NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: Fitch: F1+
S&P: SP-1+
Moody's: MIG1
See "RATINGS" herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2007B Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and interest on the Series 2007B Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See "TAX MATTERS."

$310,000,000
State of Colorado
Education Loan Program
Tax and Revenue Anticipation Notes
Series 2007B

Dated: Date of Delivery **Due: August 5, 2008**

The proceeds of the Series 2007B Notes will be used as more fully described herein to (i) make interest-free loans to certain Colorado school districts identified herein in order to alleviate temporary general fund cash flow deficits expected to be experienced by such school districts during the fiscal year ending June 30, 2008, and (ii) pay the Costs of Issuance (as defined herein).

The Series 2007B Notes will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Series 2007B Notes. Beneficial Ownership Interests in the Series 2007B Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2007B Notes by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The principal of the Series 2007B Notes is payable on the maturity date of the Series 2007B Notes set forth above, subject to redemption prior to maturity as described herein. Interest on the Series 2007B Notes, at the rates per annum set forth below, is payable on the maturity date of the Series 2007B Notes set forth above.

Underwriters	Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP® No.[1]
Citi	$ 30,000,000	3.25%	100.221%	2.892%	19672M AV0
Citi	75,000,000	3.25	100.215	2.901	19672M AV0
Banc of America Securities, LLC	100,000,000	2.95	100.030	2.901	19672M AT5
Banc of America Securities, LLC	105,000,000	3.50	100.351	2.931	19672M AU2

The Series 2007B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues described herein. Interest on the Series 2007B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2007B Notes in the Series 2007 Notes Repayment Account, and the principal of the Series 2007B Notes will be payable from amounts received by the Treasurer from the Participating Districts on or before June 25, 2008, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2007B Notes are secured on a parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2007A, which are currently outstanding in the aggregate principal amount of $150,000,000. The Series 2007B Notes do not constitute a debt or an indebtedness of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the registered owners and Beneficial Owners of the Series 2007B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2007B Notes.

An investment in the Series 2007B Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

The Series 2007B Notes are offered when, as and if issued by the State, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Certain legal matters will be passed upon for the State by the Attorney General of the State, and by Hogan & Hartson LLP, Denver, Colorado, as special counsel to the State. It is expected that the Series 2007B Notes will be available for delivery through the facilities of DTC on or about December 19, 2007.

This Official Statement is dated December 13, 2007

[1] The State takes no responsibility for the accuracy of the CUSIP® information, which is included solely for the convenience of the purchasers of the Series 2007B Notes.

This Official Statement does not constitute an offer to sell the Series 2007B Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the State, the Treasurer or the Financial Advisor to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the State or any other person.

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

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

This Official Statement is submitted in connection with the initial offering and sale of the Series 2007B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2007B Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have neither confirmed the accuracy nor determined the adequacy of this Official Statement. Any representation to the contrary is unlawful.

* * *

STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2007B

Department of the Treasury

Cary Kennedy, State Treasurer
Eric Rothaus, Deputy Treasurer
Charles Scheibe, Chief Financial Officer
Helen DiBartolomeo, Chief Investment Officer

State Controller

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Office of State Planning and Budgeting

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TABLE OF CONTENTS

OFFICIAL STATEMENT
relating to

$310,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2007B

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2007B Notes to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover page, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the State of Colorado (the "**State**") of its $310,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2007B (the "**Series 2007B Notes**"). See "THE SERIES 2007B NOTES" and "THE STATE."

The Series 2007B Notes are being issued pursuant to sections 29-15-112 and 22-54-110 (referred to herein collectively as the "**Loan Program Act**"), Colorado Revised Statutes, as amended ("**C.R.S.**"); the Supplemental Public Securities Act, (the "**Supplemental Public Securities Act**") constituting part 2 of article 57 of title 11, C.R.S.; and a resolution (the "**State Resolution**") adopted by the State Treasurer (the "**Treasurer**"). The Loan Program Act establishes a program (the "**Loan Program**") for making interest-free loans ("**Program Loans**") to participating Colorado school districts (the "**Participating Districts**") in order to alleviate temporary general fund cash flow deficits. See "THE SERIES 2007B NOTES – Authorization."

The Series 2007B Notes

Purpose. The Series 2007B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2008 ("**Fiscal Year 2007-08**"), and paying the Costs of Issuance. The State Resolution defines the term "**Costs of Issuance**" as costs and expenses relating to the issuance and sale of the Series 2007B Notes or otherwise permitted pursuant to the Loan Program Act, including without limitation legal and financial advisory fees; printing, publication and mailing or delivery costs; costs incurred in connection with the rating and delivery of the Series 2007B Notes; and any rebate payment to the Treasury Department of the United States of America required by the provisions of the State Resolution or required by similar provisions of notes issued by the Treasurer in previous fiscal years pursuant to the Loan Program Act.

The first installment of the Loan Program was funded on July 16, 2007, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2007A (the "**Series 2007A Notes**"), in the principal amount of $150,000,000 and maturing on August 5, 2008, the net proceeds of which were borrowed by 11 Participating Districts. The net proceeds of the sale of the Series 2007B

Notes will be deposited in the Series 2007B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "**Series 2007B Notes Proceeds Account**") of the State's General Fund (the "**General Fund**") and used to make Program Loans to approximately 15 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2007-08. Each Participating District has adopted a resolution (a "**District Resolution**" and, collectively, the "**District Resolutions**") pledging to the repayment of its Program Loan those ad valorem property tax revenues received by the Participating District during the period of March through June 2008 that are required to be deposited in the Participating District's general fund ("**Taxes**"), and has executed a promissory note to the Treasurer (a "**District Note**" and, collectively, the "**District Notes**") to evidence its repayment obligation. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2007B NOTES PROCEEDS – Program Loans"; – "The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

General Provisions. The Series 2007B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "**Closing Date**") and will mature on August 5, 2008 (the "**Series 2007B Notes Maturity Date**"), subject to extraordinary redemption prior to maturity as described herein. Interest on the Series 2007B Notes, at the rates per annum set forth on the cover page hereof (computed on the basis of a 360-day year of twelve 30-day months), will accrue from the Closing Date and will be payable on the Series 2007B Notes Maturity Date. See "THE SERIES 2007B NOTES – General Provisions"; "– Redemption Prior to Maturity."

Book-Entry Only System. The Series 2007B Notes will be issued in fully registered form (i.e., registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), which will serve as securities depository for the Series 2007B Notes. Ownership interests in the Series 2007B Notes ("**Beneficial Ownership Interests**"), in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system ("**DTC Participants**"). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("**Beneficial Owners**") on the books of the DTC Participants from whom they are acquired, and will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2007B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2007B NOTES – General Provisions" and "APPENDIX D – DTC BOOK-ENTRY SYSTEM."

Security and Sources of Payment

The Series 2007B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the following (the "**Pledged Revenues**") which the Treasurer believes will be sufficient for the repayment of the Series 2007B Notes:

- amounts received by the Treasurer from the Participating Districts on or before June 25, 2008, as repayment of their Program Loans;

- amounts deposited to the Series 2007 Notes Repayment Account of the General Fund as discussed in "THE SERIES 2007B NOTES – Security and Sources of Payment – *The Series 2007 Notes Repayment Account*"; and

- any unexpended proceeds of Series 2007A Notes, the Series 2007B Notes and any additional tax and revenue anticipation notes authorized and issued pursuant to the Loan Program Act and payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with the pledge thereof in favor of the registered owners (the "**Owners**") of the Series 2007B Notes ("**Parity Lien Notes**") that have not been loaned to the Participating Districts.

The pledge of the Pledged Revenues to the payment of the Series 2007B Notes is on a parity with the pledge thereof to the payment of the Series 2007A Notes.

Interest on the Series 2007B Notes will be payable from a deposit to be made by the Treasurer on the Closing Date to the Interest Subaccount of the Series 2007 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2007B Notes from the Closing Date to the Series 2007B Notes Maturity Date. This deposit is to be made from "Current General Fund Revenues," consisting of any cash income or other cash receipt credited to the General Fund for Fiscal Year 2007-08 that is (i) subject to appropriation for Fiscal Year 2007-08 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2007A Notes, the Series 2007B Notes or any Parity Lien Notes.

Principal of the Series 2007B Notes will be payable from amounts received by the Treasurer from the Participating Districts on or before June 25, 2008, as repayment of their Program Loans, supplemented if necessary by, among other things, any funds on hand or in the custody or possession of the Treasurer and eligible for investment, including Current General Fund Revenues and any amounts in the State funds from which the Treasurer is authorized to borrow under State law ("**Borrowable Resources**").

The Series 2007 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2007B Notes and any Parity Lien Notes. The Owners of the Series 2007B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2007 Notes Repayment Account and the moneys credited thereto.

The Series 2007B Notes do not constitute a debt or an indebtedness of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the Owners and Beneficial Owners of the Series 2007B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2007B Notes.

See generally "THE SERIES 2007B NOTES – Security and Sources of Payment;" "– Parity Lien Notes," "DISTRICT RESOLUTIONS AND DISTRICT NOTES," "SOURCE OF PAYMENT OF PROGRAM LOANS," "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES" and "APPENDIX C – THE STATE GENERAL FUND."

Continuing Disclosure

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("**Rule 15c2-12**"), no undertaking to report annual financial information or operating data as set forth in the final Official Statement, or audited financial statements, will be provided by the State in connection with the Series 2007B Notes as the Series 2007B Notes have a stated maturity of less than 18 months. However, the Treasurer nevertheless undertakes in the State Resolution to provide periodic disclosure of certain financial information, and to provide notice of certain material events if they occur, as described in "THE SERIES 2007B NOTES – Security and Sources of Payment – *The Series 2007 Notes Repayment Account*"; "– Covenants of the State" and "CONTINUING DISCLOSURE."

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated December 6, 2007, including, without limitation, the interest rates, yields and prices of the Series 2007B Notes, as well as (i) information relating to a lawsuit which was filed since the date of the Preliminary Official Statement (see "LITIGATION AND INVESTIGATIONS – Current Litigation and Investigations") and (ii) corrections in the list of Participating Districts shown in the table titled "Participating School District Information", which have been included to make this Official Statement complete as of its date. Purchasers of the Series 2007B Notes should read this Official Statement in its entirety.

Additional Information

Brief descriptions of the Series 2007B Notes, the State Resolution, the Loan Program Act, the District Resolutions, the District Notes, the Participating Districts, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period, copies of the State Resolution and certain other documents referred to herein may be obtained from RBC Capital Markets (the "**Financial Advisor**"), One Tabor Center, 1200 17th Street, Suite 2150, Denver, Colorado 80202, Attention: Terry Casey, telephone number (303) 595-1204.

Investment Considerations

An investment in the Series 2007B Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

Forward Looking Statements

This Official Statement, and particularly the sections hereof captioned "SOURCE OF PAYMENT OF PROGRAM LOANS – Sources of Funding of Total Program"; "– Summary Financial Information Regarding the Participating Districts," "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES" and "APPENDIX C – THE STATE GENERAL FUND," contains statements relating to future results that are "forward looking statements" as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. See also "FORWARD LOOKING STATEMENTS."

Miscellaneous

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

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

This Official Statement shall not be construed as a contract or agreement between the State and the Owners or Beneficial Owners of the Series 2007B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2007B NOTES PROCEEDS

The Loan Program

Timing differences between revenue collections and disbursements cause many Colorado school districts to incur annual cash flow deficits. The salaries of some school district employees are paid over a 12-month period, and some school district expenses occur on a relatively consistent monthly basis, although most salaries and expenses of school districts are incurred during the traditional school year of September through May. The primary sources of revenue to school districts to meet these expenses include (i) funding from the State pursuant to the Public School Finance Act of 1994 (the "**1994 Finance Act**"), constituting title 22, article 54 of C.R.S., which is received in approximately equal monthly amounts throughout the July 1-June 30 fiscal year of the school districts and the State (the "**Fiscal Year**"), and (ii) property taxes levied by the school districts, most of which are received in March through June when property taxes are paid by taxpayers. See "SOURCE OF PAYMENT OF PROGRAM LOANS." As a result, school districts often experience cash flow shortages during the fall and winter months before such tax revenues are received. School districts may address this cash flow shortage in a variety of ways, including: (i) borrowing funds from the State; (ii) transferring funds to the school district's general fund from other school district funds on a short-term basis; (iii) borrowing funds on a short-term basis through the issuance by the school district of tax anticipation notes; or (iv) borrowing funds on a short-term basis from a bank or other lender.

Under the Loan Program Act, upon approval by the Treasurer of an application submitted by a school district, the Treasurer is to make available to such school district in any month of the budget year in which a cash flow deficit occurs an interest-free or low-interest loan from the State's General Fund or from the proceeds of tax and revenue anticipation notes. There are certain limits on the receipt of such loans. For instance, a Program Loan may not be made to provide assistance for matters eligible for payment from the school district's contingency reserve or to cover a foreseeable level of uncollectible property taxes, nor may a Program Loan be used by a school district for the simultaneous purchase and sale of the same security or an equivalent security in order to profit from price disparity. All loans to a school district are to be made from the proceeds of tax and revenue anticipation notes issued by the Treasurer as discussed below; provided, however, that if the amount of the tax and revenue anticipation notes, if any, issued on behalf of a school district as determined by the Treasurer is not sufficient to cover the school district's cash deficit, the Treasurer may, in his or her discretion, make available to such school district an emergency low-interest loan from the State's General Fund. Such loan is to have the same rate of interest as that paid by the Treasurer on the State's education loan program tax and revenue anticipation notes issued by the Treasurer pursuant to part 9 of article 75 of title 24, C.R.S. See "INVESTMENT CONSIDERATIONS – Subordination Regarding Certain State Funds."

The Loan Program Act authorizes the Treasurer to issue tax and revenue anticipation notes for the purpose of alleviating temporary cash flow deficits by making interest-free loans available to eligible school districts. The Series 2007B Notes are being issued pursuant to this authorization. See also "THE SERIES 2007B NOTES – Authorization."

Application of Series 2007B Notes Proceeds

The proceeds of the Series 2007B Notes, net of amounts used to pay Costs of Issuance, will be deposited in the Series 2007B Notes Proceeds Account and disbursed from time to time by the Treasurer upon request of the Participating Districts in order to alleviate temporary general fund cash flow deficits expected to be experienced by such Participating Districts during Fiscal Year 2007-08, subject to the conditions stated in the State Resolution and the District Resolutions. See "Program Loans" and "The Participating Districts" below, "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2007B Notes Proceeds Account

The State Resolution directs the Controller of the State (the "**Controller**") to establish within the State's General Fund the Series 2007B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2007B Notes Proceeds Account are to be applied in accordance with the Loan Program Act, including the payment of the Costs of Issuance. The original purchasers of the Series 2007B Notes will not be responsible for the application or disposition by the State or its officers of any of the funds derived from the sale of the Series 2007B Notes.

Moneys held in the Series 2007 Notes Proceeds Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Investment earnings on moneys credited to the Series 2007B Notes Proceeds Account up to the amount deposited by the Treasurer to the Interest Subaccount on the Closing Date are to be credited to the General Fund. Investment earnings on moneys credited to the Series 2007B Notes Proceeds Account in excess of the amount deposited by the Treasurer to the Interest Subaccount on the Closing Date are to be retained therein until June 25, 2008, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2007 Notes Repayment Account, after which the Series 2007B Notes Proceeds Account is to be closed. See "APPENDIX C – THE STATE GENERAL FUND – Investment Policies."

Program Loans

In order to participate in the Loan Program, the Participating District's governing board (the "**Board of Education**") must adopt a resolution approving the amount of the Program Loan (the "**Maximum Principal Amount**") and submit any actual or projected financial or budgetary statements required by the Treasurer. Each of the Participating Districts has adopted a District Resolution and has submitted to the Treasurer evidence of its projected cash flow deficit for Fiscal Year 2007-08 and certain other financial information required by the Treasurer. Based on such information, the Treasurer has approved the Maximum Principal Amount of the Program Loan for each of the Participating Districts.

An aggregate amount of not more than the Maximum Principal Amount may be drawn upon in the manner provided in the District Resolution and expended by the Participating District from time to time to fund its general fund cash flow deficit occurring during Fiscal Year 2007-08. See also

"DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Participating Districts

As of the date hereof, the Participating Districts that have requested the Treasurer to issue the Series 2007B Notes on their behalf are listed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2007B NOTES

The following is a summary of certain provisions of the Series 2007B Notes during such time as the Series 2007B Notes are subject to the DTC book-entry system. Reference is hereby made to the State Resolution in its entirety for the detailed provisions pertaining to the Series 2007B Notes, including provisions applicable in the event of the discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2007B Notes are being issued pursuant to the Loan Program Act, the Supplemental Public Securities Act and the State Resolution. The Loan Program Act authorizes the Treasurer to issue tax and revenue anticipation notes from time to time to accomplish the purposes of the Loan Program Act. The Treasurer may, but currently does not anticipate the need to, issue additional Parity Lien Notes as discussed in "Parity Lien Notes" below.

General Provisions

The Series 2007B Notes will be issued in fully registered form (*i.e.*, registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2007B Notes. Beneficial Ownership Interests in the Series 2007B Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2007B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "APPENDIX D – DTC BOOK-ENTRY SYSTEM." *References in this Official Statement to the Owners of the Series 2007B Notes mean Cede & Co., or such other nominee as may be designated by DTC, and not the Beneficial Owners.*

The Series 2007B Notes will be dated as of the Closing Date, mature on the Series 2007B Notes Maturity Date (subject to prior redemption as discussed in "Redemption Prior to Maturity" below) and bear interest at the rates per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) set forth on the cover page of this Official Statement. Interest on the Series 2007B Notes will accrue from the Closing Date and will be payable on the Series 2007B Notes Maturity Date. The principal of and interest on the Series 2007B Notes will be payable by the Treasurer, as paying agent for the Series 2007B Notes, to Cede & Co., as the Owner of the Series 2007B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX D – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2007B Notes will cease to accrue on the Series 2007B Notes Maturity Date or on the date of extraordinary mandatory redemption as discussed in "Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*" below.

The Deputy Treasurer or the Chief Financial Officer of the Department of the Treasury will serve as the registrar for the Series 2007B Notes, subject to the provisions of the DTC book-entry system.

Neither the State, the Treasurer, the Deputy Treasurer, the Chief Financial Officer of the Department of the Treasury nor the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2007B Notes under the State Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the State Resolution with respect to the Series 2007B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2007B Notes or (v) any other related matter.

Redemption Prior to Maturity

No Optional Redemption. The Series 2007B Notes are not subject to redemption prior to maturity at the option of the State.

Extraordinary Mandatory Redemption. If the amount credited to the Series 2007 Notes Repayment Account on June 26, 2008, is less than the principal of and interest due on the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes on their respective maturity dates, referred to herein collectively as the "**Maturity Date**" (the "**Series 2007 Notes Repayment Obligation**"), the Series 2007B Notes will be subject to extraordinary mandatory redemption in whole on June 30, 2008, at a redemption price equal to the principal amount of the Series 2007B Notes plus accrued interest to such redemption date, without redemption premium.

Notice of any extraordinary redemption of the Series 2007B Notes, containing the information provided in the State Resolution, is to be given by the Treasurer by electronic transmission and sending a copy of such notice by overnight delivery on June 26, 2008, to DTC or any successor depository, and also is to be provided to each national recognized municipal securities information repository ("**NRMSIR**") recognized from time to time by the Securities and Exchange Commission for the purposes of Rule 15c2-12, either directly or, if then authorized by the Securities and Exchange Commission, by transmitting such filing to the NRMSIRs through the facilities of the central post office known as Disclosure USA currently located at http://www.disclosureusa.org (the "**Central Post Office**").

Security and Sources of Payment

The Series 2007B Notes are special, limited obligations of the State payable solely from the Pledged Revenues on a parity with the Series 2007A Notes. The Series 2007B Notes do not constitute a debt or an indebtedness of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the Owners and Beneficial Owners of the Series 2007B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2007B Notes.

The Pledged Revenues. The Pledged Revenues consist of: (i) amounts received by the Treasurer from the Participating Districts on or before June 25, 2008, in repayment of their Program Loans; (ii) amounts deposited to the Series 2007 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes that have not been loaned to Participating Districts.

The Series 2007 Notes Repayment Account. The State Resolution directs the Controller to establish within the General Fund the Series 2007 Notes Repayment Account, including therein the Interest Subaccount and the Principal Subaccount, all of which are to be segregated from all other accounts in the General Fund. The Series 2007 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes. The Owners of the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2007 Notes Repayment Account and the moneys credited thereto.

On the Closing Date, the Treasurer is to deposit to the Interest Subaccount of the Series 2007 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2007B Notes from the Closing Date to the Series 2007B Notes Maturity Date. See "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES – The State General Fund" and "APPENDIX C – THE STATE GENERAL FUND."

The Treasurer is to credit to the Principal Subaccount of the Series 2007 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2008, in repayment of their Program Loans. If on June 26, 2008, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes, the Treasurer covenants to deposit to the Principal Subaccount the amount of the deficiency from any funds on hand or in the custody or possession of the Treasurer and eligible for investment; provided, however, that prior to the application of current General Fund Revenues eligible for investment or any Borrowable Resources, the Treasurer is to first utilize all other funds that are eligible for investment. It is presently anticipated that any such deficiency would be funded first from amounts in the State Education Fund, then from amounts in the State Highway Fund, followed, if necessary, by application of Borrowable Resources and lastly from Current General Fund Revenues. The right of the Treasurer to use Borrowable Resources or Current General Fund Revenues that are eligible for investment for deposit to the Series 2007 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2007-08. See "INVESTMENT CONSIDERATIONS – Subordination Regarding Certain State Funds." The covenant of the Treasurer to use all other funds that are eligible for investment does not constitute a pledge of or lien on such funds for such purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. If such a deposit to the Principal Account is necessary, the Treasurer is to take such actions as may be necessary to identify and designate the District Notes as an investment of the funds used to make such deposit, and the Owners of the Series 2007B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2008. See also "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES" and "APPENDIX C – THE STATE GENERAL FUND."

Moneys held in the Series 2007 Notes Repayment Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Interest income from the investment or reinvestment of moneys credited to the Interest Subaccount and the Principal Subaccount up to and including June 25, 2008, is to be credited to the General Fund. See "APPENDIX C – THE STATE GENERAL FUND – Investment Policies."

Defeasance of Series 2007B Notes. If the moneys credited to the Series 2007 Notes Repayment Account on June 26, 2008, equals or exceeds the Series 2007 Notes Repayment Obligation, the State is required to limit the investment of such moneys solely to specific securities (the "**Defeasance Securities**"), and the Defeasance Securities designated by the Treasurer for credit to the Series 2007 Notes Repayment Account are irrevocably pledged and are to be held solely for payment of the Series 2007 Notes Repayment Obligation. Defeasance Securities are defined in the State Resolution as any of the following to the extent then permitted by law:

(a) United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly as to full and timely payment by, the United States of America or securities or other instruments evidencing ownership interest in such obligations, or in specified portions of the interest on or principal of such obligations stripped at the U.S. Treasury level, all of which shall have a date of maturity or final payment of principal not greater than five years from the Maturity Date; or

(b) units of a money-market fund portfolio composed solely of obligations guaranteed by the full faith and credit of the United States of America assuring full return of the principal amount invested in such fund rated in one of the two highest rating categories by Moody's Investors Service ("**Moody's**") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**").

The Defeasance Securities designated by the Treasurer for credit to the Series 2007 Notes Repayment Account are required to have an aggregate fair market value of not less than 105% of the Series 2007 Notes Repayment Obligation. The Defeasance Securities are to be marked-to-market by the financial or commercial banking institution under contract to the State to provide safekeeping services (the "**Market Value Provider**") on June 26, 2008, or on the first date prior thereto on which the fair market value can be determined by the Market Value Provider.

On and after the credit of the Defeasance Securities to the Series 2007 Notes Repayment Account, the Owners of the Series 2007B Notes may look solely to such Defeasance Securities for repayment of the Series 2007 Notes Repayment Obligation, and other than the irrevocable pledge of the Defeasance Securities in an amount collateralized in excess of the Series 2007 Notes Repayment Obligation, the State will have no further financial obligation with respect thereto within the meaning of Article X, Section 20 of the State constitution, referred to therein as the "Taxpayer's Bill of Rights" and commonly known as "TABOR." See "STATE FINANCIAL INFORMATION – TABOR."

The Defeasance Securities are again to be marked-to-market by the Market Value Provider as of market closing on each Friday, commencing on July 4, 2008, or on the first date prior thereto on which their fair market value can be determined by the Market Value Provider. The Treasurer is to provide notice to each NRMSIR (either directly or, if then authorized by the Securities and Exchange Commission, through filing such notice with the Central Post Office), on each Monday, commencing July 7, 2008, or if such day is not a day on which financial institutions are open for business in the State (a "**Business Day**"), on the next Business Day thereafter, of the aggregate fair market value of the Defeasance Securities based upon the marked-to-market values from the immediately preceding week as determined by the Market Value Provider. In the event the aggregate fair market value of the Defeasance Securities is less than 102% of the Series 2007 Notes Repayment Obligation based upon the marked-to-market values determined by the Market Value Provider, the Treasurer is to immediately sell any Defeasance Securities that are not units of a money-market fund portfolio and thereafter limit the investment of the Defeasance Securities solely to units of a money-market fund portfolio as defined in clause (b) of the definition of Defeasance Securities above.

The Defeasance Securities are to be finally marked-to-market by the Market Value Provider on the Business Day immediately preceding the Series 2007B Notes Maturity Date, or on the first date prior thereto on which their fair market value can be determined by the Market Value Provider. In the event the fair market value of the Defeasance Securities as determined by the Market Value Provider is greater than the Series 2007 Notes Repayment Obligation and the cost to sell the Defeasance Securities, the Treasurer is required to either: (i) sell the Defeasance Securities and use the net proceeds from such sale for payment of the Series 2007B Notes on the Series 2007B Notes Maturity Date; or (ii) release the pledge of the Defeasance Securities contemporaneously with the payment of the Series 2007 Notes Repayment Obligation from other legally available moneys of the State, which moneys will be deemed to have acquired the Defeasance Securities in exchange for the payment of the Series 2007 Notes Repayment Obligation. In the event the fair market value of the Defeasance Securities as determined by the Market Value Provider is less than the Series 2007 Notes Repayment Obligation and the cost to sell the Defeasance Securities, the Treasurer is required to sell the Defeasance Securities and use the net proceeds from such sale for payment of the Series 2007B Notes on a pro rata basis on the Series 2007B Notes Maturity Date. Such payment will be deemed payment in full of the Series 2007B Notes.

If the amount credited to the Series 2007 Notes Repayment Account on June 26, 2008, is less than the Series 2007 Notes Repayment Obligation, the Series 2007B Notes will be subject to extraordinary mandatory redemption on June 30, 2008, as provided in "Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*" above.

Limitations on the Obligations of the State. The State Resolution provides that no provision thereof or of the Series 2007B Notes is to be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or an indebtedness of the State within the meaning of any applicable provision of the State constitution or State statutes; (iii) as creating a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of TABOR for which adequate cash reserves have not been pledged irrevocably and held for payment in all future fiscal years; (iv) as a delegation of governmental powers by the State; (v) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the State constitution; or (vi) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the State constitution. See "STATE FINANCIAL INFORMATION – TABOR."

Parity Lien Notes

The State Resolution authorizes the Treasurer from time to time during Fiscal Year 2007-08 to issue additional tax and revenue anticipation notes pursuant to the Loan Program Act that are payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with (but not superior to) the pledge in favor of the Owners of the Series 2007A Notes and the Series 2007B Notes. Such Parity Lien Notes may have such details as the Treasurer may determine; provided, however, that the Parity Lien Notes are required to be (i) non-redeemable prior to their Maturity Date except as provided in "Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*" above, (ii) due and payable as to both principal and interest on or after their Maturity Date and (iii) payable from the Series 2007 Notes Repayment Account.

The Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on a parity with the pledge in favor of the Series 2007B Notes and the Series 2007A Notes; however, the Treasurer reserves the right to issue such additional notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes.

Covenants of the State

The Treasurer covenants in the State Resolution for the benefit of the original purchasers (the "**Purchasers**") and the Owners of the Series 2007B Notes to: (i) keep proper books of record and accounts showing complete and correct entries of all transactions relating to the Funds and Accounts referred to therein and in such manner that the amount of Program Loans made to each Participating District and the amount of repayment of such Program Loans by each Participating District may at all times be readily and accurately determined; (ii) take any and all actions that may be reasonably required to ensure timely collection of the amounts due by Participating Districts under their respective District Notes; and (iii) upon being notified of an event of default under the applicable Participating District Resolution (a "**Participating District Event of Default**"), immediately give notice of such Participating District Event of Default to each NRMSIR (either directly or, if then authorized by the Securities and Exchange Commission, by filing such notice with the Central Post Office) and to DTC or any successor depository unless there has been credited to the Series 2007 Notes Repayment Account an amount sufficient to pay principal of and interest on all Series 2007A Notes, Series 2007B Notes and any Parity Lien Notes when due.

Defaults and Remedies

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

- payment of the principal of or interest on any of the Series 2007B Notes is not made on the Series 2007B Notes Maturity Date or earlier redemption date as provided in "Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*" above; or

- the State fails to perform or observe any of the covenants, agreements or conditions contained in the State Resolution or in the Series 2007B Notes and such failure continues for 15 days after receipt of written notice by the Treasurer from any Owner of any of the Series 2007B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2007B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2007B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2007B Notes; (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the State of any covenant in the State Resolution or the Series 2007B Notes; or (iii) examine the books and records of the State and require the Treasurer to account for all moneys and investments constituting Pledged Revenues as if such officer were the trustee of an express trust. *Neither principal of nor interest on the Series 2007B Notes may be accelerated as a consequence of any Event of Default.*

If on the Maturity Date the moneys in the Series 2007 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes, the Treasurer is to ratably apply the moneys in the Series 2007 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2007A Note, Series 2007B Note or Parity Lien Note over any other Series 2007A Note, Series 2007B Note or Parity Lien Note, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Tax Covenant

The Treasurer covenants in the State Resolution for the benefit of the Purchasers and the Owners of the Series 2007B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2007B Notes Proceeds Account and the Series 2007 Notes Repayment Account not immediately needed will be invested only in investments authorized by the Loan Program Act; article 36 of title 24, C.R.S.; or, to the extent applicable, part 6 of article 75 of title 24, C.R.S.

The Treasurer further covenants that the Treasurer will not take any action or omit to take any action with respect to the Series 2007B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2007B Notes to lose its exclusion from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder (the "**Code**"); (ii) would cause interest on the Series 2007B Notes to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income; or (iii) would cause interest on the Series 2007B Notes to lose its exclusion from State taxable income or State alternative minimum taxable income under present State law. This covenant will remain in full force and effect notwithstanding the payment in full of the Series 2007B Notes until the date on which all obligations of the Treasurer in fulfilling such covenant under the Code and State law have been met. See also "TAX MATTERS."

INVESTMENT CONSIDERATIONS

An investment in the Series 2007B Notes involves certain risks that are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below that, among others, could affect the payment of the principal of and interest on the Series 2007B Notes.

Limited Obligations

The Series 2007B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues. The State has not pledged its General Fund, taxing power or revenues, other than the Pledged Revenues, to the payment of the Series 2007B Notes. The Series 2007B Notes do not constitute a debt or indebtedness of the State or any Participating District within the meaning of any applicable provision of the constitution or laws of the State; do not constitute general obligations of the State, the Participating Districts or any other political subdivision of the State; and no governmental entity has pledged its faith and credit for the payment of the Series 2007B Notes. If an Event of Default under the State Resolution should occur, there may not be sufficient Pledged Revenues available to pay the principal of and/or the interest on the Series 2007B Notes. See "THE SERIES 2007B NOTES – Security and Sources of Payment"; "– Defaults and Remedies."

Insufficient Taxes

The District Notes are payable solely from the Taxes of the respective Participating Districts received during the period of March through June 2008. Property taxes received by a Participating

District either prior or subsequent to such period will not be available for repayment of its District Note. In the event that a Participating District's Taxes are insufficient to repay its District Note, the Treasurer is to utilize funds eligible for investment to repay the equivalent amount of principal of the Series 2007B Notes; provided, however, that the Treasurer is entitled to and intends to recover those moneys from such Participating District under the default provisions of the Loan Program Act and the District Resolutions. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Defaults and Remedies." The obligation of a Participating District to make payments in respect of its District Note does not constitute a joint obligation with any other Participating District and is strictly limited to the principal amount of the District Note and, under the circumstances described in "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Participation in the Loan Program," default interest thereon (the "**Payment Obligation**") under its District Resolution. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts" for information regarding the historical average property tax collection rates for the Participating Districts. There is no assurance that the Participating Districts will collect sufficient Taxes from March through June of 2008 to repay the Program Loan in full.

The recently enacted Senate Bill 07-199 ("**SB 07-199**"), changed the method of determination of mill levies imposed by school districts in levy year 2007 and thereafter. It is expected that, in the aggregate, such change will result in a greater portion of Total Program funding being paid from local property taxes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Sources of Funding of Total Program*." As a result, certain Participating Districts' dependence on local property taxes as a source of their Total Program funding will increase and the State's share of the Total Program funding will, accordingly, be reduced. Due to the fluctuation of property tax receipts throughout a Fiscal Year, the reduction of the State's share of the Total Program funding may increase the amount of general fund deficit projected by the Participating Districts in the early months of calendar year 2008 and, therefore, may increase the amount that the Participating District will borrow under the Loan Program. In this regard, see the discussion under "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Sources of Funding of Total Program*" of the September 2007 forecast issued by the Office of State Planning and Budgeting ("**OSPB**") with respect to the increase in the amount of additional revenues anticipated to be received by the school districts from the local property taxes as a result of SB 07-199. On December 13, 2007, the Mesa County Board of County Commissioners and several taxpayers filed a lawsuit in the Denver district court against the Colorado Department of Education challenging the validity of SB 07-199 on the basis that it violates provisions of TABOR and seeking, among other things, to enjoin the Colorado Department of Education from certifying a mill levy in accordance with SB 07-199 and to refund to taxpayers who paid more property taxes that such taxpayers should pay the amount of excess property taxes paid plus 10%. See "SOURCE OF PAYMENT OF PROGRAM LOANS – TABOR." The State cannot predict what the ultimate outcome of such litigation might be. However, the State does not believe that such litigation would adversely affect its ability to repay the Series 2007 Notes. See "LITIGATION AND INVESTIGATIONS – Current Litigation and Investigations."

