**NEW ISSUE – BOOK-ENTRY ONLY** **RATINGS: Fitch "F1+"**
**S&P "SP-1+"**

*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 2008B 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 2008B 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."*

# $300,000,000
# STATE OF COLORADO
# EDUCATION LOAN PROGRAM
# TAX AND REVENUE ANTICIPATION NOTES
# SERIES 2008B

**Dated: Date of Delivery** **Due: August 7, 2009**

The proceeds of the Series 2008B 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, 2009, and (ii) pay the costs of issuing the Series 2008B Notes.

The Series 2008B 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 2008B Notes. Beneficial Ownership Interests in the Series 2008B 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 2008B Notes by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The principal of and interest on the Series 2008B Notes, at the rate per annum set forth below, is payable on the maturity date of the Series 2008B Notes set forth above, subject to extraordinary redemption prior to maturity as described herein.

| Principal Amount | Interest Rate | Price | Yield | CUSIP® No.[1] |
|---|---|---|---|---|
| $300,000,000 | 1.00% | 100.021% | 0.967% | 19672M AX6 |

[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 2008B Notes.

The Series 2008B 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 2008B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2008B Notes in the Series 2008 Notes Repayment Account, and from certain investment earnings thereon; and the principal of the Series 2008B Notes will be payable from amounts received by the Treasurer from the Participating Districts on or before June 25, 2009, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2008B Notes are secured on a parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2008A, which are currently outstanding in the aggregate principal amount of $215,000,000. The Series 2008B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the registered owners and Beneficial Owners of the Series 2008B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2008B Notes.

**An investment in the Series 2008B 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 2008B Notes are offered when, as and if issued by the State, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Certain legal matters will be passed upon for the State by the Attorney General of the State, and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State. The Series 2008B Notes are expected to be delivered through the facilities of DTC on or about December 18, 2008.

Dated: December 15, 2008

## NOTICES

This Official Statement does not constitute an offer to sell the Series 2008B 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 2008B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2008B 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 2008B

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Eric Rothaus, Deputy Treasurer
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Helen DiBartolomeo, Chief Investment Officer

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**OFFICIAL STATEMENT**

**Relating to**

**$300,000,000**
**STATE OF COLORADO**
**EDUCATION LOAN PROGRAM**
**TAX AND REVENUE ANTICIPATION NOTES**
**SERIES 2008B**

## 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 2008B Notes to potential investors is made only by means of the entire Official Statement.*

*This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated December 5, 2008, including, without limitation, the interest rate, price, yield, CUSIP® number, ratings and original purchaser of, and the purchase price paid by such original purchaser for, the Series 2008B Notes, as well as the recent issuance of a stay order by the Colorado Supreme Court, pending further order of the Court, in connection with the pending appeal of a District Court ruling affecting State education funding as discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – Current Litigation Affecting School Funding." Accordingly, prospective investors should read this Official Statement in its entirety.*

### General

This Official Statement, which includes 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 $300,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2008B (the "Series 2008B Notes"). See "THE SERIES 2008B NOTES" and "THE STATE."

The Series 2008B Notes are issued pursuant to Sections 29-15-112 and 22-54-110, Colorado Revised Statutes, as amended ("C.R.S."), referred to herein collectively as the "Loan Program Statutes"; the Supplemental Public Securities Act, Part 2 of Article 57 of Title 11, C.R.S. (the "Supplemental Public Securities Act"); and a resolution (the "State Resolution") adopted by the State Treasurer (the "Treasurer"). The Loan Program Statutes establish a program (the "Loan Program") for making interest-free loans ("Program Loans") to participating Colorado school districts (the "Participating Districts") in order to alleviate temporary general fund cash flow deficits. See "THE SERIES 2008B NOTES – Authorization."

### The Series 2008B Notes

***Purpose.*** The Series 2008B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2009 ("Fiscal Year 2008-09"), and paying the costs of issuing the Series 2008B Notes. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2008B NOTES PROCEEDS."

The first installment of the Loan Program was funded on July 23, 2008, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2008A (the "Series 2008A Notes"), in the principal amount of $215,000,000 and maturing on August 7, 2009, the net proceeds of which were borrowed by 16 Participating Districts.

The net proceeds of the sale of the Series 2008B Notes will be deposited in the Series 2008B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2008B Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 20 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2008-09. Each Participating District has adopted a resolution (each a "District Resolution" and collectively the "District Resolutions") pledging to the repayment of its Program Loan those ad valorem property tax revenues received by the Participating District during the period of March through June 2009 that are required to be deposited in the Participating District's general fund ("Taxes"), and has executed a promissory note to the Treasurer (each a "District Note" and collectively the "District Notes") to evidence its repayment obligation. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2008B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

***General Provisions.*** The Series 2008B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on August 7, 2009 (the "Series 2008B Notes Maturity Date"), subject to extraordinary redemption prior to maturity as described herein. Interest on the Series 2008B 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 2008B Notes Maturity Date. See "THE SERIES 2008B NOTES – General Provisions – Redemption Prior to Maturity."

***Book-Entry Only System.*** The Series 2008B 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 2008B Notes. Ownership interests in the Series 2008B 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 2008B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2008B NOTES – General Provisions" and "APPENDIX D – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2008B Notes mean Cede & Co., or such other nominee as may be designated by DTC, and not the Beneficial Owners.

**Security and Sources of Payment**

The Series 2008B 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 2008B Notes:

- amounts received by the Treasurer from the Participating Districts on or before June 25, 2009, as repayment of their Program Loans;

- amounts deposited to the Series 2008 Notes Repayment Account of the General Fund as discussed in "THE SERIES 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account*"; and

- any unexpended proceeds of the Series 2008B Notes, the Series 2008A Notes and of any additional tax and revenue anticipation notes authorized and issued pursuant to the Loan Program Statutes 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 2008B Notes ("Parity Lien Notes") that have not been loaned to the Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the Treasurer in the Series 2008B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2008B NOTES PROCEEDS – The Series 2008B Notes Proceeds Account."

The pledge of the Pledged Revenues to the payment of the Series 2008B Notes is on a parity with the pledge thereof to the payment of the Series 2008A Notes.

Interest on the Series 2008B Notes will be payable from a deposit to be made by the Treasurer on the Closing Date to the Interest Subaccount of the Series 2008 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2008B Notes from the Closing Date to the Series 2008B Notes Maturity Date, and from certain investment earnings thereon. 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 2008-09 that is (i) subject to appropriation for Fiscal Year 2008-09 and (ii) not as yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2008B Notes, the Series 2008A Notes or any Parity Lien Notes.

Principal of the Series 2008B Notes will be payable from amounts received by the Treasurer from the Participating Districts on or before June 25, 2009, 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 in the District Notes, 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 2008 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes. The Owners of the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2008 Notes Repayment Account and the moneys credited thereto.

The Series 2008B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the Owners and Beneficial Owners of the Series 2008B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2008B Notes.

See generally "THE SERIES 2008B NOTES – Security and Sources of Payment – Parity Lien Notes," "DISTRICT RESOLUTIONS AND DISTRICT NOTES," "SOURCE OF PAYMENT OF PROGRAM LOANS," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND."

**Legal and Tax Matters**

Kutak Rock LLP, Denver, Colorado, is serving as bond counsel ("Bond Counsel") in connection with the issuance of the Series 2008B Notes and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX E – FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the State by the Attorney General of the State and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2008B 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 2008B Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See also "LEGAL MATTERS" and "TAX MATTERS."

**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 2008B Notes as the Series 2008B 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 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

**Additional Information**

Brief descriptions of the Series 2008B Notes, the State Resolution, the Loan Program Statutes, the District Resolutions, the District Notes, the Participating Districts, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period, copies of the State Resolution and certain other documents referred to herein may be obtained from RBC Capital Markets Corporation (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 2008B 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 – Summary Financial Information Regarding the Participating Districts," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" 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 from other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State, the Treasurer or the Financial Advisor. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement shall not be construed as a contract or agreement between the State and the registered owners or Beneficial Owners of the Series 2008B Notes.

## THE LOAN PROGRAM; APPLICATION OF SERIES 2008B 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"), which is received in approximately equal monthly amounts throughout the July 1-June 30 fiscal year of the school districts and the State (the "Fiscal Year"), and (ii) property taxes levied by the school districts, most of which are received in March through June when property taxes are paid by taxpayers. See "SOURCE OF PAYMENT OF PROGRAM LOANS." As a result, school districts often experience cash flow shortages during the fall and winter months before such tax revenues are received. School districts may address this cash flow shortage in a variety of ways, including: (i) borrowing funds from the State; (ii) transferring funds to the school district's general fund from other school district funds on a short-term basis; (iii) borrowing funds on a short-term basis through the issuance by the school district of tax anticipation notes; or (iv) borrowing funds on a short-term basis from a bank or other lender.

Under the Loan Program Statutes, upon approval by the 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 – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds."

The Loan Program Statutes authorize the 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 2008B Notes are being issued pursuant to this authorization. See also "THE SERIES 2008B NOTES – Authorization."

**Application of Series 2008B Notes Proceeds**

The proceeds of the Series 2008B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2008B Notes, will be deposited in the Series 2008B 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 2008-09, 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 2008B Notes Proceeds Account**

The State Resolution directs the Controller of the State (the "Controller") to establish within the State's General Fund the Series 2008B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2008B Notes Proceeds Account are to be applied in accordance with the Loan Program Statutes, including the payment of the costs and expenses related to the issuance and sale of the Series 2008B Notes. The original purchasers of the Series 2008B 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 2008B Notes.

Moneys held in the Series 2008 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 2008B 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 State General Fund; and investment earnings on moneys credited to the Series 2008B 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, 2009, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2008 Notes Repayment Account, after which the Series 2008B Notes Proceeds Account is to be closed. See "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

**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 2008-09 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 2008-09. 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 2008B Notes on their behalf are set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts." The only Participating District expected to borrow in excess of 20% of the available Series 2008B Note proceeds is Denver County School District No. 1. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Denver School District No. 1."

## THE SERIES 2008B NOTES

The following is a summary of certain provisions of the Series 2008B Notes during such time as the Series 2008B Notes are subject to the DTC book-entry system. Reference is hereby made to the Authorizing Resolution in its entirety for the detailed provisions pertaining to the Series 2008B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

**Authorization**

The Series 2008B Notes are being issued pursuant to the Loan Program Statutes, the Supplemental Public Securities Act and the State Resolution. The Loan Program Statutes authorize the Treasurer to issue tax and revenue anticipation notes from time to time to accomplish the purposes of the Loan Program Statutes. The Treasurer may, and currently does not anticipate the need to, issue additional Parity Lien Notes as discussed in "Parity Lien Notes" below.

**General Provisions**

The Series 2008B 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 2008B Notes. Beneficial Ownership Interests in the Series 2008B Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest and the receipt of notices and other communications, transfers and various other matters with respect to the Series 2008B 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 registered owners or the owners of the Series 2008B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2008B Notes will be dated as of the Closing Date, mature on the Series 2008B Notes Maturity Date (subject to prior redemption as discussed in "Redemption Prior to Maturity" below) and bear interest at the rate or 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 2008B Notes will accrue from the Closing Date and will be payable on the Series 2008B Notes Maturity Date. The principal of and interest on the Series 2008B Notes will be payable by the Treasurer, as paying agent for the Series 2008B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2008B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX D – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2008B Notes will cease to accrue on the Series 2008B 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 2008B Notes (the "Registrar"), 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, the Controller nor the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2008B 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 2008B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2008B Notes or (v) any other related matter.*

**Redemption Prior to Maturity**

***No Optional Redemption.*** The Series 2008B 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 2008 Notes Repayment Account on June 26, 2009, is less than the principal of and interest due on the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes on their respective maturity dates, referred to herein collectively as the "Maturity Date" (the "Series 2008 Notes Repayment Obligation"), the Series 2008B Notes will be subject to extraordinary mandatory redemption in whole on June 30, 2009, at a redemption price equal to the principal amount of the Series 2008B Notes plus accrued interest to such redemption date, without redemption premium.

