metro, Inc. The HLC@Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC@Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC@Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2015, no liability was recorded by the University as HLC@Metro Inc. was deemed fully capable of making its debt payments.

NOTE 43 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.1 billion, of the $8.5 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $84.7 million.

At June 30, 2015, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $232.8 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. Individual claims in exceeding $5.0 million include three claims for a refunds ranging from $13.3 million to $40.6 million income taxes. The Department of Revenue will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.5 billion are outstanding. Of this amount, $1.4 billion is covered by private insurance.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1283 and House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also brought claims for inverse condemnation and takings. The State does not contest liability for negligence claims brought pursuant to new provisions of Colorado Governmental Immunity Act (CGIA); however, the State is vigorously defending against claims of inverse condemnation or on takings theories. On April 23, 2013, the State filed a motion to dismiss all non-CGIA claims. In the 2013 legislative session, $2.8 million was appropriated to cover claims processed through the Claims Board process. Additionally, Senate Bill 14-223 contained special appropriations to compensate several property owners outside of the Claims Board process. Compensation totaling $25.0 million was paid in Fiscal Year 2014-15. During the fiscal year ended June 30, 2015, the district court granted motions to dismiss non-CGIA claims, including claims for inverse condemnation. All insurers except GEICO appealed the order dismissing inverse condemnation claims, and their appeals were consolidated before the Colorado Court of Appeals. Following briefing and oral argument the court of appeals affirmed orders dismissing inverse condemnation claims. Appealing insurers filed a petition for certiorari review in the Colorado Supreme Court. The State filed an opposition to certiorari, and the matter awaits the Court's determination of whether it will hear the case. Estimates of the potential remaining liability range from $600,000 to the low tens of millions of dollars. Six-hundred thousand is being held in the court's registry from the Risk Management Fund (a Special Purpose Fund within the General Fund).

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Department of Health Care Policy and Financing alleging that the hospital provider fee is a tax, not a fee; therefore, requiring a vote of the people. The plaintiff challenge the fee imposed in Fiscal Years 2011, 2012 and 2013, and seek a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $2.65 billion has been collected in fees. The Complaint was filed on June 26, 2015. The Colorado Department of Health Care Policy and Financing filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion is fully briefed and is pending before the district court. The Colorado Department of Health Care Policy and Financing will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State's estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the Court has not set a briefing schedule. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 44, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 44 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 21, 2015, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2015A. The notes were issued with a premium of $1,933,500, an average coupon rate of 1.55 percent, and a true interest cost of 0.30 percent. The notes mature on June 29, 2016. The total due at maturity includes $165.0 million in principal and $2,394,167 in interest. By statute, interest on the notes is payable from the General Fund.

On July 23, 2015, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2015A. The notes were issued with a premium of $7,731,000, an average coupon rate of 1.67 percent, and a true interest cost of 0.28 percent. The notes mature on June 28, 2016. The total due on that date includes $600 million in principal and $9,305,556 in interest.

On August 6, 2015, the Colorado State University System sold $95.8 million Series 2015 E-1, $43.9 million Series 2015 E-2 (Green Bonds) and $16.6 million Series 2015 F in System Enterprise Revenue Bonds. The proceeds of the sale of the Series 2015 E-1, E-2, and F Bonds will be used for the construction, acquisition, improvement and equipping of a biology building for research and teaching; a medical center building; a plant environmental research center to be used for teaching, research and outreach; and academic space; and various parking and pedestrian structures and pathways. All projects are in Fort Collins. The proceeds will also be used for other capital projects as designated by the Board of Governors, to pay capitalized interest and cost of issuance on bonds.

On August 12, 2015, the Auraria Higher Education Center issued $5,050,000 in Student Fee Revenue Bond, Series 2015A and $250,000 in Student Fee Taxable Revenue Bond, Series 2015B for the purpose of financing construction of the Tivoli Park/Quad, the Tivoli Patio and Coffee Lounge, and other future student gathering spaces throughout campus. The repayment of the bonds is funded by a $5 per student, per semester fee.

On September 28, 2015, the Colorado Bureau of Investigation, part of the Colorado Department of Public Safety (CDPS), issued Refunding Certificates of Participation, Series 2015 for $9,915,000. The net proceeds will be used to refinance the existing lease of the site and improvements by CDPS, constituting the Colorado Bureau of Investigation's Grand Junction, Colorado, regional office and forensic laboratory, and to pay the executory costs.