Valuation of Investments in the Series 2007 Notes Repayment Account

If the moneys credited to the Series 2007 Notes Repayment Account on June 26, 2008, equals or exceeds the Series 2007 Notes Repayment Obligation, the State is thereafter to limit the investment of such moneys solely to Defeasance Securities. See "THE SERIES 2007B NOTES – Security and Sources of Payment – *Defeasance of the Series 2007 Notes*." On and after such date, the Owners of the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes will be secured solely by the Defeasance Securities for repayment, and other than the pledge of such Defeasance Securities, the State will have no further financial obligation with respect to the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes.

The State Resolution requires that the Defeasance Securities have a fair market value of at least 105% of the Series 2007 Notes Repayment Obligation, and that the Defeasance Securities be marked-to-market by the Market Value Provider: (a) on June 26, 2008, or on the first date prior thereto on which the fair market value can be determined; (b) on July 4, 2008, or on the first date prior thereto on which the fair market value can be determined and each Friday thereafter; and (c) on the Business Day immediately preceding the Maturity Date, or on the first date prior thereto on which the fair market value can be determined. There is no requirement or guarantee that the fair market value of the Defeasance Securities will equal or exceed the Series 2007 Notes Repayment Obligation. However, if the aggregate fair market value of the Defeasance Securities is ever calculated to be less than 102% of the Series 2007 Notes Repayment Obligation, the Treasurer is required thereafter to limit the investment of the Defeasance Securities solely to units of a money-market fund portfolio composed solely of obligations guaranteed by the full faith and credit of the United States of America, assuring full return of the principal amount invested in such fund rated in one of the two highest rating categories by Moody's and Standard & Poor's. If the fair market value of the Defeasance Securities is less than the Series 2007 Notes Repayment Obligation, the Treasurer is required to sell the Defeasance Securities and use the net proceeds from such sale for payment of the Series 2007A Notes, the Series 2007B Notes and any additional Parity Lien Notes on a pro-rata basis on the Maturity Date. *The State Resolution provides that such payment will be deemed payment in full of the Series 2007B Notes.*

Parity Lien Notes

The State Resolution permits the State to issue Parity Lien Notes upon satisfaction of certain conditions provided therein and in the Loan Program Act. If issued, such Parity Lien Notes would be payable from and secured by a pledge of the Pledged Revenues on a parity with the pledge securing the Series 2007A Notes and the Series 2007B Notes. Therefore, the issuance of Parity Lien Notes could adversely impact the investment security for the Series 2007B Notes. The Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on a parity with the pledge in favor of the Series 2007B Notes and the Series 2007A Notes; however, the Treasurer reserves the right to issue such additional notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes. See "THE SERIES 2007B NOTES – Authorization – Parity Lien Notes."

Subordination Regarding Certain State Funds

In the event that a Participating District's Taxes are insufficient to repay its District Note, the Treasurer is to utilize funds eligible for investment to repay the equivalent amount of principal of the Series 2007B Notes. It is presently anticipated that any such deficiency would be funded first from amounts in the State Education Fund, then from amounts in the State Highway Fund, followed, if necessary, by application of Borrowable Resources and lastly from Current General Fund Revenues. The Treasurer issued State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2007A, in the principal amount of $500 million (the "**General Fund Notes**") on July 5, 2007, in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2007-08. The principal of and interest on the General Fund Notes, and any additional obligations issued by the State on a parity therewith, are secured by Current General Fund Revenues and Borrowable Resources. The right of the Treasurer to use Current General Fund Revenues or Borrowable Resources for payment of the Series 2007B Notes is subordinate to the use of such funds for payment of the General Fund Notes and any additional obligations issued by the State on a parity therewith during Fiscal Year 2007-08. See "THE SERIES 2007B NOTES – Security and Sources of Payment – *The Series 2007 Notes Repayment Account*."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2007B Notes could become includable in gross income for federal income tax purposes and/or become includable in Colorado taxable income or Colorado alternative minimum taxable income as a result of a failure of the State to comply with certain covenants contained in the State Resolution.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District has adopted a District Resolution that authorizes the Participating District to borrow funds from the Treasurer pursuant to the Loan Program, and has executed and delivered a District Note to the Treasurer to evidence the Participating District's obligation to repay its Program Loan. The obligation of a Participating District to make payments in respect of its District Note is not a joint obligation with any other Participating District and is strictly limited to the Payment Obligations of such Participating District under its District Resolution.

Set forth below is a summary of the District Resolutions and District Notes. The District Resolutions and District Notes are substantially the same except as to Maximum Principal Amount and the cash flow projections. The following summary does not purport to be complete, and is qualified by express reference to the provisions of the District Resolutions and District Notes, copies of which are available as provided in "INTRODUCTION – Additional Information" and "MISCELLANEOUS." A District Resolution may be amended only with the written consent of the Treasurer. See also "THE LOAN PROGRAM; APPLICATION OF SERIES 2007B NOTES PROCEEDS – Program Loans"; "- The Participating Districts."

Participation in the Loan Program

The District Resolution authorizes the Participating District to participate in the Loan Program for Fiscal Year 2007-08, and to issue and deliver the District Note to the State Treasurer in the Maximum Principal Amount to evidence the Participating District's Payment Obligation, for the purpose of paying the Participating District's projected budgeted expenses during Fiscal Year 2007-08. The District Note matures on June 25, 2008 (the "**District Note Maturity Date**"), and is interest-free through such date; provided, however, that if the District Note is not paid in full on the District Note Maturity Date, it will become a defaulted note (a "**Defaulted Note**") and the unpaid portion thereof will bear interest thereafter until paid at a default rate equal to the interest rate, or the weighted average interest rate, paid by the Treasurer on the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes. The District Note may be prepaid in whole or in part at any time prior to the District Note Maturity Date.

The Participating District may obtain advances on its Program Loan in the manner discussed in "THE LOAN PROGRAM; APPLICATION OF SERIES 2007B NOTES PROCEEDS – Program Loans."

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

Security for and Payment of the District Note

The District Note is payable from and secured by a lien in the amount of the Participating District's Payment Obligations on all of the Participating District's ad valorem taxes on real and personal property received by the Participating District during the period of March through June 2008 that are required to be credited to the Participating District's general fund. Such lien has priority over all other expenditures from such Taxes until the Participating District's Payment Obligations are paid in full. All Taxes received by the Participating District are to be paid to the Treasurer within one Business Day of receipt until the Payment Obligations are paid in full. The District Resolution authorizes the Treasurer to pledge and assign the District Note and all or any part of the Participating District's obligations thereunder, including, without limitation, the Participating District's Payment Obligations, to secure the payment of the Series 2007B Notes and any Parity Lien Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS."

Defaults and Remedies

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

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

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

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

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

Upon the occurrence of a District Event of Default as described in clause (i) above, the statutory remedy of the Treasurer is to notify the treasurer of each county (the "**County Treasurer**") in which the Participating District levies Taxes that the Participating District is in default on its obligation to pay its Payment Obligation and the amount of the default. Pursuant to the Loan Program Act, the County Treasurer is thereupon required to withhold any moneys of the Participating District in the possession of the County Treasurer in the amount of such unpaid Payment Obligation, and transmit such moneys to the Treasurer. If the amount of such moneys of the Participating District in the possession of the County Treasurer at the time notice of the default is given is less than the amount of the default, the County Treasurer is required to withhold additional moneys of the Participating District until such time as the Payment Obligation has been paid in full to the Treasurer.

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

A District Event of Default does not constitute an Event of Default under the State Resolution. See "THE SERIES 2007B NOTES – Defaults and Remedies."

Other Covenants and Representations

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

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

- The Participating District will not issue notes or other obligations for cash flow purposes that are payable from the Taxes or secured by a lien on the Taxes or on ad valorem taxes on real and personal property received or to be received by the Participating District after the District Note Maturity Date that are required to be credited to the Participating District's general fund and are available for payment of the Defaulted Note pursuant to Section 22-54-110(2)(c), C.R.S. ("**Default Taxes**"), that is superior to or on a parity with the lien of the District Note.

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

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

The Participating District also represents to the Treasurer that unless, prior to the Closing Date, one of the Authorized Officers of the District notifies the State Treasurer in writing to the contrary: (i) it has had an ad valorem property tax collection rate of not less than 90% of the aggregate amount of ad valorem property taxes levied within the Participating District in each of the most recent five Fiscal Years; (ii) as of the date of adoption of the District Resolution and on the date of issuance of the District Note, the Participating District reasonably expects to collect at least 90% of such amount for Fiscal Year 2007-08; and (iii) the Participating District has not defaulted within the past five years, and is not currently in default, on any debt obligation.

Parties in Interest

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

SOURCE OF PAYMENT OF PROGRAM LOANS

Taxes

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

Taxes are limited to ad valorem taxes on real and personal property received by the Participating District during the period of March through June 2008 that are required to be credited to the Participating District's general fund. These in turn are comprised of the ad valorem property taxes that the Participating District is authorized to impose in accordance with the 1994 Finance Act, plus certain permitted "override" revenues, both of which are discussed in this section.

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

State Equalization Funding

Colorado school districts are funded primarily from revenues that are determined in accordance with the 1994 Finance Act, that was adopted in furtherance of the State legislature's duty under Article IX, Section 2 of the State Constitution to provide for a thorough and uniform system of public schools throughout the State. It revised the formula for distributing State moneys to school districts previously applied under the Public School Finance Act of 1988, and has applied to school districts commencing with Fiscal Year 1994-95. The 1994 Finance Act has been recently amended by SB 07-199, which, among other amendments, freezes mill levies for some school districts and reduces the mill levy to 27 mills for other school districts. See "Sources of Funding of Total Program" below.

Total Program Amount. For each school district, an amount is calculated that represents the financial base of support for public education in that school district for a given budget year (the "**Total Program**"). The general rule for calculating Total Program funding for Fiscal Year 2007-08 and thereafter is as follows:

Total Program funding equals the greater of:

Per Pupil Funding x (Funded Pupil Count – On-Line Pupil Enrollment)	+	At-Risk Funding	+	On-Line Funding

or

Minimum Per Pupil Funding x (Funded Pupil Count – On-Line Pupil Enrollment)	+	On-Line Funding

Per Pupil Funding	=	A formula that takes into consideration a statewide base per pupil funding plus adjustments for variances in school district size, cost-of-living, personnel costs and non-personnel cost factors specified in the 1994 Finance Act.
Funded Pupil Count	=	The district's on-line pupil enrollment for the applicable budget year plus the greater of (i) the number of pupils enrolled in the school district for the current budget year or (ii) the average of pupil's enrollment for the applicable budget year and for the immediately preceding budget year; or (iii) the average of pupil's enrollment for the applicable budget year and for the two immediately preceding budget years, or (iv) the average of pupil's enrollment for the applicable budget year and for the three immediately preceding budget years.
On-Line Pupil Enrollment	=	The number of pupils who reside in the State and who are enrolled in, attending, and actively participating in, an on-line program created pursuant to the 1994 Finance Act by the district minus any such pupils who were enrolled in any such on-line programs in Fiscal Year 2001-02.
At-Risk Funding	=	Funding formulas that are based upon the number of school district pupils and pupils statewide eligible for the federal free lunch program plus those pupils whose dominant language is not English.
On-Line Funding	=	A formula that is based on Minimum Per Pupil Funding times On-Line Pupil Enrollment.

The 1994 Finance Act provides for a minimum level of Total Program funding ("**Minimum Per Pupil Funding**") for each school district of $5,627 per pupil for Fiscal Year 2004-05, $5,689 for Fiscal Year 2005-06 and $5,865 for Fiscal Year 2006-07, and limits a school district's Minimum Per Pupil

Finding to not more than 125% of its prior year's Minimum Per Pupil Funding. Beginning with Fiscal Year 2007-08, SB 07-199 established different amounts of the Minimum Per Pupil Funding for those pupils who receive an education predominantly through an on-line program ($6,135 Minimum Per Pupil Funding for Fiscal Year 2007-08) and those pupils who do not ($6,275 Minimum Per Pupil Funding for Fiscal Year 2007-08). In addition, a school district's ability to accept the full amount of Total Program funding may be limited by the constraints on the school district's annual revenue and spending growth discussed in "TABOR" below.

Amendment 23. In November of 2000, the State's voters approved an amendment to the State constitution relating to funding for public schools, commonly referred to as "Amendment 23." Amendment 23 requires that the base per-pupil funding amount and the funding for categorical programs (such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education) increase by the rate of inflation plus one percentage point for Fiscal Year 2001-02 through Fiscal Year 2010-11 and by at least the rate of inflation each year thereafter. Amendment 23 also creates the State Education Fund, and both mandates that there be deposited therein all revenues collected from ⅓ of 1% of the State's taxable income and exempts those revenues from the revenue limitations of TABOR. See "STATE FINANCIAL INFORMATION – TABOR." The State legislature may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23, including accountable education reform, accountable programs to meet State academic standards, reducing class size, expanding technology education, improving public safety, accountability reporting, performance incentives for teachers and public school building capital construction. Amendment 23 also requires the State to increase its General Fund appropriation for the Total Program under the 1994 Finance Act by at least 5% annually from Fiscal Year 2001-02 through Fiscal Year 2010-11, except in any Fiscal Year in which State personal income grows less than 4.5% between the previous two calendar years. State personal income has grown less than 4.5% in calendar years 2002 and 2003, and over 4.5% in calendar years thereafter. Accordingly, the General Fund appropriation for the Total Program for Fiscal Years 2004-05 through 2006-07 was increased by at least 5% in each such Fiscal Years. See also "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES – The State Education Fund."

Sources of Funding of Total Program. Under the 1994 Finance Act, a school district's Total Program is funded in part by the school district and in part by the State. The school district's share is the amount raised by the school district's mill levy (assuming 100% collection) plus the amount of specific ownership tax revenue (discussed below) paid to the school district in the prior Fiscal Year that is attributable to the school district's general fund, excluding override revenues. SB 07-199, which became effective in May 2007, amends various provisions of the 1994 Finance Act. One such amendment freezes the mill levies, beginning in levy year 2007 and for each levy year thereafter, to equal the number of mills levied by the school district in the immediately preceding levy year, subject to a cap of 27 mills, as long as such school district obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed by TABOR. SB 07-199 also imposes a cap of 27 mills for those school districts whose mill levy is currently higher than 27 mills. It is anticipated that such changes will reduce the amount of State share of the Total Program in Fiscal Year 2007-08 and thereafter and will increase school districts' dependency on the local property taxes to meet their funding needs. In its September 2007 forecast, the OSPB estimates that as a result of SB 07-199, in Fiscal Year 2007-08, the school districts will raise on an aggregate basis, approximately $114.1 million in additional revenues from local property taxes. This amount is approximately $64 million higher than the amount estimated in the OSPB's June 2007 forecast. The OSPB attributes this difference to the higher assessed value of residential and oil and gas properties, especially in the Western parts of the State, than was expected when the June 2007 OSPB forecast was released. See "INVESTMENT CONSIDERATIONS – Insufficient

Taxes" for a discussion of the potential impact of such local property tax revenues on the amount of general fund deficits projected by the Participating Districts in the early months of calendar year 2008.

Pursuant to SB 07-199, the school district's mill levy for levy year 2007 (determined by December 22) and for each levy year thereafter will be required to be the lesser of (i) the number of mills levied by the school district for the immediately preceding property tax year, (ii) the number of mills that will generate property tax revenue in an amount equal to the school district's Total Program for the applicable budget year minus the minimum State aid minus the amount of specific ownership tax revenue paid to the school district, (iii) for school districts that have not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed on such school districts by TABOR, the number of mills that may be levied by such school districts in accordance with the property tax revenue limitation imposed by TABOR, or (iv) twenty-seven mills. See "TABOR" below. See also "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

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

The difference between the Total Program and the amount generated from the school district's mill levy is required to be paid by the State. The State legislature is required to make annual appropriations to fund the State's share of the Total Program of all school districts. The availability of State funds to the school district may be affected by actions of the State legislature and by the cash position of the State itself. In the event the State's appropriation for its share of the Total Program of all school districts is not sufficient to fully fund the State's share, the Colorado Department of Education is required to submit a request for a supplemental appropriation in an amount that will fund fully the State's share during the Fiscal Year in which such insufficiency occurs. If a supplemental appropriation is not made, a percentage reduction in State aid to all school districts receiving State aid is to be made in funding categories not mandated by the State constitution. Such reductions, or "rescissions," occurred in Fiscal Year 2001-02 and Fiscal Year 2002-03. See "Amendment 23" above.

Override Revenues

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

Ad Valorem Property Taxation Procedure

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

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

Determination of Actual Value. Each County Assessor in the State annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory "actual" value of all taxable property within the county as of January 1st. The statutory actual value of a property is not intended to represent current market value, but, with certain exceptions, is determined by the County Assessor utilizing a "level of value" ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. The statutory actual value is based on the "level of value" for the period one and one-half years immediately prior to the July 1st preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). The one and one-half year period used to determine the level of value advances two years with the start of each reassessment cycle. The following table sets forth the State property appraisal system for property tax levy years 1999 through 2008:

Levy Years	Tax Collection Years	Value Calculated as of July 1	Based on the Market Period
1999 and 2000	2000 and 2001	1998	Jan. 1, 1997 to June 30, 1998
2001 and 2002	2002 and 2003	2000	Jan. 1, 1999 to June 30, 2000
2003 and 2004	2004 and 2005	2002	Jan. 1, 2001 to June 30, 2002
2005 and 2006	2006 and 2007	2004	Jan. 1, 2003 to June 30, 2004
2007 and 2008	2008 and 2009	2006	Jan 1, 2005 to June 30, 2006

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

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

The following table sets forth the ratios of valuation for assessment for residential property since the 1997 levy year:

Levy Years	Tax Collection Years	Residential Property Assessment Ratio[1]
1997 – 2000	1998 – 2001	9.74%
2001 – 2002	2002 – 2003	9.15
2003 – 2008	2004 – 2009	7.96

[1] Reflects the percentage of statutory actual value at which residential real property is required to be assessed as described above.

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

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

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

Homestead Exemption. On November 7, 2000 and November 7, 2006, respectively, the electors of the State approved Referendum A and Referendum E, constitutional amendments granting a property tax exemption to qualified senior citizens and qualified disabled veterans. For such senior citizens and disabled veterans, 50% of the first $200,000 of actual value of residential real property that is owner-occupied is exempt from property taxation. For seniors, the owner or his or her spouse must be at least 65 years of age and have occupied the residence for at least ten years. For disabled veterans, the veteran must be rated 100% permanently disabled by the Federal government. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption, and therefore the exemption does not result in a loss of revenue to school districts. The homestead exemption was suspended by the State legislature for Fiscal Year 2003-04 through Fiscal Year 2005-06 as part of a State budget balancing package. In Fiscal Year 2006-07, the State spent approximately $74.2 million (unaudited) to reimburse local governments for the homestead exemption; and the State currently estimates that in Fiscal Year 2007-08 it will spend approximately $76.2 million to reimburse local governments for the homestead exemption. See "APPENDIX C – THE STATE GENERAL FUND – Recent General Fund Financial Results."

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

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

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2007 will be collected in 2008. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1st until the date of payment unless the whole amount is paid by April 30th. If the second installment is not paid by June 15th, the unpaid installment will bear interest at the rate of 1% per month from June 16th until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the school district on a monthly basis.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure and sale of the taxpayer's personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale.

Tax liens may not necessarily be bid on and sold, and the proceeds of tax liens sold may not necessarily be sufficient to produce the amount required with respect to property taxes levied by the school district and property taxes levied by overlapping taxing authorities, as well as any interest or costs due thereon. If a tax lien is not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to the county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the county after that time.

TABOR

Article X, Section 20 of the Colorado Constitution limits the ability of the State and its local governments, such as school districts, to increase revenues, debt and spending and restricts property, income and other taxes. Generally, TABOR limits most percentage increases in spending and property tax revenues to the prior year's amounts, adjusted for inflation, local growth and voter approved changes. Local growth for school districts is defined as the percentage change in student enrollment. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change as an offset. TABOR also requires that school districts obtain voter approval for certain tax or tax rate increases and to create any "multiple fiscal year direct or indirect ... debt or other financial obligation," except for refinancing debt at a lower interest rate or adding new employees to existing pension plans. Voter approval under TABOR is not required for the issuance of the District Notes as they are both issued and payable within the same Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. TABOR also requires school districts to establish and maintain an emergency reserve equal to 3% of fiscal year spending (as defined in TABOR) excluding bonded debt service.

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

Budgets

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

No later than 30 days prior to the beginning of each Fiscal Year, the administrators of the school district are required to present the proposed budget to the Board of Education. After conducting a public hearing on the budget proposals, at which time any person paying school taxes in the school district has an opportunity to be heard, the Board of Education is required to adopt a final budget for the succeeding Fiscal Year by resolution specifying the amount of money appropriated to each fund. Pursuant to SB 07-199, the Board of Education is required to file the adopted budget with the Department of Education each year on or before January 31, beginning with January 31, 2009. By December 15th, the Board of Education is to certify to the applicable Board of County Commissioners the amounts necessary to be raised from levies against the assessed valuation of all taxable property located within the school district to defray expenditures therefrom during the next ensuing Fiscal Year. The Board of Education may not expend moneys in excess of the amount appropriated by resolution for a particular fund.

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

Financial Statements

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

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

Summary Financial Information Regarding the Participating Districts

The following table sets forth certain financial information concerning the Participating Districts. See also "Denver School District No. 1" below and "FORWARD LOOKING STATEMENTS."

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Participating District Financial Information

Participating District	Amount of Program Loans[1]						Estimated Fiscal Year 2007-08 Tax Information				Fiscal Year 2006-07 Loan Information[5]	
	Series 2007A Notes	% of Total	Series 2007B Notes	% of Total	Total Amount Borrowed	% of Total	Estimated Assessed Valuation (in 000's)[2]	Estimated Tax Collections[3]	Ratio of Amount Borrowed to Estimated 2008 Tax Collections	3-Year Average[4]	Amount Borrowed	Repayment Date (2007)
Adams Arapahoe 28-J	$ 0	0.00%	$ 7,246,202	2.91%	$ 7,246,202	1.81%	$ 1,840,560	$ 50,800,209	14.3%	99.40%	--	--
Boulder Valley RE-2	18,660,260	12.41	46,154,028	18.50	64,814,288	16.21	4,634,807	146,404,213	44.3	99.18	$ 41,058,138	May 11
Brush RE-2	461,710	0.31	0	0.00	461,710	0.12	154,283	5,287,337	8.7	100.00	322,549	May 11
Cherry Creek 5	16,361,537	10.88	47,046,417	18.86	63,407,9:	15.86	4,454,805	146,470,233	43.3	98.15	59,571,624	May 11
Colorado Springs 11	7,687,508	5.11	5,017,527	2.01	12,705,035	3.18	2,503,647	77,487,203	16.4	98.55	11,993,861	March 13
Denver 1	88,478,436	58.83	90,126,924	36.13	178,605,361	44.67	10,159,802	278,999,216	64.0	98.94	143,700,000	May 11
Douglas County RE-1	9,130,586	6.07	35,902,461	14.39	45,033,0	11.26	4,569,772	137,920,570	32.7	99.20	43,500,000	May 11
Durango 9-R	0	0.00	4,250,702	1.70	4,250,702	1.06	1,985,388	16,975,755	25.0	98.53	2,345,112	May 11
East Grant 2	1,843,324	1.23	1,705,973	0.68	3,549,297	0.89	634,494	8,229,517	43.1	99.17	0	--
Garfield 16[6]	0	0.00	182,438	0.07	182,438	0.05	945,927	2,601,061	7.0	91.46	3,552,571	May 11
Gunnison Watershed RE-1J	1,920,498	1.28	817,884	0.33	2,738,382	0.68	673,909	6,877,230	39.8	99.08	3,738,090	May 11
Hayden RE-1	768,481	0.51	905,940	0.36	1,674,421	0.42	93,616	2,409,053	69.5	97.61	1,371,467	May 25
Roaring Fork RE-1	0	0.00	6,202,658	2.49	6,202,658	1.55	1,046,848	22,810,795	27.2	99.68	3,020,706	March 13
South Routt RE-3	1,065,709	0.71	660,143	0.26	1,725,852	0.43	112,533	2,601,187	66.3	99.00	1,488,679	May 11
St. Vrain RE-1J	1,406,881	0.94	702,408	0.28	2,109,289	0.53	2,214,995	51,469,888	4.1	99.12	4,036,703	March 13
Summit RE-1	2,615,450	1.74	2,508,831	1.01	5,124,281	1.28	1,558,780	25,373,313	20.2	98.53	0	
	$150,400,380	100.00%	$249,430,536	100.00%	$399,830,917	100.00%						

[1] These are estimates based upon information furnished by the Participating Districts regarding the amounts that they will borrow from the proceeds of the Series 2007A Notes and the Series 2007B Notes. If these Participating Districts, or others that have not yet expressed an intent to participate in the Series 2007B Notes program, do participate in such issuance, the Owners of the Series 2007B Notes will have a lien upon the Taxes of the Participating Districts that is on a parity with the lien thereon of the Owners of the Series 2007B Notes. See also "THE SERIES 2007B NOTES – Parity Lien Notes."

[2] These are the assessed valuation amounts for the 2007 levy year (2008 tax collection year) that are expected to be certified by the various County Assessors by December 10, 2007. The mill levies used to calculate the estimated Taxes collected during Fiscal Year 2007-08 are based upon information provided by the Participating Districts and are subject to change. Such amounts are estimates only, and material differences could occur between these estimates and the final assessed valuations certified by the County Assessors. See "Ad Valorem Property Tax Procedures – Taxation Procedure" above. Pursuant to recently enacted SB 07-199, the 2007 mill levies of two Participating Districts will be reduced from their current level and capped at 27 mills and mill levies of twelve Participating Districts will remain at their current respective levels and will not reduce for the 2007 levy year (2008 tax collection year) due to increases in such Participating Districts' assessed valuation, as was required prior to the adoption of SB 07-199. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding."

[3] This amount was calculated by multiplying the 2007 estimated assessed value of the Participating District by the Participating District's estimated 2007 general fund mill levy; and assumes collections of 100% of taxes collected by all Participating Districts normally during the months of March through June. Mill levies for 2008 tax collections will not be certified by the Participating Districts until mid-December 2007. The mill levies used to calculate the estimated Taxes collected during Fiscal Year 2007-08 are based upon information provided by the Participating Districts and are subject to change. See "FORWARD LOOKING STATEMENTS" and "State Equalization Funding – *Allocation of Total Program Funding*" above.

[4] Based on each Participating District's actual collection data for Fiscal Year 2004-05, Fiscal Year 2005-06 and Fiscal Year 2006-07.

[5] State Treasurer's actual borrowing and repayment data.

[6] As of the date of this Official Statement, Garfield 16 school district has not adopted District Resolution that authorizes it to borrow funds from the Treasurer pursuant to the Loan Program, but it indicated its intent to borrow from the Loan Program in the amounts indicated in the above table. Prior to borrowing funds from the Loan Program, Garfield 16 will need to adopt such resolution and to execute and deliver a District Note to the Treasurer to evidence the school district's obligation to repay its Program Loan.

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

Denver School District No. 1

Denver School District No. 1, commonly known as Denver Public Schools ("**DPS**"), is the only Participating District that is expected to borrow in excess of 20% of the available proceeds of each of the Series 2007A Notes and Series 2007B Notes. DPS borrowed approximately 58.9% of the net proceeds of the Series 2007A Notes and is expected to borrow approximately 36.1% of the net proceeds of the Series 2007B Notes, or approximately 44.7% of the combined amount of the Series 2007 Notes.

DPS was organized in 1882 and is the only school district serving the City and County of Denver. DPS encompasses approximately 155 square miles and serves a population of approximately 582,474. Its educational facilities currently include approximately 90 elementary schools (of which 14 are grades K-8 schools), 19 middle schools (of which 15 are grades 6-8 schools and 4 are grades 6-12 schools), 10 high schools, 19 charter schools (each of which receives public funding, has its own governing body, determines its own enrollment and may receive waivers from the district's policies and procedures), six alternative schools into which students may enroll or be placed based on special circumstances and six other schools into which students may enroll at any time, which include a school that students attend from home, an on-line virtual high school, a Latino community-based private school, an outdoor education facility, an adult opportunity school and a non-district operated expeditionary learning school. In November 2007, the DPS Board approved a proposal to close eight school buildings and create five new schools in existing buildings. One school building closed in the beginning of Fiscal Year 2007-08 and the remaining seven school buildings are scheduled to close at the end of Fiscal Year 2007-08. DPS anticipates opening five new schools before 2008-09 school year, but opening of one or two of such schools may be delayed.

The October 2007 enrollment of DPS was 73,783 pupils, making it the second largest school district in the State. October 2006 and 2005 enrollment was 73,399 and 72,312 pupils, respectively. The 2006 certified assessed valuation of DPS (for ad valorem tax collections in 2007), net of the assessed valuation attributable to tax increment financing districts from which DPS derives no tax revenue, was $8,561,432,054. For the 2006 tax levy year (2007 tax collection year), the district's general fund mill levy was 34.734 mills, including 8.716 mills levied pursuant to voter approval received in 1988, 1998, 2003 and 2005 to exceed taxes levied to fund the district's share of its Total Program funding. The total 2006 tax levy of the district, including its bond redemption levy, was 40.333 mills. See generally "SOURCE OF PAYMENT OF PROGRAM LOANS."

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2008. Typically, taxing entities do not collect 100% of the taxes levied each year; however, the property tax collection rate among the Participating Districts historically has been very high as shown in the table titled "Participating District Financial Information" above.

Receipt of Taxes by the Participating Districts requires timely payment of ad valorem property taxes by property owners. Participating Districts in which large taxpayers are located are particularly dependent upon the timely payment of property taxes by such taxpayers. No individual taxpayer comprised more than 10% of the property tax base of the 2006 certified assessed valuation of DPS, nor is any individual taxpayer expected to comprise more than 10% of the property tax base of the 2007 certified assessed valuation of DPS.

The following Participating Districts report that major taxpayers owned more than 10% of the property comprising the certified assessed valuation of such Participating Districts for the 2006 levy year (2007 tax collection year): Brush RE-2J, Durango 9-R, Hayden RE-1 and South Routt RE-3. The majority of the major taxpayers described above are public or private companies involved in the mining or drilling industries or in the production of power. Property tax payments by such taxpayers could be impacted not only by each taxpayer's individual financial condition but also by events that negatively impact the energy production industry as a whole. It is not possible to predict whether any such events will occur that will have a material impact upon the repayment of the Program Loans. Comparable information for levy year 2007 (tax collection year 2008) is not yet available.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,350 to 14,431 feet above sea level. The current population of the State is approximately 4.7 million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also "APPENDIX A – STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006" and "APPENDIX B – SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State constitution empowers the State legislature, known as the General Assembly, to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials expires on the second Tuesday in January 2011, and each office will be subject to a general election in November 2010. See the list of certain State officials involved in this offering in the forepart of this Official Statement. No elected executive official may serve more than two consecutive terms in the same office.

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

STATE FINANCIAL INFORMATION

The information in this section, "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES" and "APPENDIX C – THE STATE GENERAL FUND" describes general State finances and particularly funds eligible for investment. Prospective investors are advised that in the event the amount deposited to the Interest Subaccount of the Series 2007 Notes Repayment Account on the Closing Date and amounts received by the Treasurer from Participating Districts as repayment of their Program Loans on or before June 25, 2008, together with investment earnings thereon, is insufficient to pay the principal of and interest on the Series 2007B Notes when due, the Series 2007B Notes are payable solely from funds on hand or in the custody or possession of the Treasurer and eligible for investment. The Series 2007B Notes are not general obligations of the State. See also "THE SERIES 2007B NOTES – Security and Sources of Payment – The Series 2007 Notes Repayment Account."

The Treasurer

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

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

TABOR

The Constitutional Provision. As discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – TABOR," TABOR imposes various fiscal limits and requirements on the State and its local governments.

Overall, TABOR is a limitation on the amount of revenue that may be kept by the State in any particular year, regardless of whether that revenue is spent during the year. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year. TABOR implements these revenue limitations through certain restrictions and limitations on spending, including the following:

(a) Prior voter approval is required for (i) any increase in State "fiscal year spending" from one year to the next in excess of the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991; or (ii) any new State tax, State tax rate increase, extension of an expiring State tax, State tax policy change directly causing a net revenue gain to the State or the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation." "**Fiscal year spending**" is defined as all expenditures and reserve increases except, as to both, those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales. This effectively defines spending as all revenues received by the State other than those items that are specifically excluded.

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

(c) Under TABOR, the State must maintain an emergency reserve equal to 3% of its fiscal year spending (the "**TABOR Reserve**"). The TABOR Reserve may be expended only upon (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. For Fiscal Year 2007-08, the Long Appropriation Bill (the "**Long Bill**"), in conjunction with other legislation, designates the funds that constitute the TABOR Reserve. These funds include portions of the Major Medical Insurance Fund, the Subsequent Injury Fund, the Worker's Compensation Cash Fund, the Wildlife Cash Fund and Fund Equity, and certain State properties up to a value of $101.5 million designated by the Governor. The funds and other assets described above, in aggregate, meet the TABOR Reserve requirement.

Statutes Implementing TABOR. A number of statutes implementing TABOR have been enacted by the General Assembly that, among things, (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of TABOR's revenue and spending limits, (ii) provide for the accounting treatment of refunds owed by the State under TABOR and (iii) define State operations that qualify as "enterprises" within the meaning of TABOR and which are exempt from the provisions thereof.