Notice of any extraordinary redemption of the Series 2008B 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, 2009, 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 Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

**Security and Sources of Payment**

The Series 2008B Notes are special, limited obligations of the State payable solely from the Pledged Revenues on a parity with the Series 2008A Notes. The Series 2008B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the Owners and Beneficial Owners of the Series 2008B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2008B Notes.

***The Pledged Revenues.*** The Pledged Revenues consist of: (i) amounts received by the Treasurer from the Participating Districts on or before June 25, 2009, in repayment of their Program Loans; (ii) amounts deposited to the Series 2008 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes that have not been loaned to Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the Treasurer in the Series 2008B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2008B NOTES PROCEEDS – The Series 2008B Notes Proceeds Account."

***The Series 2008 Notes Repayment Account.*** The State Resolution directs the Controller to establish within the General Fund the Series 2008 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 2008 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes. The Owners of the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2008 Notes Repayment Account and the moneys credited thereto.

On the Closing Date, the Treasurer is required to deposit to the Interest Subaccount of the Series 2008 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2008B Notes from the Closing Date to the Series 2008B Notes Maturity Date. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – The State General Fund" and "APPENDIX C – THE STATE GENERAL FUND."

The State Resolution also requires the Treasurer to credit to the Principal Subaccount of the Series 2008 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2009, in repayment of their Program Loans. However, if on June 26, 2009, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes, the Treasurer is to deposit to the Principal Subaccount the amount of the deficiency from any funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

*The ability of the Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2008 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 2008-09, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2008A (the "State Series 2008A General Fund Notes"), issued by the Treasurer on July 8, 2008, in the principal amount of $350 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2008-09. In addition, the covenant of the Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account does not constitute a pledge of or lien on such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2008 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2008B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2009. The making of such investment by the Treasurer, and the determination of the Fund or Funds,*

*if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the Treasurer and the exercise of the discretion and fiduciary obligation of the Treasurer in the investment of State funds.* See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND."

Moneys held in the Series 2008 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, 2009, is to be credited to the General Fund and not credited to the Interest Subaccount or the Principal Subaccount. See "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

***Defeasance of Series 2008B Notes***. If the moneys credited to the Series 2008 Notes Repayment Account on June 26, 2009, equals or exceeds the Series 2008 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 2008 Notes Repayment Account are irrevocably pledged and are to be held solely for payment of the Series 2008 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 2008 Notes Repayment Account are required to have an aggregate fair market value of not less than 105% of the Series 2008 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, 2009, 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 2008 Notes Repayment Account, the Owners of the Series 2008B Notes may look solely to such Defeasance Securities for repayment of the Series 2008 Notes Repayment Obligation, and other than the irrevocable pledge of the Defeasance Securities in an amount collateralized in excess of the Series 2008 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 – Taxpayer's Bill of Rights."

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 3, 2009, 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 MAC), on each Monday, commencing July 6, 2009, 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 2008 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 2008B 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 2008 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 2008B Notes on the Series 2008B Notes Maturity Date (with the remaining net proceeds to be credited to any other account in the State's General Fund); or (ii) release the pledge of the Defeasance Securities contemporaneously with the payment of the Series 2008 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 2008 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 2008 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 2008B Notes on a pro rata basis on the Series 2008B Notes Maturity Date. Such payment will be deemed payment in full of the Series 2008B Notes.

If the amount credited to the Series 2008 Notes Repayment Account on June 26, 2009, is less than the Series 2008 Notes Repayment Obligation, the Series 2008B Notes will be subject to extraordinary mandatory redemption on June 30, 2009, 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 2008B 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 by the State Resolution for such Fiscal Year; (ii) as creating a debt or an indebtedness of the State within the meaning of any applicable provision of the Colorado 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 – Taxpayer's Bill of Rights."

**Parity Lien Notes**

The State Resolution authorizes the Treasurer from time to time during Fiscal Year 2008-09 to issue additional tax and revenue anticipation notes pursuant to the Loan Program Statutes that are payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with (but not superior to) the pledge in favor of the Owners of the Series 2008B 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 the Maturity Date and (iii) payable from the Series 2008 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 2008B Notes and the Series 2008A 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 2008B 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 MAC) and to DTC or any successor depository unless there has been credited to the Series 2008 Notes Repayment Account an amount sufficient to pay principal of and interest on all Series 2008B Notes, the Series 2008A 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 2008B Notes is not made on the Series 2008B 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 2008B Notes and such failure continues for 15 days after receipt of written notice by the Treasurer from any Owner of any of the Series 2008B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2008B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2008B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2008B 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 2008B 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 the Treasurer were the trustee of an express trust. *Neither principal of nor interest on the Series 2008B Notes may be accelerated as a consequence of any Event of Default.*

If on the Maturity Date the moneys in the Series 2008 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes, the Treasurer is to ratably apply the moneys in the Series 2008 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2008B Note, the Series 2008A Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2008B Note, Series 2008A Note or Parity Lien Note over any other Series 2008B Note, Series 2008A 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 2008B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2008B Notes Proceeds Account and the Series 2008 Notes Repayment Account not immediately needed will be invested only in investments authorized by the Loan Program Statutes; Article 36 of Title 24, C.R.S.; or, to the extent applicable, Part 6 of Article 75 of Title 24, C.R.S.

The Treasurer further covenants that the Treasurer will not take any action or omit to take any action with respect to the Series 2008B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2008B 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 2008B 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 2008B 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 2008B 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 2008B Notes involves certain investment risks that are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below that, among others, could affect the payment of the principal of and interest on the Series 2008B Notes.

**Limited Obligations**

The Series 2008B 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 2008B Notes. The Series 2008B Notes do not constitute a debt, indebtedness or multiple fiscal year financial obligation of the State or any political subdivision thereof within the meaning of any applicable provision of the 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 2008B 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 2008B Notes. See "THE SERIES 2008B 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 2009. Property taxes received by a Participating District either prior or subsequent to such period will not be available for repayment of its District Note. In the event that a Participating District's Taxes are insufficient to timely repay its District Note, the Treasurer is required by the State Resolution to fund the amount of the deficiency, and pay the principal amount of the Series 2008B Notes, from any funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes, but is first to utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The Treasurer is entitled to and intends to recover those moneys from such Participating District under the default provisions of the Loan Program Statutes and the District Resolutions. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Defaults and Remedies." The obligation of a Participating District to make payments in respect of its District Note does not constitute a joint obligation with any other Participating District and is strictly limited to the principal amount of the District Note and, under the circumstances described in "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Participation in the Loan Program," default interest thereon (the "Payment Obligation") under its District Resolution. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts" for information regarding the historical average property tax collection rates for the Participating Districts. There is no assurance that the Participating Districts will collect sufficient Taxes from March through June of 2009 to repay the Program Loan in full. See also "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Sources of Funding of Total Program – Current Litigation Affecting School Funding*."

**Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds**

As discussed in "Insufficient Taxes" above and in "THE SERIES 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account*" and "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" in the event of a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account resulting from a default in the repayment of Program Loans, the State Resolution requires the Treasurer to deposit to the Principal Subaccount of the Series 2008 Notes Repayment Account the amount of the deficiency from any funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the Treasurer is to utilize all other funds that are eligible for investment for such purpose prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

*The ability of the Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2008 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 2008-09,*

*including, without limitation, the State Series 2008A General Fund Notes issued by the Treasurer on July 8, 2008, in the principal amount of $350 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2008-09. In addition, the covenant of the Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account does not constitute a pledge of or lien on such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2008 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2008B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2009. The making of such investment by the Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the Treasurer and the exercise of the discretion and fiduciary obligation of the Treasurer in the investment of State funds.* See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

**Forward Looking Statements**

This Official Statement, and particularly the sections hereof captioned "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" 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."

**Valuation of Investments in the Series 2008 Notes Repayment Account**

If the moneys credited to the Series 2008 Notes Repayment Account on June 26, 2009, equals or exceeds the Series 2008 Notes Repayment Obligation, the State is thereafter to limit the investment of such moneys solely to Defeasance Securities. See "THE SERIES 2008B NOTES – Security and Sources of Payment – *Defeasance of the Series 2008 Notes*." On and after such date, the Owners of the Series 2008B Notes, the Series 2008A 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 2008B Notes, the Series 2008A 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 2008 Notes Repayment Obligation, and that the Defeasance Securities be marked-to-market by the Market Value Provider: (a) on June 26, 2009, or on the first date prior thereto on which the fair market value can be determined; (b) on July 3, 2009, 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 guarantee that the fair market value of the Defeasance Securities will equal or exceed the Series 2008 Notes Repayment Obligation on the Maturity Date. However, if the aggregate fair market value of the Defeasance Securities is ever calculated to be less than 102% of the Series 2008 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 2008 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 2008B Notes, the Series 2008A 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 2008B 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 Statutes. 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 2008B Notes. Therefore, the issuance of Parity Lien Notes could adversely impact the investment security for the Series 2008B 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 2008B Notes and the Series 2008A 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 2008B NOTES – Authorization – Parity Lien Notes."

**Loss of Tax Exemption**

As discussed in "TAX MATTERS," the interest on the Series 2008B 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 "APPLICATION OF SERIES 2008B NOTES PROCEEDS; THE LOAN PROGRAM – 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 2008-09, 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 2008-09. The District Note

matures on June 25, 2009 (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 2008B Notes, the Series 2008A 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 2008B 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 2009 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 2008B Notes and any Parity Lien Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS."

**Defaults and Remedies**

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

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

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

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

(iv) the Participating District: applies for or consents to the appointment of a receiver, trustee, liquidator, custodian or the like either of itself or of its property; admits in writing its inability to pay its debts generally as they become due; makes a general assignment for the benefit of creditors; or is adjudicated a 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 Statutes, 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 2008B 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 the Participating District's operations or description as of the Closing Date and as of the date provided, whether prior to or following the Closing Date, the information so provided will not contain any untrue statement of a material fact, and will not omit any material fact necessary to prevent such statements or information so provided, in light of the circumstances under which they are made, from being misleading.

- The Participating District will not issue notes or other obligations for cash flow purposes that are payable from the Taxes or 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, among other things: (i) it has had an ad valorem property tax collection rate of not less than 90% of the aggregate amount of ad valorem property taxes levied within the Participating District in each of the most recent five Fiscal Years; (ii) as of the date of adoption of the District Resolution and on the date of issuance of the District Note, the Participating District reasonably expects to collect at least 90% of such amount for Fiscal Year 2008-09; (iii) the Participating District has not defaulted within the past five years, and is not currently in default, on any debt obligation; and (iv) any documents setting forth, among other matters, financial information regarding the District and information relating to the District Resolution and the District's obligations thereunder, other disclosures by the District pursuant to the District Resolution and cash flow projections and ongoing reports pursuant to the District Resolution have been and will be prepared consistent with generally accepted accounting principles; and (v) the District's budget and financial accounting policies and procedures are in compliance with State law.

**Parties in Interest**

Nothing in the District Resolution, expressed or implied, is intended to or is to be construed to confer upon or to give to any person or party other than the 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 2009 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 was amended by, among others, Senate Bill ("SB") 07-199, which, among other things, 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*" and "*Current Litigation Affecting School Funding*" 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:

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

*or*

2. 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

Funding 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 "Taxpayer's Bill of Rights" below.