In November, 2015, the Board of Regents of the University of Colorado approved a resolution in which the University of Colorado Real Estate Foundation (CUREF) would transfer ownership of two parcels of land and improvements from Campus Village Apartments (CVA) to the University of Colorado – Denver (CU-Denver). The properties include 4.75 acres of land located at 4th and Walnut, which is the site of a 250,773 square foot student housing facility, and 3.16 acres of adjacent land. CU-Denver will apply a Supplemental Credit Facility (SCF) extended by the University's Treasury to defease the existing debt carried by CUREF. The total amount needed to transfer the property is estimated at $61.7 million.

On December 9, 2015, the Colorado Community College System (System)approved a bond resolution for the issuance of System-wide Revenue Bonds not to exceed $20,000,000. The proceeds will be used to refund the 2003 debt of $3,060,000, and the remaining proceeds to be used to finance the construction and equipping of the new student recreation center on the Red Rocks Community College Lakewood campus and any other capital improvements to the System.

B. OTHER

After July 1, 2015, the University of Colorado made student loans through the Federal Perkins Loan Program (Perkins program). The Perkins program expired after fiscal year-end. Total federal student loan balances as of June 30, 2015 were $26.2 million. Due to a lack of federal legislation, the Perkins program was not funded after September 30, 2015. The University is currently determining the necessary actions that will need to be taken to exit the Perkins program, including waiting for the Department of Education to release an official communication on closeout deadlines and expectations.

On July 22, 2015, under the service concession agreement with the High Performance Transportation Enterprise (HPTE) and Plenary Roads Denver (Plenary), the completion of Phase I of the U.S. 36 project occurred and tolling commenced. The completion initiated the transfer of HPTE's $54 million loan secured through the Transportation Infrastructure Finance and Innovation Act to Plenary. The required debt service reserve of $1.6 million was also transferred to Plenary and the operations and maintenance reserve of $0.6 million was returned to HPTE. Additionally, HPTE recognized revenue of $120 million previously recorded at June 30, 2015 as unearned revenue from the Regional Transportation District related to an Intergovernmental Agreement.

On September 24, 2015, the Department of Health Care Policy and Financing agreed to repay the federal Centers for Medicare and Medicaid Services (CMS) $12.1 million for disallowed outstanding costs relating to prior period services provided by Denver Health. Denver Health is reimbursing the State for $6.1 million of this amount.