The "Ratchet Down" Effect of TABOR. As discussed above, TABOR limits year-to-year increases in revenues, and therefore spending, to the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, plus any voter approved revenue (*i.e.,* tax) increase. There are no provisions in TABOR to account for cyclical revenue swings. This originally produced a "ratchet down" effect whenever State revenues declined from one Fiscal Year to the next and then rebounded in subsequent years. The ratcheting down occurred as the result of TABOR requirements that the State's revenue base be reduced to the lower amount of revenues received in prior year without limitation, but that the State's revenue base may be increased only to the extent of the limitations described above and that any excess of revenues over such limitations must be refunded to the taxpayers. Such a ratcheting down occurred between Fiscal Years 2001-02 and 2002-03, when State revenues declined by 13%, followed by increases in State revenues in each subsequent Fiscal Year.

Legislation enacted during the 2002 legislative session described in "*The "Growth Dividend*" below, mitigated the "ratcheting down" effect of TABOR through the decennial census adjustment. Referendum C, approved by the State's voters on November 1, 2005 and described in "*Colorado Economic Recovery Act*" below, has eliminated the "ratcheting down" effect of TABOR on the State altogether.

The "Growth Dividend." House Bill ("**HB**") 02-1310 and Senate Bill ("**SB**") 02-179 enabled the State to recoup revenues lost as the result of the TABOR limits having been computed during the 1990s using population estimates that were too low. This undercount resulted in lower TABOR limits and higher refunds than would have occurred using more accurate population figures. The percentage change of 6% associated with this lost revenue was called the "growth dividend."

The TABOR limit for Fiscal Year 2001-02 was calculated using the 2000 census measure of the State's population compared with an estimate of 1999 population that was not yet revised to reflect the 2000 census. In 2001, the U.S. Bureau of the Census reported that the State's population between 1990 and 2000 was undercounted by 6%.

Since the State was not in a TABOR surplus position in Fiscal Year 2001-02, the State could not recoup the excess amount refunded to taxpayers through the 1990s as the result of the undercounting of the State's population. HB 02-1310 and SB 02-179 permitted the growth dividend to be carried forward for up to nine years. The growth dividend was applied to the TABOR limit in an amount that maximizes the TABOR revenue growth rate subject to available TABOR revenues. In subsequent years, the unused amount of the growth dividend is applied in a similar manner until either the cumulative amount by which the TABOR limit is increased equals 6% (the original growth dividend amount) or the nine-year limit is reached.

The State used the 6% growth dividend in Fiscal Years 2003-04 and 2004-05, which eliminated the TABOR surplus in Fiscal Year 2003-04 and reduced the TABOR surplus in Fiscal Year 2004-05. This adjustment allowed the State to retain $283.3 million and $187.2 million in additional revenues in Fiscal Years 2003-04 and Year 2004-05, respectively.

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

Referendum C permits the State to retain and appropriate State revenues in excess of the current TABOR limit on State spending for the period of July 1, 2005, through June 30, 2010 (Fiscal Years 2005-06 through 2009-10). Referendum C does not, however, affect the 6% limit on the annual growth of total appropriations from the General Fund.

Referendum C establishes an "**Excess State Revenues Cap**" that serves as the new limit on State fiscal year spending beginning in Fiscal Year 2010-11. The Excess State Revenues Cap is an amount equal to the highest total State revenues for a Fiscal Year from the period of Fiscal Year 2005-06 through Fiscal Year 2009-10. In each subsequent Fiscal Year, the Excess State Revenue Cap is adjusted for inflation and a percentage change in State population, as well as such sum for the qualification or disqualification of enterprises. For purposes of the Excess State Revenues Cap, inflation, the percentage change in State population and the qualification or disqualification of an enterprise or debt service changes retain their meanings as they currently exist under TABOR and State law.

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

Referendum C provides that, for each Fiscal Year that the State retains and spends State revenues in excess of the TABOR limit on State fiscal year spending, the Director of Research of the Legislative Council is required to prepare by October 15th an excess State revenues legislative report that identifies the amount of excess State revenues retained by the State and describes how such excess State revenues have been expended. Referendum C requires that the report be published and made available on the official web site of the Colorado General Assembly. In addition, the Controller is required to prepare a report each Fiscal Year that identifies revenues that the State is authorized to retain pursuant to Referendum C and to certify the same no later than September 1 following the end of the Fiscal Year. Accordingly, the State was allowed to retain $1,116.1 million in Fiscal Year 2005-06 and $1,311.6 million in Fiscal Year 2006-07. See "APPENDIX C – THE STATE GENERAL FUND – General Fund Overview."

OSPB currently forecasts that as the result of Referendum C, the additional revenue that will be available for the State to retain and appropriate beyond the TABOR limit as the result of Referendum C will be $1,174 million in Fiscal Year 2007-08, $1,182.3 million in Fiscal Year 2008-09, and $1,203.6 million in Fiscal Year 2009-10.

Effect of TABOR on the Series 2007B Notes. Voter approval under TABOR is not required for the issuance of the Series 2007B Notes because they constitute a multiple fiscal year direct or indirect debt or other financial obligation for which adequate present cash reserves are pledged irrevocably and held for payments in all future years within the meaning of TABOR. Further, the revenue and spending limits of TABOR are not expected to affect the ability of the State to collect and spend the Pledged Revenues for the payment of the principal of and interest on the Series 2007B Notes and any Parity Lien Notes.

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. See "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES – The State General Fund" and "APPENDIX C – THE STATE GENERAL FUND."

The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes, some of which constitute Borrowable Resources available for the purpose, if necessary, of paying the principal of the Series 2007B Notes. See "THE SERIES 2007B NOTES – Security and Sources of Payment – *The Series 2007 Notes Repayment Account*" and "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES – The State Education Fund;" "– The State Highway Fund"; "– Borrowable Resources."

Budget Process

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

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Bill, which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes General Fund appropriations provided for generally by tax revenues, cash funds, appropriations provided for by departmental charges for services and expenditure information regarding federal funds not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2007-08 was adopted by the General Assembly on April 20, 2007, and approved by the Governor on May 4, 2007.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any bill that contains an appropriation. The Governor's veto is subject to override by a two-thirds majority of each house of the General Assembly.

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

Revenues and Unappropriated Amounts. The amount of General Fund revenues available for appropriation is based upon revenue estimates that, together with other available resources, is required by law to exceed annual appropriations by 4% (the "**Unappropriated Reserve**"). The Unappropriated Reserve is available for possible deficiencies in revenues. See "APPENDIX C – THE STATE GENERAL FUND – Revenue Estimation – *Revenue Shortfalls*."

Expenditures; The Balanced Budget and Statutory Spending Limitation. The State constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited in accordance with Section 24-75-201.1, C.R.S., to the lesser of an amount equal to 5% of State personal income or 106% of the unrestricted General Fund appropriations during the preceding Fiscal Year (sometimes referred to hereinafter as the 6% limit). Excluded from this limitation are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election. The limitation on the level of General Fund appropriations may be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. General Fund revenues in excess of General Fund appropriations, the Unappropriated Reserve, statutory rebates and statutory transfers are to be retained in the General Fund and be available for appropriation for the Fiscal Year in which the excess is realized or for any future Fiscal Year, subject to the limitation on increases in General Fund appropriations. See "TABOR" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the recent approval of Referendum C.

Fiscal Year Spending and Emergency Reserves. TABOR imposes restrictions on increases in fiscal year spending without voter approval and requires the TABOR Reserve. See "TABOR" above.

Fiscal Controls and Financial Reporting

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

The Controller is appointed by the Executive Director of the Department of Personnel. The Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants for payment of claims against the State. The Controller prepares a comprehensive annual financial report in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the State's Fiscal Year 2005-06 Comprehensive Annual Financial Report included in Appendix A to this Official Statement.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on different principles. The cash flow schedules include all financial activity reported specifically in the General Fund on a cash basis, while the financial statements and revenue estimates are computed on the modified accrual basis of reporting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special (cash) funds that are related to fees, permits and other charges.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "**Auditor**") through her staff as assisted by independent accounting firms selected by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2011. The Legislative Audit Committee consists of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2005-06 Comprehensive Annual Financial Report, including the State Auditor's Opinion thereon, is appended to this Official Statement. The Office of the State Auditor, the State's auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Office of the State Auditor has not performed any procedures relating to this Official Statement.

SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES

As discussed in "THE SERIES 2007B NOTES – Security and Sources of Payment – *The Series 2007 Notes Repayment Account*," if on June 26, 2008, the amount credited to the Principal Subaccount of the Series 2007 Notes Repayment Account is less than the principal amount of the Series 2007A Notes, the Series 2007B Notes and any Parity Lien Notes, the Treasurer is required to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the Treasurer and eligible for investment; provided, however, that prior to the application of Current General Fund Revenues eligible for investment or any Borrowable Resources, the Treasurer is to first utilize all other funds that are eligible for investment.

It is presently anticipated that any such deficiency would be funded first from amounts in the State Education Fund, then from amounts in the State Highway Fund, followed, if necessary, by application of Borrowable Resources and finally Current General Fund Revenues. The covenant of the Treasurer to use all other funds that are eligible for investment does not constitute a pledge of or lien on such funds for such purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. In addition, the right of the Treasurer to use Borrowable Resources or Current General Fund Revenues that are eligible for investment for deposit to the Series 2007 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2007-08, including, without limitation, the General Fund Notes discussed in "INVESTMENT CONSIDERATIONS – Subordination Regarding Certain State Funds."

In the event that such a deposit to the Principal Account is necessary, the Treasurer is required to take such actions as may be necessary to identify and designate the District Notes as an investment of the funds used to make such deposit, and the Owners of the Series 2007B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2008.

See also "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Participation in the Loan Program."

The State Education Fund

The State Education Fund was established by Amendment 23, that also mandates that there be deposited therein all revenues collected from ⅓ of 1% of the State's existing income tax, and exempts those funds from the revenue limitations of "TABOR." See "STATE FINANCIAL INFORMATION – TABOR." The State legislature may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23 as discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Amendment 23*." The State Education Fund represents a shift of General Fund moneys to a restricted cash fund. Moneys in the State Education Fund may not be transferred to the General Fund, and therefore the State Education Fund is not a Borrowable Resource.

The following information has been prepared by the Treasurer's office to show the actual and estimated cash and investment balances in the State Education Fund in Fiscal Year 2004-05 through Fiscal Year 2007-08.

State of Colorado
State Education Fund
Actual and Estimated Cash and Investment Balances
(dollar amounts expressed in millions)

Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2004-05	$164.9	$188.1	$194.5	$215.5	$240.9	$265.1	$304.3	$329.6	$353.1	$376.6	$257.2	$110.1
2005-06	91.4	106.5	127.3	150.9	179.0	211.5	240.2	265.7	290.1	324.2	56.5	98.2
2006-07	129.5	158.8	190.7	212.9	232.9	266.6	301.0	332.0	358.4	392.5	116.7	170.3
2007-08[1]	202.5	237.4	273.8	303.7	332.2	380.3	429.4	473.6	511.3	559.9	166.5	234.9

[1] Amounts for November 2007 and thereafter are estimates made by the Treasurer's office.

Source: State Treasurer's Office

The State Highway Fund

The State Highway Fund is established by Section 43-1-219, C.R.S., and all receipts from the following sources are to be credited thereto: (i) such appropriations as may, from time to time, be made by law to the fund from excise tax revenues; (ii) all revenues accruing to the fund by law, by way of excise taxation from the imposition of any license, registration fee or other charge with respect to the operation of any motor vehicle upon any public highways in the State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel; and (iii) certain receipts from the Limited Gaming Fund. Moneys in this fund are to be expended for, among other things, the construction, reconstruction, repair, improvement, planning, supervision and maintenance of the State highway system and other public highways, including any county and municipal roads and highways, together with the acquisition of rights-of-way and access rights for the same; provided, however, that receipts from the Limited Gaming Fund are to be used solely for public roads and highways leading to and within a 50-mile radius of any limited gaming community (currently Black Hawk, Central City, Cripple Creek and any Indian lands where limited gaming is authorized).

The following information has been prepared by the Treasurer's office to show the actual and estimated cash and investment balances in the State Highway Fund in Fiscal Year 2004-05 through Fiscal Year 2007-08.

State of Colorado
State Highway Fund
Actual and Estimated Cash and Investment Balances
(dollar amounts expressed in millions)

Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2004-05	$ 457.5	$ 427.5	$ 469.4	$ 460.7	$ 503.0	$ 496.6	$ 519.6	$ 499.4	$ 553.4	$ 542.6	$ 564.3	$ 492.1
2005-06	497.9	472.0	454.1	437.7	505.1	568.8	575.1	584.6	625.6	641.1	640.4	638.1
2006-07	690.2	702.7	1,001.5	1,030.7	1,033.4	1,006.8	987.6	1,009.8	1,103.4	1,117.3	1,142.7	1,133.9
2007-08[1]	1,084.2	1,065.9	1,236.4	1,231.5	1,234.7	1,202.9	1,180.0	1,206.5	1,318.4	1,335.0	1,129.4	1,025.2

[1] Amounts for November 2007 and thereafter are estimates made by the Treasurer's office.

Source: State Treasurer's Office

Borrowable Resources

Borrowable Resources consist of 16 major funds of the State other than the General Fund, as well as over 600 other funds and accounts. By constitutional or statutory provision and judicial decision, certain State funds, such as the Public School Permanent Fund, the State Education Fund and the Highway Users Tax Fund, are not Borrowable Resources. An opinion of the Attorney General dated April 17, 2003, clarified what the State may consider to be a Borrowable Resource by narrowing the definition of "custodial funds" versus "public funds." Borrowable Resources are considered to be moneys in the State pool, and as such are invested as described in "Investment Policies" below.

The ability of the Treasurer to pay the Series 2007B Notes from Borrowable Resources will depend upon the availability of funds in the State Treasury that are eligible for investment. See "General Fund Cash Flow" below. In addition, the availability of Borrowable Resources may be affected by the State's statutory obligation to assure the timely payment of certain school district bonds and lease obligations pursuant to Section 22-41-110, C.R.S., commonly referred to as the "State Intercept Act."

The following tables set forth actual Borrowable Resources for Fiscal Year 2006-07 and the estimated Borrowable Resources for Fiscal Year 2007-08. See also "FORWARD LOOKING STATEMENTS."

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State of Colorado
Borrowable Resources
Fiscal Year 2006-07
(amounts expressed in millions; totals may not add due to rounding)

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
State and Local Severance Tax Funds	344.7	328.4	310.5	308.3	302.1	310.6	306.1	310.5	307.6	348.2	355.4	360.6
Mineral Impact Fund	81.9	91.4	75.6	81.9	87.3	77.1	79.4	89.4	77.1	79.0	83.7	77.5
Tobacco Settlement Funds	22.2	22.2	21.8	20.4	19.1	18.7	17.3	16.1	14.9	95.5	93.8	90.4
Children's Basic Health Plan	16.7	19.2	16.4	13.4	10.3	7.6	4.4	1.3	(1.9)	3.7	11.3	10.1
Public Safety Communications	2.6	2.6	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Colorado Student Obligation Bond Authority – Administration	11.4	12.0	11.7	11.5	12.4	12.1	11.4	11.6	8.4	8.0	9.0	9.1
Subsequent Injury and Major Medical Funds	14.5	5.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Conservation Construction Fund	83.8	79.1	97.8	92.5	91.3	98.9	100.3	99.4	103.7	103.9	105.0	111.1
Capital Construction Fund	243.0	235.1	353.4	350.3	348.9	359.4	357.4	360.1	354.8	354.9	355.5	351.6
Lottery Fund	40.4	51.0	32.8	39.4	51.3	28.6	34.9	47.2	34.3	44.9	57.8	35.0
Limited Gaming Fund	50.9	1.7	4.2	8.2	12.4	16.8	20.8	18.6	30.4	36.6	42.2	48.3
Hazardous Substance Fund	35.2	35.3	35.3	35.8	36.4	36.4	36.8	36.9	36.9	37.3	37.5	37.7
Workers' Compensation Fund	30.4	34.5	39.9	37.2	35.2	32.7	29.8	30.0	22.9	21.7	18.8	15.8
State Public School Fund	435.9	182.6	635.1	380.3	123.8	554.0	297.9	41.3	476.3	222.3	275.8	30.7
Higher Education Funds	490.8	568.9	646.2	650.9	626.5	591.4	688.6	693.6	663.2	633.9	572.8	632.8
Tobacco Tax Funds	168.8	167.0	174.2	185.9	197.0	198.7	202.3	224.7	213.7	214.4	212.7	197.0
Other Borrowable Resources	1,044.4	1,182.0	1,204.3	1,118.0	1,150.5	1,151.5	1,189.2	1,208.1	1,103.3	955.3	1,365.2	507.9
Total Borrowable Resources	3,117.6	3,018.3	3,663.4	3,336.2	3,106.7	3,496.7	3,378.8	3,190.9	3,447.8	3,161.8	3,598.7	2,517.8
Total General Fund	550.8	746.8	(87.8)	(10.5)	111.5	(450.8)	65.9	22.0	(496.4)	93.2	310.1	250.8
Less: Notes Issued and Outstanding	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	(650.0)	---
Net Borrowable Resources	3,018.4	3,115.1	2,925.6	2,675.7	2,568.2	2,395.9	2,794.7	2,562.9	2,301.4	2,605.0	3,258.8	2,768.6

Source: State Treasurer's Office

State of Colorado
Actual and Estimated Borrowable Resources
Fiscal Year 2007-08
(amounts expressed in millions; totals may not add due to rounding)[1]

	Actual				Estimated							
	Ju1-07	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**
State and Local Severance Tax Funds	369.4	352.5	355.9	356.9	349.7	319.6	314.9	319.5	316.5	318.2	324.8	309.6
Mineral Impact Fund	83.5	86.3	71.5	81.3	61.7	54.5	56.1	63.1	54.5	55.8	59.1	54.7
Tobacco Settlement Funds	46.4	46.2	46.1	44.6	41.8	38.9	36.0	33.5	31.0	203.6	200.0	192.7
Children's Basic Health Plan	27.0	24.0	23.5	20.9	16.1	11.9	6.9	2.0	0.0	(0.1)	(0.2)	4.8
Public Safety Communications	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Colorado Student Obligation Bond Authority – Administration	8.5	9.9	9.6	9.1	9.8	9.6	9.0	9.2	6.6	6.3	7.1	7.2
Subsequent Injury and Major Medical Funds	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Conservation Construction Fund	110.1	115.1	119.9	117.4	115.9	125.5	127.3	126.2	131.6	131.9	133.3	141.0
Capital Construction Fund	410.8	447.3	524.2	508.6	506.6	521.8	518.9	522.8	495.1	495.3	456.1	451.1
Lottery Fund	39.0	27.8	35.3	44.6	58.1	32.4	39.5	53.4	38.8	50.8	55.4	33.6
Limited Gaming Fund	54.1	1.7	4.5	8.7	13.2	17.9	22.2	19.8	32.5	39.0	45.0	51.5
Hazardous Substance Fund	38.4	38.6	38.4	39.2	39.9	(60.1)	(80.8)	(81.0)	(81.0)	(81.9)	(82.3)	(82.8)
Workers' Compensation Fund	10.8	36.1	34.9	35.6	33.7	31.3	28.5	28.7	21.9	20.8	18.0	15.1
State Public School Fund	433.3	172.8	635.8	363.5	118.3	529.5	284.7	39.5	455.3	212.5	263.6	29.3
Higher Education Funds	576.6	659.4	881.8	883.6	850.5	802.8	934.8	941.6	900.3	860.5	777.6	859.0
Tobacco Tax Funds	198.0	206.5	206.9	208.3	220.7	207.6	211.4	234.8	223.3	224.0	222.3	205.9
Other Borrowable Resources	910.3	992.1	886.8	827.0	851.1	851.8	879.7	893.6	816.1	706.7	840.7	360.8
Total Borrowable Resources	3,318.4	3,218.9	3,877.2	3,551.4	3,289.0	3,497.0	3,391.2	3,391.2	3,444.6	3,245.5	3,322.5	2,635.7
Total General Fund	208.3	413.3	(343.4)	(87.4)	132.4	(231.7)	304.4	304.4	(45.3)	500.1	807.8	243.8
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	--
Net Borrowable Resources	3,026.7	3,132.2	3,033.8	2,964.0	2,921.3	2,765.2	3,195.6	3,195.6	2,899.3	3,245.7	3,630.3	2,879.4

[1] See "INVESTMENT CONSIDERATIONS – Subordination Regarding Certain State Funds."

Source: State Treasurer's Office

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. See "APPENDIX C – THE STATE GENERAL FUND" for a discussion of the General Fund.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State

The State constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. Accordingly, the State currently has, and upon issuance of the Series 2007B Notes will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including agreements providing security for certificates of participation in such agreements, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2006, the minimum lease payments due in Fiscal Year 2007-08 under lease-purchase agreements were approximately $8.2 million.

State Departments and Agencies

Certain State departments and agencies, including State universities, also have the authority to issue revenue bonds payable from specified sources other than the general revenues of the State, and to enter into lease-purchase agreements the payment of which are subject to annual appropriation by the General Assembly, in order to finance various public projects. Such obligations do not constitute a debt or liability of the State. For the outstanding aggregate principal amount of such obligations as of June 30, 2006 and certain obligations issued in July and August 2006, see Notes 25 and 38 to the audited financial statements of the State appended to this Official Statement.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes, currently outstanding in the aggregate principal amount of $1.271 billion. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion, and certain other moneys. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

State Authorities

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

Prior to July 1, 2001, the Colorado Housing and Finance Authority ("**CHFA**") was permitted by statute to establish capital reserve funds for the purpose of paying debt service, and is required to request additional funding from the Governor and General Assembly if such reserve funds are depleted, although the General Assembly is not required to make an appropriation for such reserve funds. No request for additional funding to establish or replenish such reserve funds has ever been made by CHFA.

LITIGATION AND INVESTIGATIONS

No Litigation Affecting the Series 2007B Notes

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2007B Notes or questioning or affecting the validity of the Series 2007B Notes or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the Treasurer to adopt the State Resolution and to secure the Series 2007B Notes in the manner provided in the State Resolution and the Loan Program Act.

Governmental Immunity

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

Self Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the

Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6-H, 22 and 26 to the financial statements appended to this Official Statement for a description of the Risk Management Fund. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation and Investigations

For a description of the pending material litigation in which the State is a defendant, see Note 37 to the audited financial statements included as Appendix A hereto. The State Attorney General does not believe that any of such actions, or any combination thereof, will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2007B Notes. The State Attorney General also does not believe that since June 30, 2006, there have been any material actions initiated in which the State is a defendant that will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2007B Notes.

On December 13, 2007, the Mesa County Board of County Commissioners and several taxpayers filed a lawsuit in the Denver district court against the Colorado Department of Education challenging the validity of SB 07-199 on the basis that it violates provisions of TABOR and seeking, among other things, to enjoin the Colorado Department of Education from certifying a mill levy in accordance with SB 07-199 and to refund to taxpayers who paid more property taxes that such taxpayers should pay the amount of excess property taxes paid plus 10%. See "SOURCE OF PAYMENT OF PROGRAM LOANS – TABOR." The State cannot predict what the ultimate outcome of such litigation might be. However, the State does not believe that such litigation would adversely affect its ability to repay the Series 2007 Notes.

In September of 2007, the Internal Revenue Service (the "**Service**") informed the State that the Service closed its examination of the State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2004B (the "**Series 2004B ETRANs**") which were issued in the aggregate principal amount of $295,000,000 and matured on August 9, 2005, with no change to the position that interest received by holders of the Series 2004B ETRANs is excludable from gross income for federal income tax purposes.

FORWARD LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – Sources of Funding of Total Program"; "– Summary Financial Information Regarding the Participating Districts," "SOURCES OF STATE FUNDS TO PAY THE SERIES 2007B NOTES" and "APPENDIX C – THE STATE GENERAL FUND," contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. Any forward looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Inevitably, some assumptions used to develop the forward looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward looking statements and actual results, and those differences may be material.

RATINGS

Fitch, Inc., Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc. have assigned the Series 2007B Notes the ratings set forth on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the related rating agency.

Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that a current rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2007B Notes. The State has not undertaken any responsibility either to bring to the attention of the Owners and Beneficial Owners of the Series 2007B Notes any proposed change in or withdrawal of a rating, or to oppose any such proposed revision or withdrawal.

CONTINUING DISCLOSURE

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, no undertaking to report annual financial information or operating data as set forth in the final Official Statement, or audited financial statements, will be provided by the State in connection with the Series 2007B Notes as the Series 2007B Notes have a stated maturity of less than 18 months. However, the Treasurer nevertheless undertakes in the State Resolution, for the benefit of the Owners and Beneficial Owners of the Series 2007B Notes, to provide to each NRMSIR (either directly or, if then authorized by the Securities and Exchange Commission, through filing with the Central Post Office) in a timely manner during such time as the Series 2007B Notes are outstanding notice of any of the following events with respect to the Series 2007B Notes if deemed by the State to be material: principal and interest payment delinquencies, nonpayment related defaults, adverse tax opinions or events affecting the tax-exempt status of the Series 2007B Notes, modifications to rights of the Owners of the Series 2007B Notes, defeasances, release, substitution or sale of property securing repayment of the Series 2007B Notes and rating changes, as well as certain other events that are not applicable to the Series 2007B Notes.

The covenants of the State set forth in "THE SERIES 2007B NOTES – Security and Sources of Payment – *Defeasance of the Series 2007B Notes*"; "– Covenants of the State" constitute a part of the undertaking of the Treasurer to provide certain information for the benefit of the Owners and Beneficial Owners of the Series 2007B Notes.

The obligations of the Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2007B Notes, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, breach of the Treasurer's obligations pursuant to the undertaking does not constitute an Event of Default under the State Resolution, and none of the rights and remedies provided in the State Resolution for Events of Default will be available to the Owners or Beneficial Owners of the Series 2007B Notes in such event.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2007B Notes, as well as the treatment of interest on the Series 2007B Notes for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Hogan & Hartson LLP, Denver, Colorado, as special counsel to the State in connection with the preparation of this Official Statement. Payment of legal fees to Bond Counsel and special counsel are contingent upon the sale and delivery of the Series 2007B Notes.

TAX MATTERS

Generally

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2007B Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assume the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2007B Notes. Failure to comply with such covenants could cause interest on the Series 2007B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007B Notes. The State has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2007B Notes. Such interest is also not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws.

Notwithstanding Bond Counsel's opinion that interest on the Series 2007B Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2007B Notes may otherwise affect the federal income tax liability of the owners of the Series 2007B Notes. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2007B Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2007B Notes.

The amount treated as interest on the Series 2007B Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "**Service**") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Series 2007B Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Series 2007B Notes and the aggregate amount to be paid at maturity of the Series 2007B Notes (the "**original issue discount**"). For this purpose, the issue price of the Series 2007B Notes is the first price at which a substantial amount of the Series 2007B Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2007B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2007B Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Series 2007B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2007B Note. An initial purchaser of a Series 2007B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Internal Revenue Code of 1986, as amended. Purchasers of a Series 2007B Note with original issue premium should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Series 2007B Notes with original issue premium.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2007B Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2007B Notes. An example of such litigation is the case of Davis v. Kentucky Department of Revenue, 197 S.W.3d 557 (2006), the oral argument for which was heard by the U.S. Supreme Court on November 5, 2007 with a decision expected to be rendered in the spring of 2008, challenging Kentucky's taxation of bonds issued by other states and their political subdivisions differently than it taxes bonds issued by Kentucky and its political subdivisions. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2007B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2007B Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2007B Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

UNDERWRITING

The Series 2007B Notes will be purchased from the State by the Underwriter specified on the cover page hereof pursuant to a competitive sale for an aggregate purchase price of $310,619,900, being the principal amount of the Series 2007B Notes plus original issue premium of $626,100 and less an aggregate underwriting discount of $6,200.

FINANCIAL ADVISOR

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2007B Notes. Pursuant to its contract with the State, the Financial Advisor is not permitted to submit a bid to purchase the Series 2007B Notes.

MISCELLANEOUS

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2007B Notes, copies of the State Resolution and certain other documents referred to herein may be obtained from the Financial Advisor at RBC Capital Markets, One Tabor Center, 1200 17th Street, Suite 2150, Denver, Colorado 80202, Attention: Terry Casey, telephone number (303) 595-1204. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

By: */s/ Cary Kennedy*
Treasurer of the State of Colorado

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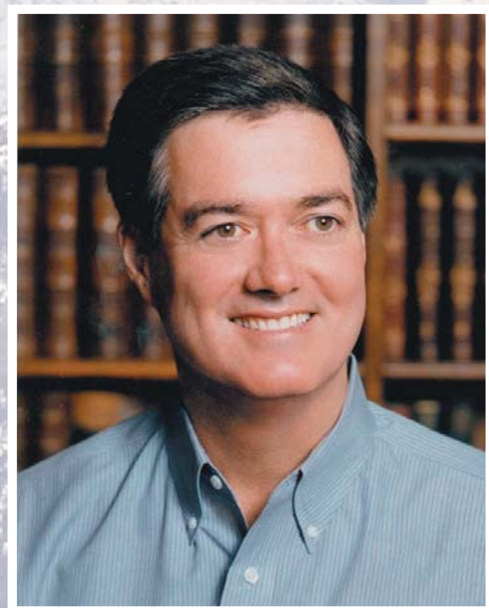
APPENDIX A

STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(Pagination reflects the original printed document)

Comprehensive Annual Financial Report

June 30, 2006



Bill Owens
Governor

Department of Personnel & Administration
Jeffrey M. Wells, Executive Director
Leslie M. Shenefelt, State Controller

REPORT LAYOUT

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

INTERNET ACCESS

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

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

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2006

CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Comprehensive Annual Financial Report
June 30, 2006

State of Colorado

Bill Owens
Governor

Jeffrey M. Wells
Executive Director

Leslie M. Shenefelt
State Controller

DPA
Department of Personnel & Administration

Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado 80202
Phone (303) 866-6200
Fax (303) 866-4233
www.colorado.gov/dpa

December 8, 2006

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

It is our privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Colorado for the fiscal year ended June 30, 2006. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. The State Controller is responsible for managing the finances and financial affairs of the state and is committed to sound financial management and governmental accountability.

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

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

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

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

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

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

PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,350 to 14,431 feet above sea level. The state's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the state's semi-arid climate, water resource development, allocation, and conservation are ongoing issues for state management.

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

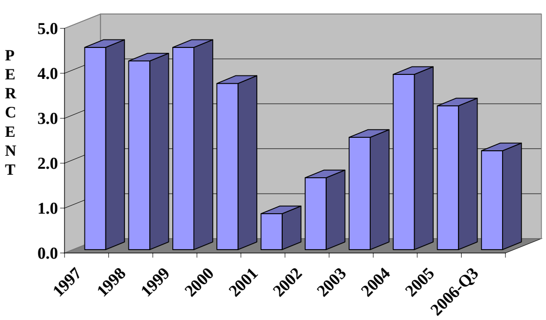
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited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

The Judicial Branch is responsible for resolving disputes within the state, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by 262 justices and judges in 22 judicial districts across the state (excluding 17 Denver county court judges). Municipal courts are not part of the state system. There are also seven water courts, one in each of the major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

The state's General Fund revenues reflect the overall condition of the state economy, which showed strong growth in Fiscal Year 2005-06, increasing by $585.0 million (9.5 percent) over the prior year amount. The revenues would have been greater by $220.4 million (total change of 13.1 percent) if not for the diversion of that amount of general-purpose sales tax revenue from the General Fund to the Highway Users Tax Fund. The general-purpose revenue growth is consistent with personal income growth in the state of 6.1 percent and 5.8 percent (forecast) for 2005 and 2006, respectively. It also reflects a significant state employment increase as 49,600 jobs were added in 2005 and 46,600 are forecast to be added in 2006. Colorado's employment increase of 2.2 percent in July 2006 was the sixteenth highest rate of increase in the nation.

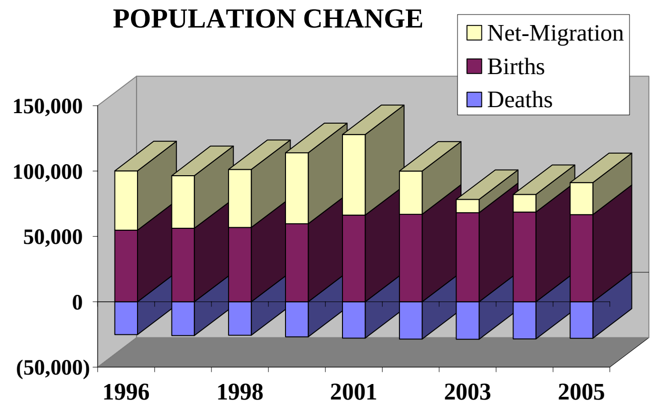
PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



Inflation adjusted national gross domestic product (GDP) grew at an annual rate of 3.2 percent in calendar 2005 and at 2.2 percent in the third quarter of 2006. GDP grew 3.0 percent from the third quarter of 2005 to the third quarter of 2006 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures, which account for two-thirds of GDP and were up 2.7 percent, slightly lagged the aggregate growth rate while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) outpaced the 2.7 percent rate at 6.1 percent. Residential investment declined 7.9 percent (fourth consecutive quarter of decline) offsetting a 14.4 percent increase in nonresidential structures. Government spending also lagged the quarter-over-quarter rate at a 1.7 percent as a decline in national defense expenditures (1.2 percent) offset increases in state and local government spending (2.6 percent) and federal nondefense spending growth (3.0 percent). Quarter-over-quarter export growth (9.0 percent) slightly exceeded import growth (7.2 percent).

Colorado economic activity and in-migration are interdependent, and the economic recovery in Fiscal Years 2004-05 and 2005-06 affected net in-migration in calendar year 2005. In-migration more than doubled from an average of approximately 11,800 in 2003 and 2004 to over 24,400 in 2005. It remains off its peak amount of about 61,600, which occurred in 2001. International in-migration declined slightly from 19,700 to 18,800, for 2004 and 2005 respectively, and the 2004 out-migration to other states of about 5,500 was reversed with a net in-migration from other states of about 5,500 in 2005. The short term economic effect of total in-migration is reduced by the large proportion of international in-migration that likely results in new households that have a lower level of economic activity than households migrating from other states. The information in the adjacent chart is based on current Census Bureau estimates. Data for the year 2000 is not included in the chart because a large adjustment was made to total state population for that year, and matching annual estimates for deaths and births are not available for that year.