***Amendment 23***. In November of 2000, the State's voters approved an amendment to the State constitution relating to funding for public schools, commonly referred to as "Amendment 23." Amendment 23 requires that the base per-pupil funding amount and the funding for categorical programs (such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education) 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 an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law and exempts such revenues from the revenue limitations of TABOR. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." 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 Year 2004-05 and Fiscal Year 2005-06 was increased by at least 5% in each such Fiscal Years. See also "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – *The State Education Fund*."

***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.

Effective with the 2007 levy year, SB 07-199 requires that each school district's general fund mill levy be maintained at no less than its 2006 level, with no reduction permitted for increases in the school district's assessed valuation. This measure is expected to reduce the State's share of the Total Program in Fiscal Year 2007-08 and thereafter and increase the dependency of school districts on the local property taxes to meet their funding needs. Pursuant to SB 07-199, beginning with the 2007 levy year, a school district's mill levy is to be the lowest of the following: (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 and the amount of specific ownership tax revenue paid to the school district; (iii) for school districts that have not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed on such school districts by TABOR (commonly known as being "De-Bruced"), the number of mills that may be levied by such school districts in accordance with the

property tax revenue limitation imposed by TABOR; or (iv) 27 mills. The constitutionality of the mill levy freeze imposed by SB 07-199 is subject to a legal challenge as discussed in "*Current Litigation Affecting School Funding*" below. See also "Taxpayer's Bill of Rights" below and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

Specific ownership tax revenue is the portion of the revenues of the specific ownership tax on certain motor vehicles and other personal property imposed by the State pursuant to Article 3 of Title 42, C.R.S., 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 also "*Amendment 23*" above.

***Current Litigation Affecting School Funding***. On December 13, 2007, the Mesa County Board of County Commissioners and several Colorado taxpayers filed suit challenging the constitutionality of SB 07-199, which removed a provision from the 1994 Finance Act that required a reduction of school district property tax mill levies when tax revenues exceeded constitutional limits. See Note 38 to the financial statements appended to this Official Statement. On May 30, 2008, the Denver District Court issued a declaratory judgment in favor of the plaintiffs finding that SB 07-199 is unconstitutional under TABOR. See "Taxpayer's Bill of Rights" below. The court ruled that the increase of revenue through the mechanism of SB 07-199 resulted in a "tax policy change" under TABOR and that elections held by individual school districts were not sufficient for advance approval as required by TABOR. The court reserved ruling on any remedies pending appeal. If this challenge is upheld, the amount of the TABOR refunds is not yet known; however, the direct fiscal impact of SB 07-199 was the collection of $117,838,000 of property tax revenue by local school districts for Fiscal Year 2007-08. The decision has been appealed to the Colorado Supreme Court, which heard oral arguments on September 11, 2008. On December 5, 2008 the Colorado Supreme Court issued a stay of the Denver District Court's ruling pending further order of the Colorado Supreme Court. The stay means that the local school districts can proceed to set their property tax mill levies under the presumption that SB 07-199 is in effect. The Colorado Supreme Court did not reach a decision on the case, and the ultimate outcome of the case cannot presently be determined.

School districts, students and parents in Colorado's San Luis Valley have filed a lawsuit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State constitution. See Note 37 to the financial statements appended to this Official Statement. All claims were dismissed by the district court. An appeal to the Colorado Court of Appeals affirmed the lower court decision, and a further appeal to the Colorado Supreme Court has been accepted. Although the State believes it has a good chance of prevailing, the ultimate outcome of this suit cannot be determined.

**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 generally limited to the greater of $200,000 or 20% of its Total Program for the budget year in which the election at which the 20% limitation was reached, plus an amount equal to the maximum dollar amount of property tax revenue that the school district could have generated for Fiscal Year 2001-02 in a cost of living adjustment election pursuant to Section 22-54-107.5, C.R.S. 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 "Taxpayer's Bill of Rights" below, the Board of Education of each school district has the power to certify to each county in which the school district is located a levy for collection of ad valorem taxes against all taxable property within the school district.

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

***Determination of Actual Value*.** Each County Assessor in the State annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory "actual" value of all taxable property within the county as of January 1st. The statutory actual value of a property is not intended to represent current market value, but, with certain exceptions, is determined by the County Assessor utilizing a "level of value" ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. The statutory actual value is based on the "level of value" for the period one and one-half years immediately prior to the July 1st preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). The one and one-half year period used to determine the level of value advances two years with the start of each reassessment cycle. The following table sets forth the State property appraisal system for property tax levy years 1997 through 2008:

| Levy Years | Tax Collection Years | Value Calculated as of July 1 | Based on the Market Period |
|---|---|---|---|
| 1997 and 1998 | 1998 and 1999 | 1996 | Jan. 1, 1995 to June 30, 1996 |
| 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 "Taxpayer's Bill of Rights" 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, the electors of the State approved amendments to the State constitution to grant to qualified senior citizens and qualified disabled veterans a property tax exemption equal to 50% of the first $200,000 of the actual value of owner-occupied residential real property. In order to qualify for the senior citizen exemption, the owner or his or her spouse must be at least 65 years of age and have occupied the residence for at least ten years, and in order to qualify for the disabled veteran exemption, the veteran must be rated 100% permanently disabled by the federal government. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption, and therefore the exemption does not result in a loss of revenue to school districts. The homestead exemption was suspended by the State legislature for Fiscal Years 2003-04 through 2005-06 as part of a State budget balancing package. 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 2008 will be collected in 2009. 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.

**Taxpayer's Bill of Rights**

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 – Taxpayer's Bill of Rights."

**Budgets**

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

No later than 30 days prior to the beginning of each Fiscal Year, the administrators of the school district are required to present the proposed budget to the Board of Education. After conducting a public hearing on the budget proposals, at which time any person paying school taxes in the school district has an opportunity to be heard, the Board of Education is required to adopt a final budget for the succeeding Fiscal Year by resolution specifying the amount of money appropriated to each fund. 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 in 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. The Participating District expected to borrow the largest percentage of available Series 2008A Note and Series 2008B Note proceeds is Denver County School District No. 1. See "Denver School District No. 1" below and "FORWARD LOOKING STATEMENTS."

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## Participating District Financial Information

(Totals may not add due to rounding)

| Participating District | Amount of Program Loans[1] | | | | | | Estimated Fiscal Year 2008-09 Tax Information | | | | Fiscal Year 2007-08 Loan Information | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Series 2008A Notes | % of Total | Series 2008B Notes | % of Total | Total Amount Borrowed | % of Total | Estimated Assessed Valuation (000's)[2] | Estimated Tax Collections[3] | Ratio of Amount Borrowed to Estimated 2008 Tax Collections | 3 Year Average[4] | Amount Borrowed | Repayment Date (2008) |
| Aurora 28J | $ 25,122,591 | 11.63% | $ 0 | 0.00% | $ 25,122,591 | 5.49% | $ 1,873,268 | $ 65,314,092 | 38.5% | 99.60% | $ 8,362,894 | March 11 |
| Boulder Valley RE 2 | 28,535,439 | 13.21 | 32,697,601 | 13.52 | 61,233,040 | 13.38 | 4,669,304 | 144,415,748 | 42.4 | 99.21 | 56,285,764 | May 13 |
| Centennial R-1 | 0 | 0.00 | 250,000 | 0.10 | 250,000 | 0.05 | 64,946 | 758,448 | 33.0 | 93.60 | -- | -- |
| Cherry Creek 5 | 34,308,299 | 15.88 | 58,271,521 | 24.10 | 92,579,820 | 20.23 | 4,540,901 | 163,721,008 | 56.5 | 98.53 | 71,229,183 | May 13 |
| Colorado Springs 11 | 149,325 | 0.07 | 4,201,818 | 1.74 | 4,351,143 | 0.95 | 2,468,046 | 80,849,518 | 5.4 | 98.81 | 6,610,630 | March 11 |
| Denver 1 | 71,507,771 | 33.11 | 81,922,977 | 33.89 | 153,430,748 | 33.52 | 10,220,620 | 279,095,939 | 55.0 | 99.02 | 168,000,000 | May 13 |
| Douglas County RE-1 | 39,812,551 | 18.43 | 41,972,150 | 17.36 | 81,784,701 | 17.87 | 4,708,260 | 140,751,372 | 58.1 | 99.31 | 45,000,000 | May 13 |
| Durango 9-R | 0 | 0.00 | 4,995,223 | 2.07 | 4,995,223 | 1.09 | 1,978,913 | 16,504,726 | 30.3 | 98.62 | 4,638,424 | May 13 |
| Eagle County RE-50 | 643,554 | 0.30 | 525,468 | 0.22 | 1,169,022 | 0.26 | 2,936,760 | 23,992,732 | 4.9 | 99.50 | -- | -- |
| East Grand 2 | 2,175,996 | 1.01 | 1,214,288 | 0.50 | 3,390,284 | 0.74 | 662,401 | 8,567,322 | 39.6 | 99.17 | 3,794,799 | May 13 |
| Gunnison Watershed Re-1J | 3,036,919 | 1.41 | 1,947,510 | 0.81 | 4,984,429 | 1.09 | 680,040 | 8,913,990 | 55.9 | 99.05 | 6,021,021 | May 13 |
| Hayden RE-1 | 617,125 | 0.29 | 891,289 | 0.37 | 1,508,414 | 0.33 | 95,369 | 2,343,480 | 64.4 | 98.25 | 1,488,467 | May 27 |
| Littleton 6 | 0 | 0.00 | 1,402,287 | 0.58 | 1,402,287 | 0.31 | 1,303,206 | 44,918,242 | 3.1 | 99.62 | -- | -- |
| Park R-3 | 0 | 0.00 | 1,064,277 | 0.44 | 1,064,277 | 0.23 | 342,282 | 7,877,021 | 13.5 | 99.70 | -- | -- |
| Platte Canyon 1 | 376,875 | 0.17 | 523,607 | 0.22 | 900,482 | 0.20 | 131,413 | 2,586,007 | 34.8 | 100.97 | -- | -- |
| Platte Valley RE-7 (Weld) | 0 | 0.00 | 506,809 | 0.21 | 506,809 | 0.11 | 437,641 | 4,899,853 | 10.3 | 100.00 | 600,000 | May 13 |
| Roaring Fork RE-1 | 3,389,063 | 1.57 | 4,386,680 | 1.81 | 7,775,743 | 1.70 | 1,064,741 | 23,921,257 | 32.5 | 100.10 | 4,514,346 | May 13 |
| South Routt RE-3 | 1,400,387 | 0.65 | 695,625 | 0.29 | 2,096,012 | 0.46 | 113,964 | 2,711,378 | 77.3 | 99.00 | 1,773,023 | May 13 |
| St. Vrain Valley RE-1J | 2,892,129 | 1.34 | 0 | 0.00 | 2,892,129 | 0.63 | 2,257,674 | 67,412,161 | 4.3 | 98.93 | -- | -- |
| Summit RE-1 | 1,878,948 | 0.87 | 0 | 0.00 | 1,878,948 | 0.41 | 1,580,624 | 25,914,855 | 7.3 | 99.60 | 2,625,000 | March 11 |
| West Grand 1-JT | 132,476 | 0.06 | 1,026,226 | 0.42 | 1,158,702 | 0.25 | 201,780 | 3,205,174 | 36.2 | 99.00 | 1,067,295 | May 13 |
| Westminster #50 | 0 | 0.00 | 2,061,014 | 0.85 | 2,061,014 | 0.45 | 552,176 | 21,218,280 | 9.7 | 99.73 | -- | -- |
| Windsor RE-4 | 0 | 0.00 | 1,207,311 | 0.50 | 1,207,311 | 0.26 | 443,702 | 13,116,554 | 9.2 | 99.73 | -- | -- |
| | $215,979,448 | 100.00% | $241,763,681 | 100.00% | $457,743,130 | 100.00% | | | | | | |

[1] The amounts in these columns are estimates based upon information furnished by the Participating Districts regarding the amounts originally expected to be borrowed from the Series 2008A Note proceeds and the Series 2008B Note proceeds. The amounts shown for the Series 2008A Notes have not been adjusted to reflect actual amounts borrowed to date. The Owners of the 2008B Notes will have a lien upon the Taxes of these Participating Districts, as well as on the Taxes of any Participating Districts that have not yet expressed the intent to participate in the Series 2008B Notes program, and thus are not included in the table, but eventually do participate in the program. Such lien will be on a parity with the lien thereon of the Owners of the Series 2008A Notes. See also "THE SERIES 2008B NOTES – Parity Lien Notes."