Component Units

The Colorado Water Resources and Power Development Authority has formalized a plan to issue $8.4 million in debt on April 14, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Transfers-In			21	
TOTAL REVENUES AND TRANSFERS-IN			21	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 9,315	$ 9,321	8,790	$ 531
Corrections	720,429	720,909	717,333	3,576
Education	3,358,041	3,357,977	3,357,442	535
Governor	30,866	27,797	26,650	1,147
Health Care Policy and Financing	2,264,447	2,307,563	2,313,319	(5,756)
Higher Education	761,981	767,971	767,971	-
Human Services	782,002	788,541	774,525	14,016
Judicial Branch	444,196	446,385	440,668	5,717
Labor and Employment	637	661	660	1
Law	13,535	13,575	13,477	98
Legislative Branch	40,946	40,963	40,963	-
Local Affairs	17,358	17,647	17,526	121
Military and Veterans Affairs	8,184	8,239	7,776	463
Natural Resources	26,227	26,310	26,272	38
Personnel & Administration	6,766	7,127	7,070	57
Public Health and Environment	63,894	60,975	58,587	2,388
Public Safety	133,602	134,583	126,291	8,292
Regulatory Agencies	1,883	1,885	1,885	-
Revenue	74,414	74,862	74,316	546
Transportation	700	906	206	700
Treasury	3,226	3,179	2,031	1,148
SUB-TOTAL OPERATING BUDGETS	8,762,649	8,817,376	8,783,758	33,618
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	992	2,064	90	1,974
Corrections	20,093	78,314	25,644	52,670
Education	8,645	11,958	1,019	10,939
Governor	13,933	53,303	7,358	45,945
Higher Education	202,460	399,813	100,650	299,163
Human Services	43,294	34,722	6,096	28,626
Military and Veterans Affairs	5,360	11,004	2,837	8,167
Personnel & Administration	14,606	26,090	8,370	17,720
Public Health and Environment	323	323	-	323
Public Safety	3,833	15,827	4,543	11,284
Revenue	53,089	94,853	1,014	93,839
Transportation	500	1,500	500	1,000
Treasury	18,588	18,588	18,575	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	385,716	748,359	176,696	571,663
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,148,365	$ 9,565,735	8,960,454	$ 605,281
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (8,960,433)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Other Taxes			1	
Tuition and Fees			3,461,114	
Sales and Services			12,950	
Interest Earnings			1,139	
Other Revenues			194,076	
Transfers-In			108,946	
TOTAL REVENUES AND TRANSFERS-IN			3,778,226	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,147	$ 30,643	29,847	796
Corrections	71,516	73,445	54,228	19,217
Education	1,242,145	1,240,991	1,161,254	79,737
Governor	229,862	240,735	212,890	27,845
Health Care Policy and Financing	915,892	862,384	836,819	25,565
Higher Education	692,315	709,630	678,397	31,233
Human Services	215,603	183,542	148,472	35,070
Judicial Branch	126,669	125,250	110,746	14,504
Labor and Employment	58,474	58,614	56,601	2,013
Law	57,688	58,265	51,205	7,060
Legislative Branch	1,083	1,111	1,041	70
Local Affairs	13,305	13,454	12,584	870
Military and Veterans Affairs	2,382	2,382	1,997	385
Natural Resources	170,375	169,680	148,869	20,811
Personnel & Administration	110,834	111,778	100,112	11,666
Public Health and Environment	197,519	198,115	164,604	33,511
Public Safety	199,005	198,531	172,973	25,558
Regulatory Agencies	81,799	81,956	74,753	7,203
Revenue	188,356	187,260	113,176	74,084
State	21,787	22,159	20,306	1,853
Transportation	34,352	34,467	33,744	723
Treasury	2,509	2,564	2,471	93
SUB-TOTAL OPERATING BUDGETS	4,663,617	4,606,956	4,187,089	419,867
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	700	2,845	759	2,086
Corrections	660	19,747	18,427	1,320
Governor	13,911	26,315	5,795	20,520
Higher Education	88,964	186,885	11,834	175,051
Human Services	-	468	327	141
Judicial Branch	-	24,896	16,345	8,551
Labor and Employment	-	5,933	965	4,968
Natural Resources	13,105	35,504	5,639	29,865
Personnel & Administration	14,411	15,411	933	14,478
Public Health and Environment	-	49,474	3,292	46,182
Public Safety	4,322	6,884	823	6,061
Transportation	-	500	500	-
Treasury	18,558	18,588	18,351	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	154,631	393,450	83,990	309,460
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,818,248	$ 5,000,406	4,271,079	729,327
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (492,853)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,648,192	
TOTAL REVENUES AND TRANSFERS-IN			4,648,192	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Corrections	$ -	$ 2,359	-	$ 2,359
Health Care Policy and Financing	4,425,734	4,419,390	4,315,568	103,822
Higher Education	-	22	22	-
Human Services	327,541	330,250	298,088	32,162
Military and Veterans Affairs	360	1,020	51	969
Public Health and Environment	24,221	24,401	20,395	4,006
Public Safety	-	302	225	77
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	4,777,856	4,777,744	4,634,349	143,395
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,777,856	$ 4,777,744	4,634,349	$ 143,395
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 13,843	