COMPONENTS OF COLORADO'S POPULATION CHANGE



The Governor's Office of State Planning and Budgeting (OSPB) predicts that Colorado's economy will continue improving in the near term, and it has made the following forecast for Colorado's major economic variables:

- Employment will grow by 2.6 percent in 2006.

- Unemployment will average 4.6 percent for 2006 compared with 5.1 percent in 2005, and it is expected to fall to 4.5 percent by 2008.
- Wages and salary income will grow by 5.3 percent in 2006 and 5.4 percent in 2007.
- Total personal income will increase by 5.8 percent in 2006 and 5.9 percent in 2007.
- Net in-migration is expected to be 30,000 in 2006 with total population growth of 1.4 percent.
- Retail trade sales will increase 5.5 percent in 2006 and 5.7 percent in 2007.
- Colorado inflation will increase from 2.1 percent in 2005 to 3.5 percent in 2006 and then fall to 3.2 percent in 2007.

MAJOR GOVERNMENT FISCAL INITIATIVES

In the 2006 legislative session, the Legislature passed and the Governor signed significant legislation affecting the fiscal operations of the state. The most immediate impact was the result of various pieces of legislation that implemented the voter's passage of Referendum C in the November 2005 election, which allowed the state to retain revenues in excess of the limits set in the State Constitution.

Referendum C created a General Fund Exempt Account within the General Fund that consists of the retained revenues. Because the amount of retained revenues would not be known until well after the end of the fiscal year, the legislature appropriated a spending plan for the General Fund Exempt Account based on the December 2005 estimate of the amount to be retained. As a result, the state's budget shows $815.2 million appropriated for the activities designated in Referendum C including health care, education, and fire and police pensions.

In addition to the amounts appropriated in the General Fund Exempt Account, the retained revenues made it possible for the legislature to increase General Fund appropriations by approximately $113.0 million. The increase brought the growth in General Fund appropriations to the statutory limit, which activated existing statutory requirements including paying back moneys to the cash funds that were transferred into the General Fund in prior years and diverting sales tax revenues to the Highway Users Tax Fund. The ability to retain excess revenues also resulted in significant General Fund surplus (fund balance on the budgetary basis) that will be transferred to the Capital Projects Fund and the Highway Users Tax Fund in Fiscal Year 2006-07 under pre-existing statutory requirements. These existing statutory requirements when added to the $815.2 million appropriated from the General Fund Exempt Account exceeded the resources available and certain existing General Fund appropriations were reduced.

The Legislature passed legislation to address the unfunded actuarial liability of the Public Employees Retirement Association. The bill provides for additional funding of .5 percent of salary each year beginning in 2008 until an additional 3 percent is being contributed by the state. This additional funding will terminate when each division of PERA reaches 100 percent funding status. The additional funding will come from changes to state employee salaries. The bill also:

- changed benefit provisions for new hires beginning January 1, 2007,
- reduced the prescribed amortization period for the unfunded actuarial liability from 40 to 30 years,
- required the General Assembly to contract for an independent actuarial study before benefits are increased,
- required full actuarial costing of purchases of service credit,
- changed the composition of the PERA board by removing the State Auditor and replacing elected members with gubernatorial appointees with relevant professional experience, and
- allowed new employees of Higher Education Institutions to select the PERA or state defined contribution plan in addition to their existing options.

During the regular 2006 Legislative Session, the Legislature passed laws that among other requirements prohibited state agencies from contracting for services with a contractor who knowingly employs or contracts with illegal aliens and requires state contractors to certify compliance with this law. The Governor called a

Special Session of the Legislature in June 2006 to address additional issues related to illegal immigration. One of the laws passed in the Special Session requires verification of lawful presence in the United States before an applicant qualifies for certain public benefits. The legislature addressed other immigration issues in the regular and special sessions; however, the two items discussed above continue to significantly affected the fiscal operations of state government primarily in the areas of contracting, purchasing, and benefits disbursement.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly enacts the annual state budget for all ongoing programs, except for federal and custodial funds. New programs are funded for the first time in enabling legislation and are continued through the Long Appropriations Act in future periods. For the most part, appropriations lapse at the end of the fiscal year unless extenuating circumstances prompt the State Controller to approve an appropriation rollforward. Capital construction appropriations are normally effective for three years.

The state records the budget in its accounting system along with estimates of federal awards and custodial funds of the various departments. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A). Encumbrances are also recorded and result in a reduction of the budgeted spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. Encumbrances in the General Fund are not reported as a reservation of fund balance unless the related appropriations are approved for rollforward to the subsequent fiscal year. Fund balance is reserved for encumbrances that represent legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund.

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

RISK MANAGEMENT

The state self-insures its agencies, officials, and employees against the risk of loss related to general liability, motor vehicle liability, and workers' compensation. Property claims are not self-insured, as the state has purchased insurance. The state uses the General Fund to account for the risk management function including operations and all matured claims or judgments. (See Note 6-H on page 77, Note 22 on page 103, Note 26 on page 111). Actuarially determined and other long-term risk management claims are reported only on the government-wide *Statement of Net Assets.* Medical claims for officials and employees are managed through the Group Benefits Plan Fund, a Pension and Employee Benefits Trust Fund that also became self-insured during Fiscal Year 2005-06. The Regents of the University of Colorado, the Board of Governors of the Colorado State University System, and the Board of Trustees of University of Northern Colorado individually manage the risks to which they are exposed and do not participate in the state's risk management fund.

INDEPENDENT AUDIT

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

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

CASH MANAGEMENT

Statutes direct the State Treasurer to invest cash that is not immediately needed to pay obligations of the state. These investments may consist of obligations of the United States, commercial paper of prime quality, repurchase agreements, bank acceptance agreements, and other investment instruments. The State Treasurer also invests funds of the Colorado Water Resources and Power Development Authority, a component unit, and the Great Outdoors Colorado Trust Fund, a related organization. Both are accounted for in the treasurer's agency funds. At June 30, 2006, the State Treasurer held the following investments at fair value:

Investment Type	Amount in Millions
U.S. Government Securities	$ 1,927.3
Commercial Paper	1,403.5
Asset Backed Securities	722.4
Corporate Bonds	492.3
Mutual Funds	103.0
Mortgages Securities	79.7
Total	$ 4,728.2

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Sincerely,

Leslie M. Shenefelt

Leslie M. Shenefelt
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

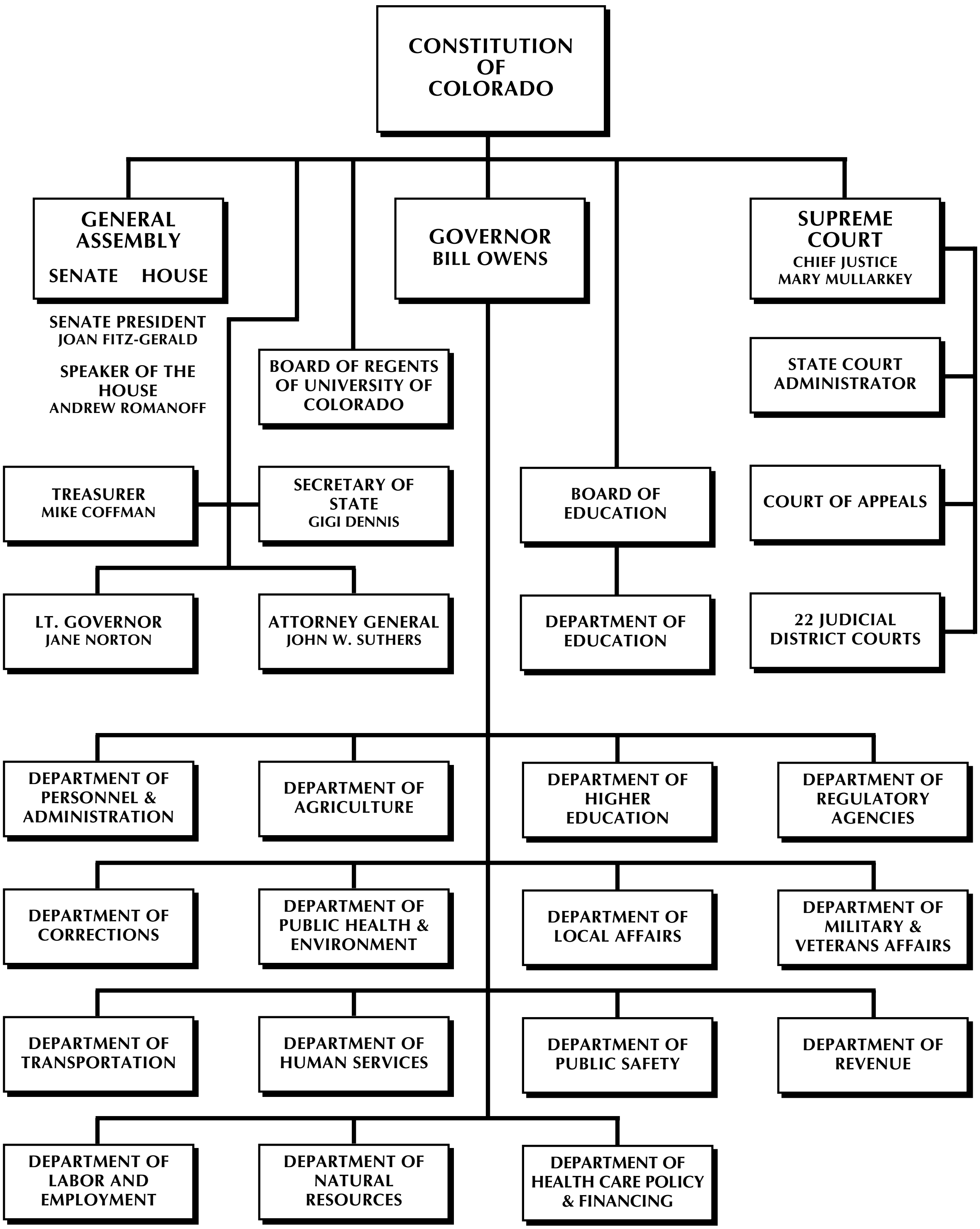
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



Financial Section

Comprehensive Annual Financial Report
June 30, 2006

STATE OF COLORADO

Sally Symanski, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

December 8, 2006

Independent Auditor's Report

Members of the Legislative Audit Committee:

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Sally Symanski

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are three major parts to the basic financial statements – government-wide statements, fund level statements, and notes to the financial statements. Certain required supplementary information (in addition to this MDA), including budget-to-actual and infrastructure information, is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

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

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

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

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

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

Fund Level Statements

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

- Governmental Funds – A large number of the state's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Permanent Funds.
- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the state's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds charge other state agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal service fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an adjustment to program expenses on the government-wide *Statement of Activities.* On the fund level statements, Nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.
- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported in these funds are not available to finance the state's programs, and therefore, these funds are not included in the government-wide statements. The state's fiduciary funds include several Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using accrual accounting.

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

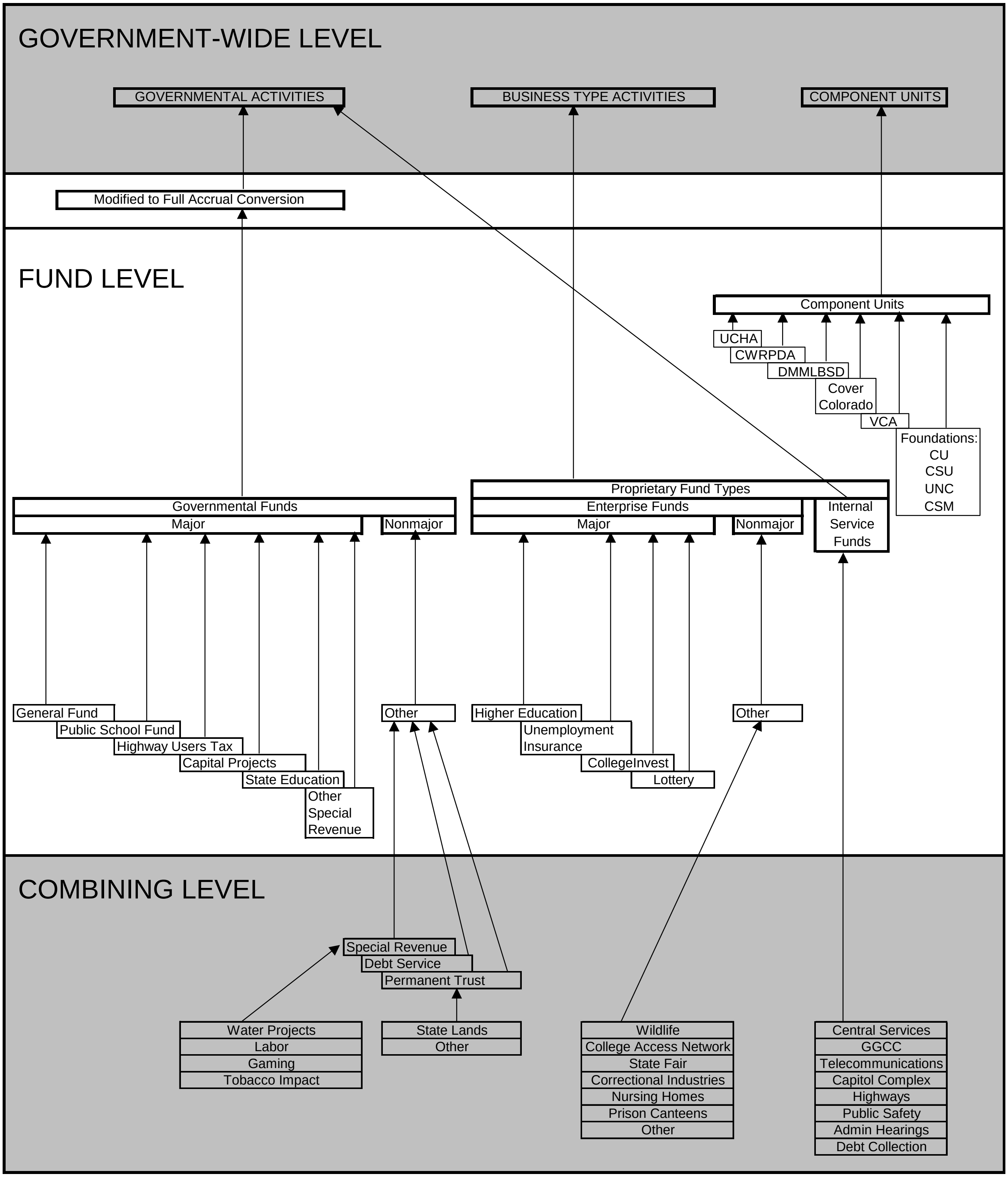
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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


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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

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

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

Capital assets, net of related debt, account for $13,919.1 million or 71.2 percent of the state's total net assets, which represents a decrease of $90.8 million from the prior year. This line item shows the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. The current year decline in the amount indicates that current year depreciation exceeded the liquidation of borrowing related to the capital assets, which means the state is not paying off the borrowing for capital assets at the rate at which the capital assets are declining in service utility. The value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $2,855.0 million or 14.6 percent of net assets, which represents a $532.1 million increase over the prior year. In general, these restrictions dictate how the related assets must be used by the state, and therefore, the amount may not be available for the general use of the state's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the state's net assets. The largest increases were in restrictions related to Unemployment Insurance ($227.1 million) and Highway Construction and Maintenance ($145.3 million).

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

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

Business-type activities' revenues and transfers-in exceeded expenses by $476.3 million resulting in an increase in net assets. Program revenue of the business-type activities increased by $809.6 million while expenses decreased by $237.3 million. Transfers from the governmental activities to the business-type activities decreased from $555.5 million to $80.9 million primarily due to the new Higher Education funding mechanism under which transfers to the institutions are replaced with student stipends and fee for service contracts with the institutions. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

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

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

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

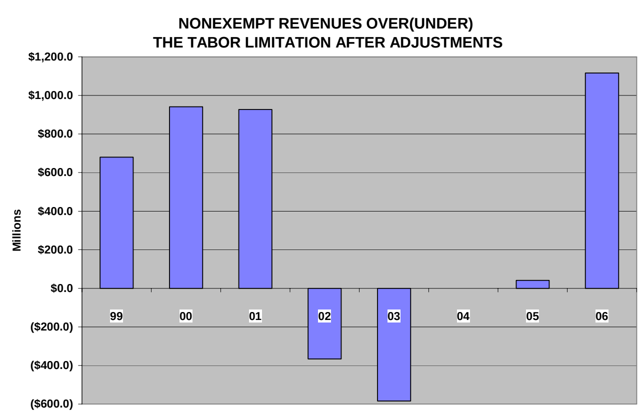
Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, that was referred to the ballot by the Legislature. Referendum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

TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits including the previously existing statutory six percent limit on General Fund expenditure growth. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

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

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

In the first three years of operations under TABOR, the state did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, state revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The state was required to refund $41.1 million in Fiscal Year 2004-05. At the beginning of Fiscal Year 2005-06, this amounted to total required refunds of $3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the state recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years.



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

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

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

Referendum C

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

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

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

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

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

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

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

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

(Amounts in Millions)

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

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

INDIVIDUAL FUND ANALYSIS

General Fund

The General Fund is the focal point in determining the state's ability to maintain or improve its financial position. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General Fund consist of two broad categories, general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Augmenting revenues include federal funds, transfers-in, fees and charges, or specific user taxes. Augmenting revenues are usually limited as to how they can be spent. Federal revenues are closely matched with federal expenditures. Even though significant federal grant revenues are accounted for in the General Fund, they have little impact on the General Fund fund balance.

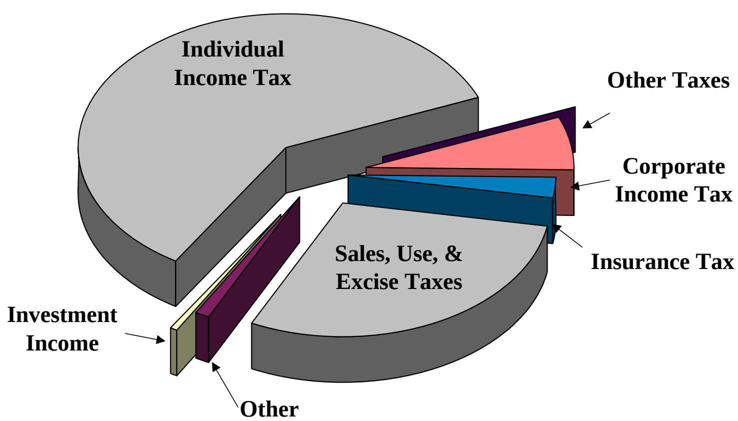
The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $592.8 million, an increase of $353.9 million over the prior year. The General Fund available for the Reserve for

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

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

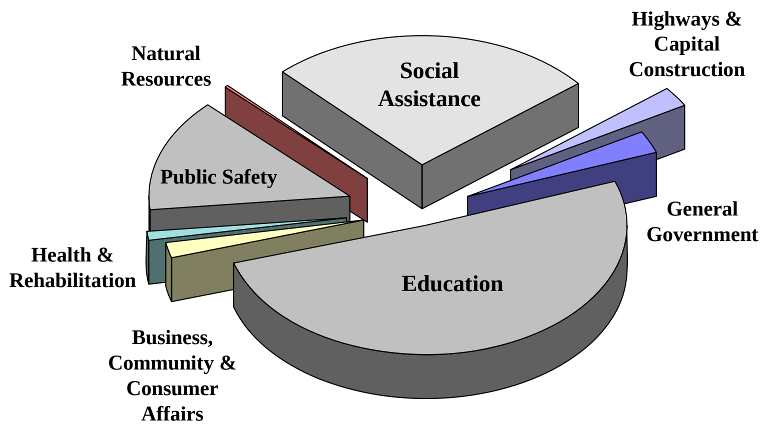
General-purpose revenues for Fiscal Years 2005-06 and 2004-05 were $6,746.4 million (see page 137) and $6,160.8 million, respectively – an increase of $585.5 million or 9.5 percent. Individual income tax revenue increased by $623.1 million. The major categories of individual income tax, all of which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

GENERAL-PURPOSE REVENUES BY SOURCE



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

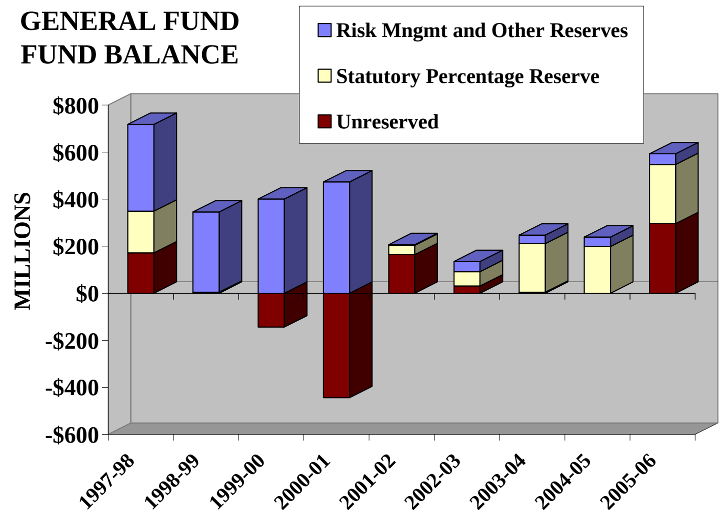
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



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

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

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



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

As required by Senate Bills 03-196 and 03-197, the state converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. This change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. On the GAAP financial statements the net General Fund revenues that are available for expenditure are titled Unreserved Reported in: General Fund; the analogous legally defined title on the budgetary basis statement is General Fund Surplus. Deferring payroll expenditures moved $67.3 million of expenditures into the following year, while deferring Medicaid related expenditures moved $149.5 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $76.0 million. In total, the effect was to increase General Fund fund balance by $140.8 million, which was $4.1 million more than the effect of deferring Fiscal Year 2004-05 expenditures into Fiscal Year 2005-06.

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

Public School Fund

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

Highway Users Tax Fund

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

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

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

Capital Projects Fund

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

State Education Fund

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

Other Special Revenue Funds

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

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

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

Higher Education Institutions

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

Unemployment Insurance

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

CollegeInvest

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

State Lottery

The Lottery produced operating income of $124.3 million ($104.6 million in Fiscal Year 2004-05) on sales of $474.3 million ($420.7 million in Fiscal Year 2004-05), which represents an 18.8 percent increase in operating income. The Lottery distributed $50.2 million ($50.2 million in Fiscal Year 2004-05) to the Great Outdoors Colorado program, a related organization, and transferred $75.7 million ($53.9 million in Fiscal Year 2004-05) to other state funds, of which, $12.5 million was distributed to local school districts through the Public School Fund, $12.6 million was used to fund operations of the state Division of Parks and Recreation, and $50.6 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 137. That schedule isolates general-purpose revenues and expenditures funded from those revenues; it is therefore the best source for identifying General Fund budget activities.

Differences Between Original and Final Budgets

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

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

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

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

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

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $1,100,994 for Fiscal Year 2005-06. General-funded overexpenditures were not significant, and they are discussed in detail in Note 8A on page 80. In total, state departments reverted $4.0 million of general funded appropriations; the reversion amount would have been $14.6 million greater if not for a negative reversion of that amount related to the Old Age Pension program. The negative reversion is not considered an overexpenditure because the Old Age Pension program is continuously appropriated in statute and the negative reversion is shown primarily to inform the Legislature of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $5.2 million of revenue in excess of that which was required to support specific appropriations in the General Fund. The final budget is presented without regard to restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $2.4 million, which included a $0.7 million reversion related to payments not made to private prison facilities to house inmates, and a $1.5 million reversion related to payments not made for inmate medical services to private providers and the state hospital. The private prison payments were less than projected because the department needed approximately one percent fewer beds than originally estimated. The medical services payments were less than projected because of reduced utililization attributable to improved inmate health care services management provided by a newly contracted service provider. The balance of the reversion was related to a large number of operating, contract services, and personal services line items that were not individually significant.

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

- Department of Human Services (DHS) – The department reverted $3.9 million of general funded appropriation from a large number of budget line items. The individually significant items included the following: DHS reverted $.3 million from its Colorado Benefits Management System appropriation primarily due to staffing reductions made possible by efficiencies achieved through system process improvements, vacancy savings due to delays in filling positions, and a current year budget restriction related to a prior year overexpenditure for which the department did not receive a supplemental appropriation. DHS reverted $.6 million from its Aid to Needy Disabled (State Supplement) line item, and $1.1 million from its Aid to Needy Disabled (State Only) line item. In both instances the primary reason for the reversion was lower than anticipated caseloads. The department increased the grant standard effective April 2006, but due to the short amount of time remaining in the fiscal year the increase did not eliminate the reversion. DHS reverted $.8 million from its Colorado Child Care Assistance Program primarily due to an unsolicited supplemental increase. Expenditures of this program are driven by eligibility and reimbursement rates set by counties within the state, and notwithstanding reductions in the county disbursements, the department would have had a small overexpenditure if not for the supplemental appropriation.

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

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

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

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

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

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

(Amounts in Millions)

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

The state is constitutionally prohibited from issuing general obligation debt. However, the state has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and state taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 25 for additional detail).

Fiscal Year 2005-06
(Amounts in Millions)

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

Fiscal Year 2004-05
(Amounts in Millions)

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

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

Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. The amendment does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures.

INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

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

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

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

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

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

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

(Amounts in Millions)

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

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

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

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

Several conditions adversely affect the state's future operations:

- Pension Plan Contributions – Notwithstanding a 9.8 percent return on investments in 2005, the funding ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State Division and the School Division of the Public Employees Retirement Association (PERA) did not change significantly from the prior year (2004 State and School Division – 70.1 percent, 2005 State Division – 71.5 percent and 2005 School Division – 73.9 percent). In 2000, the State and School Division had a funding ratio of 104.7 percent. The amortization period for the plan is infinite, which means that at the current contribution level and actuarial assumptions the liability associated with existing benefits will never be fully paid. The current contribution rate of 10.65 percent is .8 percentage points (or 7.0 percent) below the average during the 1990s. PERA's actuary estimates that the contribution rate would need to be 19.3 percent to achieve the 40-year amortization period currently called for by the Governmental Accounting Standards Board. In the 2006 session, the Legislature approved a Supplemental Amortization Equalization Disbursement that will add three percentage points to the annual contribute in addition to the three percentage points required by the Amortization Equalization Disbursement (approved in the 2004 session). These increases will be phased in through 2013. Barring further changes, they will increase the annual contribution in Fiscal Year 2013-14 and subsequent years to 16.15 percent of salary.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to dedicate a portion of TABOR refunds to education programs. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund even though Referendum C has eliminated TABOR refunds through Fiscal Year 2009-10. OSPB currently estimates that $361.4 million will be diverted from general-purpose tax revenue in Fiscal Year 2006-07 under this requirement. In addition, the state is required to increase funding of education by specified percentages over inflation. This requirement will have increasing impact if the inflation rate increases. This revenue diversion and mandated expenditure growth infringes on general funding for other programs because of the existing spending limits.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year end). This causes the outflow of resources to be deferred into the following year. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($140.8 million net of related deferred revenue in Fiscal Year 2005-

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

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

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2006

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 28)

Net Assets - Ending

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

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

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

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

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

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

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

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

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

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

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

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

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

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

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

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

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

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

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

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

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2006

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. In Fiscal Year 2005-06 the state implemented the following GASB Statements:

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

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

The following entities qualify as discretely presented component units:

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

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

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

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

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

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

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

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

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

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

Venture Capital Authority
1625 Broadway, Suite 1700
Denver, Colorado 80202

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

- Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Facilities Authority
- Colorado Institute of Technology
- Colorado Agricultural Development Authority
- Colorado Housing and Finance Authority
- Colorado Sheep and Wool Authority
- Colorado Beef Council Authority
- Fire and Police Pension Association
- The State Board of the Great Outdoors Colorado Trust Fund
- Statewide Internet Portal Authority

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the state cannot impose its will, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

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

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

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

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

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

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

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

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

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

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

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

Some of the state's component units have fiscal year ends that differ from the state's fiscal year end. However, there were no significant receivable and payable balances between the primary government and those component units at the fiscal year end reporting dates. The four foundations reported as component units have the same fiscal year end as the state. Amounts shown as due from or due to the component units are receivable from or payable to these foundations.

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, the Unemployment Insurance Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. All of the state's component units are reported as major.

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

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

Public School Fund

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

Highway Users Tax Fund

Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver and vehicle registration fees, and other related taxes. Other financing sources include the issuance of revenue bonds. Most of the state's infrastructure is financed by this fund.

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund.

State Education Fund

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

Other Special Revenue Funds

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

CollegeInvest

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension Trust Funds

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

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts (including escheats activity), the College Savings Plan operated by CollegeInvest, and several smaller funds.

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

Department of Education and the portion of the Department of Higher Education not reported as a Business-Type Activity

Health and Rehabilitation

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

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

Natural Resources
Department of Natural Resources

Social Assistance
Department of Human Services, Veterans' Affairs, Department of Health Care Policy and Financing, and the Office of the Colorado Benefits' Management System in the Governor's Office

Transportation
Department of Transportation

Component Units

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

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

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

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

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE STATEMENTS

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

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

FUND LEVEL FINANCIAL STATEMENTS

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

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

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

Expenditures are recognized in governmental funds when:

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

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

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

Component Units

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

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

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

A. CASH AND POOLED CASH

Primary Government

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

Component Units

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

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

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

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

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 15). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

Component Units

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

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

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

E. CAPITAL ASSETS

Primary Government

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

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

(Amounts in Years)

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

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

Department of Natural Resources, is capitalized and depreciated.

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

Component Units

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

F. DEFERRED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

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

H. INSURANCE

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

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

I. NET ASSETS AND FUND BALANCES

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

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

On the *Balance Sheet – Governmental Funds,* assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation. However, management may also make designations of unreserved fund balance that signal management's intent that certain fund balance amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

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

Invested in Capital Assets Net of Related Debt – This item comprises capital assets net of accumulated depreciation if applicable. It is reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

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

Restricted for State Education – The entire net assets balance of the State Education Fund, a major governmental fund, is restricted based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000.

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

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

Restricted for Emergencies – The State Legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises (see Note 8B).

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

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

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

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

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

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

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

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation but also include payments on certificates of participation issued by the Department of Personnel & Administration.

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

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

Reserved for Emergencies – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. See Note 8B for more information on the current year amount of the emergency reserve.

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

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

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2005-06. The Plan uses cost from Fiscal Year 2003-04 that will be incorporated in state agency indirect cost rates and plan to be charged to federal grants in Fiscal Year 2007-08. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

Primary Government

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

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

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

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

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

Component Units

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

NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general funded expenditures.

If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 129.

Within the limitations discussed below, the State Controller may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program; however, there were no overexpenditures in the Medicaid program in Fiscal Year 2005-06. The Department of Human Services is allowed $1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1 million in total for the remainder of the Executive Branch. An additional $1 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

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

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

Department of Human Services Overexpenditures Other Than Medicaid:

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

Judicial Branch Overexpenditures Subject to the $1 Million Limit:

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

Statewide Overexpenditures Subject to the $1 million Limit:

- Executive Director's Office - Fleet Operating Expense – The Department of Personnel & Administration over-expended this line item by $413,295 of cash funds exempt from TABOR. The overexpenditure occurred because fuel costs for the fleet increased more than was anticipated in the final budget.

- Executive Director's Office – Risk Management Property Premiums – The Department of Personnel & Administration over-expended this line item by $375,358 of cash funds exempt from TABOR. The overexpenditure occurred because one state agency opted out of the statewide property insurance program after the allocation of premium costs to agencies was formalized in the state budget. The department plans to submit a supplemental budget request in Fiscal Year 2006-07 to collect the additional funds from other state agencies participating in the statewide property insurance program.

- Executive Director's Office - Lease Purchase 1881 Pierce Street – The Department of Revenue overexpended this line item by $2,467 of cash funds exempt from TABOR and $2,171 of cash funds not exempt from TABOR. The department overexpended the line item because it was appropriated less than the debt service appropriated to the Department of Personnel & Administration for the related Certificates of Participation. The Department of Revenue's appropriation supports the debt service paid by the Department of Personnel & Administration. A supplemental appropriation was requested by the department to correct the discrepancy between the two appropriations, but it was denied as not material. The department was unable to use other funds to cover the shortfall because the use of operating funds for lease payments is specifically prohibited.

- Colorado Commission on Higher Education – Fee For Service Contracts – The commission over-expended this line item by $53,000 of general funds when it failed to reduce its fee-for-service contracts with state institutions of higher education after the legislature converted $60,000 of the commission's appropriation from fee-for-service contracts to student stipends. The change was made by the Legislature to relax the restrictions on in-state tuition for returning military service personnel.

The General Fund Surplus Schedule (page 137) shows a negative reversion of $10.4 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to $14.6 million of excess expenditures of the Old Age Pension program which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department did not record the additional continuously appropriated spending authority for the $14.6 million so that the General Fund Surplus Schedule and the reversion report would show that the appropriations act estimate was less than the actual expenditures.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

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

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

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

C. BOND COVENANT NONCOMPLIANCE

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

NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

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

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

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

NOTE 10 through 18 – DETAILS OF ASSET ITEMS

NOTE 10 – CASH AND POOLED CASH

Primary Government

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

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

State Treasurer uses electronic funds transfers to move depository account balances into the treasurer's pooled cash.