[2] Preliminary certified assessed valuation amounts for the 2008 levy year (2009 tax collection year). Final assessed valuation amounts are to be certified by December 10, 2008. The estimated amounts have been provided by the State Department of Education based upon information furnished by the Participating Districts and the applicable County Assessors, and other factors. 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 Procedure – Taxation Procedure" above.

[3] This amount was calculated by multiplying the 2008 preliminary certified assessed value of the Participating District by the Participating District's estimated 2008 general fund mill levy; and assumes collections of 100% of taxes collected by all Participating Districts normally during the months of March through June, 2009. Mill levies for 2009 tax collections are not required to be certified by the Participating Districts until December 15, 2008. The estimated mill levies used to calculate the estimated Taxes collected during Fiscal Year 2008-09 are based upon information provided by the Participating Districts and are subject to change; however, because Colorado school district taxes are determined pursuant to the 1994 Finance Act, such changes, if any, are not expected to be material. See "State Equalization Funding – Allocation of Total Program Funding" above and "FORWARD LOOKING STATEMENTS."

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

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 expected to be the largest borrower of proceeds of the Series 2008A Notes and the Series 2008B Notes. DPS expects to borrow approximately 33.1% of the net proceeds of the Series 2008A Notes and approximately 33.9% of the Series 2008B Notes, or approximately 33.5% of the combined amount of the Series 2008A Notes and the Series 2008B Notes.

DPS is the only school district serving the City and County of Denver. DPS encompasses approximately 155 square miles and serves a population of approximately 569,000. Its educational facilities (some of which share buildings) currently include approximately 68 elementary schools, 18 K-8 schools, 15 middle schools, 15 high schools, 21 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 eight other schools into which students may enroll at any time, such as a "school without walls" 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. DPS has no current plans to either open or close any schools during the present school year, but anticipates opening six new charter schools in the 2009-10 school year. The October 2008 enrollment of DPS was 74,249 pupils, making it the second largest school district in the State. October 2007, 2006 and 2005 enrollment was 73,866, 73,399 and 73,066 pupils, respectively.

The 2007 certified assessed valuation of DPS (for ad valorem tax collections in 2008), net of the assessed valuation attributable to tax increment financing districts from which the district derives no tax revenue, was $10,025,025,837. For the 2007 tax levy year (2008 tax collection year), the district's general fund mill levy was 33.611 mills, including 25.541 mills levied pursuant to the 1994 Finance Act, 7.536 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 (override revenues) and 0.534 mills levied to recover lost revenue due to tax abatements and credits. The 2008 certified assessed valuation of DPS (for ad valorem tax collections in 2009), net of the assessed valuation attributable to tax increment financing districts, is $10,186,126,917. For tax levy year 2008 (2009 tax collection year), the district's general fund mill levy (to be certified by December 15, 2008) is expected to be 33.464 mills, including 25.541 mills levied pursuant to the 1994 Finance Act, 7.473 mills for override revenues and 0.450 mills levied to recover lost revenue due to abatements and credits.

**Major Taxpayers**

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2009. 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.

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 2007 certified assessed valuation of DPS, nor is any individual taxpayer expected to comprise more than 10% of the property tax base of the 2008 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 2007 levy year (2008 tax collection year): Durango 9-R, Hayden RE-1, Platte Valley RE-7 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 2008 (tax collection year 2009) 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 4.9 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 FOR THE FISCAL YEAR ENDED JUNE 30, 2007" and "APPENDIX B – SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

### Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State constitution empowers the 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. 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, "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX C – THE STATE GENERAL FUND" describes general State finances and

particularly funds that are eligible for investment in the District Notes. On the Closing Date, the Treasurer is required to deposit to the Interest Subaccount of the Series 2008 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2008B Notes from the Closing Date to the Series 2008B Notes Maturity Date. The State Resolution also requires the Treasurer to credit to the Principal Subaccount of the Series 2008 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2009, in repayment of their Program Loans. Prospective investors are advised that in the event the amounts received by the Treasurer from Participating Districts as repayment of their Program Loans on or before June 25, 2009, together with investment earnings thereon, is insufficient to pay the principal of the Series 2008B Notes when due, the principal of the Series 2008B Notes will be payable solely from funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes. The Series 2008B Notes are not general obligations of the State. See also "THE SERIES 2008B NOTES – Security and Sources of Payment – The Series 2008 Notes Repayment Account."

**The Treasurer**

The State constitution provides that the Treasurer is to be the custodian of public funds in the Treasurer's 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, except certain institutions of higher education. The Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State, except for certain institutions of higher education, charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller. The Treasurer and the Office of the State 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

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

**Taxpayer's Bill of Rights**

As discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Taxpayer's Bill of Rights," TABOR imposes various fiscal limits and requirements on the State and its local governments.

***The Constitutional Provision***. Article X, Section 20 of the State constitution, commonly known as the Taxpayer's Bill of Rights, or "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 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.

(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 2008-09, 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 with an aggregate value of $114.5 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, including those that (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of the revenue and spending limits of TABOR, (ii) specify the accounting treatment of refunds owed by the State under TABOR and (iii) define State operations that qualify as "enterprises" excluded from TABOR.

***The "Ratchet Down" Effect of TABOR on State Revenues; Curative Measures***. 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 the TABOR requirements that the State's revenue base be reduced to the lower amount, without limitation, but that the State's revenue base may be increased only to the extent of the limitations stated above, with any excess to be refunded. Such a ratcheting down occurred between Fiscal Years 2001-02 and 2003-04, when TABOR revenues declined by 13.0%, followed by increases of 0.5% and 7.0% in Fiscal Years 2004-05 and 2005-06.

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, and Referendum C, approved by the State's voters on November 1, 2005 and described in "*Colorado Economic Recovery Act*" below, disables the "ratcheting down" effect of TABOR on the State altogether through June 2010, and thereafter establishes a floor on the amount of the ratchet down.

***The "Growth Dividend."*** House Bill ("HB") 02-1310 and 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 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, it 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 keep $283.3 million in additional revenues in Fiscal Year 2003-04 and $187.2 million in additional revenues in Fiscal Year 2004-05.

***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, one of these measures, referred to as "Referendum C," was approved by State voters and 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), thus making all revenues received by the State during this period available for appropriation. 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 Revenues 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 creates in the General Fund the "General Fund Exempt Account," to consist of the moneys collected by the State in excess of the TABOR limit. 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. HB 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 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 Office of the State 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 1st following the end of the Fiscal Year. Accordingly, in Fiscal Years 2005-06, 2006-07 and 2007-08, the State was allowed to retain $1.116 billion, $1.308 billion and $1.171 billion (preliminary, unaudited), respectively. See "HISTORICAL AND PROJECTED GENERAL FUND PERFORMANCE – General Fund Overview."

The Office of State Planning and Budgeting ("OSPB") currently forecasts that the State will be able to retain and appropriate $6.13 billion in additional revenue beyond the TABOR limit between Fiscal Years 2005-06 and 2009-10 as the result of Referendum C.

***Effect of TABOR on the Series 2008B Notes***. Voter approval under TABOR is not required for the issuance of the Series 2008B Notes as they are both issued and payable within the same Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. Further, the revenue and spending limits of TABOR are not expected to affect the ability of the State to collect and spend the Pledged Revenues for the payment of the principal of and interest on the Series 2008B Notes and any Additional Notes.

**State Funds**

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. The State also maintains 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 2008B Notes. See "THE SERIES 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account*," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – Borrowable Resources – The State General Fund" and "APPENDIX C – THE STATE GENERAL FUND."

**Budget Process**

***Phase I (Executive)***. The budget process begins in June of each year when State departments reporting to the Governor prepare both operating and capital budgets for the Fiscal Year beginning 13 months later. In August, these budgets are submitted to the OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on departmental budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted 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, the judicial branch and the legislative 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: (i) General Fund appropriations, supported by general purpose revenue such as taxes, (ii) cash funds appropriations supported primarily by grants, transfers and departmental charges for services, and (iii) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2008-09 was adopted by the General Assembly on April 18, 2008, and approved in part and disapproved in part by the Governor on April 28, 2008.

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

***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 General Fund appropriations by 4%. This Unappropriated Reserve is available for possible deficiencies in revenues. See "HISTORICAL AND PROJECTED GENERAL FUND PERFORMANCE – 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 for the preceding Fiscal Year (sometimes referred to herein 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. In Fiscal Year 2006-07, the General Fund ended the year with a surplus of revenues in excess of General Fund appropriations, in the amount of $249.3 million, which was transferred in Fiscal Year 2007-08 to the Highway Users Tax Fund and the Capital Construction Fund in the ratio of two-thirds ($166.2 million) to

one-third ($83.1 million), respectively. See "Taxpayers' Bill of Rights" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the 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 "Taxpayers' Bill of Rights" 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, which is managed by the Office of the State Controller, a division of the Department of Personnel and Administration. The Controller is head of the Office of the State Controller Office and the Controller or his delegate have 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 and Administration. 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 2006-07 Comprehensive Annual Financial Report appended to this Official Statement.

**Basis of Presentation of Financial Results and Estimates**

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The cash flow schedules include all financial activity reported specifically in the General Fund on a cash basis, while the Fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special (cash) 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 solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2011. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2006-07 Comprehensive Annual Financial Report, including the State Auditor's Opinion thereon, is appended to this Official Statement. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has the Office of the State Auditor performed any procedures relating to this Official Statement.

The State's Fiscal Year 2007-08 Comprehensive Annual Financial Report is not yet available but is expected to be completed and publicly available by the end of 2008. However, unaudited financial statements for the State for Fiscal Year ended June 30, 2008, have been posted at www.colorado.gov/dpa/dfp/sco/BFS/BFS.pdf. The State's Fiscal Year 2007-08 Comprehensive Annual Financial Report, when available, will be posted at www.colorado.gov/dpa/dfp/sco/CAFR/cafr.htm.

**Investment and Deposit of State Funds**

The Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain U.S. public and non-public fixed income securities. In making such investments, the Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the Treasurer's custody available for investment. In accordance with this directive, the Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each Fund.

The Treasurer is also authorized to deposit State funds in national or state chartered banks and savings and loan associations having a principal office in the State and designated as an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Note 15 to the State's Fiscal Year 2006-07 Comprehensive Annual Financial Report appended to this Official Statement and "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

## SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS

**General**

On the Closing Date, the Treasurer is required to deposit to the Interest Subaccount of the Series 2008 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2008B Notes from the Closing Date to the Series 2008B Notes Maturity Date. See "The State General Fund" below and "APPENDIX C – THE STATE GENERAL FUND."