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

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated:				
General	$ 21	$ -	$ -	$ -
Cash	613,392	42,732	228,863	14,911
Federal	4,566,635	-	-	685
Sub-Total Revenues and Transfers-In Appropriated	5,180,048	42,732	228,863	15,596
Revenues and Transfers-In Non-Appropriated:				
General	9,713,574	-	-	260,552
Cash	3,985,683	609,491	1,700,582	3,966
Federal	2,569,696	152,429	837,065	6,322
Sub-Total Revenues and Transfers-In Non-Appropriated	16,268,953	761,920	2,537,647	270,840
Total Revenues and Transfers-In Appropriated and Non-Appropriated	21,449,001	804,652	2,766,510	286,436
Expenditures/Expenses and Transfers-Out Appropriated:				
General Funded	8,776,765	-	-	183,689
Cash Funded	548,583	38,969	223,131	18,504
Federally Funded	4,554,445	-	-	707
Expenditures/Expenses and Transfers-Out Appropriated	13,879,793	38,969	223,131	202,900
Expenditures/Expenses and Transfers-Out Non-Appropriated:				
General Funded	589,138	-	-	-
Cash Funded	3,966,344	284,876	1,819,655	11,922
Federally Funded	2,557,918	152,479	862,795	5,517
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,113,400	437,355	2,682,450	17,439
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	20,993,193	476,324	2,905,581	220,339
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	(8,699,745)	3,763	5,732	(187,304)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	9,155,553	324,565	(144,803)	253,401
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(2,027)	(252)	(1,852)	567
Increase/(Decrease) for GAAP Expenditures Not Budgeted	501,950	178,497	698,389	1,550
Increase/(Decrease) for GAAP Revenue Adjustments	(668,622)	(342,656)	(699,278)	(8,714)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	287,109	163,917	(141,812)	59,500
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	935,027	1,203,292	1,130,372	273,986
Prior Period Adjustments (See Note 29A)	(6,626)	-	-	-
Accounting Changes (See Note 29B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,215,510	$ 1,367,209	$ 988,560	$ 333,486

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

		PROPRIETARY FUND TYPES						
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21
555,655	1,308,304	518,178	10,961	530	169,281	312,659	2,760	3,778,226
-	79,919	-	-	-	953	-	-	4,648,192
555,655	1,388,223	518,178	10,961	530	170,234	312,659	2,760	8,426,439
-	-	-	-	-	-	-	-	9,974,126
82	1,754,492	2,207,135	708,323	539,527	321,344	36,269	1,703,209	13,570,103
-	119,261	-	30,670	-	410,723	-	-	4,126,166
82	1,873,753	2,207,135	738,993	539,527	732,067	36,269	1,703,209	27,670,395
555,737	3,261,976	2,725,313	749,954	540,057	902,301	348,928	1,705,969	36,096,834
-	-	-	-	-	-	-	-	8,960,454
912,146	1,331,283	661,729	5,780	41,658	180,541	306,089	2,666	4,271,079
-	78,244	-	-	-	953	-	-	4,634,349
912,146	1,409,527	661,729	5,780	41,658	181,494	306,089	2,666	17,865,882
-	-	-	-	-	-	-	-	589,138
47,175	1,384,034	2,317,933	492,502	127,981	213,899	40,761	1,273,527	11,980,609
-	129,935	15,215	30,672	-	414,302	-	-	4,168,833
47,175	1,513,969	2,333,148	523,174	127,981	628,201	40,761	1,273,527	16,738,580
959,321	2,923,496	2,994,877	528,954	169,639	809,695	346,850	1,276,193	34,604,462
(356,491)	(21,304)	(143,551)	5,181	(41,128)	(11,260)	6,570	94	(9,439,443)
(47,093)	359,784	(126,013)	215,819	411,546	103,866	(4,492)	429,682	10,931,815
(2,156)	(1,050)	-	-	(51)	(607)	(65)	612	(6,881)
264	662,072	21,148	(1,177)	(370,825)	18,604	(6,526)	754	1,704,700
(264)	(805,396)	4,086	-	(530)	(29,253)	(3,516)	(17,907)	(2,572,050)
-	-	494,487	-	-	-	-	-	494,487
(405,740)	194,106	250,157	219,823	(988)	81,350	(8,029)	413,235	1,112,628
1,091,998	2,099,400	5,584,645	403,006	3,074	1,299,073	34,411	6,115,535	20,173,819
-	-	-	-	-	-	-	-	(6,626)
-	-	(2,959,988)	(571)	(22,031)	(359,710)	(265,388)	-	(3,607,688)
$ 686,258	$ 2,293,506	$ 2,874,814	$ 622,258	$ (19,945)	$ 1,020,713	$ (239,006)	$ 6,528,770	$ 17,672,133