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

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $4,767.2 million of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2006, the treasurer had invested $4,728.3 million of the pool with the balance of $38.9 million held in demand deposits and certificates of deposit. At June 30, 2006, the state had cash deposit balances in all funds with a carrying value of $1,006.9 million; this amount includes the $38.9 million held as cash in the treasurer's pool. Under the GASB Statement No. 40 definitions, $191.1 million of the state's total bank balance of $1,017.4 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

Component Units

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

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

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

NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded By the Capital Projects Fund – Most capital construction projects funded by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donation of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets;* therefore, they are reported as noncash.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds recorded unrealized gains or losses on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains or losses on the treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the treasurer's pooled cash are shown as increases or decreases in investment balances, and therefore, are

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

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

NOTE 12 – RECEIVABLES

Primary Government

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

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

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

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

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

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

Component Units

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

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

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

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

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

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

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

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

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

NOTE 13 – INVENTORY

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

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

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

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

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

NOTE 15 – INVESTMENTS

Primary Government

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

Colorado Revised Statutes 24-75-601.1 authorizes the type of securities in which public funds of governmental entities in the state may be invested. In general, the statute allows investment in bank acceptances, commercial paper, repurchase agreements, domestic corporate or bank debt, guaranteed investment contracts, securities issued or guaranteed by the federal government, general obligation debt of other states, or registered money market funds with policies that meet specific criteria. For major investment types, the statute establishes minimum credit quality ratings as assigned by national rating agencies. The state may also enter securities lending agreements that meet certain collateralization and other requirements, and it may invest in securities issued by Colorado public entities including authorities established by the state. This statute does not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain international banks, reverse repurchase agreements, and certain collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 15, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. Realized gains from the sale of investments underlying the treasurer's pooled cash were $50,722 for Fiscal Year 2005-06. Excluding the Deferred Compensation Plan and the Defined Contribution Plan, the state recognized $6,551,706 of net realized gains from the sale of investments of other funds during Fiscal Year 2005-06.

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

(Amounts in Thousands)

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

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

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

Custodial Credit Risk

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

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

(Amounts in Thousands)

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

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. The table also shows the fair value of securities held by these funds that are subject to custodial credit risk:

(Amounts in Thousands)

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

Credit Quality Risk

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

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

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

In addition, to the amounts shown in the following table, CollegeInvest held a funding agreement valued at $22.9 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.

(Amounts In Thousands)

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

Interest Rate Risk

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

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

The University of Colorado, which operates a treasury function separate of the State Treasurer, uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no greater than five years. UPI requires its securities to be rated A or better, and limits investments in a single issuer to $1.0 million or less.

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

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

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 1,927,319	1.300	$ 13,461	1.257	$ 7,513	6.600	$ 146,949	5.400
Commercial Paper	1,403,523	0.100	1,976	0.260	-	-	12,044	0.080
Corporate Bonds	492,332	2.400	36,778	2.137	10,003	6.500	148,739	5.146
Asset Backed Securities	802,134	2.200	95	1.000	35,118	7.100	272,739	7.165
Money Market Mutual Funds	103,000	0.100	-	-	-	-	-	-
Bond Mutual Funds	-	-	1,401	2.600	-	-	9,550	6.200
Total Investments	$ 4,728,308		$ 53,711		$ 52,634		$ 590,021	

The University of Colorado manages interest rate risk in its treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associations Incorporated data. For approximately $2.7 million of mortgage-backed securities, the custodian was unable to provide duration amounts.

The University of Colorado participated in tri-party repurchase agreements of $307,140,812 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. government securities and U.S. government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the university does not have interest rate risk associated with these agreements. The collateral is required to have term to maturity of less than seven years and is marked to market weekly. The $307.1 million is not shown in the weighted average maturity table above or the duration table shown below.

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

(Dollar Amounts in Thousands, Duration in Years)

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

Foreign Currency Risk

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

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

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in US Treasury securities with more restrictive limits (ranging from 5 percent to 75 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

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

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

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. The following schedule shows the state's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

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

Component Units – Non-Foundations

In 2005, the Colorado Water Resources and Power Development Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. Foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board; therefore, the foundation investment disclosures are presented separately following this section.

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

(Amounts in Thousands)

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

Except for guaranteed investment contracts which are excluded, the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by state statute as describe at the beginning of this Note 15. The Colorado Water Resources and Power Development Authority's investments at December 31, 2005, were:

(Amounts in Thousands)

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

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

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

Credit Quality Risk

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

(Amounts In Thousands)

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

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

Interest Rate Risk

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

(Dollar Amounts in Thousands, Duration in Years)

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

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cashflow needs of its future bond debt service and holding those investments to maturity. The authority had $374.7 million of investments subject to interest rate risk with the following maturities; one year or less – 39 percent, two to five years – 22 percent, six to ten years – 18 percent, eleven to fifteen years – 13 percent, and 16 years or more – 8 percent. The authority has entered put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

Foreign Currency Risk

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

Concentration of Credit Risk

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

Investments Highly Sensitive to Interest Rate Risk

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

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

Component Units – Foundations

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

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

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

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

$45.6 million in its long term investments pool. Of the foundation's $170.0 million of investments, $16.9 million, or 9.9 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.0 million and a long-term trust valued at $1.9 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Thirty-two percent of the foundation's investment portfolio (twenty-four percent in Fiscal Year 2004-05) is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2006, the University of Northern Colorado Foundation held $25.4 million of fixed income securities (including $18.2 million of corporate notes), $57.3 million of equity securities, and $11.7 million of other investments. These amounts include $3.8 million of assets held in a separate trust for the benefit of the foundation.

NOTE 16 – TREASURER'S INVESTMENT POOL

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

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

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

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

NOTE 17 – CAPITAL ASSETS

Primary Government

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

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

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

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

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

(Amounts in Thousands)

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

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

(Amounts in Thousands)

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

Component Units

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

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

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

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

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

NOTE 18 – OTHER LONG-TERM ASSETS

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

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

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

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

NOTE 19 through 26 – DETAILS OF LIABILITY ITEMS

NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

Employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. Employer contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

Defined Retirement Benefits

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

Service Retirement Benefits
(Other Than Troopers)

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

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

Reduced Service Retirement Benefits
(Other Than Troopers)

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

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. As shown in the table above, members are also eligible for retirement benefits without a reduction for early retirement if they are at least

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

Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit. Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit. The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who withdraw their accounts before reaching retirement eligibility or before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of five percent. Effective July 1, 2004, the PERA Board set the rate at 5 percent compounded annually.

Disability and Survivor Benefits

PERA provides a two-tiered disability program. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months) and rehabilitation or retraining services. If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit.

If a member has at least one year of earned service and dies before retirement, their qualified survivors are entitled to a single payment or monthly benefits depending on their status as defined in statute. The member's spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

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

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

The Fiscal Year 2005-06 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2005, to December 31, 2005, 9.13 percent was allocated to the defined benefit plan, and
- From January 1, 2006, to June 30, 2006, 9.63 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound.

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

The state made the following retirement contributions:

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

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

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2005-06 and 2004-05, the Department of Local Affairs transferred $3.7 million and $3.80 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. Transfers to ensure the actuarial soundness of the pension plan were suspended in Fiscal Years 2003-04 and 2004-05 to address state budget shortfalls. In Fiscal Year 2005-06, the State Treasurer transferred $25.3 million to the pension plan.

Component Units

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

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

NOTE 20 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Primary Government

<u>Health Care Program</u>

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and it is reduced by 5 percent for each year less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because state statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2005, the Health Care Trust Fund had an unfunded actuarial accrued liability of $925.4 million, a funded ration of 17.1 percent, and a 35-year amortization period.

Beginning July 1, 2004, the state contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The state paid contributions of $20.6 million, $21.2 million, $20.4 million, $24.6 million, and $24.8 million in Fiscal Years 2005-06, 2004-05, 2003-04, 2002-03, and 2001-02, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, all four of PERA's insurance carriers offered high deductible health care plans in 2005. As of December 31, 2005, there were 41,080 participants, including spouses and dependents, from all contributors to the plan.

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

Life Insurance Program

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

Other Programs

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

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

Component Units

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

NOTE 21 – OTHER EMPLOYEE BENEFITS

Primary Government

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

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

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

Medical and Disability Benefits

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-insured using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the state once again became self-insured for certain employee and state-official medical claims. The state's contribution to the premium is subject to approval of the legislature each year, and state employees pay the difference between the state's contribution and the premium. The premiums set by the state are intended to cover claims and include a fee to offset the costs of administering the plan, such as, the online benefits system and communicating benefit provisions. Employee healthcare premiums are allowed on a pretax basis under the state's flexible spending account benefits plan.

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

Effective July 1, 2005, the state terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the state discontinued one of the self-funded medical plan options due to low enrollment.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan (see Note 19-A). The Group Benefit Plans

Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

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

PERA 401k Plan

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

Employee Deferred Compensation Plan

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

Defined Contribution Retirement Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

Component Units

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

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

NOTE 22 – RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance, which includes flood and terrorism coverage.

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (not including CSU-Pueblo), and the University of Northern Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

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

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

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

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participates in the University of Colorado Insurance Pool – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado at Denver and Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $175,000 per person and $6.5 million in aggregate annually. There have been no collections against the aggregate stop-loss insurance in the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado at Denver and Health Sciences Center also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $6.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. A liability is recorded for the university's employee long-term disability plan based on expected claims payout as determined by the third party administrator. The university is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims from $500,000 to $1.0 million. For general liability claims, the university is self-insured up to $500,000 per occurrence and has purchased excess insurance for claims over that amount.

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

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

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

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

Component Units

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

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

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

NOTE 23 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2006, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

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

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

(Amounts in Thousands)

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

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

(Amounts in Thousands)

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

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

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

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

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

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

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

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

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

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

(Amounts in Thousands)

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

Component Units

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

(Amounts in Thousands)

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

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

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

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

NOTE 24 – SHORT-TERM DEBT

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

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

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

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

(Amount in Thousands)

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

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

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

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

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

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

(Amounts in Thousands)

Governmental Activities

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

(Amounts in Thousands)

Business-Type Activities

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

Component Units

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

(Amounts in Thousands)

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

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

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

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

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

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

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

(Amounts in Thousands)

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

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

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

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

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

(Amount in Thousands)

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

Accrued compensated absences liabilities of both the Governmental Activities and the Business-Type Activities are normally liquidated using resources of the fund that is responsible for paying the employees salary. As a result, the resources of nearly all of the state's funds are used to liquidate the compensated absence liability.

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

Long-term liabilities that are actuarially determined often include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. See Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.

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

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

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

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

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

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

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

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

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

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

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

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

At June 30, 2006, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.9 million; related liabilities of $6.6 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

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

NOTE 27 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2005-06, debt was defeased in the business-type activities.

At June 30, 2006, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

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

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

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

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

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

Component Units

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

At December 31, 2005, the Colorado Water Resources and Power Development Authority had $139.6 million of bonds previously issued but defeased, and therefore, not reflected in bonds payable. During the year, the authority issued $135.9 million of revenue bonds (2004A, 2005A, 2005A2 Wastewater Revolving Fund Refunding Revenue Bonds and 2005A Drinking Water Revolving Fund Refunding Revenue Bonds) to advance refund portions of its 1996A, 1997B, 1998A, 1998B, 1999A, 2000A, and 2001A Clean Water Revenue Bonds, as well as, its 2000A Drinking Water Revolving Fund Revenue Bonds totaling $137.5 million. The difference between the new debt and the carrying amount of the old debt was $1.6 million, which will be amortized against the new debt over the life of the refunded debt. The refunding resulted in an economic gain of approximately $7.0 million.

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

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

NOTE 28 – PRIOR PERIOD ADJUSTMENTS

Primary Government

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

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

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

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

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

NOTE 29 – FUND EQUITY

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

NOTE 30 – INTERFUND RECEIVABLES AND PAYABLES

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

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

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

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

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

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

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

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

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

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

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

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

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs as shown in the above schedule. Large transfers into the General Fund are considered unusual and are discussed below.

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

(Amounts in Thousands)

TRANSFER-IN FUND

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

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

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

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

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

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

NOTE 32 – UNUSUAL OR INFREQUENT TRANSACTIONS

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

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

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

NOTE 33 – DONOR RESTRICTED ENDOWMENTS

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

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

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

Colorado State University reported $494,195 of net appreciation on its donor-restricted endowments held by its foundation. The full amount was available for spending. On the *Statement of Net Assets – Proprietary Funds*, the university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, and a management fee of 1 to 1.5 percent.

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

NOTE 34 – SEGMENT INFORMATION

Primary Government

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

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

Other Enterprise Funds' Segments:

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

Higher Education Institutions' Segments:

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado at Denver and Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund. UPI also provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the state.

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

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

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

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

CONDENSED STATEMENT OF NET ASSETS

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

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

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

CONDENSED STATEMENT OF CASH FLOWS

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

COLORADO STATE UNIVERSITY - PUEBLO	COLORADO SCHOOL OF MINES		AURARIA HIGHER EDUCATION CENTER	
STUDENT ACTIVITIES	AUXILIARY HOUSING	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDENT FACILITIES
$ 1,562	$ 2,318	$ 293	$ 2,948	$ 9,516
-	-	-	-	-
578	13,739	72	8,629	4,138
4,976	54,388	10,693	43,405	38,470
7,116	70,445	11,058	54,982	52,124
845	3,996	-	4,392	4,386
-	-	399	-	-
2,404	60,490	10,319	34,846	35,413
3,249	64,486	10,718	39,238	39,799
2,171	6,257	447	12,420	4,145
-	-	-	2,435	633
1,696	(298)	(107)	889	7,547
$ 3,867	$ 5,959	$ 340	$ 15,744	$ 12,325

$ 1,924	$ 1,623	$ -	$ -	$ 4,560
6,027	-	-	7,636	20,895
195	8,109	594	-	53
8,146	9,732	594	7,636	25,508
363	1,445	294	1,434	2,131
6,132	6,301	-	4,443	21,093
6,495	7,746	294	5,877	23,224
1,651	1,986	300	1,759	2,284
171	727	-	376	544
-	-	-	-	-
-	24	-	-	-
(557)	(1,394)	-	(1,558)	(1,989)
-	-	(459)	-	-
(386)	(643)	(459)	(1,182)	(1,445)
-	-	-	-	168
852	4,945	-	-	-
(514)	-	-	(1,571)	(542)
338	4,945	-	(1,571)	(374)
1,603	6,288	(159)	(994)	465
1,733	140	251	16,738	11,860
531	(469)	248	-	-
$ 3,867	$ 5,959	$ 340	$ 15,744	$ 12,325

$ 1,399	$ 10,560	$ 618	$ 3,036	$ 3,427
-	1,611	(444)	(1,571)	(542)
(485)	-	-	(6,574)	(5,871)
-	(12,923)	-	3,414	3,363
914	(752)	174	(1,695)	377
879	2,808	119	4,312	7,075
(957)	-	-	-	-
$ 836	$ 2,056	$ 293	$ 2,617	$ 7,452

NOTE 35 – COMPONENT UNITS

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

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

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

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing and operating a major league baseball stadium. To accomplish this purpose, the district was authorized to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt. In 2005, the district refunded $750,000 of the sales tax levy to the six counties initially included in the district because the funds were deemed unnecessary for the expenses and reserves of the district.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado (a state institution of higher education) and through June 30, 2005, the University of Colorado Hospital Authority (a component unit of the state). During Fiscal Year 2004-05 the foundation and University of Colorado Hospital Authority mutually agreed to transfer all assets held for the benefit of the hospital to the hospital. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2005-06, it received $7.5 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services. For the fiscal year ended June 30, 2006, the foundation distributed $66.1 million to or for the benefit of the University of Colorado as follows: $51.7 million of gifts and income, $2.0 million in assets, $9.6 million for student housing, and $2.8 million to the Boulder Alumni Association, which is a division of the foundation. The university contributed $3.5 million to fund the operating costs of Bear Creek, a limited liability company of which the foundation is the sole member. The foundation holds $84.0 million of endowment related earnings that the university can request at any time as long as the request is consistent with donor intent.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2005-06, the foundation transferred $26.4 million to the university.

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

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

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program.

The Venture Capital Authority (VCA) was established by Senate Bill 04-106 as a means to create new business opportunities in the state and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million in premium tax credits, which it subsequently sold to insurance companies. The authority deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten year period.

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

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

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

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

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

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

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

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

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

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

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

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Years 2005-06 and 2004-05, the board funded $25.8 million and $24.3 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2006, GOCO owed the Department of Natural Resources $7.3 million.

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

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

Component Units

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

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

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

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

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

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

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

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

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

NOTE 37 – CONTINGENCIES

Primary Government

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

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

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

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

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The state has been informed of an individual claim by the Office of the Inspector General of approximately $18.0 million related to an audit of Child Placement Agency grant payments. The Department of Agriculture has informed the state that it will disallow approximately $11.6 million of Food Stamps payments issued improperly due to problems incurred with the state's implementation of the Colorado Benefits Management System. The state normally contests such disallowances, and the outcome is uncertain at this time.

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

At June 30, 2006, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $558.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby, require the state to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $8.0 million individually.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over $6.86 billion are outstanding. Of this amount, $6.04 billion is covered by private insurance.

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

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

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

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

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

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

Component Units

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

NOTE 38 – SUBSEQUENT EVENTS

DEBT ISSUANCE

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

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

(DOLLARS IN THOUSANDS)

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

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

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

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the Unreserved – Undesignated Fund Balance on the *Balance Sheet – Governmental Funds* by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* in several ways as discussed below.

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

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

Another purpose of this schedule is to establish the amount of General Fund Surplus that is available for subsequent transfer to the Highway Fund and the Capital Construction Fund. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual column.

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

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

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

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 130 to 132). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

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

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

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

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the act.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of state government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the state into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

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

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

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

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

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

D. BUDGET TO GAAP RECONCILIATION

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

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, General Fund payroll disbursements for employee time worked in June and Medicaid payments accrued but not paid by June 30 are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

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

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

E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal budgetary integration in most funds except certain Fiduciary Funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year end unless specifically brought forward to the subsequent year, and thereby, committing the subsequent year's available appropriation.

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

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

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

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

ROADWAY

Measurement Scale

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

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

Established Condition Level

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

Assessed Conditions

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

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

BRIDGES

Measurement Scale

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

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

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

Established Condition Level

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

Assessed Conditions

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

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

Budgeted and Estimated Costs to Maintain

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

(Amounts in Millions)

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

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

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

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2006

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

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

(DOLLARS IN THOUSANDS)

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

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the state.
LABOR	This fund accounts for injured workers' medical benefits provided by statutes that are not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the state. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional state tax on cigarettes and tobacco products approved by state voters in the 2004 general election and the expenditure of those tax revenues.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)

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

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

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

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

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

PERMANENT FUNDS

STATE LANDS

This fund consists of the assets, liabilities, and operations related to lands granted to the state by the federal government for educational purposes.

OTHER PERMANENT TRUST

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

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2006

(DOLLARS IN THOUSANDS)

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

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

(DOLLARS IN THOUSANDS)

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

OTHER ENTERPRISE FUNDS

These funds account for operations of state agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ACCESS NETWORK	This fund records the activities of College Access Network which guarantees loans made by private lending institutions, in compliance with operating agreements with the U.S. Department of Education, to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the state prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the state facilities at Aurora, Homelake, Walsenburg, Florence, Rifle, and Trinidad.
PRISON CANTEENS	This activity accounts for the various canteen operations in the state's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the state include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in state buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at state museums; and various smaller enterprise operations.

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

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	2,346	3,147	5
Proceeds from Sale/Maturity of Investments	-	-	150
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(965)	(944)	
NET CASH FROM INVESTING ACTIVITIES	1,381	2,203	155
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	5,302	29,508	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	71,707	44,709	-
Prior Period Adjustment	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 77,009	$ 74,217	$ -

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 8,616	$ 54,171	$ (1,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,469	24	581
Investment/Rental Income and Other Revenue in Operating Income	-	(2,203)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	1,237	-	348
Loss on Disposal of Capital Assets	-	41	-
Compensated Absences	(162)	(485)	(9)
Interest and Other Expense in Operating Income	440	54	7
(Increase) Decrease in Operating Receivables	204	(1,590)	37
(Increase) Decrease in Inventories	(156)	64	-
(Increase) Decrease in Other Operating Assets	(8)	15	(36)
Increase (Decrease) in Accounts Payable	41	(1,033)	697
Increase (Decrease) in Other Operating Liabilities	1,717	3,810	123
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,398	$ 52,868	$ 18

SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	550
Capital Assets Acquired by Grants or Donations and Payable Increases	64	-	-
Gain/(Loss) on Disposal of Capital Assets	(80)	(41)	-
Assumption of Capital Lease Obligation or Mortgage	-	-	-

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

INTERNAL SERVICE FUNDS

These funds account for operations of state agencies that provide a majority of their services to other state agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other state agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, and motor pool.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold to other state agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining state office space in the complex surrounding the State Capitol.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to state agencies by the Department of Public Safety.
ADMINISTRATIVE HEARINGS	This fund accounts for the operations of the Administrative Hearings Division in the Department of Personnel & Administration.
DEBT COLLECTION	This fund accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to state agencies on a straight commission basis.

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

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

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

FIDUCIARY FUNDS

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

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily comprises the escheats fund managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the state when the owners of the assets cannot be located. The owner's rights to the asset are protected in perpetuity. The fund records a liability for the expected payout from the fund based on historical percentages of payouts in relation to total receipts.

COLLEGE SAVINGS PLAN

The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the state.

COLLEGE OPPORTUNITY FUND

The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives and distributes stipends appropriated by the Legislature for the educational benefit of students attending public and certain private institutions of higher education in the state. Students apply for the stipend, and the COF administrator distributes the stipend to the higher education institution on the students behalf.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts, contractor's performance escrow accounts, sales taxes collected for cities and counties, deposits held to ensure land restoration by mining and oil exploration companies, and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

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

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

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

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

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

DEPARTMENT OF REVENUE AGENCY FUNDS

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

OTHER AGENCY FUNDS

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

DEPARTMENT OF TREASURY AGENCY FUNDS

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

TOTALS - ALL AGENCY FUNDS

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

CAPITAL ASSETS

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

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

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

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

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

OTHER FUNDS DETAIL

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

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

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

Statistical Section

Comprehensive Annual Financial Report
June 30, 2006

GOVERNMENT-WIDE SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Five Fiscal Years

(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES				
	2005-06	2004-05	2003-04	2002-03	2001-02
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
Investments	12,637	10,440	10,209	-	-
Taxes Receivable, net	845,241	731,647	738,769	758,887	809,839
Other Receivables, net	153,916	146,906	143,717	104,475	125,181
Due From Other Governments	264,688	307,704	282,252	515,860	378,906
Internal Balances	26,313	18,122	22,070	(98,203)	20,287
Due From Component Units	56	110	-	-	-
Inventories	14,906	18,266	16,696	17,580	16,895
Prepaids, Advances, and Deferred Charges	28,735	23,700	29,628	27,413	99,893
Total Current Assets	3,681,440	3,201,646	2,630,810	2,038,268	2,022,294
Noncurrent Assets:					
Restricted Assets:					
Restricted Cash and Pooled Cash	1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
Restricted Investments	491,780	465,819	408,790	571,970	-
Restricted Receivables	335,774	311,462	347,245	-	-
Investments	48,173	24,162	4,055	152,495	1,142,818
Other Long-Term Assets	395,612	356,325	325,376	332,964	244,499
Depreciable Capital Assets and Infrastructure, net	1,322,945	1,348,957	1,208,235	1,191,785	1,138,996
Land and Nondepreciable Infrastructure	11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
Total Noncurrent Assets	15,593,260	15,319,092	15,236,941	14,518,929	14,659,967
TOTAL ASSETS	19,274,700	18,520,738	17,867,751	16,557,197	16,682,261
LIABILITIES:					
Current Liabilities:					
Tax Refunds Payable	457,124	476,445	425,610	431,132	384,040
Accounts Payable and Accrued Liabilities	633,685	679,425	687,136	684,956	569,102
TABOR Refund Liability (Note 8B)	2,917	41,064	-	-	48,920
Due To Other Governments	247,548	192,611	172,239	151,989	172,691
Due to Component Units	-	-	-	-	-
Deferred Revenue	66,290	73,609	84,431	114,149	84,906
Accrued Compensated Absences	9,437	7,900	7,992	7,394	6,123
Claims and Judgments Payable	49,415	38,738	12,084	14,743	35,576
Leases Payable	1,461	3,403	2,821	3,492	1,298
Notes, Bonds, COP's Payable	526,235	628,395	419,778	21,125	19,530
Other Current Liabilities	10,318	25,092	37,152	33,987	37,050
Total Current Liabilities	2,004,430	2,166,682	1,849,243	1,462,967	1,359,236
Noncurrent Liabilities:					
Deposits Held In Custody For Others	17	16	10	8	12
Accrued Compensated Absences	112,860	111,418	112,104	113,548	112,027
Claims and Judgments Payable	343,452	430,978	29,200	29,200	-
Capital Lease Obligations	16,021	18,905	13,219	5,054	2,175
Notes, Bonds, COP's Payable	1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
Other Long-Term Liabilities	210,369	198,520	516,756	501,390	263,034
Total Noncurrent Liabilities	2,186,405	2,227,761	2,211,342	1,958,353	1,705,320
TOTAL LIABILITIES	4,190,835	4,394,443	4,060,585	3,421,320	3,064,556
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
Restricted for:					
Highway Construction and Maintenance	824,698	679,440	559,450	509,354	1,376,522
State Education	153,043	123,867	147,286	218,545	303,827
Unemployment Insurance	-	-	-	-	-
Debt Service	580	3,298	7,965	5,241	6,495
Emergencies	79,800	71,000	172,202	150,762	81,917
Permanent Funds and Endowments:					
Expendable	1,642	1,953	1,297	986	810
Nonexpendable	460,473	433,538	392,542	378,369	356,004
Court Awards and Other Purposes	198,996	141,933	134,658	95,135	16,006
Unrestricted	1,702,104	899,389	644,490	333,043	843,080
TOTAL NET ASSETS	$15,083,865	$14,126,295	$13,807,166	$13,135,877	$13,617,705

(Continued)

BUSINESS-TYPE ACTIVITIES				
2005-06	2004-05	2003-04	2002-03	2001-02
$ 1,188,953	$ 872,618	$ 678,233	$ 754,879	$ 1,193,338
328,466	670,346	182,572	-	-
105,973	103,598	92,485	46,597	36,237
209,497	206,946	180,707	219,048	884,919
99,040	95,170	86,355	98,017	74,061
(26,313)	(18,122)	(22,070)	98,203	(20,287)
11,141	9,294	5,406	-	
35,747	34,797	33,065	33,861	35,315
13,148	13,723	18,396	19,138	22,441
1,965,652	1,988,370	1,255,149	1,269,743	2,226,024
187,895	160,283	121,764	114,642	40,136
424,826	453,876	243,390	114,292	140,074
1,173,312	1,015,134	889,108	-	-
887,302	225,329	577,619	888,232	663,412
108,606	119,359	99,358	832,622	74,237
2,718,135	2,719,778	2,623,814	2,259,846	1,899,066
561,525	403,037	371,552	520,085	651,292
6,061,601	5,096,796	4,926,605	4,729,719	3,468,217
8,027,253	7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-	-
380,194	350,347	334,136	332,990	188,839
-	-	-	-	-
30,749	38,472	37,120	26,570	45,626
1,067	1,607	703	-	-
171,411	145,432	131,496	138,313	138,382
14,284	14,103	9,719	10,582	8,526
7,430	8,233	-	-	-
4,851	6,039	5,537	5,283	3,840
83,271	85,672	80,127	60,105	97,064
94,214	107,228	107,611	92,272	89,335
787,471	757,133	706,449	666,115	571,612
-	-	-	-	-
136,837	131,883	128,635	124,853	121,127
48,396	20,019	-	-	-
55,873	84,101	80,994	80,636	43,382
2,488,738	2,062,837	1,578,762	1,546,903	1,199,426
53,138	52,022	70,174	76,251	144,027
2,782,982	2,350,862	1,858,565	1,828,643	1,507,962
3,570,453	3,107,995	2,565,014	2,494,758	2,079,574
2,256,602	2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-	-
-	-	-	-	-
548,780	321,725	200,311	322,423	653,690
105,348	122,290	103,602	2,048	2,295
29,883	27,247	39,277	32,881	38,813
4,757	16,483	17,449	17,746	47,015
82,698	76,460	49,659	46,851	49,200
364,310	303,714	297,765	189,466	198,696
1,064,422	871,184	712,840	750,349	579,756
$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Five Fiscal Years

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT TOTAL				
	2005-06	2004-05	2003-04	2002-03	2001-02
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
Investments	341,103	680,786	192,781	-	-
Taxes Receivable, net	951,214	835,245	831,254	805,484	846,076
Other Receivables, net	363,413	353,852	324,424	323,523	1,010,100
Due From Other Governments	363,728	402,874	368,607	613,877	452,967
Internal Balances	-	-	-	-	-
Due From Component Units	11,197	9,404	5,406	-	-
Inventories	50,653	53,063	49,761	51,441	52,210
Prepaids, Advances, and Deferred Charges	41,883	37,423	48,024	46,551	122,334
Total Current Assets	5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
Noncurrent Assets:					
Restricted Assets:					
Restricted Cash and Pooled Cash	1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
Restricted Investments	916,606	919,695	652,180	686,262	140,074
Restricted Receivables	1,509,086	1,326,596	1,236,353	-	-
Investments	935,475	249,491	581,674	1,040,727	1,806,230
Other Long-Term Assets	504,218	475,684	424,734	1,165,586	318,736
Depreciable Capital Assets and Infrastructure, net	4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
Land and Nondepreciable Infrastructure	12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
Total Noncurrent Assets	21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
TOTAL ASSETS	27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
LIABILITIES:					
Current Liabilities:					
Tax Refunds Payable	457,124	476,445	425,610	431,132	384,040
Accounts Payable and Accrued Liabilities	1,013,879	1,029,772	1,021,272	1,017,946	757,941
TABOR Refund Liability (Note 8B)	2,917	41,064	-	-	48,920
Due To Other Governments	278,297	231,083	209,359	178,559	218,317
Due to Component Units	1,067	1,607	703	-	-
Deferred Revenue	237,701	219,041	215,927	252,462	223,288
Accrued Compensated Absences	23,721	22,003	17,711	17,976	14,649
Claims and Judgments Payable	56,845	46,971	12,084	14,743	35,576
Leases Payable	6,312	9,442	8,358	8,775	5,138
Notes, Bonds, COP's Payable	609,506	714,067	499,905	81,230	116,594
Other Current Liabilities	104,532	132,320	144,763	126,259	126,385
Total Current Liabilities	2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
Noncurrent Liabilities:					
Deposits Held In Custody For Others	17	16	10	8	12
Accrued Compensated Absences	249,697	243,301	240,739	238,401	233,154
Claims and Judgments Payable	391,848	450,997	29,200	29,200	-
Capital Lease Obligations	71,894	103,006	94,213	85,690	45,557
Notes, Bonds, COP's Payable	3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
Other Long-Term Liabilities	263,507	250,542	586,930	577,641	407,061
Total Noncurrent Liabilities	4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
TOTAL LIABILITIES	7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
Restricted for:				-	-
Highway Construction and Maintenance	824,698	679,440	559,450	509,354	1,376,522
State Education	153,043	123,867	147,286	218,545	303,827
Unemployment Insurance	548,780	321,725	200,311	322,423	653,690
Debt Service	105,928	125,588	111,567	7,289	8,790
Emergencies	109,683	98,247	211,479	183,643	120,730
Permanent Funds and Endowments:				-	-
Expendable	6,399	18,436	18,746	18,732	47,825
Nonexpendable	543,171	509,998	442,201	425,220	405,204
Court Awards and Other Purposes	563,306	445,647	432,423	284,601	214,702
Unrestricted	2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
TOTAL NET ASSETS	$19,540,665	$18,103,466	$17,423,906	$16,640,581	$17,232,372

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Five Fiscal Years

(DOLLARS IN THOUSANDS)

Programs/Functions	GOVERNMENTAL ACTIVITIES				
	2005-06	2004-05	2003-04	2002-03	2001-02
PROGRAM REVENUES:					
Charges for Services:					
Licenses and Permits	$ 339,779	$ 357,241	$ 353,628	$ 327,134	$ 310,343
Service Fees	123,392	128,101	132,644	117,253	105,932
Education - Tuition, Fees, and Sales	-	-	-	-	-
Fines and Forfeits	121,859	117,666	109,341	99,654	87,994
Rents and Royalties	68,920	61,524	45,340	32,314	31,673
Sales of Products	3,100	2,841	3,164	2,296	3,001
Unemployment Surcharge	22,399	21,524	20,112	19,500	19,630
Other	79,810	54,254	55,216	47,264	72,996
Operating Grants and Contributions	3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
Capital Grants and Contributions	447,283	409,458	487,442	410,070	352,125
TOTAL PROGRAM REVENUES	5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
EXPENSES:					
General Government	164,276	141,320	161,588	244,062	210,837
Business, Community, and Consumer Affairs	449,411	367,553	343,589	327,935	253,054
Education	4,394,236	194,723	173,823	194,436	285,636
Health and Rehabilitation	524,736	475,668	477,572	475,405	471,198
Justice	1,197,334	1,026,282	936,374	971,227	957,320
Natural Resources	112,753	62,638	81,114	103,888	103,801
Social Assistance	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
Transportation	1,205,556	919,388	746,153	890,081	750,759
Payments to School Districts	- [1]	3,283,590	3,131,486	2,946,679	2,689,452
Payments to Other Governments	- [1]	1,848,922	1,674,416	1,687,006	1,596,066
Interest on Debt	31,969	26,925	9,625	16,219	16,750
Higher Education Institutions	-	-	-	-	-
Unemployment Insurance	-	-	-	-	-
CollegeInvest	-	-	-	-	-
Lottery	-	-	-	-	-
Wildlife	-	-	-	-	-
College Access Network	-	-	-	-	-
Other Business-Type Activities	-	-	-	-	-
TOTAL EXPENSES	12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
NET (EXPENSE) REVENUE	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:					
Taxes:					
Sales and Use Taxes	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
Excise Taxes	266,747	182,726	112,741	86,048	91,761
Individual Income Tax	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
Corporate Income Tax	422,656	291,583	220,236	205,569	172,257
Other Taxes	568,184	491,214	465,826	371,089	363,190
Restricted Taxes	922,872	868,251	835,680	731,138	818,234
Unrestricted Investment Earnings	35,372	29,736	16,534	16,577	37,236
Other General Revenues	84,335	95,912	99,200	146,516	122,527
Special and/or Extraordinary Item	(13,534)	(1,112)	-	-	(21,000)
Transfers (Out) In	(80,894) [2]	(545,175)	(546,580)	(634,674)	(662,141)
Internal Capital Contributions	-	(431)	(20)	(22,855)	25
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
TOTAL CHANGES IN NET ASSETS	1,086,487	317,792	496,316	(353,487)	178,446
NET ASSETS - BEGINNING	14,126,295	13,807,166	13,135,877	13,617,705	5,457,647
Prior Period Adjustment	(128,917)	1,337	174,973	(128,341)	(172,615)
Accounting Changes	-	-	-	-	8,154,227
NET ASSETS - ENDING	$15,083,865	$14,126,295	$13,807,166	$13,135,877	$13,617,705

[1] – In Fiscal Year 2005-06, the state began to report Payments to School Districts and Other Governments in the functional area that made the payment.
[2] – In Fiscal Year 2005-06, the state began changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

(Continued)

BUSINESS-TYPE ACTIVITIES				
2005-06	2004-05	2003-04	2002-03	2001-02
$ 75,388	$ 64,864	$ 66,196	$ 59,426	$ 57,546
536,261 [2]	273,541	242,809	188,614	153,983
1,622,045 [2]	1,294,488	1,227,187	1,143,890	1,062,083
729	596	554	1,025	1,379
28,765	21,527	44,783	16,576	21,084
522,715	467,088	449,910	440,902	459,317
504,039	462,416	338,063	190,461	153,024
162,045	120,145	117,682	130,239	255,970
1,466,045	1,403,928	1,344,191	1,398,401	1,176,005
16,856	16,667	73,952	28,662	47,202
4,934,888	4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
305,447	352,712	591,789	742,745	583,508
73,745	54,453	37,355	45,213	41,351
402,391	367,474	354,159	341,907	349,955
91,221 [3]	-	-	-	-
115,200 [3]	-	-	-	-
138,773	267,408	246,988	253,633	229,773
4,573,493	4,336,201	4,358,417	4,491,991	4,147,363
361,395	(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
34,728	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(707)	-	-	-	-
80,894 [2]	545,175	546,580	634,674	662,141
-	10,303	15,330	76,210	151,465
114,915	555,478	561,910	710,884	813,606
476,310	344,537	108,820	(182,911)	53,836
3,977,171	3,616,740	3,504,704	3,614,667	4,887,925
3,319	15,894	3,216	72,948	95,811
-	-	-	-	(1,422,905)
$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

[3] – In Fiscal Year 2005-06, the state segregated the Wildlife and CollegeAccess Network enterprise funds out of the Other Business-Type Activities.