The State Resolution also requires the Treasurer to credit to the Principal Subaccount of the Series 2008 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2009, in repayment of their Program Loans. However, if on June 26, 2009, the amount credited to the Principal Subaccount of the Series 2008 Notes Repayment Account is less than the principal amount of the Series 2008B Notes, the Series 2008A Notes and any Parity Lien Notes, the State Resolution requires the Treasurer to deposit the amount of the deficiency to the Principal Subaccount

from any funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. See "THE SERIES 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account.*"

*The ability of the Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2008 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 2008-09, including, without limitation, the State Series 2008A General Fund Notes.* See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds" and "APPENDIX C – THE STATE GENERAL FUND."

**Certain Funds Eligible for Investment in the District Notes**

A deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account on June 26, 2009, is required to be funded by the Treasurer first from all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. *However, such covenant does not constitute a pledge of or lien on any such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. Further, the Treasurer has both a statutory and a fiduciary obligation to use prudence and care in investing State funds.* See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2008 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2008B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2009. See also "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX C – THE STATE GENERAL FUND."

By constitutional or statutory provision and judicial decision, certain State Funds, including, without limitation, the State Education Fund, the Highway Users Tax Fund, the Public School Permanent Fund and the TABOR Emergency Reserve Fund, are not Borrowable Resources although moneys therein may be eligible for investment by the Treasurer. The two Funds in this category with the largest current balances that are eligible for investment, and thus the Funds that are likely to be considered first by the Treasurer as an available source of investment in the District Notes in order to provide liquidity in the Principal Subaccount of the Series 2008 Notes Repayment Account in the event of a deficiency therein, are the State Education Fund and the State Highway Fund. *Prospective investors are cautioned, however, that these Funds are neither required to be utilized by the Treasurer, nor are pledged for such purpose. The making of such investment by the Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the Treasurer for such Funds and the exercise of the discretion and fiduciary obligation of the Treasurer in the investment of State funds. Accordingly, no representation or warranty is made herein that the Treasurer will in fact utilize amounts available in these Funds, if necessary, to provide liquidity to fund a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account.* See also "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

***The State Education Fund.*** The State Education Fund was established by Amendment 23. Amendment 23 also mandates that an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited into this Fund, and that such funds are exempt from the revenue limitations of "TABOR." See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." The 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 consequently 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 Years 2006-07 through 2008-09. The estimates in the table are based on various assumptions made by the Treasurer's office, which are subject to uncertainties. Inevitably, some assumptions used to develop the forecasted amounts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted amounts in the table and the amounts ultimately realized, and such differences may be material. See also "FORWARD LOOKING STATEMENTS."

**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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 338.2 | 374.7 | 410.1 | 447.1 | 470.1 | 502.0 | 530.3 | 298.9 |
| 2008-09[1] | 355.4 | 331.2 | 348.1 | 362.3 | 403.5 | 447.0 | 489.2 | 533.4 | 560.8 | 598.9 | 632.6 | 348.6 |

[1] Amounts for November 2008 and thereafter are estimates made by the Treasurer's office based on various assumptions. No representation or guaranty is made herein that such estimates will be realized.

Source: State Treasurer's Office

***The State Highway Fund.*** The State Highway Fund is established by Section 43-1-219, C.R.S. All receipts from the following sources are to be credited to the State Highway Fund: (i) such appropriations as may, from time to time, be made by law to the Fund from excise tax revenues; (ii) all revenues accruing to the Fund by law, by way of excise taxation from the imposition of any license, registration fee or other charge with respect to the operation of any motor vehicle upon any public highways in the State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel; and (iii) certain receipts from the Limited Gaming Fund. Moneys in the State Highway Fund are to be expended for, among other things, the construction, reconstruction, repair, improvement, planning, supervision and maintenance of the State highway system and other public highways, including any county and municipal roads and highways, together with the acquisition of rights-of-way and access rights for the same; provided, however, that receipts from the Limited Gaming Fund are to be used solely for public roads and highways leading to and within a 50-mile radius of any limited gaming community (currently Black Hawk, Central City, Cripple Creek and any Indian lands where limited gaming is authorized). *The State Highway Fund represents in part a diversion of General Fund moneys to a restricted cash fund. Moneys in the State Highway Fund may not be transferred to the General Fund, and consequently the State Highway Fund is not a Borrowable Resource.*

The following information has been prepared by the Treasurer's office to show the actual and estimated cash and investment balances in the State Highway Fund in Fiscal Years 2006-07 through 2008-09. The estimates in the table are based on various assumptions made by the Treasurer's office, which are subject to uncertainties. Inevitably, some assumptions used to develop the forecasted amounts

will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted amounts in the table and the amounts ultimately realized, and such differences may be material. See also "FORWARD LOOKING STATEMENTS."

**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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $1,112.6 | $1,133.9 |
| 2007-08 | 1,084.2 | 1,065.9 | 1,236.4 | 1,231.5 | 1,214.8 | 1,211.9 | 1,177.4 | 1,335.8 | 1,334.8 | 1,378.2 | 1,363.7 | 1,388.2 |
| 2008-09[1] | 1,300.0 | 1,313.4 | 1,298.9 | 1,261.4 | 1,244.3 | 1,241.3 | 1,206.0 | 1,368.2 | 1,366.9 | 1,411.7 | 1,198.6 | 1,068.3 |

[1] Amounts for November 2008 and thereafter are estimates made by the Treasurer's office based on various assumptions. No representation or guaranty is made herein that such estimates will be realized

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, the Highway Users Tax Fund and the TABOR Emergency Reserve 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 clarifying 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 "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX C – THE STATE GENERAL FUND – Investment of the State Pool."

The ability of the Treasurer to utilize Borrowable Resources to fund a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account will depend upon the availability of funds in the State Treasury that are eligible for investment in the District Notes, and is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2008-09, including, without limitation, the State Series 2008A General Fund Notes. The availability of Borrowable Resources may also be affected by the State's statutory obligation to assure the timely payment of certain school district bonds and lease obligations pursuant to Section 22-41-110, C.R.S., commonly referred to as the "State Intercept Act."

The following tables set forth actual and estimated Borrowable Resources for Fiscal Year 2007-08 and estimated Borrowable Resources for Fiscal Year 2008-09. The estimates in the table are based on various assumptions made by the Treasurer's office, which are subject to uncertainties. Inevitably, some assumptions used to develop the forecasted amounts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted amounts in the table and the amounts ultimately realized, and such differences may be material. See also "FORWARD LOOKING STATEMENTS."

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**State of Colorado**
**Borrowable Resources**
**Fiscal Year 2007-08**
(Amounts expressed in millions; totals may not add due to rounding)

| | Jul-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 | $ 341.5 | $ 331.7 | $ 326.3 | $ 319.6 | $ 315.9 | $ 381.7 | $ 395.7 | $ 401.2 |
| Mineral Impact Fund | 83.5 | 86.3 | 71.5 | 81.3 | 88.8 | 75.9 | 80.3 | 92.0 | 78.9 | 83.5 | 100.9 | 117.5 |
| Tobacco Settlement Funds | 46.4 | 46.2 | 46.1 | 44.6 | 43.8 | 42.5 | 41.0 | 39.4 | 37.8 | 125.3 | 122.0 | 117.5 |
| Children's Basic Health Plan | 27.0 | 24.0 | 23.5 | 20.9 | 18.8 | 16.1 | 13.9 | 12.5 | 9.4 | 8.8 | 7.4 | 2.6 |
| Public Safety Communications | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Colorado Student Obligation Bond Authority – Administration | 8.5 | 9.9 | 9.6 | 9.1 | 9.9 | 9.5 | 9.3 | 8.8 | 9.8 | 9.6 | 9.5 | 9.0 |
| Subsequent Injury and Major Medical Funds | -- | 0.4 | -- | -- | -- | -- | -- | 8.7 | 8.7 | 6.6 | 2.6 | 0.3 |
| Water Conservation Construction Fund | 110.1 | 115.1 | 119.9 | 117.4 | 118.2 | 123.9 | 123.5 | 121.0 | 124.0 | 124.4 | 124.5 | 125.0 |
| Capital Construction Fund | 410.8 | 447.3 | 524.2 | 508.6 | 498.6 | 487.9 | 483.3 | 455.0 | 433.6 | 426.3 | 409.1 | 443.1 |
| Lottery Fund | 39.0 | 27.8 | 35.3 | 44.6 | 22.6 | 32.8 | 43.3 | 24.1 | 36.1 | 45.0 | 24.8 | 31.8 |
| Limited Gaming Fund | 54.1 | 1.7 | 4.5 | 8.7 | 12.9 | 17.7 | 22.1 | 26.4 | 30.7 | 36.1 | 40.8 | 46.4 |
| Hazardous Substance Fund | 38.4 | 38.6 | 38.4 | 39.2 | 39.5 | 39.6 | 39.9 | 40.0 | 40.1 | 40.1 | 40.4 | 40.2 |
| Workers' Compensation Fund | 10.8 | 36.1 | 34.9 | 35.6 | 30.9 | 29.0 | 28.2 | 25.8 | 18.6 | 15.8 | 12.4 | 9.1 |
| State Public School Fund | 433.3 | 172.8 | 635.8 | 363.5 | 93.3 | 598.0 | 337.8 | 75.9 | 551.0 | 288.6 | (7.0) | 14.6 |
| Higher Education Funds | 576.6 | 659.4 | 881.8 | 883.6 | 817.2 | 818.4 | 911.8 | 970.4 | 916.2 | 849.1 | 793.3 | 924.2 |
| Tobacco Tax Funds | 198.0 | 206.5 | 206.9 | 208.3 | 216.2 | 222.3 | 222.6 | 228.9 | 234.4 | 235.4 | 241.4 | 239.1 |
| Other Borrowable Resources | 809.4 | 1,115.4 | 921.4 | 849.2 | 938.8 | 1,054.6 | 1,075.2 | 900.4 | 882.7 | 684.8 | 847.5 | 373.0 |
| **Total Borrowable Resources** | 3,217.5 | 3,342.2 | 3,911.8 | 3,573.6 | 3,293.1 | 3,901.7 | 3,760.3 | 3,350.8 | 3,729.8 | 3,363.0 | 3,167.2 | 2,896.5 |
| Total General Fund | 309.2 | 290.0 | (378.0) | (109.6) | 81.4 | (580.4) | (66.7) | (35.5) | (554.2) | 309.8 | 499.2 | 216.5 |
| Less: Notes Issued and Outstanding | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | (500.0) | -- |
| **Net Borrowable Resources** | $3,026.7 | $3,132.2 | $3,033.8 | $2,964.0 | $2,874.5 | $2,821.3 | $3,193.6 | $2,815.3 | $2,675.6 | $3,172.8 | 3,166.4 | $3,113.0 |