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $693.9 million of the GAAP General Fund balance of $1,215.5 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The general fund surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive general fund surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed in the following paragraphs.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 44 for information regarding the negative reversion at the Department of Revenue.)*

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rollfowards" because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS

BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,769,000	$ 2,880,900	$ 2,876,615		
Other Excise Taxes	94,100	96,500	113,387		
Individual Income Tax, net	5,706,600	5,887,400	5,888,036		
Corporate Income Tax, net	724,900	654,600	635,115		
Estate Tax	-	-	32		
Insurance Tax	241,200	250,600	256,663		
Parimutuel, Courts, and Other	27,400	35,100	12,181		
Investment Income	25,600	11,200	8,067		
Gaming	12,200	-	13,571		
TABOR Refund (See Note 8B)	-	(194,000)	(149,991)		
TOTAL GENERAL PURPOSE REVENUES	9,601,000	9,622,300	9,653,676		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	9,311	9,318	8,790	$ 528	$ 1,849
Corrections	720,430	720,902	717,333	3,569	(455)
Education	3,358,037	3,357,723	3,357,195	528	130
Governor	30,867	27,897	26,750	1,147	1,140
Health Care Policy and Financing	2,264,444	2,308,175	2,313,926	(5,751)	94
Higher Education	761,983	761,306	761,306	-	41
Human Services	782,002	790,261	775,353	14,908	5,016
Judicial Branch	444,192	446,400	440,685	5,715	54
Labor and Employment	637	662	660	2	3,685
Law	13,534	13,575	13,477	98	1,693
Legislative Branch	40,946	40,963	40,963	-	172
Local Affairs	21,655	22,478	22,252	226	(23)
Military and Veterans Affairs	8,186	8,245	7,776	469	(2)
Natural Resources	26,226	26,309	26,272	37	8
Personnel & Administration	6,709	8,293	7,586	707	512
Public Health and Environment	63,894	62,405	60,018	2,387	5,376
Public Safety	133,598	134,566	126,291	8,275	2,806
Regulatory Agencies	6,033	6,035	6,035	-	6
Revenue	236,522	195,997	212,893	(16,896)	135
State	-	-	-	-	37
Transportation	700	206	206	-	-
Treasury	136,944	125,227	124,080	1,147	84
TOTAL ACTUAL BUDGET AND EXPENDITURES	9,066,850	9,066,943	9,049,847	$ 17,096	$ 22,358
Variance Between Actual and Estimated Budgets	(68,150)	72,357	-		
TOTAL ESTIMATED BUDGET	8,998,700	9,139,300	9,049,847		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	602,300	483,000	603,829		
EXCESS AUGMENTING REVENUES			22,358		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	16,500	65,600	64,733		
Transfers-Out To Various Cash Funds	(58,400)	(40,600)	(42,234)		
Transfer-Out to Capital Projects - General Fund	(225,000)	(248,000)	(248,002)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(292,700)	(248,800)	(251,324)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	309,600	234,200	374,863		
BEGINNING GENERAL FUND SURPLUS	-	25,000	25,000		
Release of Prior Year Statutory Reserve (5.0%)	410,900	410,900	410,935		
Establish Current Year Statutory Reserve (6.5%)	(569,900)	(576,500)	(576,485)		
Release of Contractually Restricted Energy Performance Leases			8,096		
Contractually Restricted Energy Performance Leases			(1,267)		
GAAP Revenues/(Expenditures) Not Budgeted			(2,377)		
State Controller Approved Rollfowards			(19,518)		
Proposition AA Refund Restricted Account		(58,000)	(58,000)		
Prior Period Adjustment (see Note 29)			(6,626)		
ENDING GENERAL FUND SURPLUS	$ 150,600	$ 35,600	154,621		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2015-16 for Budget			(111,636)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2015-16 for Budget			(94,477)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2015-16 for Budget			(750)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			88,796		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,101		
Restricted			1,267		
Committed			623,324		
Assigned			19,518		
Shortfall in GAAP Basis Statutory Reserve			11,160		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 693,924		

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, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only. These schedules are presented in the budgetary fund structure discussed below.

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 primarily made up of revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.

  Certain payments by state agencies to the Office of of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.

- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.

- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the 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 and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 40. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2014-15, the Department of Transportation capitalized project expenditures of $410.2 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity is included in the Supplementary Section of the Comprehensive Annual Financial Report.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense related to loan activity and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June by employees paid on a monthly basis, June general-funded purchases of service from the Office of Information Technology, and Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30 are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Additionally, this line item includes some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis.

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2 – THE STATE’S DEFINED BENEFIT PENSION PLAN

The State’s defined benefit pension plan is administered by the Public Employees’ Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State’s (primary government’s) proportionate share of the net pension liability for its retirement plan. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Additionally, information is not available for fiscal years prior to 2014.

(Amounts In Thousands)

	2015	2014
State's proportion of the net pension liability (asset)	95.85%	95.86%
State's proportionate Share of Net Pension liability (asset)	$ 9,015,773	$ 8,539,181
State's covered-employee payroll	$ 2,570,472	$ 2,515,356
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	350.74%	339.48%
Plan fiduciary net position as a percentage of the total pension liability	148.98%	156.94%

Contributions:

The following schedule presents a ten year history of the State’s (primary government’s) contribution to PERA for its retirement plan:

(Amounts In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contributions	$ 447,172	$ 406,214	$ 368,468	$ 276,326	$ 256,682	$ 291,892	$ 277,229	$ 239,851	$ 237	$ 189
Contributions in relation to the contractually required contributions	(447,172)	(406,214)	(368,468)	(276,326)	(256,682)	(291,892)	(277,229)	(239,851)	(237)	(189)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	2,648,812	2,543,126	2,443,280	2,565,629	2,382,439	2,755,082	2,622,579	2,267,965	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.88%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A	N/A

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 70 for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2014-15	7/1/2014	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
Restated 2013-14	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,253,260,000	32.5%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,089,502,474	31.5%
2010-11	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
Colorado State University:							
RMPR							
2014-15	1/1/2015	$ 36,988,354	$ 36,252,781	$ (735,573)	102.0%	$ 305,287,641	-0.2%
2013-14[2]	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
2012-13	7/1/2012	$ -	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
RMPS							
2014-15	1/1/2015	$ 21,554,455	$ 51,483,575	$ 29,929,120	41.9%	N/A	N/A
2013-14[2]	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
2012-13	7/1/2012	$ -	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
URX							
2014-15	1/1/2015	$ 581,396	$ 2,749,825	$ 2,168,429	21.1%	N/A	N/A
2013-14[2]	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
2012-13	7/1/2012	$ -	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
LTD							
2014-15	1/1/2015	$ 7,506,099	$ 12,016,221	$ 4,510,122	62.5%	N/A	N/A
2013-14[2]	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A
2012-13	7/1/2012	$ -	$ 15,465,978	$ 15,465,978	0.0%	N/A	N/A

[1] The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

[2] In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Colorado State University's Statements of Net Positions and Statements of Changes in Plan Net Position, and Schedule of Employer Contributions are presented below.

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 36,984,662	$ 21,552,304	$ 581,338	$ 7,391,426
Employee Receivables	-	-	-	113,924
Interest and Dividend Receivables	3,691	2,151	58	749
Liabilities:				
Accrued Payables	308	179	5	62
Total Net Position	$ 36,988,046	$ 21,554,276	$ 581,391	$ 7,506,036
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	$ 1,367,706	$ 3,041,052	$ 176,549	$ 1,813,213
Contributions from Members	-	-	27,588	1,346,183
Net Investment Income from Interest and Dividends	40,813	22,756	602	7,194
Net Investment Income from Investment Expense	3,805	2,120	56	667
Deductions:				
Benefits & Refunds Paid to Members & Beneficiaries	708,480	1,193,505	$ 71,842	$ 948,892
Administrative Expense	37,190	10,824	49,417	61,145
Change in Net Position	$ 659,043	$ 1,857,358	$ 83,423	$ 2,155,886
Net Position - Fiscal Year Beginning	36,329,003	19,696,918	$ 497,968	$ 5,350,150
Net Position - Fiscal Year Ending	$ 36,988,046	$ 21,554,276	$ 581,391	$ 7,506,036
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contribution	$ 1,368,284	$ 3,040,231	$ 176,890	$ 1,209,439
Percent Contributed	100.0%	100.0%	99.8%	261.2%

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