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Five Fiscal Years

(DOLLARS IN THOUSANDS)

Programs/Functions	PRIMARY GOVERNMENT TOTAL				
	2005-06	2004-05	2003-04	2002-03	2001-02
PROGRAM REVENUES:					
Charges for Services:					
Licenses and Permits	$ 415,167	$ 422,105	$ 419,824	$ 386,560	$ 367,889
Service Fees	659,653	401,642	375,453	305,867	259,915
Education - Tuition, Fees, and Sales	1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
Fines and Forfeits	122,588	118,262	109,895	100,679	89,373
Rents and Royalties	97,685	83,051	90,123	48,890	52,757
Sales of Products	525,815	469,929	453,074	443,198	462,318
Unemployment Surcharge	526,438	483,940	358,175	209,961	172,654
Other	241,855	174,399	172,898	177,503	328,966
Operating Grants and Contributions	5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
Capital Grants and Contributions	464,139	426,125	561,394	438,732	399,327
TOTAL PROGRAM REVENUES	10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
EXPENSES:					
General Government	164,276	141,320	161,588	244,062	210,837
Business, Community, and Consumer Affairs	449,411	367,553	343,589	327,935	253,054
Education	4,394,236	194,723	173,823	194,436	285,636
Health and Rehabilitation	524,736	475,668	477,572	475,405	471,198
Justice	1,197,334	1,026,282	936,374	971,227	957,320
Natural Resources	112,753	62,638	81,114	103,888	103,801
Social Assistance	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
Transportation	1,205,556	919,388	746,153	890,081	750,759
Payments to School Districts	-	3,283,590	3,131,486	2,946,679	2,689,452
Payments to Other Governments	-	1,848,922	1,674,416	1,687,006	1,596,066
Interest on Debt	31,969	26,925	9,625	16,219	16,750
Higher Education Institutions	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
Unemployment Insurance	305,447	352,712	591,789	742,745	583,508
CollegeInvest	73,745	54,453	37,355	45,213	41,351
Lottery	402,391	367,474	354,159	341,907	349,955
Wildlife	91,221	-	-	-	-
College Access Network	115,200	-	-	-	-
Other Business-Type Activities	138,773	267,408	246,988	253,633	229,773
TOTAL EXPENSES	17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
NET (EXPENSE) REVENUE	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:					
Taxes:					
Sales and Use Taxes	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
Excise Taxes	266,747	182,726	112,741	86,048	91,761
Individual Income Tax	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
Corporate Income Tax	422,656	291,583	220,236	205,569	172,257
Other Taxes	602,912	491,214	465,826	371,089	363,190
Restricted Taxes	922,872	868,251	835,680	731,138	818,234
Unrestricted Investment Earnings	35,372	29,736	16,534	16,577	37,236
Other General Revenues	84,335	95,912	99,200	146,516	122,527
Special and/or Extraordinary Item	(14,241)	(1,112)	-	-	(21,000)
Transfers (Out) In	-	-	-	-	-
Internal Capital Contributions	-	9,872	15,310	53,355	151,490
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
TOTAL CHANGES IN NET ASSETS	1,562,797	662,329	605,136	(536,398)	232,282
NET ASSETS - BEGINNING	18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
Prior Period Adjustment	(125,598)	17,231	178,189	(55,393)	(76,804)
Accounting Changes	-	-	-	-	6,731,322
NET ASSETS - ENDING	$19,540,665	$18,103,466	$17,423,906	$16,640,581	$17,232,372

REVENUES AND OTHER FINANCING BY SOURCE
EXPENDITURES AND OTHER USES BY FUNCTION - PRIMARY GOVERNMENT
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
(GOVERNMENTAL FUND TYPES ONLY AFTER FISCAL YEAR 2001-02)
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2005-06	2004-05	2003-04	2002-03
REVENUES AND OTHER FINANCING SOURCES:				
Taxes	$ 8,395	$ 7,323	$ 6,794	$ 6,261
Less: Excess TABOR Revenues	-	(41)	-	-
Licenses, Permits, and Fines	541	565	551	517
Charges for Goods and Services	99	99	108	108
Rents (reported in 'Other' prior to FY05)	69	62	-	-
Investment Income	117	126	54	259
Federal Grants and Contracts	4,054	3,831	3,880	3,471
Other	341	321	358	351
TOTAL REVENUES AND OTHER SOURCES	13,616	12,286	11,745	10,967
EXPENDITURES AND OTHER USES BY FUNCTION:				
Current:				
General Government	256	278	267	229
Business, Community and Consumer Affairs	274	277	296	317
Education	673	129	119	116
Health and Rehabilitation	486	443	450	450
Justice	998	978	897	933
Natural Resources	97	90	85	82
Social Assistance	3,263	3,026	2,969	2,851
Transportation	962	983	1,098	1,105
Capital Outlay	82	92	74	136
Intergovernmental:				
Cities	251	218	211	198
Counties	1,616	1,474	1,319	1,328
School Districts	3,455	3,284	3,131	2,947
Other	197	157	144	160
Deferred Compensation Distributions	-	-	-	-
Debt Service	204	114	92	99
TOTAL EXPENDITURES AND OTHER USES	12,814	11,543	11,152	10,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	802	743	593	16
OTHER FINANCING SOURCES (USES)				
Transfers-In	3,645	3,198	2,819	3,507
Transfers-Out:				
Higher Education	(128)	(597)	(605)	(695)
Other	(3,580)	(3,136)	(2,750)	(3,406)
Face Amount of Debt Issued	-	-	235	-
Bond Premium/Discount	-	-	53	-
Capital Lease Debt Issuance	132	27	2	12
Sale of Capital Assets	3	10	12	3
Insurance Recoveries	1	-	-	-
Debt Refunding Issuance	-	-	280	443
Debt Refunding Payments	-	-	(311)	(436)
Other Sources (Uses)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	73	(498)	(265)	(572)
NET CHANGE IN FUND BALANCE	875	245	328	(556)
FUND BALANCE - BEGINNING	3,441	3,196	2,827	3,383
Prior Period Adjustments	1	-	41	-
FUND BALANCE - ENDING	$ 4,319	$ 3,441	$ 3,196	$ 2,827

[1] – Significant changes in the content of this schedule occurred between Fiscal Year 2000-01 and 2001-02. The changes occurred because of the revised fund classifications prescribed by Governmental Accounting Standards Board Statement No. 34 and related statements. The primary changes were the exclusion of the Unemployment Insurance Fund and the Deferred Compensation Plan (Expendable Trust Funds that converted to Enterprise and Private Purpose Trust Funds respectively) and the inclusion of the

2001-02[1]	2000-01	1999-00	1998-99	1997-98	1996-97
$ 6,499	$ 7,501	$ 7,058	$ 6,443	$ 5,995	$ 5,265
-	(927)	(941)	(680)	(563)	(139)
504	534	505	422	418	388
99	109	117	181	183	189
-	-	-	-	-	-
240	314	244	233	223	198
3,104	2,809	2,673	2,473	2,225	2,128
299	308	220	179	151	127
10,745	10,648	9,876	9,251	8,632	8,156
238	224	216	208	209	198
277	426	391	368	361	388
122	112	74	71	75	91
453	467	434	413	418	373
924	851	776	694	619	583
82	137	130	123	116	114
2,619	2,367	2,152	1,992	1,770	1,817
1,127	1,069	958	877	716	578
276	185	223	253	233	158
209	196	192	191	193	157
1,229	1,162	1,074	1,011	920	719
2,689	2,389	2,257	2,158	2,011	1,907
158	146	141	138	142	175
-	18	17	15	-	-
85	54	5	23	41	55
10,488	9,803	9,040	8,535	7,824	7,313
257	845	836	716	808	843
3,987	676	469	772	513	582
(742)	(907)	(898)	(778)	(735)	(692)
(3,880)	(655)	(391)	(712)	(461)	(535)
208	539	536	-	-	-
12	-	-	-	-	-
5	1	4	3	1	15
3	-	-	-	-	-
-	-	-	-	-	-
10	-	-	-	-	-
(10)	-	-	-	-	-
-	-	-	-	-	9
(407)	(346)	(280)	(715)	(682)	(621)
(150)	499	556	1	126	222
4,043	3,523	2,959	2,673	2,547	2,327
(510)	21	8	285	-	(2)
$ 3,383	$ 4,043	$ 3,523	$ 2,959	$ 2,673	$ 2,547

State Lands Fund (a Nonexpendable Trust Fund that converted to a Permanent Fund). As a result of these changes, the prior period adjustment shown for Fiscal Year 2001-02 does not agree to the Fiscal Year 2001-02 financial statements where beginning balances were restated for the conversion. In addition, the amount reported as transfers increased significantly because many transfers that previously occurred within the General Fund are now reported as transfers between funds.

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

(DOLLARS IN MILLIONS)

	2005-06	2004-05	2003-04	2002-03
Income Tax:				
Individual	$ 4,044	$ 3,421	$ 3,189	$ 2,945
Less: Excess TABOR Revenues	-	-	-	-
Corporate	422	293	218	214
Net Income Tax	4,466	3,714	3,407	3,159
Sales, Use, and Excise Taxes	1,995	2,146	2,005	1,915
Less: Excess TABOR Revenues	-	(41)	-	-
Net Sales, Use, and Excise Taxes	1,995	2,105	2,005	1,915
Estate Taxes	7	26	47	53
Insurance Tax	175	189	176	171
Other Taxes	18	40	40	38
Interest	33	28	20	51
Medicaid Provider Revenues	-	-	-	16
Other	52	59	72	74
TOTAL GENERAL REVENUES	$ 6,746	$ 6,161	$ 5,767	$ 5,477
Percent Change Over Previous Year	9.5%	6.8%	5.3%	-1.7%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2005-06	2004-05	2003-04	2002-03
Net Income Tax	66.2%	60.3%	59.1%	57.7%
Sales, Use, and Excise Taxes	29.5	34.1	34.8	34.9
Estate Taxes	0.1	0.4	0.8	1.0
Insurance Tax	2.6	3.1	3.1	3.1
Other Taxes	0.3	0.6	0.7	0.7
Interest	0.5	0.5	0.3	0.9
Medicaid Provider Revenues	0.0	0.0	0.0	0.3
Other	0.8	1.0	1.2	1.4
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
$ 3,086	$ 3,867	$ 3,718	$ 3,327	$ 3,052	$ 2,573
-	(209)	(192)	(30)	-	-
165	316	289	276	263	237
3,251	3,974	3,815	3,573	3,315	2,810
1,962	1,809	1,775	1,628	1,485	1,521
-	(719)	(750)	(650)	(563)	(139)
1,962	1,090	1,025	978	922	1,382
73	83	60	67	109	35
155	142	129	118	114	112
34	31	29	27	21	20
25	45	42	48	52	41
11	-	7	73	73	80
61	63	67	59	75	60
$ 5,572	$ 5,428	$ 5,174	$ 4,943	$ 4,681	$ 4,540
2.7%	4.9%	4.7%	5.6%	3.1%	6.3%
58.3%	65.8%	65.5%	64.0%	63.2%	60.1%
35.3	28.5	29.0	29.0	28.3	32.5
1.3	1.3	1.0	1.2	2.1	0.7
2.8	2.2	2.1	2.1	2.2	2.4
0.6	0.5	0.5	0.5	0.4	0.4
0.4	0.7	0.7	0.9	1.0	0.9
0.2	0.0	0.1	1.3	1.4	1.7
1.1	1.0	1.1	1.0	1.4	1.3
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT[1]
FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2005-06	2004-05	2003-04	2002-03
Department:[1]				
Agriculture	$ 4,038	$ 4,107	$ 3,716	$ 8,700
Corrections	534,233	495,234	467,207	476,972
Education	2,718,667	2,514,427	2,417,490	2,313,588
Governor	15,862	15,808	13,317	31,465
Health Care Policy and Financing	1,362,893	1,247,254	1,142,620	1,132,643
Higher Education	636,341	587,958	591,221	685,686
Human Services	590,071	568,461	534,759	551,299
Judicial Branch	237,673	219,612	207,432	213,939
Labor and Employment	-	-	-	-
Law	7,143	6,738	6,266	8,141
Legislative Branch	27,633	26,745	26,818	28,100
Local Affairs	8,500	8,573	4,565	7,419
Military and Veterans Affairs	4,324	3,883	3,739	4,273
Natural Resources	22,806	22,481	19,337	23,599
Personnel & Administration	8,181	7,805	7,457	12,282
Public Health and Environment	20,586	13,061	12,359	16,573
Public Safety	58,785	56,315	53,895	54,465
Regulatory Agencies	1,390	1,047	1,028	1,582
Revenue	57,928	57,702	57,066	66,898
Transportation	-	-	-	-
Treasury	18,443	15,027	690	62,171
Transfer to Capital Construction Fund	104,841	40,759	12,270	9,489
Transfer to Various Cash Funds	67,100	185,628	-	-
Transfer to the Highway Users Tax Fund	65,345	81,212	5,559	-
Other Transfers and Nonoperating Disbursements	49,190	20,264	34,257	58,746
TOTALS	$ 6,621,973	$ 6,200,101	$ 5,623,068	$ 5,768,030
Percent Change	6.8%	10.3%	-2.5%	0.9%
(AS PERCENT OF TOTAL)				
Education	41.1%	40.6%	43.0%	40.1%
Health Care Policy and Financing	20.6	20.1	20.3	19.6
Higher Education	9.6	9.5	10.5	11.9
Human Services	8.9	9.2	9.5	9.6
Corrections	8.1	8.0	8.3	8.3
Transfer to Capital Construction Fund	1.6	0.7	0.2	0.2
Transfer to Various Cash Funds	1.0	3.0	0.0	-
Judicial	3.6	3.5	3.7	3.7
Revenue	0.9	0.9	1.0	1.2
All Others	4.6	4.5	3.5	5.4
TOTALS	100.0%	100.0%	100.0%	100.0%

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

2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
$ 10,118	$ 9,866	$ 8,106	$ 7,675	$ 7,305	$ 11,165
443,334	417,677	381,669	338,715	297,179	257,072
2,268,794	2,143,115	2,041,087	1,914,294	1,830,940	1,720,335
19,566	19,754	5,877	7,388	2,996	12,377
1,076,838	1,028,785	951,827	891,319	789,532	756,690
739,556	747,332	715,933	676,449	651,893	618,464
560,716	553,364	509,309	486,325	481,258	441,637
214,619	205,341	194,420	180,282	166,574	159,226
-	-	-	-	20	-
9,677	8,571	10,106	9,144	8,558	7,471
27,224	27,356	25,393	23,062	21,567	21,266
10,361	10,525	37,758	29,958	26,672	25,940
3,973	4,090	3,800	3,874	3,460	3,098
24,434	28,893	28,863	26,864	24,845	24,130
14,028	14,825	15,026	15,245	15,361	14,591
31,790	33,496	23,731	22,596	20,507	18,200
56,597	56,616	49,492	43,910	39,433	36,047
1,914	1,975	1,919	1,730	1,194	1,479
69,297	78,317	69,682	69,871	70,224	52,711
-	1	203	239	244	-
4,198	2,378	2,240	2,970	2,800	3,102
25,564	285,255	175,154	470,179	198,387	250,968
-	-	-	-	-	-
35,179	-	-	-	5,611	-
68,325	61,894	66,588	56,992	57,811	98,464
$ 5,716,102	$ 5,739,426	$ 5,318,183	$ 5,279,081	$ 4,724,371	$ 4,534,433
-0.4%	7.9%	0.7%	11.7%	4.2%	3.3%
39.7%	37.3%	38.4%	36.3%	38.8%	37.9%
18.8	17.9	17.9	16.9	16.7	16.7
12.9	13.0	13.5	12.8	13.8	13.6
9.8	9.6	9.6	9.2	10.2	9.7
7.8	7.3	7.2	6.4	6.3	5.7
0.4	5.0	3.3	8.9	4.2	5.5
-	-	-	-	-	-
3.8	3.6	3.7	3.4	3.5	3.5
1.2	1.4	1.3	1.3	1.5	1.2
5.6	4.9	5.1	4.8	5.0	6.2
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE - RESERVED AND UNRESERVED
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Five Fiscal Years

(DOLLARS IN THOUSANDS)

	2005-06	2004-05	2003-04	2002-03	2001-02
GENERAL FUND:					
Reserved for:					
Encumbrances	$ 12,233	$ 3,497	$ 2,106	$ 3,684	$ 2,093
Noncurrent Assets	91	192	300	231	320
Statutory Purposes	251,704	198,751	207,003	60,731	39,622
Risk Management	32,851	36,473	33,301	39,412	-
Unreserved Undesignated:					
General Fund	295,882	-	-	-	137,595
Unreserved:					
Designated for Unrealized Investment Gains:					
General Fund	-	-	4,272	30,657	26,697
TOTAL RESERVED	296,879	238,913	242,710	104,058	42,035
TOTAL UNRESERVED	295,882	-	4,272	30,657	164,292
TOTAL FUND BALANCE	592,761	238,913	246,982	134,715	206,327
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Encumbrances	$ 814,811	$ 629,430	$ 795,414	$ 916,053	$ 994,758
Noncurrent Assets	342,341	292,336	278,843	278,006	245,051
Debt Service	580	3,298	7,965	5,137	6,495
Statutory Purposes	137,530	10,263	11,565	10,929	14,328
Emergencies	79,800	71,000	172,202	150,762	81,917
Funds Reported as Restricted	1,233,272	1,104,061	998,428	770,874	1,118,886
Unreserved, Reported in:					
Special Revenue Funds	872,212	812,706	41,589	27,692	29,918
Capital Projects Funds	(47,740)	(12,545)	(39,986)	4,555	43,029
Nonmajor Special Revenue Funds	291,488	274,941	664,258	448,766	591,846
Nonmajor Permanent Funds	1,642	1,954	1,291	961	810
Unreserved:					
Designated for Unrealized Investment Gains:					
Reported in Major Funds	-	4,484	6,884	30,944	14,847
Reported in Nonmajor Special Revenue Funds	-	347	5,491	20,380	15,662
Reported in Nonmajor Permanent Funds	-	9,926	4,718	27,429	18,644
TOTAL RESERVED	2,608,334	2,110,388	2,264,417	2,131,761	2,461,435
TOTAL UNRESERVED	1,117,602	1,091,813	684,245	560,727	714,756
TOTAL FUND BALANCE	3,725,936	3,202,201	2,948,662	2,692,488	3,176,191
TOTAL RESERVED	2,905,213	2,349,301	2,507,127	2,235,819	2,503,470
TOTAL UNRESERVED	1,413,484	1,091,813	688,517	591,384	879,048
TOTAL FUND BALANCE	$ 4,318,697	$ 3,441,114	$ 3,195,644	$ 2,827,203	$ 3,382,518

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2005-06	2004-05	2003-04	2002-03
DEBT SERVICE EXPENDITURES:				
Principal	$ 97,583	$ 15,574	$ 11,932	$ 16,581
Interest	106,322	98,829	80,281	82,116
TOTAL DEBT SERVICE EXPENDITURES	203,905	114,403	92,213	98,697
Percent Change Over Previous Year	121.1%	24.1%	-6.6%	15.7%
TOTAL NONCAPITAL EXPENDITURES	12,732,035	11,450,269	11,078,852	10,815,175
TOTAL CAPITAL EXPENDITURES	82,421	92,243	73,828	136,303
TOTAL GOVERNMENTAL EXPENDITURES	12,814,456	11,542,512	11,152,680	10,951,478
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.8%	0.1%	0.1%	0.2%
Interest	0.8%	0.9%	0.7%	0.8%
Total Debt Service Expenditures	1.6%	1.0%	0.8%	0.9%

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

(DOLLARS IN THOUSANDS)

	2005-06	2004-05	2003-04	2002-03
Governmental Activities				
Revenue Backed Debt	$1,418,446	$1,512,987	$1,518,564	$1,273,146
Certificates of Participation	196,475	63,332	44,244	57,132
Capital Leases	17,482	22,308	16,040	8,546
Notes and Mortgages	415,000	520,000	397,023	-
TOTAL GOVERNMENTAL OUTSTANDING DEBT	2,047,403	2,118,627	1,975,871	1,338,824
Business-Type Activities				
Revenue Backed Debt	2,304,485	2,063,378	1,578,903	1,553,595
Certificates of Participation	260,578	75,729	73,724	46,811
Capital Leases	60,724	90,140	86,531	85,919
Notes and Mortgages	6,946	9,402	6,262	6,602
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	2,632,733	2,238,649	1,745,420	1,692,927
Total Primary Government				
Revenue Backed Debt	3,722,931	3,576,365	3,097,467	2,826,741
Certificates of Participation	457,053	139,061	117,968	103,943
Capital Leases	78,206	112,448	102,571	94,465
Notes and Mortgages	421,946	529,402	403,285	6,602
TOTAL OUTSTANDING DEBT[1]	$4,680,136	$4,357,276	$3,721,291	$3,031,751
Percent Change Over Previous Year	7.4%	17.1%	22.7%	12.5%
Colorado Population (In Thousands)	4,792	4,720	4,653	4,587
Per Capita Debt (Dollars Per Person)	$977	$923	$800	$661
Per Capita Income (Thousands Per Person)	$39.9	$37.9	$36.1	$34.5
Per Capita Debt as a Percent of Per Capita Income	2.4%	2.4%	2.2%	1.9%

[1] – General Obligation Debt is prohibited by the State Constitution.
[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
$ 9,245	$ 4,188	$ 3,943	$ 13,837	$ 25,207	$ 34,054
76,096	49,658	1,491	8,687	15,814	21,350
85,341	53,846	5,434	22,524	41,021	55,404
58.5%	890.9%	-75.9%	-45.1%	-26.0%	28.0%
10,212,475	9,620,382	8,817,399	8,282,321	7,590,661	7,155,330
275,873	184,945	223,490	253,159	233,159	157,757
10,488,348	9,805,327	9,040,889	8,535,480	7,823,820	7,313,087
0.1%	0.0%	0.0%	0.2%	0.3%	0.5%
0.7%	0.5%	0.0%	0.1%	0.2%	0.3%
0.8%	0.6%	0.1%	0.3%	0.5%	0.8%

2001-02	2000-01 [3]	1999-00 [3]	1998-99 [3]	1997-98 [3]	1996-97 [3]
$1,293,196	$1,028,880	$ 524,360	$ -	$ -	$ -
54,406	-	-	-	-	-
3,473	63,123	69,710	70,079	75,934	95,514
-	4	113	-	-	-
1,351,075	1,092,007	594,183	70,079	75,934	95,514
1,240,946	1,017,866 [4]	329,733	347,336	343,529	332,890
54,545	-	-	-	-	-
47,222	103,001	115,566	125,383	114,046	94,794
1,444	19,590	22,304	1,817	1,066	3,749
1,344,157	1,140,457	467,603	474,536	458,641	431,433
2,534,142	2,046,746	854,093	347,336	343,529	332,890
108,951	-	-	-	-	-
50,695	166,124	185,276	195,462	189,980	190,308
1,444	19,594	22,417	1,817	1,066	3,749
$2,695,232	$2,232,464	$1,061,786	$ 544,615	$ 534,575	$ 526,947
20.7%	110.3% [4]	95.0%	1.9%	1.4%	1.4%
4,522	4,447	4,340	4,220	4,106	3,999
$596	$502	$245	$129	$130	$132
$34.0	$34.5	$33.4	$30.5	$28.8	$26.8
1.8%	1.5%	0.7%	0.4%	0.5%	0.5%

[3] – For fiscal years prior to 2001-02, data is presented in the governmental versus business-type activity format for comparability although that classification scheme was not used in those years.

[4] – In Fiscal Year 2000-01, CollegeInvest (formerly Colorado Student Obligation Bond Authority) increased revenue backed debt related to student loans when it became a state agency.

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

(DOLLARS IN THOUSANDS)	Unaudited 2005-06	2004-05	2003-04	2002-03
DISTRICT REVENUES:				
Exempt District Revenues	10,900,183	11,015,958	11,650,100	12,059,372
Nonexempt District Revenues	9,161,391	8,482,963	8,331,991	7,712,512
TOTAL DISTRICT REVENUES	20,061,574	19,498,921	19,982,091	19,771,884
Percent Change In Nonexempt District Revenues	8.0%	1.8%	8.0%	-0.5%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	10,900,183	11,015,958	11,650,100	12,059,372
Nonexempt District Expenditures	8,029,440	9,473,642	7,799,832	8,198,724
TOTAL DISTRICT EXPENDITURES	18,929,623	20,489,600	19,449,932	20,258,096
Percent Change In Nonexempt District Expenditures	-15.2%	21.5%	-4.9%	6.1%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	1,131,951	(1,031,742)	532,159	(486,212)
LIMIT AND REFUND CALCULATIONS:				
Prior Fiscal Year Spending Limitation	8,314,374	8,331,991	7,712,512	7,752,211
Adjustments To Prior Year Limit[2]	(372,471)	(383,102)	(31,732)	(12,865)
Adjusted Prior Year Fiscal Spending Limitation	7,941,903	7,948,889	7,680,780	7,739,346
Allowable Growth Rate (Population Plus Inflation)	1.3%	2.2%	3.6%	6.9%
Current Fiscal Year Spending Limitation	8,045,148	8,123,764	7,957,288	8,273,361
Adjustments To Current Year Limit	109	190,610	374,703	23,426
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,045,257	8,314,374	8,331,991	8,296,787
NONEXEMPT DISTRICT REVENUES	9,161,391	8,482,963	8,331,991	7,712,512
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,116,134	168,589	-	(584,275)
Correction Of Prior Years' Refunds	-	284	-	-
Voter Approved or Statutory Retention of Excess Revenue	1,116,134	127,810	-	-
CURRENT FISCAL YEAR REFUND	-	41,063	-	-

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the state's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.
[2] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activities revenues and expenditures are no longer shown in the district amounts.

2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
11,702,980 [1]	8,213,400	7,437,634	6,398,011	5,845,712	5,141,032
7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
19,455,191	17,090,505	15,940,586	14,321,030	13,280,914	11,788,650
-12.7%	4.4%	7.3%	6.6%	11.8%	8.5%
11,702,980 [1]	8,213,400	7,437,634	6,398,011	5,845,712	5,280,059
7,729,239	6,945,742	6,474,840	7,125,736	6,485,675	6,108,964
19,432,219	15,159,142	13,912,474	13,523,747	12,331,387	11,389,023
11.3%	7.3%	-9.1%	9.9%	6.2%	10.5%
22,972	1,004,163	1,086,983	117,649	386,364	399,628
7,948,550	7,563,710	7,243,385	6,872,039	6,508,592	6,124,314
(53,497)	-	-	-	-	-
7,895,053	7,563,710	7,243,385	6,872,039	6,508,592	6,124,314
4.0%	5.1%	4.4%	5.3%	5.5%	6.6%
8,210,855	7,949,459	7,562,093	7,236,257	6,866,565	6,528,518
(84,666)	(909)	1,617	7,128	5,474	(19,926)
8,126,189	7,948,550	7,563,710	7,243,385	6,872,039	6,508,592
7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
(373,978)	928,555	939,242	679,634	563,163	139,026
8,284	(1,354)	1,887	-	-	-
-	-	-	-	-	-
-	927,201	941,129	679,634	563,163	139,026

INDIVIDUAL INCOME TAX RETURNS[2] BY ADJUSTED GROSS INCOME CLASS 1994 to 2003

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

	2003		2002		2001		2000	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	24,632	0.0%	22,477	0.0%	16,539	0.0%	13,946	0.0%
$0 to $5,000	74,854	0.0%	73,714	0.0%	75,710	0.0%	73,929	0.0%
$5,001 to $10,000	114,615	0.1%	115,045	0.1%	113,237	0.1%	116,422	0.1%
$10,001 to $15,000	132,540	0.5%	134,152	0.5%	131,411	0.5%	134,898	0.5%
$15,001 to $20,000	137,195	1.1%	139,267	1.2%	139,013	1.2%	144,220	1.2%
$20,001 to $25,000	133,960	1.8%	136,897	1.9%	136,429	1.9%	140,010	1.9%
$25,001 to $30,000	239,657	5.3%	243,253	5.6%	244,586	5.5%	243,715	5.2%
$30,001 to $50,000	268,253	9.6%	271,283	9.9%	269,802	9.3%	263,657	8.7%
$50,001 to $75,000	286,609	16.5%	291,227	17.1%	290,662	15.9%	283,693	14.9%
$75,001 to $100,000	163,572	14.7%	161,047	14.7%	159,483	13.5%	150,626	12.2%
$100,000 and Over	202,886	50.4%	196,065	49.0%	203,312	52.1%	203,040	55.3%
TOTAL	1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%	1,768,156	100.0%

[1] – Data is not available for calendar year 1998.
[2] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.

Source: Colorado Department of Revenue

SALES TAX RETURNS BY INDUSTRY CLASS 2003 to 2005[1]

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

	2005		2004		2003	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS						
Agriculture, Forestry, & Fisheries	3,529	0.1%	3,268	0.1%	2,756	0.1%
Mining	3,617	1.0%	2,673	0.8%	2,481	0.6%
Public Utilities	7,419	2.8%	6,210	2.6%	6,497	2.4%
Construction Trades	30,741	1.6%	29,916	1.5%	28,342	1.6%
Manufacturing	75,927	4.4%	73,996	4.1%	68,682	3.8%
Wholesale Trade	78,351	6.6%	77,908	6.0%	66,412	5.7%
Retail Trade	392,892	53.5%	388,011	54.4%	371,658	54.7%
Transportation & Warehousing	5,583	0.3%	4,878	0.3%	4,125	0.2%
Information Producers/Distributors	149,711	5.9%	144,908	6.3%	127,785	6.5%
Finance & Insurance	35,960	1.0%	33,723	1.0%	33,680	1.1%
Real Estate, Rental, & Leasing Services	71,331	3.6%	70,647	3.7%	64,212	3.6%
Professional, Scientific, & Technical Services	74,471	2.0%	89,310	2.4%	105,807	2.9%
Bus. Admin., Support, Waste/Remediation Services	21,979	0.7%	20,707	0.6%	19,070	0.6%
Educational Services	4,767	0.2%	4,263	0.2%	3,747	0.1%
Health Care & Social Assistance Services	11,142	0.2%	10,092	0.2%	8,685	0.1%
Arts, Entertainment, & Recreation Services	14,965	0.6%	13,440	0.6%	11,587	0.6%
Hotel & Other Accommodation Services	20,176	3.1%	19,959	3.1%	20,087	3.2%
Food & Drinking Services	116,291	10.0%	110,799	9.9%	105,168	9.8%
Other Personal Services	83,498	2.1%	79,398	2.1%	72,999	2.1%
Government Services	9,938	0.2%	7,967	0.2%	8,390	0.2%
TOTAL	1,212,288	100%	1,192,073	100%	1,132,170	100%

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

Source: Colorado Department of Revenue

1999		1998[1]	1997		1996		1995		1994	
# of Tax Returns	% of Income Tax		# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
13,043	0.0%	N/A	14,433	0.0%	17,282	0.0%	17,608	0.0%	17,253	0.0%
75,022	0.1%	N/A	106,941	0.0%	111,845	0.0%	113,571	0.0%	117,685	0.0%
122,123	0.2%	N/A	138,612	0.2%	145,503	0.2%	151,318	0.3%	155,133	0.4%
142,185	0.8%	N/A	153,626	1.1%	155,657	1.3%	161,243	1.5%	161,981	1.7%
151,091	1.4%	N/A	150,479	2.2%	147,985	2.5%	150,080	2.9%	145,985	3.1%
143,324	2.1%	N/A	134,014	3.1%	128,846	3.5%	127,584	3.8%	122,903	4.1%
239,847	5.6%	N/A	211,119	7.6%	200,512	8.2%	196,081	8.8%	188,635	9.4%
255,652	9.4%	N/A	219,857	12.4%	210,920	13.2%	207,837	14.3%	200,768	15.4%
270,042	16.2%	N/A	219,788	19.1%	203,686	19.9%	193,500	20.7%	180,192	21.4%
135,419	12.6%	N/A	98,073	12.7%	86,358	12.5%	76,902	12.7%	67,613	12.0%
170,546	51.6%	N/A	112,812	41.6%	94,500	38.7%	79,983	35.0%	68,797	32.5%
1,718,294	100.0%	N/A	1,559,754	100.0%	1,503,094	100.0%	1,475,707	100.0%	1,426,945	100.0%

COLORADO TAX RATES
1997 to 2006

Calendar Year	Income Tax Rate	Sales Tax Rate
2006	4.63%	2.90%
2005	4.63%	2.90%
2004	4.63%	2.90%
2003	4.63%	2.90%
2002	4.63%	2.90%
2001	4.63%	2.90%
2000	4.63%	3.00%
1999	4.75%	3.00%
1998	5.00%	3.00%
1997	5.00%	3.00%

Source: Colorado Department of Revenue

NUMBER OF FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION, AND AVERAGE MONTHLY SALARY
Last Ten Fiscal Years

	2005-06	2004-05	2003-04	2002-03
General Government	2,255	2,219	2,180	2,300
Business, Community, and Consumer Affairs	2,342	2,367	2,343	2,344
Education	32,680	32,664	32,595	32,435
Health and Rehabilitation	3,729	3,681	3,717	3,803
Justice	11,372	11,083	10,767	11,257
Natural Resources	1,485	1,472	1,446	1,453
Social Assistance	1,520	1,462	1,482	1,567
Transportation	3,085	3,098	3,113	3,080
TOTAL FTE	58,468	58,046	57,643	58,239
TOTAL CLASSIFIED FTE	30,677	30,967	30,770	31,857
AVERAGE MONTHLY SALARY	$ 4,036	$ 3,955	$ 3,867	$ 3,913
TOTAL NON-CLASSIFIED FTE	27,791	27,079	26,873	26,382
AVERAGE MONTHLY SALARY	$ 5,066	$ 4,926	$ 4,759	$ 4,788

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
2,422	2,409	2,422	2,411	2,375	2,371
2,334	2,284	2,290	2,311	2,337	2,303
31,887	31,165	29,463	28,774	28,203	27,522
3,766	3,668	3,726	3,784	3,797	3,771
11,437	11,100	10,542	9,730	9,020	8,468
1,453	1,395	1,397	1,372	1,351	1,339
1,610	1,570	1,530	1,514	1,479	1,432
3,065	3,048	3,015	3,025	3,053	3,068
57,974	56,639	54,385	52,921	51,615	50,274
32,092	31,510	30,866	30,157	29,470	28,839
$ 3,700	$ 3,491	$ 3,364	$ 3,232	$ 3,091	$ 3,027
25,882	25,129	23,519	22,764	22,145	21,435
$ 4,563	$ 4,352	$ 4,387	$ 4,216	$ 4,100	$ 4,000

FTE is an acronym for Full-Time Equivalent employee. Employees on the state's payroll system are designated as either full-time or part-time. Each full-time employee was counted as one FTE. For each state agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the FTE for part-time employees.