Source: State Treasurer's Office

## State of Colorado
## Estimated Borrowable Resources
## Fiscal Year 2008-09[1]

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

| | Actual | | | | Estimated | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jul-08** | **Aug-08** | **Sep-08** | **Oct-08** | **Nov-08** | **Dec-08** | **Jan-09** | **Feb-09** | **Mar-09** | **Apr-09** | **May-09** | **Jun-09** |
| State and local Severance Tax Funds | $ 421.2 | $ 411.5 | $ 416.5 | $ 438.8 | $ 419.9 | $ 367.8 | $ 361.8 | $ 354.4 | $ 350.3 | $ 383.3 | $ 397.3 | $ 382.8 |
| Mineral Impact Fund | 99.0 | 109.1 | 91.4 | 104.8 | 89.5 | 76.5 | 80.9 | 92.7 | 79.5 | 84.1 | 101.7 | 118.4 |
| Tobacco Settlement Funds | 45.8 | 43.8 | 43.9 | 42.0 | 41.2 | 38.0 | 36.7 | 35.2 | 33.8 | 117.1 | 114.0 | 109.8 |
| Children's Basic Health Plan | 29.9 | 27.6 | 25.7 | 22.8 | 20.5 | 17.6 | 15.2 | 13.6 | 13.3 | 12.4 | 10.4 | 8.7 |
| Public Safety Communications | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Colorado Student Obligation Bond Authority – Administration | 8.8 | 10.1 | 9.8 | 11.0 | 12.0 | 11.5 | 11.2 | 10.6 | 11.8 | 11.6 | 11.5 | 10.9 |
| Subsequent Injury and Major Medical Funds | 1.1 | 14.4 | 13.5 | 8.7 | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Water Conservation Construction Fund | 128.5 | 130.5 | 138.3 | 135.9 | 136.8 | 143.4 | 143.0 | 140.1 | 143.5 | 144.0 | 144.1 | 144.7 |
| Capital Construction Fund | 436.4 | 430.6 | 396.8 | 376.4 | 369.0 | 361.1 | 357.3 | 336.7 | 300.9 | 295.8 | 243.9 | 264.2 |
| Lottery Fund | 44.7 | 25.0 | 36.5 | 47.2 | 23.9 | 34.7 | 45.8 | 25.5 | 38.2 | 47.6 | 16.2 | 20.8 |
| Limited Gaming Fund | 51.2 | 1.2 | 3.5 | 6.3 | 9.3 | 12.7 | 15.8 | 19.0 | 22.0 | 25.9 | 29.3 | 33.3 |
| Hazardous Substance Fund | 40.4 | 40.6 | 40.8 | 41.9 | 42.2 | 42.3 | 42.6 | 42.8 | 42.9 | 42.9 | 43.2 | 43.0 |
| Workers' Compensation Fund | 26.6 | 26.8 | 32.3 | 30.3 | 26.3 | 24.7 | 24.0 | 22.0 | 15.8 | 13.4 | 10.6 | 7.7 |
| State Public School Fund | 468.5 | 185.4 | 674.7 | 393.2 | 100.9 | 646.9 | 365.4 | 82.1 | 596.0 | 312.2 | 17.4 | 23.7 |
| Higher Education Funds | 824.1 | 922.4 | 980.6 | 971.9 | 898.9 | 900.2 | 1,002.9 | 1,067.4 | 1,007.8 | 934.0 | 872.8 | 1,016.6 |
| Tobacco Tax Funds | 220.6 | 214.1 | 208.1 | 211.9 | 219.9 | 211.1 | 211.4 | 217.4 | 222.6 | 223.6 | 229.3 | 227.1 |
| Other Borrowable Resources | 738.0 | 1,052.6 | 924.1 | 827.6 | 915.0 | 1,027.8 | 1,047.9 | 877.5 | 860.3 | 667.4 | 826.0 | 363.5 |
| **Total Borrowable Resources** | 3,586.3 | 3,647.3 | 4,037.9 | 3,672.3 | 3,335.6 | 3,917.7 | 3,763.8 | 3,338.5 | 3,740.2 | 3,316.8 | 3,069.0 | 2,776.6 |
| Total General Fund | 71.0 | (81.0) | (464.1) | (315.6) | (15.5) | (702.3) | 106.7 | 150.7 | (256.6) | 471.1 | 936.6 | 224.7 |
| Less: Notes Issued and Outstanding | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | (350.0) | |
| **Net Borrowable Resources** | $3,307.3 | $3,216.3 | $3,233.8 | $3,006.7 | $2,970.1 | $2,865.4 | $3,520.5 | $3,139.2 | $3,133.6 | $3,437.9 | 3,655.5 | $3,001.3 |

[1] Amounts for November 2008 and thereafter are estimates made by the Treasurer's office and are subject to change. No representation or guaranty is made herein that such estimates will be realized.

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. It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2008 Notes Repayment Account would be funded from Current General Fund Revenues eligible for investment in the District Notes only after all other sources of funding therefor have been utilized. In addition, the right of the Treasurer to use Current General Fund Revenues for this purpose is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2008-09, including, without limitation, the State Series 2008A General Fund Notes. 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 2008B Notes will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2007, the minimum lease payments due in Fiscal Year 2008-09 under lease-purchase agreements (not including lease payments to be made by the State under the annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008, entered into by the State in connection with the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program) were estimated to be approximately $40.89 million.

Separate from lease-purchase agreements, the State is authorized to enter lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the State legislature. Historically, these leases have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. At June 30, 2007, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2008-09 were estimated to be approximately $39.11 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, 2007, see Note 25 to the audited financial statements of the State appended to this Official Statement. Since June 30, 2007, State departments and agencies have not entered into lease-purchase agreements of a material nature. See Note 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. CDOT currently has outstanding $1.169 billion in aggregate principal amount of such notes. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion, 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.

In addition to the obligations described above, State agencies and institutions of higher education issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment, construction of facilities and infrastructure and to finance student loans. With the exception of the University of Colorado, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2007, see Notes 25 and 38 to the audited financial statements of the State appended to this Official Statement.

Most State employees participate in a defined benefit pension plan, which is a cost-sharing multiple-employer benefit plan administered by the Public Employees' Retirement Association ("PERA"). See Note 19 to the audited financial statements of the State appended to this Official Statement. The PERA Health Care Trust Fund held by PERA is a post-employment cost-sharing multiple-employer benefit program under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The State does not have any unfunded liability with regard to the PERA Health Care Trust Fund and the State's retirees. See Note 20 to the audited financial statements of the State appended to this Official Statement.

**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 ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

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

**Note Issues of the State**

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes, such as the State Series 2008A General Fund Notes, in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes, such as the Series 2008A Notes and the Series 2008B Notes offered by this Official Statement, for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

## LITIGATION

### No Litigation Affecting the Series 2008B 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 2008B Notes or questioning or affecting the validity of the Series 2008B 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 2008B Notes in the manner provided in the State Resolution and the Loan Program Statutes.

### Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "Immunity Act"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered to $150,000 for injury to one person in a single occurrence and $600,000 for an injury to two or more persons in a 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 public 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-I, 22 and 37 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

See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – *Current Litigation Affecting School Funding*."

For a description of other pending material litigation in which the State is a defendant, see Notes 37 and 38 to the financial statements appended to this Official Statement. 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 2008B Notes. The State Attorney General also does not believe that since June 30, 2007, 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 2008B Notes.

## FORWARD LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" 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 Ratings, Inc., and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., are expected to assign to the Series 2008B 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 applicable 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 2008B Notes. The State has not undertaken any responsibility either to bring to the attention of the Owners and Beneficial Owners of the Series 2008B 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 2008B Notes as the Series 2008B 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 2008B Notes, to provide to each NRMSIR (either directly or, if then authorized by the Securities and Exchange Commission, through filing with the MAC) in a timely manner during such time as the Series 2008B Notes are outstanding notice of any of the following events with respect to the Series 2008B 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 2008B Notes, modifications to rights of the Owners of the Series 2008B Notes, defeasances, release, substitution or sale of property securing repayment of the Series 2008B Notes and rating changes, as well as certain other events that are not applicable to the Series 2008B Notes.

The covenants of the State set forth in "THE SERIES 2008B NOTES – Security and Sources of Payment – *Defeasance of the Series 2008B 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 2008B Notes.

The obligations of the Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2008B 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 2008B Notes in such event.

## LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2008B Notes, as well as the treatment of interest on the Series 2008B Notes for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State in connection with the preparation of this Official Statement. Payment of legal fees to Bond Counsel and special counsel are contingent upon the sale and delivery of the Series 2008B 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 2008B 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 2008B Notes. Failure to comply with such covenants could cause interest on the Series 2008B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008B 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 2008B 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 2008B 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 2008B Notes may otherwise affect the federal income tax liability of the owners of the Series 2008B 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 2008B 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 2008B Notes.

The amount treated as interest on the Series 2008B 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 2008B 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 2008B Notes and the aggregate amount to be paid at maturity of the Series 2008B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2008B Notes is the first price at which a substantial amount of the Series 2008B 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 2008B Notes if the taxpayer elects original issue discount treatment.

**Tax Treatment of Original Issue Premium**

The following disclosure relates to purchasers of the Series 2008B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2008B 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 2008B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2008B Note. An initial purchaser of a Series 2008B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2008B 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 2008B 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 2008B Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2008B Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series

2008B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2008B 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 2008B Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2008B Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2008B Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## UNDERWRITING

The Series 2008B Notes will be purchased from the State by Citi pursuant to a competitive sale to be conducted by the State for an aggregate purchase price of $300,051,000, being the principal amount of the Series 2008B Notes plus an original issue premium of $63,000 and less an underwriting discount of $12,000.

## FINANCIAL ADVISOR

RBC Capital Markets Corporation, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2008B Notes, and in such capacity has assisted in the preparation of this Official Statement and other matters relating to the planning, structuring, rating and execution and delivery of the Series 2008B Notes. However, the Financial Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement. Pursuant to its contract with the State, the Financial Advisor is not permitted to submit a bid to purchase the Series 2008B 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 2008B Notes, copies of the State Resolution and certain other documents referred to herein may be obtained from the Financial Advisor at RBC Capital Markets Corporation, 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 and distribution of this Official Statement 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

# APPENDIX A

## THE STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(Pagination reflects the original printed document)

# Comprehensive Annual Financial Report

## For the Fiscal Year Ended June 30, 2007

**Bill Ritter, Jr.**
**Governor**

Department of Personnel & Administration
Rich L. Gonzales, 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 Financial Report and other financial reports are available on the State Controller's home page at:

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

# STATE OF COLORADO
## COMPREHENSIVE ANNUAL FINANCIAL REPORT
### FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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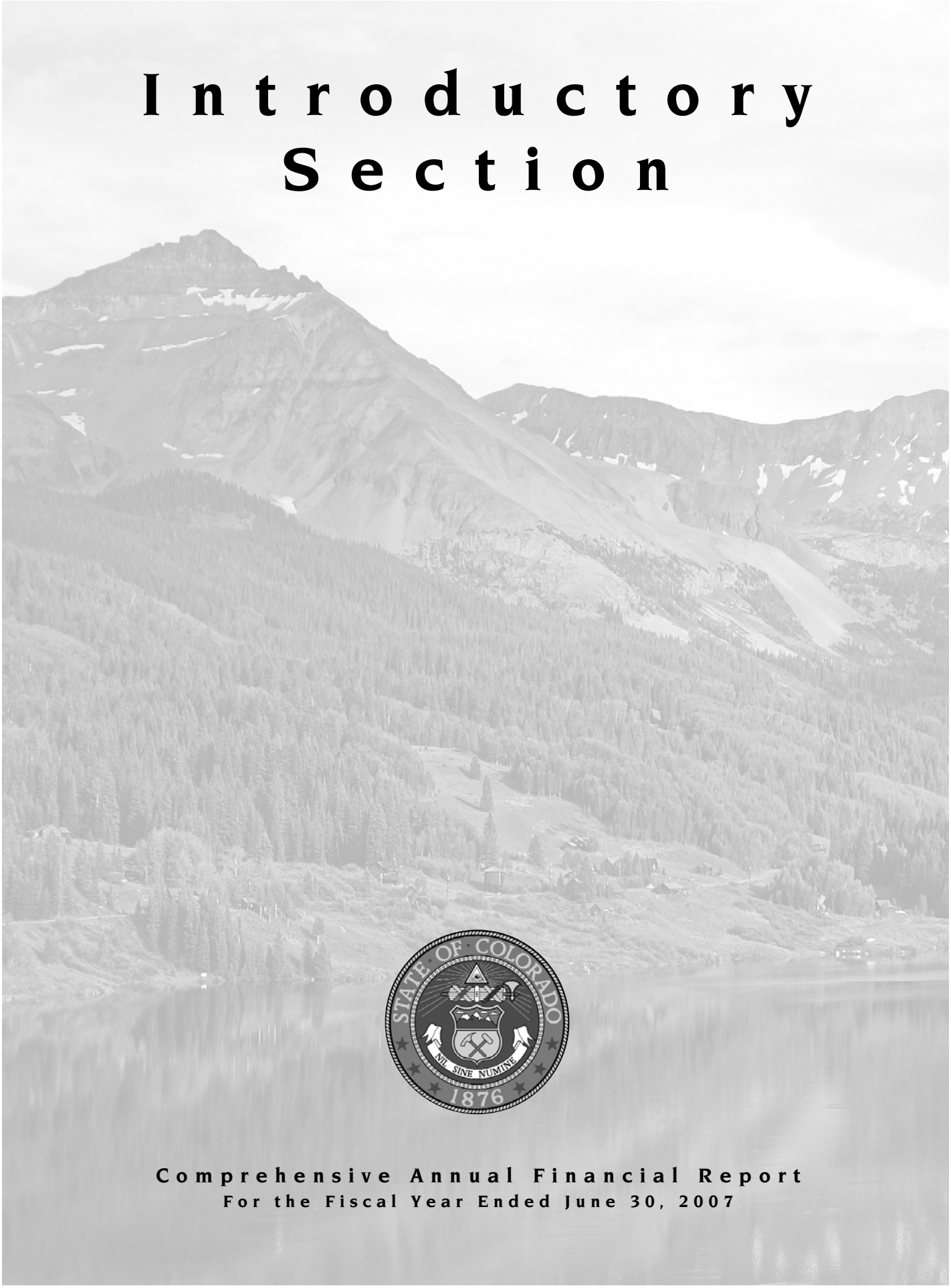
# Introductory Section




**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2007**

STATE · OF · COLORADO
UNION AND CONSTITUTION
NIL SINE NUMINE
1876

# State of Colorado

**Bill Ritter, Jr.**
*Governor*

**Rich Gonzales**
*Executive Director*

**Jennifer Okes**
*Deputy Executive Director*

**Leslie M. Shenefelt**
*State Controller*

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December 21, 2007

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, 2007. 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 presented to assist readers in understanding the state's financial affairs.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 19, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll and Medicaid expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 38 of the Management's Discussion and Analysis.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the state.

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

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

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
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.

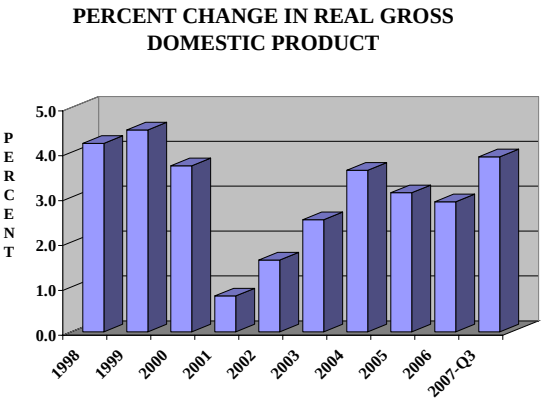
The state maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the state report directly to 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 a limit on the number of terms allowed.

The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited to the topics identified by the Governor. The Legislature's otherwise plenary power is checked by the requirement for the Governor'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 state's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

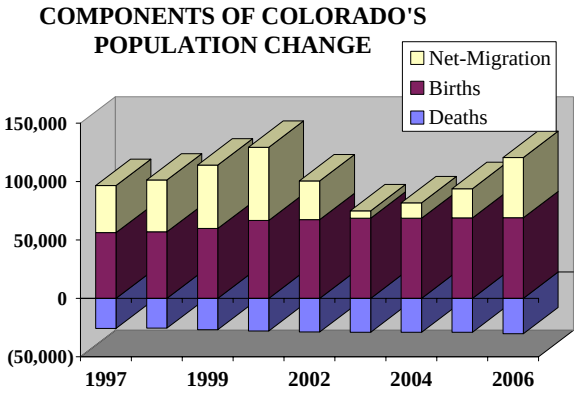
## ECONOMIC CONDITION AND OUTLOOK

The state's General Fund revenues reflect the overall condition of the state economy, which showed a strong but declining rate of growth in Fiscal Year 2006-07; General Fund revenues increased by $567.0 million (8.4 percent) over the prior year. In absolute dollars, personal income in the state grew by 6.5 percent for 2006 and is forecast to grow by 6.2 percent for 2007. However, after adjustment for inflation and population growth, real per capita income growth was 1.0 percent for 2006 and is forecast to be 1.2 percent for 2007. The growth in new state employment also declined with 52,800 jobs added in 2006 and 36,300 forecast to be added in 2007.




Inflation adjusted national gross domestic product (GDP) grew at an annual rate of 2.9 percent in calendar year 2006 and at an estimated 3.9 percent in the third quarter of 2007. GDP grew 2.6 percent from the third quarter of 2006 to the third quarter of 2007 (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 approximately two-thirds of GDP and were up 3.0 percent, outpaced the aggregate growth rate while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) were down 4.5 percent. Residential investment declined 16.4 percent (sixth consecutive quarter of decline) offsetting a 12.8 percent increase in private investment related to nonresidential structures. Government spending exceeded the quarter-over-quarter growth rate at 2.7 percent largely related to a 5.6 percent increase in national defense expenditures offset by a decline in federal nondefense spending of 1.2 percent. Quarter-over-quarter export growth at 9.6 percent significantly exceeded import growth of 2.0 percent as the fall in the U.S. dollar makes our products less expensive on the world market.

The 16.4 percent decline in residential investment is an indicator of a generally depressed housing market. The housing market is in decline because of problems in the mortgage lending industry, which have limited the number of qualified buyers and reduced real estate values. Those problems are the result of lending policies during a period of low interest rates that allowed a large number of citizens to purchase homes with loans below market interest rates. These below market loans typically included provision such as interest only payments, adjustable interest rates, or balloon payments. As interest rates rose and home values fell, a large number of mortgages have gone into default nationwide. After a relatively short period during which interest rates were set close to historical averages, the Federal Reserve has had to again reduce short-term borrowing rates in an attempt to prevent the mortgage and residential building industry problems from adversely affecting the economy as a whole. The continued growth in personal consumption expenditures indicates that the problem has not yet spread to other sectors of the economy; however, the mortgage industry problems have been cited as partial cause for significant volatility in the stock market.




Colorado economic activity and in-migration are interdependent, and the economic recovery in Fiscal Years 2005-06 and 2006-07 affected net in-migration in calendar year 2006. In-migration more than doubled from approximately 25,000 in 2005 to over 51,500 in 2006. It remains slightly off its peak amount of about 62,600, which occurred in 2001, but is significantly in excess of its low of about 6,300 in 2003. International in-migration increased slightly from approximately 20,300 to 21,600 for 2005 and 2006, respectively, however, in-migration from other states increased significantly from about 7,100 to about 29,800. The increase in migration from other states should benefit Colorado's economy as it likely represents an influx of more established households as compared to international in-migration. The information in the adjacent chart is based on current Census Bureau estimates, which were revised again during the past year. 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 reliable annual estimates for deaths and births are not available for that year.

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

- Employment will grow by 1.9 percent and 1.8 percent in 2007 and 2008, respectively.
- Unemployment will average 3.9 percent for 2007 compared with 4.3 percent and 5.1 percent in 2006 and 2005, respectively, and it is expected to stabilize in 2008 at 4.0 percent.
- Wages and salary income will grow by 6.0 percent in 2007 and 2008.
- Total personal income will increase by 6.2 percent in 2007.
- Net in-migration is expected to be 61,000 in 2007 and 65,500 in 2008 with total population growth of about 2.0 percent and 2.1 percent, respectively.
- Retail trade sales will increase 5.4 percent in 2007 and 6.4 percent in 2008.
- Colorado inflation will decline from 3.6 percent in 2006 to 2.8 percent in 2007 and 2.9 percent in 2008.

## MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills in the 2007 Legislative session. The main focus of the session from a programmatic perspective was on energy management, renewable energy, and health care. The 2007 legislative session marked the first time in several years in which the budget was prepared with both Referendum C in place and without a requirement to cut spending and/or identify alternative funding sources. However, because of the debt, tax, and revenue limitations in the State Constitution most of the legislation reallocated existing state revenues to different spending patterns rather than creating new revenue streams or new spending programs.

The General Assembly enacted the following measures that had financial management effects:

- In response to several years of deferred capital construction and capital maintenance, the General Assembly appropriated approximately $270 million for new construction and capital asset maintenance. These funds were available because of the absence of TABOR refunds, a relatively strong state economy, and the six percent limit on expenditure growth in the General Fund. Of the total capital appropriation from the General Fund, $30 million was made contingent on the adequacy of general-purpose revenues to maintain the maximum six percent general funded expenditure growth and the required four percent reserve.
- The state has historically backfilled local school districts revenue shortfalls resulting from decreases in the local property tax mill levy. Such mill levy decreases were often mandated by a combination of constitutional amendments unless school district voters authorized the district to keep revenues in excess of the constitutional limit. Even if voters authorized the retention of the excess revenues, the state's School Finance Act mandated reduction of the mill levy and required the state to backfill the revenue lost to the mill levy reduction. The Legislature passed a bill to remove this School Finance Act provision, and as a result, it was estimated that state public school expenditures would be $47.4 million lower in Fiscal Year 2007-08 than they would have been without this legislation. Opponents of the legislation contend that removing the mandated mill levy reduction is effectively an unauthorized tax increase.
- Several bills were passed to change existing annual allocations of certain resources:
    - The Joint Budget Committee is now required to propose legislation to apportion the Gaming Fund surplus between the General Fund and four separate cash funds when General Fund expenditure growth is expected to be less than the maximum allowable six percent.
    - Approximately $30 million of Tobacco Litigation Settlement monies will be diverted from the General Fund with about one half going to the University of Colorado at Denver and Health Sciences Center and the other half spread between certain existing and newly created health care funds.
    - The state is now authorized to spend the Tobacco Litigation Settlement monies in the year the monies are received rather than in the following year.

- A series of acts were passed regarding distribution and use of severance tax and mineral leasing revenues which increased significantly in Fiscal Year 2005-06 but decreased by 43 percent in Fiscal Year 2006-07.
- The existing diversion of General Fund sales and use tax revenue to the Older Coloradoans Fund was increased from $3.0 million annually to $5.0 million annually.

- One act required divestment of certain pension funds from securities of companies operating in Sudan to protest the genocide occurring in that country. The State Treasurer, the Public Employees Retirement Association (PERA), the state's Deferred Compensation Plan, and certain other pension organizations that are not part of the state's financial reporting entity were subject to the act. No provisions were made to address losses incurred related to the forced liquidation of the securities.
- Several measures were enacted that affect future payroll costs including revision of the salary cap for the highest paid state employees (with increases limited to the greater of the employment index change or the General Funded expenditure growth – not to exceed the salary survey increase), increase in legislator's per diem (increased to 85 percent of the federal per diem for Denver), 43 new judges added to the Judicial Branch over the period from Fiscal Year 2007-08 to 2009-10, and removal of the cap on the number of full-time-equivalent employees allowed at the Department of Transportation.