REVENUE BOND COVERAGE[1]
1997 to 2006

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2005-06	$167,991	$ -	$167,991	$ 92,835	$ 75,156	$167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest							
2005-06	$106,230	$ 79,489	$ 26,741	$ 39,747	$ 53,783	$ 93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Institutions							
2005-06	$649,238	$376,431	$272,807	$ 29,365	$ 45,699	$ 75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60
1999-00	552,417	399,148	153,269	17,585	18,026	35,611	4.30
1998-99	395,699	274,163	121,536	16,280	18,307	34,587	3.51
1997-98	367,883	253,538	114,345	16,060	18,926	34,986	3.27
1996-97	346,355	237,948	108,407	13,745	17,434	31,179	3.48

[1] – Pledged revenues supporting the Governmental Funds TRANs are primarily federal grants under agreement with the Federal Highway Administration (FHWA), and sales and use tax revenues of the Highway Users Tax Fund which were diverted from the General Fund. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, are primarily student loan repayment amounts at CollegeInvest, which are used to make the required debt service payments. Pledged revenues supporting Higher Education Institutions' borrowings are auxiliary fees primarily related to student housing.

DEPARMENT OF CORRECTIONS AVERAGE DAILY INMATE POPULATION 1997 to 2006

Fiscal Year	Inmate Population
2006	21,438
2005	20,228
2004	19,478
2003	18,636
2002	17,367
2001	16,605
2000	15,441
1999	14,139
1998	13,242
1997	12,205

DEPARMENT OF CORRECTIONS ADMISSIONS & RELEASES 1997 to 2006

Fiscal Year	Inmate Admissions	Inmate Releases
2006 est	10,239	8,954
2005 est	9,415	8,249
2004	8,165	7,504
2003	7,799	6,977
2002	7,802	6,554
2001	5,952	6,114
2000	6,853	5,532
1999	6,602	5,521
1998	6,192	5,087
1997	5,765	4,713

Source: Colorado Department of Corrections

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
1997 to 2005

Mileage Type	2005	2004	2003	2002	2001	2000	1999	1998	1997
CenterLine Miles[1]									
Urban	1,411	1,421	1,421	1,038	1,033	1,035	1,049	840	1,050
Rural	7,737	7,736	7,736	8,105	8,104	8,051	8,110	8,287	8,113
TOTAL CENTERLINE MILES	9,148	9,157	9,157	9,143	9,137	9,086	9,159	9,127	9,163
Percent Change	-0.1%	0.0%	0.2%	0.1%	0.6%	-0.8%	0.4%	-0.4%	N/A
Lane Miles[2]									
Urban	5,247	5,262	5,236	4,058	4,031	4,041	4,090	3,991	4,087
Rural	17,784	17,875	17,825	18,792	18,782	18,659	18,807	18,767	18,804
TOTAL LANE MILES	23,031	23,137	23,061	22,850	22,813	22,700	22,897	22,758	22,891
Percent Change	-0.5%	0.3%	0.9%	0.2%	0.5%	-0.9%	0.6%	-0.6%	N/A

[1] – Centerline miles measure roadway miles without accounting for the number of lanes.
[2] – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

Source: Colorado Department of Transportation

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2002 to 2005[3]

Functional Classification	2005	2004	2003	2002
Principal Arterial[1]	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	943	894	321	322
Minor Arterial	787	798	818	817
Collector	319	326	403	405
Local	25	20	207	209
TOTAL BRIDGES	3,754	3,714	3,698	3,698
Percent Change	1.1%	0.4%	0.0%	NA

[1] – Includes interstate, expressways, and freeways.
[2] – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.
[3] – Data is not available in this format prior to calendar year 2002.

Source: Colorado Department of Transportation

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 1997 to 2006

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2006 est	$ 9,446	$ 3,300	$ 1,970	$ 14,716
2005 est	8,706	3,000	1,850	12,200
2004	8,050	3,216	1,742	11,850
2003	6,258	2,713	1,732	10,585
2002	6,357	2,787	2,162	11,266
2001	6,593	3,500	1,687	11,645
2000	7,029	3,476	1,835	11,778
1999	6,229	3,783	1,590	11,214
1998	5,486	2,880	1,491	9,708
1997	4,775	3,274	1,145	9,078

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES 1997 to 2006

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2006 est	$ 62.3	$ 6.25
2005 est	58.9	6.36
2004 est	55.8	6.43
2003	52.8	5.75
2002	52.9	5.39
2001	52.9	5.60
2000	52.2	5.42
1999	47.4	5.30
1998	43.1	5.20
1997	40.4	5.11

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

COLORADO DEMOGRAPHIC DATA
1997 to 2006

Year	Population (000)	Percentage Share of U.S. Population	Per Capita Personal Income	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2006 est	4,792	1.60%	39,917	109.0%	2,468	4.9%
2005 est	4,720	1.59	37,947	117.0	2,415	5.1
2004	4,653	1.57	36,109	114.6	2,383	5.5
2003	4,587	1.58	34,542	109.8	2,325	6.2
2002	4,522	1.57	34,032	110.5	2,300	5.9
2001	4,447	1.56	34,491	112.8	2,301	3.9
2000	4,340	1.54	33,370	111.8	2,297	2.6
1999	4,220	1.51	30,492	109.2	2,270	3.0
1998	4,106	1.49	28,784	107.1	2,226	3.5
1997	3,999	1.47	26,846	106.0	2,154	3.4

Source: Colorado Department of Labor and Employment, U.S. Bureau of Economic Analysis, and the Colorado Business Economic Outlook Committee.

COLORADO EMPLOYMENT BY INDUSTRY 1997 to 2006

(AMOUNTS IN THOUSANDS)

Industry	2006 est	2005 est	2004	2003	2002	2001	2000	1999	1998	1997
Natural Resources and Mining	18.5	16.8	14.6	13.2	12.9	12.9	12.2	12.3	13.4	13.2
Construction	168.6	159.1	151.4	149.9	160.4	167.7	163.6	148.5	134.6	120.5
Manufacturing	151.8	151.7	154.6	156.0	166.1	181.9	191.3	190.7	194.4	189.3
Transportation, Trade, and Utilities	420.7	412.9	407.3	404.5	412.1	423.0	418.9	404.9	392.4	381.3
Information	75.4	76.2	81.2	84.6	92.9	107.3	108.4	97.0	86.4	73.7
Financial Activities	162.0	158.7	155.0	154.1	149.5	148.3	147.0	147.4	142.8	135.2
Professional and Business Services	326.9	315.2	298.9	288.0	292.2	308.4	315.2	298.1	279.2	270.2
Educational and Health Services	231.4	224.7	218.5	213.0	208.5	200.8	192.8	186.9	182.9	178.2
Leisure and Hospitality	262.8	257.2	251.4	245.6	247.0	247.2	246.0	238.5	231.0	226.6
Other Services	90.6	88.6	86.7	85.9	85.6	83.8	80.2	79.0	77.3	75.7
Government	371.2	366.7	359.2	356.2	355.4	344.1	337.0	328.3	322.2	315.6
Total	2,279.9	2,227.8	2,178.8	2,151.0	2,182.6	2,225.4	2,212.6	2,131.6	2,056.6	1,979.5

Excludes nonagricultural self-employed, unpaid family, and domestic workers.
Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

OTHER COLORADO FACTS

Important Dates

1803	The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
1806	Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
1848	By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.
1858	Gold is discovered along Cherry Creek near the present day Denver.
1861	Congress establishes the Colorado Territory with the boundaries of the present state and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the university, and selects Colorado City as the territorial capital.
1867	Denver established as permanent seat of the territorial government by the legislature meeting in Golden.
1870	The Denver Pacific Railroad is completed to Denver.
1876	Colorado is admitted to the Union as the 38th state. John L. Routt is elected the first governor.
1877	The University of Colorado opens classes at Boulder with two teachers and forty-four students.
1894	The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
1906	The U.S. Mint at Denver issues its first coins.
1958	The U.S. Air Force Academy's permanent campus opens near Colorado Springs.
1992	TABOR amendment added to the State Constitution.

Geography

Area: 104,247 square miles.

Highest Elevation: Mt Elbert – 14,431 feet above sea level.

Lowest Elevation: Along the Arkansas River in Prowers County, 3,350 feet above sea level.

Colorado has the highest average elevation of all fifty states at 6800 feet above sea level.

State Motto - Nil Sine Numine - Nothing Without the Deity

State Nickname – Centennial State

State Animal - Rocky Mountain Bighorn Sheep

State Bird - Lark Bunting

State Fish - Greenback Cutthroat Trout

State Tree - Colorado Blue Spruce

State Flower - White and Lavender Columbine

State Mineral - Rhodochrosite

State Gemstone – Aquamarine

State Rock – Yule Marble

APPENDIX B

SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX B

SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the State. The statistics have been obtained from the referenced sources and represent the most current information available; however, certain information is released only after a significant amount of time has passed since the most recent date of the reported data, and therefore such information may not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State, the Treasurer, the Financial Advisor or any other officer or employee of or advisor to the State.*

Overview

Colorado is the most populous state in the Rocky Mountain region. The State has two distinctive geographic and economic areas. The eastern half of the State consists of the eastern plains, that are flat, open and largely devoted to farming, and the Front Range, that contains the major metropolitan areas. The western half of the State includes the Rocky Mountains and the Western Slope. A significant portion of the land in the western half of the State is heavily forested and mountainous, owned by the federal government and devoted to national parks or forests.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State capital, is the major economic center in the State and the Rocky Mountain region, having developed as a regional center for transportation, communication, finance and banking. More recently, the Front Range has attracted advanced-technology industries and is experiencing a resurgence in natural gas, oil and coal extraction.

The State's economy is sensitive to the national economy, leading to economic performance that depends a great deal on economic performance at the national level.

Population and Age Distribution

The following table sets forth population figures for the State and the United States since 1960.

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Population Estimates

Year[1]	Colorado Population (millions)	Colorado % Change	United States Population (millions)	United States % Change
1960	1.75	--	179.32	--
1970	2.21	25.8%	203.21	13.3%
1980	2.89	30.9	226.55	11.5
1990	3.29	14.0	248.71	9.8
2000	4.30	30.6	281.42	13.2
2001	4.43	2.9	285.11	1.3
2002	4.50	1.6	287.98	1.0
2003	4.55	1.1	290.85	1.0
2004	4.60	1.2	293.66	1.0
2005	4.67	1.4	296.41	0.9
2006	4.75	1.9	299.40	1.0

[1] 1960-2000 figures are census counts as of April 1 of the given year. 2001-2006 figures are July 1 estimates.

Source: U.S. Department of Commerce, Bureau of the Census

The following table sets forth a comparative age distribution profile for the State and the United States as of July 2006, the latest date for which such statistics are available.

Age Distribution – July 2006

Age Group	Colorado Population (millions)	Colorado % of Population	United States Population (millions)	United States % of Population
0-17	1.169	24.6%	73.736	24.6%
18-24	0.459	9.7	29.455	9.8
25-44	1.440	30.3	84.083	28.1
45-64	1.208	25.4	74.865	25.0
65+	0.477	10.0	37.260	12.5
	4.753	100.0%	299.399	100.0%

Source: U.S. Department of Commerce, Bureau of the Census

Income

The following table sets forth annual per capita personal income levels of the State, the Rocky Mountain region and the United States.

Per Capita Personal Income in Current Dollars

Year	Colorado Income	Colorado % Change	Rocky Mountain Region[1] Income	Rocky Mountain Region[1] % Change	United States Income	United States % Change
2002	$34,014	(1.4)%	$29,580	(0.3)%	$30,795	0.8%
2003	34,059	0.1	29,899	1.1	31,466	2.2
2004	35,621	4.6	31,394	5.0	33,072	5.1
2005	37,702	5.8	33,174	5.7	34,685	4.9
2006	39,587	5.0	35,004	5.5	36,629	5.6

[1] Includes Colorado, Utah, Idaho, Montana and Wyoming.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment

The following table sets forth recent total nonfarm labor force and unemployment statistics for the State.

Colorado Nonfarm Labor Force and Unemployment Rates
(not seasonally adjusted)

Year	Labor Force (thousands)	% Change	% Unemployed
2002	2,184.2	(1.9)%	5.7%
2003	2,152.8	(1.4)	6.1
2004	2,179.6	1.2	5.6
2005	2,226.0	2.3	5.1
2006	2,278.8	2.4	4.3
2007[1]	2,318.1	1.7	3.8

[1]Average through October 2007.

Source: U.S. Department of Commerce, Bureau of Labor Statistics

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The following table sets forth the number of individuals employed within selected industries in the State for the period 2002 through October 2007 based on the North American Industrial Classification System ("**NAICS**") codes.

Average Colorado Employment Within Selected Industries (Thousands)

Industry	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**[1]
Natural Resources and Mining	13	13	14	17	21	24
Construction	160	150	151	160	168	166
Manufacturing	164	154	152	150	149	147
Durable Goods	110	102	101	100	100	97
Nondurable Goods	54	52	51	50	50	49
Trade	338	332	333	340	344	345
Wholesale Trade	95	92	92	94	96	98
Retail Trade	243	240	241	246	248	247
Transportation and Utilities	74	73	73	74	75	76
Utilities	8	8	8	8	8	8
Transportation and Warehousing	66	65	65	66	67	68
Information	93	85	81	77	76	76
Telecommunications	39	35	33	29	28	27
Financial Activities	150	154	155	159	161	162
Finance and Insurance	104	107	107	110	112	112
Real Estate, Rental and Leasing	46	47	47	48	49	49
Professional and Business Services	296	292	304	317	332	344
Professional, Scientific and Technical Services	145	142	148	156	163	169
Educational and Health Services	209	213	219	225	231	239
Educational Services	25	25	26	28	29	30
Health Care and Social Assistance	184	188	193	197	202	210
Leisure and Hospitality	247	246	251	258	265	273
Arts, Entertainment and Recreation	41	40	42	43	44	47
Accommodation and Food Services	206	206	209	215	221	226
Other Services	86	86	87	89	91	93
Government	355	356	359	363	368	372
Total	2,184	2,153	2,180	2,226	2,278	2,318

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics Survey (jobs by place of work).

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Set forth in the following table are the top private sector employers in Colorado in 2006. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the State. It is possible that there are other large employers in the State that are not included in the table.

Top Private Sector Employers in Colorado – 2006

Employer	Type of Business	Estimated Employees
Wal-Mart	Discount Stores	23,906
Kroger (King Soopers/City Market)	Supermarkets	17,118
Centura Health	Health Care	12,000
Lockheed Martin Space Systems, Co.	Aerospace and defense	10,750
Safeway, Inc.	Supermarkets	10,516
Qwest Communications International, Inc.	Telecommunications	9,700
HCA-HealthOne LLC	Health Care	8,700
Target Stores	Discount Retailer	6,865
Exempla Healthcare	Hospital	6,860
IBM Corporation	Computers	6,000
Wells Fargo	Banking/Financial Services	5,700
Alpine Access	Call Center	5,500
UAL Corp (United Airlines)	Air Transportation	5,500
University of Denver	Private university	5,034
EchoStar Communications	Satellite Television	5,000
United Parcel Service	Delivery Services	4,800
Kaiser Permanente	Health Maintenance Org.	4,800
Albertsons	Supermarkets	4,500
Frontier Airlines	Air Transportation	4,023
Comcast	Cable Service Provider	4,000
Ball Corporation	Containers, Aerospace	3,700
Xcel Energy	Utility	3,595
Molson Coors Brewing Company	Brewery	3,500
The Children's Hospital	Health Care	3,059
University of Colorado Hospital	Health Care	3,007

Source: *The Denver Business Journal* 2006-07 Book of Lists "Top Private Sector Employers"

Retail Sales

Set forth below are recent annual sales figures for the State as reported for State sales tax purposes.

Retail Sales
(dollar amounts in billions)

	Gross Sales		Retail Sales	
Year	**Amount**	**% Change**	**Amount**	**% Change**
2002	$135.137	(0.5)%	$103.778	1.1%
2003	138.894	2.8	105.420	1.6
2004	152.571	9.8	114.281	8.4
2005	164.998	8.1	122.907	7.5
2006	184.677	11.9	133.531	8.6
2007[1]	87.973	N/A	68.494	N/A

[1] Includes only the first and second quarters of 2007.

Source: Colorado Department of Revenue

The following table sets forth retail sales figures for the State by industry.

Retail Sales by Industry[1]

	2002		2003		2004		2005		2006	
	Retail Sales (millions)	% Change	Retail Sales (millions)	% Change	Retail Sales (millions)	% Change	Retail Sales (millions)	% Change	Retail Sales (millions)	% Change
Agriculture, Forestry, and Fisheries	$144.3	(73.6)%	$142.6	(1.2)%	$164.8	15.6%	$173.3	5.2%	$298.9	72.5
Mining	648.3	(14.9)	669.2	3.2	990.5	48.0	1,399.7	41.3	2,102.1	50.2
Contract Construction	2,458.3	(1.5)	2,403.6	(2.2)	2,548.1	6.0	2,679.4	5.2	3.261.2	21.7
Manufacturing	5,900.0	2.1	6,394.6	8.4	7,356.0	15.0	8,383.1	14.0	10,056.9	20.0
Transportation, Communications, Electric, Gas and Sanitation Services	3,955.6	(54.6)	4,576.2	15.7	5,382.1	17.6	6,648.6	23.5	7,787.4	17.1
Wholesale Trade	7,796.4	6.2	7,925.6	1.7	9,487.8	19.7	11,111.3	17.1	12,393.6	11.5
Building Materials and Farm Equipment	4,449.2	(9.9)	4,312.4	(3.1)	4,961.7	15.1	5,582.4	12.5	5,822.1	4.3
General Merchandise	8,198.4	3.6	8,523.2	4.0	9,125.9	7.1	9,803.5	7.4	10,300.0	5.1
Food Stores	9,420.2	13.6	9,612.7	2.0	9,835.8	2.3	10,428.7	6.0	11,067.5	6.1
Auto Dealers and Service Statioes	16,776.0	(2.7)	16,753.8	(0.1)	17,556.5	4.8	17,920.4	2.1	18,149.4	1.3
Apparel and Accessory Stores	2,354.0	21.4	2,431.9	3.3	2,600.9	6.9	2,587.6	(0.5)	2,878.3	11.2
Furniture and Home Furnishings Stores	3,787.1	(10.0)	3,892.3	2.8	4,203.0	8.0	4,292.4	2.1	4,554.9	6.1
Eating and Drinking Places	5,952.4	(1.2)	5,926.6	(0.4)	6,470.3	9.2	6,745.6	4.3	7,605.1	12.7
Miscellaneous Stores	7,740.6	(9.3)	7,248.3	(6.4)	7,593.9	4.8	8,040.5	5.9	8,945.9	11.3
Finance, Insurance, and Real Estate	3,805.7	208.4	3,799.0	(0.2)	3,836.5	1.0	4,396.4	14.6	5,386.0	22.5
Hotels and Other Lodging	2,053.4	(2.8)	2,026.1	(1.3)	2,103.5	3.8	2,271.5	8.0	2,602.2	14.6
Services Other Than Hotels and Lodging	12,808.3	(16.0)	13,229.5	3.3	14,624.1	10.5	14,416.8	(1.4)	14,313.1	(0.7)
Government Facilities	356.8	229.2	252.0	(29.4)	273.5	8.5	353.7	29.3	356.8	0.9
Nonclassifiable Establishments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	$103,774.0	0.2%	$105,419.8	1.6%	$114,279.4	8.40%	$122,927.0	7.6%	$133,531.3	8.6%

[1] Does not reflect all sales due to data suppressed to protect the confidentiality of employers, and therefore may not accurately estimate the increase or decrease in sales in certain years.

Source: Colorado Department of Revenue

Tourism

The following table presents information on tourism in the State as reflected in visits to National Park Service territories in Colorado and Colorado ski areas, as well as statistics regarding conventions in the Denver area.

Colorado Tourism Statistics

	National Parks Visits		Conventions[1]						Skier Visits[2]	
			Conventions		Delegates		Spending			
Year	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2002	5.72	0.0%	31	(8.8)%	94.2	(33.2)%	149.4	(33.2)%	11.13	(4.6)%
2003	6.23	8.9	26	(16.1)	105.3	11.8	166.9	11.7	11.61	4.3
2004	5.98	(4.0)	30	15.4	114.5	8.7	181.6	8.8	11.25	(3.1)
2005	6.00	0.2	40	33.3	153.4	34.0	305.7	6.8	11.82	5.0
2006	5.90	(1.7)	55	37.5	180.2	17.5	392.5	2.8	12.53	6.0

[1] Includes only those conventions held at the Colorado Convention Center.

[2] Data for skier visits reflects the number of visits in the ski season ending in the referenced year.

Source: Office of State Planning and Budgeting

Residential Housing Starts

The following table sets forth a five-year history of residential building permit issuances for the State.

Residential Housing Starts
New Privately Owned Housing Units Authorized

Year	Building Permits	% Change
2002	47,871	(13.0)%
2003	39,569	(17.3)
2004	46,499	17.5
2005	45,891	(0.5)
2006	38,343	(15.0)
2007[1]	26,585	N/A

[1] Includes data through October 2007.

Source: U.S. Department of Commerce, Bureau of the Census

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APPENDIX C

THE STATE GENERAL FUND

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APPENDIX C

THE STATE GENERAL FUND

General Fund Overview

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund.

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2002-03 through Fiscal Year 2005-06, and the forecast for Fiscal Year 2006-07 and Fiscal Year 2007-08 from the most recent OSPB Revenue Forecast of June 2007.

The table assumes current law for General Fund appropriations, capital construction transfers, other transfers to the General Fund and rebates and expenditures. It also reflects legislation passed by the 2006 General Assembly and signed into law by the Governor, as well as the effect of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "**Jobs Act**") enacted in 2003. The Jobs Act funds two types of financial assistance for the states. Colorado received a total of about $86.4 million through the federal Medical Assistance Percentage Enhancement for Medicaid, which is reflected in the table. In addition, the State received approximately $146.0 million as flexible federal grants that are not reflected in the table because they were treated as custodial funds.

The table also takes into account two provisions of the Jobs Act that provide tax relief for State taxpayers but also affect State tax revenues. The growth incentives for businesses offered under the Jobs Act include a 50% bonus depreciation allowance and a small business expensing provision. These incentives have the effect of reducing federal adjusted income, which is the basis for the State's income tax, thus resulting in a corresponding reduction in State income tax revenues.

The format of the following table is used by the State in developing its annual budget, as discussed in "FINANCIAL OPERATIONS – Budget Process." See also "FORWARD LOOKING STATEMENTS."

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State of Colorado
General Fund Overview
(dollar amounts expressed in millions; totals may not add due to rounding)

	Fiscal Year						
	Actual					OSPB Forecast	
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
RESOURCES:							
Beginning Reserve	$138.5	$216.6	$224.0	$237.4	$251.7	$267.0	$283.5
Gross General Fund Revenues	5,665.6	6,045.2	6,474.8	6,964.6	7,562.5	7,791.1	8,102.0
General Fund	--	--	--	5,848.5	6,250.9	6,617.1	6,919.7
General Fund Exempt	--	--	--	1,116.1	1,311.6	1,174.0	1,182.3
Transfers to the General Fund [1]	525.3	54.4	65.7	227.8	--	--	--
TOTAL FUNDS AVAILABLE	6,374.9	6,387.5	6,764.5	7,429.8	7,814.2	8,058.1	8,385.5
EXPENDITURES:							
General Fund Appropriations (Long Bill and Special Bills) [2]	5,414.5	5,599.3	5,935.2	6,292.7	6,675.6	7,087.5	7,519.3
Exemptions from the 6% Appropriations Limit [3]	--	--	1.3	5.0	10.8	6.1	--
Spending Outside the 6% Limit	743.1	441.0	492.6	800.9	992.1	949.0	949.1
Rebates and Expenditures [4]	134.7	112.8	110.7	153.4	164.6	169.4	179.8
Transfers to Capital Construction [5]	10.6	9.5	0.2	10.1	145.9	47.0	8.5
TABOR Refund	--	–	41.1	--	--	--	--
Older Coloradans Program [6]	3.0	2.3	1.5	2.8	5.8	5.8	5.8
Transfer to State Education Fund [7]	188.4	278.8	313.9	357.2	395.1	409.3	426.9
Senate Bill 97-1 [8]	--	--	--	220.4	230.6	241.3	250.9
Senior Homestead Exemption [9]	62.6	--	--	--	74.2	76.2	77.2
Other Exemptions [10]	349.6	56.2	55.0	67.1	--	--	--
Reversions and Accounting Adjustments, including Medicaid Overexpenditures [11]	(12.6)	(18.5)	(29.8)	(10.1)	(24.1)	--	--
TOTAL OBLIGATIONS	6,157.6	6,040.3	6,429.1	7,098.6	7,678.5	8,042.6	8,468.4
RESERVES							
Year-End Reserve	217.3	347.2	335.4	688.4	536.7	430.5	349.8
Year-End Reserve as a Percent of Appropriations	4.2%	6.2%	5.7%	10.9%	8.0%	61%	4.7%
Statutory Reserve: 4% of General Fund Appropriations [12]	131.3	224.0	237.4	251.7	267.0	283.5	300.8
Excess Monies Above (Below) Reserve	86.0	121.8	98.0	436.7	269.7	147.0	49.0
Reserved for Transportation [12, 13]	0.5	81.2	65.3	291.1	179.8	98.0	32.7
Reserved for Capital Construction [12, 13]	0.3	40.6	32.7	145.6	89.9	49.0	16.3
APPROPRIATIONS CHANGE	(238.5)	184.8	337.2	361.2	382.9	412.0	431.8
APPROPRIATIONS GROWTH RATE	(4.2)%	3.4%	6.0%	6.1%	6.1%	6.2%	6.1%

1 This figure represents the total transfers to the General Fund per HB 02-1267, HB 02-1391, HB 02-1392, HB 02-1443, HB 02-1444, HB 02-1445, HB 02-1478, SB 03-107, SB 03-172, SB 03-179, SB 03-188, SB 03-190, SB 03-191, SB 03-260, SB 03-261, SB 03-271, SB 03-274, SB 03-296, SB 03-300, HB 04-1421, HB 05-1262, SB 05-210 and SB 05-211.

2 The Fiscal Year 2001-02 appropriations figure includes $3.6 million that is exempt from the statutory 6% limit on annual increases in unrestricted General Fund appropriations. This figure also includes a $35.2 million appropriation to the Highway Users Tax Fund, a $78.9 million appropriation to the Capital Construction Fund and a $3 million appropriation to the Older Coloradans program. See "STATE FINANCIAL INFORMATION – Budget Process – *Expenditures; The Balanced Budget and Statutory Spending Limitation*."

3 SB 00-181 transfers money to the K-12 Capital Construction Fund. This money is exempt from the statutory 6% limit on annual increases in unrestricted General Fund appropriations, but is used as the base for calculation of the following year's limit. In Fiscal Year 2002-03, the payment to the K-12 Capital Construction Fund was made from the State Education Fund ($10.9 million) and funding from Powerball ($4.1 million). In Fiscal Year 2003-04, the payment to the K-12 Capital Construction Fund was made from the State Education Fund and Powerball. Per HB 06-1385, in FY 2005-06, $5.0 million is appropriated from the General Fund. Per Section 24-75-201.1(4)(c), C.R.S., in Fiscal Year 2004-05 and thereafter, the payment to the K-12 Capital Construction Fund is not made unless General Fund revenues exceed the Unappropriated Reserve by at least $80 million. Per HB 06-1395, in FY 2005-06, $5.8 million is appropriated outside the statutory 6% limit, but is used as the base for calculation of next year's appropriation limit.

4 Per SB 03-263, State expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association were eliminated in Fiscal Years 2003-04 and 2004-05. Per SB 05-209, the Volunteer Firefighter Retirement Plan and Volunteer Firefighter Death and Disability Insurance appropriations are not subject to the limitation on General Fund appropriation growth limit and are included in the amounts shown for Fiscal Years 2003-04 and 2004-05.

5 HB 04-1412 eliminated the General Fund transfer to the Capital Construction Fund in Fiscal Years 2004-05 and 2005-06. The transfers shown in the table in these Fiscal Years are per HB 04-1003 and HB 04-1021, respectively.

6 Per HB 00-1072 and HB 01-1079, $3.0 million was appropriated to the Older Coloradans Cash Fund in each of Fiscal Years 2000-01 and 2001-02., and per HB 02-1209, $2.0 million per year is to be appropriated to the Older Coloradans Cash Fund in each of Fiscal Years 2002-03 through FY 2005-06. Per HB 06-1018, $3.0 million per year is to be appropriated to the Older Coloradans Cash Fund in each of Fiscal Years 2007-08 and beyond.

[Footnotes continued on next page]

7 Amendment 23 mandates that 1/3 of 1% of federal taxable income is to be credited to the Stated Education Fund beginning January 1, 2001. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Amendment 23*" and "The State Education Fund" above. As new data becomes available regarding federal taxable income, the State is required to adjust the diversion to the State Education Fund per Section 22-55-103, C.R.S.

8 When General Fund appropriations grow by 6.0%, 10.36% (10% prior to January 1, 2001) of sales and use taxes are diverted to the Highway Users Tax Fund per SB 97-1 and HB 00-1259.

9 SB 03-265 eliminated the senior Homestead Exemption property tax credit in Fiscal Years 2003-04 through 2005-06.

10 HB 04-1267 repealed the statutory requirement to repay the Controlled Maintenance Trust Fund in Fiscal Years 2004-05 and 2005-06. Per SB 05-211, $55 million was transferred to the Controlled Maintenance Trust Fund on June 30, 2005. Per HB 02-1391, the State is required to pay back some transfers into the General Fund if there are sufficient revenues. In addition, SB 02-1445 and HB 02-1478 required the State to repay on July 1, 2002, the Major Medical Fund and Tobacco Settlement Fund in the same amount that was transferred to the General Fund in Fiscal Year 2001-02. HB 02-1391 required the State to repay the $2.5 million transfer from the Species Conservation Fund by June 30, 2002, which amount was paid from year-end reversions. SB 03-191 required that $10 million be repaid to the Major Medical Fund on July 1, 2003, and SB 03-274 required that up to $6.9 million be repaid to the Local Government Limited Gaming Impact Fund by September 1, 2003, from any revenues above $5 million collected through the tax amnesty program.

11 The Governor ordered an additional 1.5% General Fund budget reduction in Fiscal Year 2001-02 and a hiring freeze for all executive branch departments. The departments reverted $26.3 million in Fiscal Year 2001-02 as a result of these actions.

12 HB 02-1478 eliminated the 4% Unappropriated Reserve requirement for Fiscal Year 2001-02 as a means of providing a potential source of funds to cover any General Fund revenue shortfall. SB 03-349 reduced the Unappropriated Reserve requirement for Fiscal Year 2002-03 from 4% of General Fund appropriations to 3% of General Fund appropriations as reduced by $31,175,000 plus the portion of the reserve that the Governor was authorized to disburse pursuant to Section 24-75-201.5(1)(d)(III)(A), C.R.S., not to exceed $132 million, in order to cover a General Fund revenue shortfall.

13 Per SB 02-1310, ⅔ of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement is required to be credited to the Highway Users Tax Fund, and ⅓ of such excess is to be credited to the Capital Construction Fund.

Sources: State Treasurer's Office and OSPB September 2007 Revenue Forecast

Recent General Fund Financial Results

The following is a discussion of General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years.

Fiscal Year 2006-07. Unaudited figures show that General Fund revenues grew 8.6% in Fiscal Year 2006-07, after increasing 13.1% in Fiscal Year 2005-06. Sales and use tax revenues increased 4.7%, compared with an increase of 5.7% in Fiscal Year 2005-06. Individual income tax revenues increased 11.3%, after increasing 17.9% in Fiscal Year 2005-06. Total available funds for Fiscal Year 2005-06 were $7,583.7 million and total obligations were $7,047.0 million. In accordance with Amendment 23, $395.1 million was transferred to the State Education Fund, and in accordance with SB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($179.8 million) was transferred for transportation construction and ⅓ of such excess ($89.9 million) was transferred for capital construction. Additionally, per SB 97-001, $230.6 million was transferred to the Highway Users Tax Fund.

Fiscal Year 2005-06. General Fund revenues grew 13.1% in Fiscal Year 2005-06, after increasing 7.1% in Fiscal Year 2004-05. Sales and use tax revenues increased 5.7%, compared with an increase of 5.2% in Fiscal Year 2004-05. Individual income tax revenues increased 17.9%, after increasing 7.6% in Fiscal Year 2004-05. Total available funds for Fiscal Year 2005-06 were $7,139.5 million and total obligations were $6,451.1 million. In accordance with Amendment 23, $357.2 million was transferred to the State Education Fund, and in accordance with SB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($291.1 million) was transferred for transportation construction and one-third of such excess ($145.6 million) was transferred for capital construction. Additionally, per SB 97-001, $220.4 million was transferred to the Highway Users Tax Fund.

Fiscal Year 2004-05. General Fund revenues grew 7.1% in Fiscal Year 2004-05, after increasing 6.7% in Fiscal Year 2003-04. Sales and use tax revenues increased 5.2%, compared with an increase of 3.7% in Fiscal Year 2003-04. Individual income tax revenues increased 7.6%, compared with an increase of 10.5% in Fiscal Year 2003-04. Total available funds for Fiscal Year 2004-05 were $6,474.8 million and total obligations were $6,112.8 million. In accordance with Amendment 23, $313.9 million was transferred to the State Education Fund, and in accordance with SB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($65.3 million) was transferred for transportation construction and ⅓ of such excess ($32.7 million) was transferred for capital construction.

Fiscal Year 2003-04. General Fund revenues rose 6.7% in Fiscal Year 2003-04, compared with a decrease of 3.1% in Fiscal Year 2002-03. Sales and use tax revenues increased 3.7%, compared to a decline of 3.0% in Fiscal Year 2002-03. Individual income tax revenues increased 10.5%, compared with a decline of 6.7% in Fiscal Year 2002-03. Total available funds for Fiscal Year 2003-04 were $6,045.2 million and total obligations were $5,688.8 million. In accordance with Amendment 23, $278.7 million was transferred to the State Education Fund, and in accordance with SB 02-1310, ⅔ of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($81.5 million) was transferred for transportation construction and ⅓ of such excess ($40.8 million) was transferred for capital construction.

Fiscal Year 2002-03. In Fiscal Year 2002-03, General Fund revenues fell 3.1%. Excise taxes fell 2.5% and total income taxes fell 5.0%, although miscellaneous revenues increased 12.6%. The June 2003 tax amnesty program increased Fiscal Year 2002-03 State tax revenues by nearly $25 million. The amount of $188.6 million was transferred to the State Education Fund in accordance with Amendment 23. There was no SB 97-1 diversion to the Highway Users Tax Fund and capital construction expenditures totaled $10.6 million. The General Fund ended the year with a $224.9 million reserve, or 4.2% of appropriations. This exceeded the Unappropriated Reserve requirement, which had been lowered by the General Assembly for Fiscal Year 2002-03 from 4% to 2.4% (a reduction of $93.7 million). In accordance with SB 02-1310, ⅔ of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($5.6 million) was transferred to the Highway Users Tax Fund and ⅓ of such excess ($2.8 million) was transferred to the Capital Construction Fund. Total available General Fund revenues for Fiscal Year 2002-03 were $6,137.8 million and total obligations were $5,912.9 million.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year based on appropriations then in effect will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. As a result of the General Fund revenues shortfall in Fiscal Year 2002-03, the Governor and the General Assembly took certain actions to ensure that the State would not have a budget deficit in Fiscal Year 2002-03.

Several measures were enacted that reduced State expenditures either permanently or temporarily. These included: supplemental legislation to reduce Fiscal Year 2002-03 capital construction projects that could be postponed without substantial financial consequences (SB 03-179); a reduction in the Fiscal Year 2003-04 capital construction transfer for new projects (SB 03-262); the elimination of the salary survey and performance pay wage increases for State employees in Fiscal Year 2003-04 (SB 03-273); the elimination of the senior homestead exemption property tax credit in Fiscal Years 2003-04 through 2005-06 (SB 03-265); the elimination of State funding for unfunded, old hire pension plans in the Fire and Police Pension Association in Fiscal Years 2003-04 and 2004-05 (SB 03-263); a change in the end of June pay date for State government employees from June 30th to July 1st (SB 03-197); a change in the method of recording State Medicaid payments from an accrual basis to a cash basis (SB 03-196); the deferral of the repayment of prior year transfers to the General Fund from the Controlled Maintenance Trust Fund (SB 03-262), which repayment obligation was subsequently repealed in 2004 by HB 04-1267; a reduction in the annual amount to be appropriated to fund the Older Coloradans Cash Fund in Fiscal Years 2003-04 and 2004-05 (SB 03-295); a permanent reduction of the amount appropriated to the Older

Coloradans Health and Medical Care Fund (SB 03-299); and the elimination of the State presidential primary (SB 03-188).

Numerous bills were passed during the 2003 legislative session that increased fees collected for various State services. The increases were necessary because the amounts previously collected for these services did not cover program costs, thereby requiring General Fund revenues to be used to supplement these costs. New or increased fees for programs previously funded in part by General Fund revenues are expected to generate a consistent amount through the remainder of the forecast horizon.

Fiscal Year 2001-02. In Fiscal Year 2001-02, General Fund revenues decreased 13.0%, compared with an increase of 6.8% in Fiscal Year 2000-01. Excise tax revenues declined 2.2% and sales and use tax revenues, the largest categories of excise taxes, fell 3.7%. Income tax revenue declined 19.0%, with individual income tax revenues falling 16.7% and corporate income tax revenues dropping 46.0%. Total available General Fund revenues for Fiscal Year 2001-02 were $6,822.8 million and total obligations were $6,685.2 million. In accordance with Amendment 23, $272.9 million was transferred to the State Education Fund. There was no diversion to the Highway Users Tax Fund, and capital construction expenditures were counted in the General Fund appropriations base. The year-end Unappropriated Reserve for Fiscal Year 2001-02 totaled $137.5 million, or 2.4% of appropriations.

See also Management's Discussion and Analysis in "APPENDIX A – STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006," as well as "OSPB Revenue and Economic Forecasts" below.

Revenue Sources

The following is a description of the revenue sources to the General Fund. The major revenue sources are the individual income tax, the general sales and use tax and the corporate income tax. In Fiscal Year 2006-07, individual and corporate income taxes comprised 65.7% of total General Fund revenues, and general sales and use taxes contributed nearly 30% of total General Fund revenues.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. In Fiscal Year 2006-07, individual income tax revenue comprised 64.4% of total General Fund revenues. In Fiscal Year 2001-02, individual income tax revenues decreased 16.7% after the State lowered the income tax rate from 4.75% to 4.63% effective January 1, 2000. In Fiscal Year 2004-05, individual income tax revenues increased 7.6%, and in Fiscal Year 2005-06, individual income tax revenues increased 17.9%. Individual estimated payments declined in Fiscal Year 2002-03 due to lower capital gains resulting from the faltering stock market coupled with weak proprietors' income caused by the State's losses in its advanced technology, telecommunications, travel and tourism industries. However, during the same period, individual withholding taxes were essentially flat, indicating that the State's wage and salary base stabilized as the labor market stabilized. The OSPB forecasts that individual income tax receipts will increase 2.9% in Fiscal Year 2007-08 and 4.9% in Fiscal Year 2008-09.

Sales and Use Taxes. Sales and use tax receipts accounted for 29.5% of General Fund revenue in Fiscal Year 2006-07. Sales and use tax revenues increased 3.7% in Fiscal Year 2003-04, 5.2% in Fiscal Year 2004-05, 5.7% in Fiscal Year 2005-06, and 5.1% in Fiscal Year 2006-07. Sales tax revenues are expected to continue to grow, and the OSPB forecasts that sales and use tax revenues will increase 4.4% in Fiscal Year 2006-07 and 4.0% in Fiscal Year 2007-08.

Corporate Income Tax Revenue. Corporate income tax revenues accounted for 6.6% of total General Fund revenues in Fiscal Year 2006-07. Corporate tax receipts are the most volatile revenue source for the General Fund. After decreasing nearly 50% in Fiscal Year 2001-02, corporate income tax revenues increased 26.4% in Fiscal Year 2002-03 and 4.5% in Fiscal Year 2003-04. In Fiscal Year 2004-05, corporate income tax receipts rose 33.9% as a result of the 50% bonus depreciation and increased small business expensing provisions of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "**Jobs Act of 2003**"), the depreciation and expensing provisions of which expired in calendar year 2004. Part of the Fiscal Year 2002-03 growth in corporate income tax receipts was the result of an accrual adjustment necessary because the June 2002 forecast for corporate income taxes was well below the actual amounts received in Fiscal Year 2002-03. In addition, the cost cutting measures undertaken over the past few years, coupled with productivity increases, have improved corporate profitability and minimized losses. In Fiscal Year 2005-06, corporate income tax receipts increased 42% and they increased by 11.3% in Fiscal Year 2006-07 due to one-time revenue received from the repatriation of corporate foreign earnings under the American Jobs Creation Act of 2004 (the "**Jobs Act of 2004**"). The OSPB currently estimates that corporate tax receipts will decline 0.2% in Fiscal Year 2007-08 as a result of the one-time revenue received in the previous Fiscal Years. See "General Fund Overview" above.

Other Excise Taxes. In addition to the State sales and use tax, the State imposes excise taxes on the sale of cigarettes, tobacco products and liquor. Other excise tax receipts accounted for 1.2% of General Fund revenue in Fiscal Year 2006-07. These revenues decreased 2.3% and 0.6% in Fiscal Years 2001-02 and 2002-03, respectively, and increased 2.3% and 0.2% in Fiscal Years 2003-04 and 2004-05, respectively.

In November 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20% and increased the tax on cigarettes by 60¢ per pack beginning in 2005. As a result, other excise tax revenues increased 5.1% in Fiscal Year 2005-06 and then fell 0.6% in Fiscal Year 2006-07. These revenues are forecast to decline slightly, decreasing 3.0% in Fiscal Year 2007-08 and 2.4% in Fiscal Year 2008-09 due to declining cigarette and tobacco sales as a result of Amendment 35. The additional revenues generated by the tax are TABOR exempt. The additional cash collections are deposited to the Tobacco Tax Cash Fund created by Amendment 35. To the extent available and unappropriated by law, funds in the Tobacco Tax Cash Fund are Borrowable Resources.

Other Revenues. This category of tax receipts, which contributed 3.5% of total General Fund revenues in Fiscal Year 2006-07, includes a diverse group of revenues such as estate taxes, insurance taxes, parimutuel taxes, interest income, court receipts, gaming taxes, Medicaid revenues and other income. Combined, these revenue sources are relatively volatile. As a whole, revenues in this category decreased 1.2% in Fiscal Year 2001-02, increased 12.6% in Fiscal Year 2002-03, decreased 12.1% in Fiscal Year 2003-04 and decreased 3.6% in Fiscal Year 2004-05. The large increase in Fiscal Year 2002-03 was due primarily to one-time interest revenues. In Fiscal Year 2005-06, the other revenues decreased 17.3% as a result of HB 06-1201, which redirected approximately $24 million of Limited Gaming cash fund revenue that was previously transferred to the General Fund to the Colorado Travel and Tourism Promotion Fund ($18 million), the State Council on the Arts Cash Fund ($1.5 million), the Film Incentives cash fund ($0.5 million) and the New Jobs Incentives Cash Fund ($3 million). In Fiscal Year 2006-07, SB 07-246 continued this trend by directing $7.0 million to the Clean Energy Fund, while HB 07-1054 decreased the amount of court receipts flowing to the General Fund beginning in Fiscal Year 2007-08. As a result, other revenues declined 7.2% in Fiscal Year 2006-07. A significant increase in insurance premium taxes will allow for a forecasted increase of 2.0% in Fiscal Year 2007-08.

Historical and Projected Major Tax Receipts. The following table sets forth the State's receipts from major taxes for the past five Fiscal Years, as well as OSPB estimates for Fiscal Years 2006-07 and 2007-08. See also "FORWARD LOOKING STATEMENTS."

State of Colorado
Receipts from Major Taxes
(dollar amounts expressed in millions)

	Fiscal Year						
	Actual				Unaudited	OSPB Estimate[1]	
	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Sales and Use Tax[2]	$1,839.8	$1,908.4	$2,008.0	$2,123.2	$2,232.3	$2,330.2	$2,423.4
% Change from Prior Year	(3.0)%	3.7%	5.2%	5.7%	5.1%	4.4%	4.0%
Individual Income Tax	$3,122.3	$3,450.0	$3,712.7	$4,376.1	$4,870.9	$5,013.7	$5,259.8
% Change from Prior Year	(6.7)%	10.5%	7.6%	17.9%	11.3%	2.9%	4.9%
Corporate Income Tax[3]	$225.1	$235.2	$315.0	$447.4	$497.9	$497.0	$487.0
% Change from Prior Year	26.5%	4.5%	33.9%	42.0%	11.3%	(0.2)%	(2.0)%

1 OSPB September 2007 Revenue Forecast.

2 Beginning January 1, 2001, 10.36% of sales and use taxes are diverted to the Highway Users Tax Fund per HB 00-1259 when revenues are available to fund expenditures. The full amount of sales and use taxes are reported here although the amount transferred is deducted from available revenues in the General Fund Overview table above.

3 In Fiscal Year 2002-03, net corporate income tax revenues include a large accrual adjustment due to net corporate income tax revenues being higher than originally forecast in June 2002, and a corresponding large percentage increase in net corporate income tax revenues that Fiscal Year. The Federal tax relief packages adopted in 2001, 2002 and 2003 significantly reduced State net corporate income tax revenues in Fiscal Year 2003-04. In Fiscal Year 2004-05, a number of these federal tax relief provisions were no longer in effect, so there is a large percentage increase in Fiscal Year 2004-05 State net corporate income tax revenues.

Source: Office of State Planning and Budgeting

Investment Policies

Permitted Investments. The Treasurer is empowered by statute to invest the moneys in the General Fund in a variety of long-term and short-term securities. Articles 36 and 75 of title 24, C.R.S., currently provide that the Treasurer is authorized to invest such moneys, subject to statutory restrictions, in U.S. domestic fixed income securities, including the following: (i) debt obligations of the U.S. Treasury, any agency of the U.S. government or U.S. sponsored corporations; (ii) repurchase agreements, reverse repurchase agreements and security lending agreements; (iii) certificates of deposits; (iv) bankers' acceptances; (v) commercial paper; (vi) corporate or bank notes of corporations or banks organized and operating in the U.S.; (vii) asset backed securities; (viii) securities issued or guaranteed by the World Bank, the InterAmerican Development Bank, the Asian Development Bank or the African Development Bank; (ix) securities of the State; (x) local government investment pools; and (xi) Securities and Exchange Commission regulated money market funds that have assets in excess of $1 billion or have the highest credit rating from one or more nationally recognized rating organizations and are registered as investment companies under the federal Investment Company Act of 1940, as amended.

The Treasurer also is empowered by statute to deposit such moneys in national or state banks doing business in the State, and state or federally chartered savings and loan associations having principal offices in the State. In order to receive such deposits, a bank or savings and loan association must be designated an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks). The collateral is valued at least semiannually.

The Treasurer also is permitted by statute to invest proceeds of any securities, such as the Series 2007B Notes, in any guaranteed investment contract issued by an entity that is rated in one of the two highest rating categories by one or more nationally recognized rating organizations. In addition, the Treasurer may invest in corporate debt obligations rated at least investment grade by a nationally recognized rating organization. Treasury investment policy currently permits investing in obligations rated "A" or higher.

The Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

In addition, a security lending agreement may be executed with a reputable and financially responsible primary dealer or a financially and operationally stable FDIC-insured major regional or money center bank through the request for proposal process. The dealer or bank must have had a securities lending program in place for a minimum of three years and have at least one public fund participant in the program. On December 31, 2005, the State renewed the securities lending agreement with Morgan Stanley acting as agent for the benefit of the Treasury Pool, the Public School Permanent Fund and the State Education Fund. Morgan Stanley is rated "Aa3" by Moody's and "A+" by Standard and Poor's. Morgan Stanley has worldwide securities lending capability and an advanced technology platform that provides front-end compliance and on-line reporting.

Moneys invested by the Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the Treasury's investment safekeeping bank.

Fiscal Year 2007-08 Investments of the State Pool. The following table sets forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2007-08.

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State Pool Portfolio Mix
Fiscal Year 2007-08
(amounts expressed in millions)[1]

	Jul-07	Aug-07	Sep-07	Oct-07
Agency CMOs	$ 158.1	$ 156.7	$ 206.6	$ 204.9
Commercial Paper	1,418.8	1,498.9	1,374.8	1,562.0
U.S. Treasury Notes	555.2	515.9	515.7	515.3
Federal Agencies	1,966.3	1,639.1	1,672.8	1,414.9
Asset-Backed Securities	874.6	855.6	857.4	843.3
Money Market	140.0	185.0	355.0	355.0
Corporates	528.7	520.7	517.2	517.2
Certificates of Deposit	51.9	61.5	61.5	62.0
Totals	$5,693.6	$5,433.4	$5,561.0	$5,474.6

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

Source: State Treasurer's Office

Revenue Estimation

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing the General Fund revenue estimate. The General Assembly is required to certify to the Controller by February 1st of each year the revenue estimate for the next Fiscal Year, taking into consideration the estimates of the OSPB and the staff of the Legislative Council. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the Controller, the OSPB and the Governor's Revenue Estimating Advisory Committee, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast is provided by Action Economics, which describes itself as a delivering in-depth analysis of all relevant data releases featuring a wide range of fundamental and technical analysis of key market instruments. The OSPB forecasts the State economy using a model developed in-house by a Ph.D. economist.

The model of the State economy is updated quarterly. This model is comprised of 60 dynamic regression equations and numerous identities. Action Economics forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenues relies on the economic series estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts, the model forecasts only net corporate income tax revenues. For sales tax revenues, the forecast model uses separate equations for the 19 retail sales industries. Then, the separate forecasts are aggregated to arrive at a sales tax revenue forecast. For many of the smaller tax revenue categories, simple trend analyses are utilized to derive a forecast.

A preliminary forecast is presented to the Governor's Revenue Estimating Advisory Committee prior to each quarterly forecast. Their input and suggestions are incorporated into the final forecast of General Fund revenues.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues determined using the accrual method of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("**GASB**"), with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of ½ or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least ½ of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures. See "Recent General Fund Financial Results – *Fiscal Year 2002-03*" above.

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates covering a five year period. Currently, the OSPB is forecasting for Fiscal Year 2007-08 through Fiscal Year 2011-12. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts. The most recent OSPB Revenue Forecast was issued in September 2007. The OSPB economic forecast for the Fiscal Years 2007-08 and 2008-09 are summarized below. See also "FORWARD LOOKING STATEMENTS."

General Fund revenues are forecast to increase 3.0% and 4.0% in Fiscal Year 2007-08 and Fiscal Year 2008-09, respectively. The projected revenue growth is due to modest growth in the State economy. Though weaker than in the most recent years, the State economy is not expected to experience a dramatic economic slowdown, even if such a slowdown occurs at the national level. This is because Colorado’s housing market, though weak in certain pockets, is in a significantly better position than many markets in the country. Also, the State has continued to see increases in employment income that have outpaced the national average.

During the 2007 legislative session, several bills were enacted that directly affected moneys available for the Fiscal Year 2007-08 Budget. SB 07-246 required the Treasurer to transfer gaming tax revenue that would have flowed to the General Fund (about $10 million) to the newly-created Clean Energy Fund. Also, SB 07-222 transferred just over $20 million of General Fund revenue to the Capital Construction Fund, primarily for construction projects at Colorado's higher education institutions. See also "STATE FINANCIAL INFORMATION – TABOR."

Economic Forecast. The September 2007 OSPB Revenue Forecast indicates that the State continues to weather an increasingly uncertain national economy. The following economic indicators are forecast by OSPB on a calendar year basis versus a fiscal year basis under which the State operates.

In 2006, Colorado employment rose 2.4%, a net increase of nearly 52,800 new jobs. OSPB projects that in 2007 and 2008 employment growth will be 1.9% and 1.8%, respectively. After declining to 4.3% in 2006, the OSPB forecasts that the unemployment rate will drop to 3.9% in 2007 and rise to 4.0% in 2011.

During 2006, consumer prices in the Denver-Boulder-Greeley area increased 3.6% after rising 2.1% in 2005. In Colorado, the largest contributing factors to the increasing inflation rate were motor fuel and apparel, increasing 12.8% and 19.3%, respectively. The third largest increase came with the rising costs of medical care at 7.4%. Figures for the first half of 2007 showed a modest 2.5% increase in prices for the Denver-Boulder-Greeley area. Any increase in interest rates, causing a decrease in the money supply, could slow inflation. The Federal Reserve has already decreased interest rates in the third and fourth quarters of 2007. The OSPB forecasts that Colorado inflation will be 2.8% in 2007 and 2.9% in 2008. The OSPB forecasts that from 2009 through 2011, Colorado inflation will remain around 3%.

Overall, personal income grew 6.5% in 2006 after rising 6.2% in 2005. However, after adjusting for inflation and population growth, real per capita income growth was only 1%. The OSPB forecasts that personal income will grow 6.2% in 2007 and 6.3% in 2008.

Colorado wage and salary income rose 7.5% in 2006 and 5.7% in 2005 as labor markets continued to recover and payrolls increased. As the labor markets continue to recover and the State gains back portions of the high-wage jobs lost during the 2001 recession, the OSPB forecasts that total wage and salary disbursements will increase 6.0% in each of 2007 and 2008.

In 2006, net in-migration to Colorado was 49,700, which contributed to total population growth of 1.9%. The OSPB expects net in-migration to grow slightly to 61,000 in 2007 and 65,500 in 2008, with total population growth of 2.0% in 2007 and 2.1% in 2008.

In 2006, residential home permits issued in Colorado decreased 15% as the supply of homes outstripped the demand. The value of nonresidential construction (excluding nonbuilding projects like roads) also decreased 2.2%, reflecting conservatism in the construction of new commercial space. OSPB forecasts that the residential construction market will further decrease 4.9% in 2007 and will remain relatively flat in 2008.

In 2002 and 2003, single-family home construction fell in reaction to high inventories that were the result of the economy after the events of September 11, 2001. In 2004 and the beginning of 2005, home construction activity increased in response to still low mortgage interest rates and the strengthening of Colorado economy. The total number of home permits issued in 2004 rose 17.5% but began to fall by the end of 2005, leaving the end of the year growth rate at a negative 0.2%; further decreasing 15% in 2006. In 2007 and 2008, high inventories and rising interest rates are expected to dampen demand for new homes. In 2009 and beyond, the number of home permits issued are expected to rise year-over-year as net in-migration and jobs increase.

Denver-area nonresidential building construction continues to be impacted by oversupply in most markets. The 2006 value of new nonresidential building construction declined 2.2% after climbing 26.1% in 2005. It is expected that the value of nonresidential construction put in place will continue to decline in 2007 and then show modest increases through 2011, as the economy recovers and currently vacant space becomes occupied with newly formed and expanding businesses.

Retail trade sales in Colorado rose 5.6% in 2006. Retail sales growth should continue to grow by a similar, but slowing, rate in 2007 of 5.4% due to rising consumer debt and decreased consumer confidence. Over the forecast period, OSPB expects retail sales growth to peak in 2008 at 6.4% and then to stay at moderate levels throughout the rest of the forecast period.

See also "APPENDIX B – SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

Risks to OSPB Forecasts. Although the September forecast is more moderate than the June forecast, the OSPB believes the risks to the September forecast remain skewed to the downside, due to economic uncertainty at the national level. Historically, the State's economic fortunes have tended to lag those of the rest of the nation. Although it is not well-understood why this has been the case, the State appears poised to repeat that scenario in the event of a nationwide economic slowdown, as a relatively strong energy production sector and a lack of exposure to the correction in the real estate market will dilute the effects of broader nationwide events.

For the most part, the State did not experience the unsustainable real estate conditions seen in the coastal United States. The most noticeable fallout to date has been a concentration of foreclosures in various locations along the Front Range, which is a lagging indicator of economic distress. However, due to broader national conditions, businesses and consumers in the State may find it more difficult to borrow money at any interest rate, as domestic and foreign markets begin to reprice risks associated with collateralized debt instruments.

At the moment, wholesale petrochemical prices remain high enough to profitably extract oil and gas from the State, and are projected to remain so for the duration of the forecast horizon. While a burden to consumers generally, high energy prices will insulate the Western part of the State from the worst effects of any nationwide economic weakness.

General Fund Cash Flow

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

The following table presents on a cash basis the actual and estimated cash flow for the General Fund for Fiscal Year 2007-08 by total categories of receipts and disbursements. The table is based on revenue and expenditure projections prepared on an accrual basis, with accounting adjustments made by the Treasurer to arrive at a cash basis presentation. The cash flow estimates rely on the September 2007 economic and revenue forecast of the OSPB discussed in "OSPB Revenue and Economic Forecasts" above. The table should be read in conjunction with the information set forth above in this section.

Monthly cash flow projections are based upon: (i) the General Fund appropriations for Fiscal Year 2007-08 adopted by the General Assembly; (ii) historical experience as adjusted to reflect economic conditions; (iii) statutory and administrative changes and anticipated payment dates for payrolls; and (iv) revenue estimates made by the OSPB. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts or disbursements from those projected for a given month, which may adversely affect the projections of cash flow estimated for Fiscal Year 2007-08, and the timing of transactions from month to month may vary from the forecasts. See also "FORWARD LOOKING STATEMENTS."

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State of Colorado
Actual and Estimated General Fund Cash Flow
Fiscal Year 2007-08
Current Law

(amounts expressed in millions; totals may not add due to rounding.) [1]

	Actual				Estimated								
	Jul-07	**Aug-07**	**Sept-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Total**
Beginning Cash and Investments Balance													
Revenues:													
General Fund Revenue:													
Sales and Use Tax	184.2	184.9	182.2	173.8	147.0	113.8	205.9	208.3	157.4	180.3	161.3	190.2	2,089.3
Individual Income Tax	286.9	300.9	438.4	338.5	328.2	370.4	594.5	184.9	255.8	632.4	457.5	416.0	4,604.4
Corporate Income Tax	10.2	8.4	96.4	16.5	2.4	91.6	(4.8)	(0.9)	43.4	76.3	29.8	122.0	491.2
Other	54.9	20.1	14.2	45.0	46.6	22.0	10.6	21.1	50.0	0.1	3.8	76.8	365.1 [1]
Total General Fund Revenue	536.2	514.3	731.2	573.8	524.1	597.8	806.1	413.4	506.5	889.0	652.4	805.0	7,549.9[1]
Federal Revenue	193.4	375.0	275.8	352.6	388.5	405.4	327.0	373.4	381.1	393.9	466.1	646.9	4,579.2
Total Revenues	729.6	889.3	1,007.0	926.4	912.6	1,003.3	1,133.1	786.8	887.7	1,283.0	1,118.5	1,451.9	12,129.1
Expenditures:													
Payroll	111.6	129.5	110.6	110.4	103.3	104.4	106.1	106.1	107.5	106.7	107.3	109.2	1,312.7
Medical Assistance	243.3	279.4	179.9	274.9	244.9	268.4	219.3	255.7	225.4	261.7	384.4	295.2	3,132.5
Public School Distribution	731.9	21.8	820.2	68.8	52.2	737.9	58.7	66.7	662.7	33.5	29.2	172.5	3,456.1
Higher Education Distribution	5.0	34.6	9.3	6.6	2.1	11.8	0.2	0.2	0.2	0.1	1.8	0.0	71.9
Grants and Contracts	39.1	166.2	163.8	164.5	195.0	195.7	136.8	144.6	197.9	187.5	144.1	267.2	2,002.4
Other	(261.5)	111.7	184.9	103.5	110.3	14.8	98.8	182.9	64.3	123.9	237.7	421.1	1,392.4
Total Expenditures:	(869.4)	(743.2)	(1,468.7)	(728.7)	(707.8)	(1,332.9)	(620.0)	(756.2)	(1,258.0)	(713.4)	(904.4)	(1,265.2)	(11,368.0) [1]
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	111.0[2]	146.1	(461.7)	197.7	204.8	(329.7)	513.1	30.7	(370.4)	569.6	214.0	186.7	1,011.9[2]
Revenue Accrual Adjustment	27.5	12.9	(12.0)	7.0	14.2	(128.5)	79.4	(3.1)	(29.3)	42.7	32.0	(96.9)	(54.2)
Expenditure Accrual Adjustment	(284.3)	46.1	(40.3)	51.3	0.8	121.0	(56.4)	(4.9)	27.3	9.4	61.7	(128.8)	(197.1)
Extraordinary Items Impacting Cash:	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(76.2)	--	--	(76.2)
FY08 GTRANS	500.0	--	--	--	--	--	--	--	--	--	--	(525.0)	(25.0)
Capital Construction Transfer	(145.9)	--	--	--	--	--	--	--	--	--	--	--	(145.9)
General Fund Reserve Transfer to Highway Users Tax Fund		--	(161.8)	--	--	(18.0)	--	--	----	----	----	--	(179.8)
General Fund Reserve Transfer to Capital Construction		--	(80.9)	--	--	(9.0)	--	----	----	----	----	--	(89.9)
Actual/Projected Monthly Cash Change	208.3	205.1	(756.7)	256.0	219.8	(364.1)	536.2	22.7	(372.4)	545.4	307.7	(564.0)	243.8
General Fund Cash Balance End of Month	208.3	413.3	(343.4)	(87.4)	132.4	(231.7)	304.4	327.1	(45.3)	500.1	807.8	243.8	

[1] September 2007 OSPB Revenue Forecast.
[2] Includes beginning cash balance in July.

Source: State Treasurer's Office

APPENDIX D

DTC BOOK-ENTRY SYSTEM

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APPENDIX D

DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and the DTC book-entry system has been obtained from sources believed to be reliable, but the State takes no responsibility for the accuracy or completeness thereof. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

Neither the State, the Treasurer, the Deputy Treasurer, the Chief Financial Officer of the Department of the Treasury nor the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2007B Notes under the State Resolution, (iii) the payment by DTC or any DTC Participant of any amount received under the State Resolution with respect to the Series 2007B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2007B Notes or (v) any other related matter.

The Depository Trust Company, New York, New York, will act as securities depository for the Series 2007B Notes. The Series 2007B Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007B Note certificate will be issued in the aggregate principal amount of the Series 2007B Notes, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange. Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007B Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2007B Note (a "**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from

DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007B Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007B Notes, except in the event that use of the book-entry system for the Series 2007B Notes is discontinued.

To facilitate subsequent transfers, all Series 2007B Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007B Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007B Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2007B Notes, such as defaults and proposed amendments to the security documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Series 2007B Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2007B Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions with respect to the Series 2007B Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or the Treasurer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Treasurer or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Treasurer, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007B Notes at any time by giving reasonable notice to the State or the Treasurer. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2007B Note certificates are required to be printed and delivered. The State also may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2007B Note certificates are required to be printed and delivered to DTC.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

KUTAK ROCK LLP
DENVER, COLORADO

$310,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2007B

Ladies and Gentlemen:

We have examined the laws of the State of Colorado (the "State"), the laws of the United States of America relevant to the opinions herein, and a certified transcript of the record of the proceedings taken preliminary to and simultaneously with the issuance by the State Treasurer (the "Treasurer") of the "State of Colorado, Education Loan Program Tax and Revenue Anticipation Notes, Series 2007B," in the aggregate principal amount of $310,000,000 dated as of the date of their issuance (the "Notes" and the "Series 2007A Notes") and of the "State of Colorado, Education Loan Program Tax and Revenue Anticipation Notes, Series 2007A, in the aggregate principal amount of $150,000,000 (the "Series 2007A Notes") which were issued on July 16, 2007.

The Notes mature, bear interest, are transferable and payable, as to principal and interest at the times, in the manner, and subject to the conditions and limitations, including but not limited to extraordinary mandatory redemption, provided in the resolution of the Treasurer, adopted and approved on December 13, 2007, authorizing the issuance of the Notes (the "Resolution"). Proceeds of the Notes will be used to, among other things, fund loans to participating State school districts (the "Participating Districts") pursuant to a loan program administered by the Treasurer.

As to questions of fact material to our opinion, we have relied upon representations of the State and Participating Districts contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination and, for purposes of paragraph 3 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Bond Counsel that under existing laws, regulations, rulings and judicial decisions:

1. The State is duly created and validly existing as a body corporate and politic with the corporate power to issue the Notes and perform the agreements on its part contained therein.

2. The Notes have been duly authorized, executed and delivered by the State and are valid and binding obligations of the State, enforceable against the State in accordance with the terms of the Resolution. The "Series 2007 Notes Repayment Account", to be established pursuant to the terms of the Resolution, and the Pledged Revenues, as defined in the Resolution, are irrevocably pledged to the payment of the principal of and interest on the Notes when due. The owners of the Series 2007A Notes and the Series 2007B Notes are equally and ratably secured by a first lien on the Series 2007 Notes Repayment Account and the moneys credited thereto.

3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion in the preceding sentence assumes the accuracy of certain representations and compliance by the State and Participating Districts with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

4. Interest on the Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under present Colorado income tax laws.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise of judicial discretion in appropriate cases in accordance with general principles of equity.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,