Several measures were enacted to establish renewable energy standards, promote the renewable and clean energy economy, and to manage renewable energy development, transmission, and consumption. Included among these provisions was a requirement for the State Architect to adopt a high performance standard certification program for state construction projects in order to reduce long-term operating costs, improve indoor environmental quality, and protect the local environment. Project plans where costs increase more than five percent to meet the standard must be reviewed and approved by the Legislature's Capital Development Committee. Another measure requires state agencies to award contracts for environmentally preferable products or services; such contract awards are not to exceed five percent additional cost.

A number of measures were added to address specific health care issues and access to health care by certain portions of the population. Included in these measures was the creation of the Start Smart Nutrition Program that specifies an annual appropriation between $0.7 and $1.5 million each year.

Within the fiscal year the media reported several failed or failing state computer systems. Some of those systems are currently functioning and some have been abandoned. One abandoned system resulted in an asset impairment that is reported in the attached financial statements as a special event. In response to concerns regarding accountability of state agencies for the contracting process and performance of vendors, the General Assembly enacted requirements for:

- A publicly searchable contracts management database,
- A limit on sole source personal service contracts,
- Agencies to evaluate and report on vendor performance in the contracts management database,
- Debarment of vendors for gross failure to meet contract performance measures,
- Default on an individual contract by a vendor to be considered default on all state contracts with that vendor, and
- Vendors to justify any contract work done outside of Colorado or the United States.

## 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 cause 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.

## INDEPENDENT AUDIT

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

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

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGMENTS

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

Sincerely,

Leslie M. Shenefelt
State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Colorado

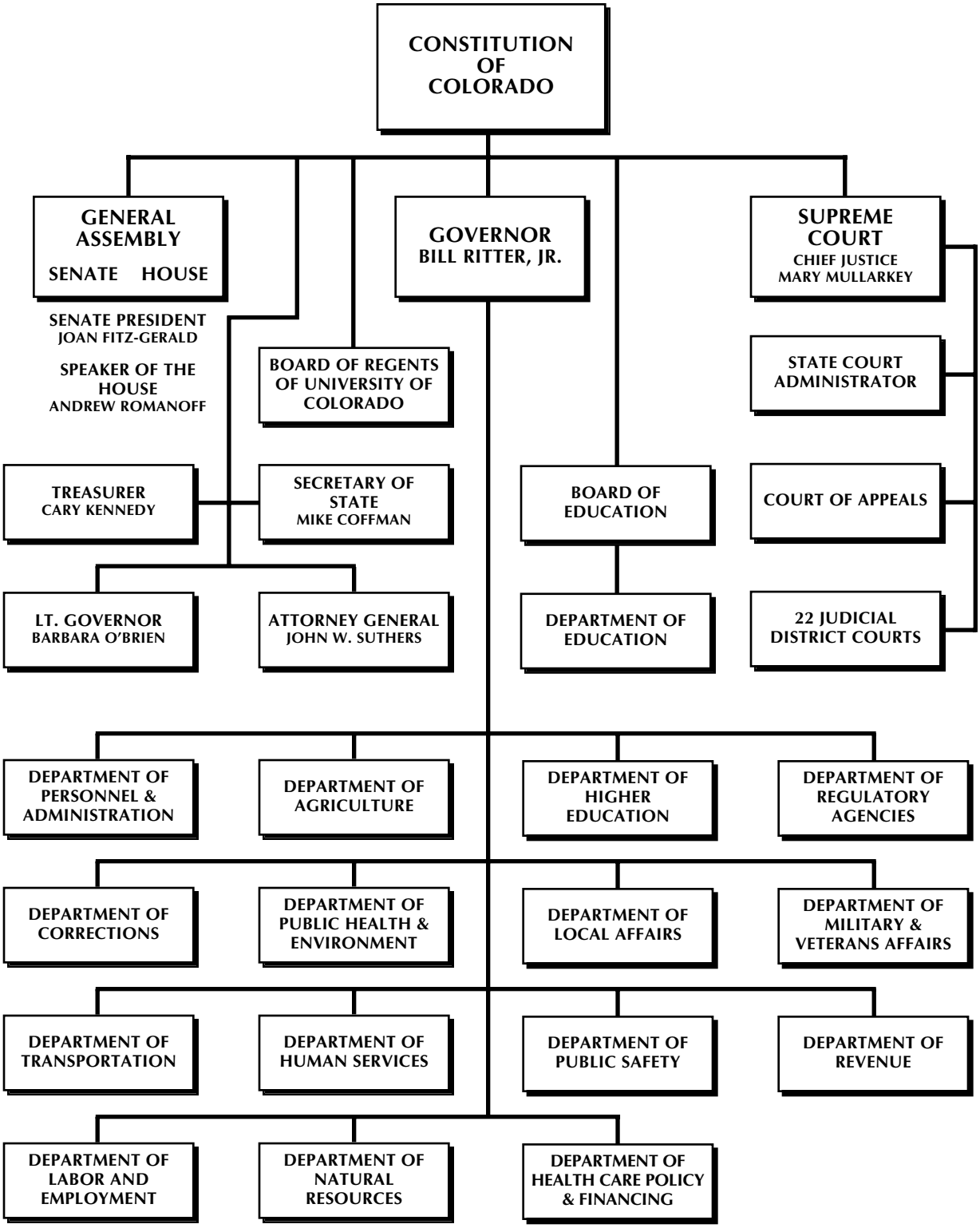
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.

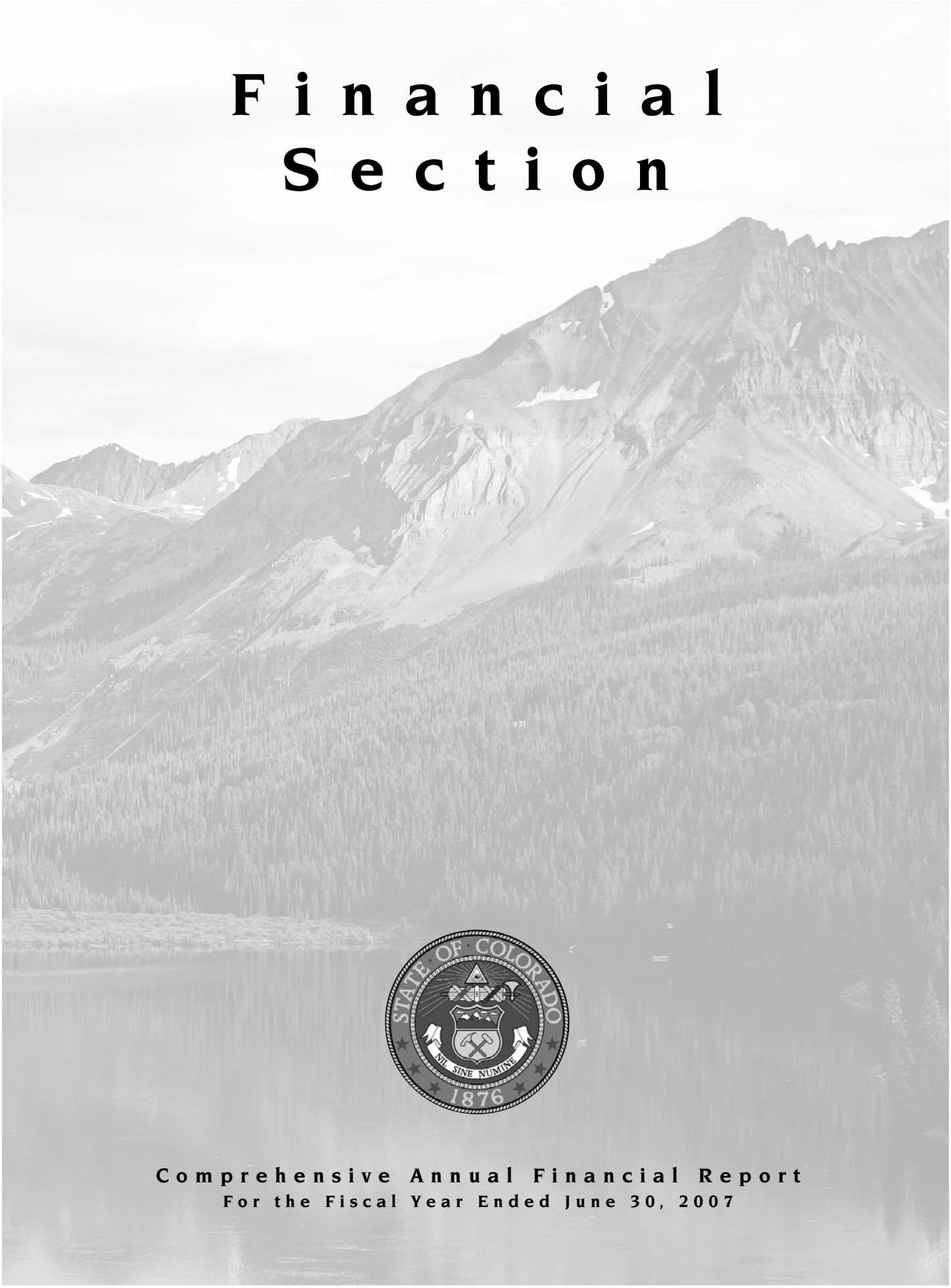
President

Executive Director

# PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



# Financial Section



**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2007**

**STATE OF COLORADO**

SALLY SYMANKSI, 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 21, 2007

**Independent Auditor's Report**

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2007, 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 assets, 100 percent of the net assets, and 100 percent of the 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 assets, 3 percent of the net assets, and 8 percent of the 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 it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors, except as explained in Note 4.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2007, 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 grant agreements and other matters will be issued under a separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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 131 through 144 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 by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the state's financial condition, the attached financial statements and notes should be reviewed in their entirety. To avoid duplication of the analysis, the causes 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 $16,037.0 million, an increase of $953.1 million as compared to the prior year amount of $15,083.9 million. Assets of the state's business-type activities exceeded liabilities by $4,870.8 million, an increase of $414.0 million as compared to the prior year amount of $4,456.8 million. In total, net assets of the state increased by $1,367.1 million to $20,907.8 million.

**Fund Level:**
Governmental fund assets exceeded liabilities resulting in total fund balances of $5,012.3 million (prior year $4,318.7 million), of which, $3,409.5 million (prior year $2,905.2 million) was reserved, and the balance of $1,602.8 million (prior year $1,413.5 million) was unreserved. In total, governmental fund balances increased $693.6 million from the prior year due to increases in all governmental funds except the General Fund and the Public School Fund. The unreserved undesignated fund balance of the General Fund (on the GAAP basis) was $95.8 million and $295.9 million at June 30, 2007, and June 30, 2006, respectively. This $200.1 million decrease was partially the result of a $185.6 million year-end transfer from the Controlled Maintenance Trust Fund to the General Fund that occurred in the prior year but not in the current year.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $4,870.8 million (prior year $4,456.8 million), of which, $3,609.9 million (prior year $3,392.4 million) was restricted or invested in capital assets, and the balance of $1,260.9 million (prior year $1,064.4 million) was unrestricted. The total increase of $414.0 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, 2007, were $1,847.9 million (prior year $2,029.9 million), which is 28.6 percent (prior year 34.6 percent) of financial assets (cash, receivables, and investments) and 9.2 percent (prior year 10.5 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 $3,163.8 million (prior year $2,572.0 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 $1,308.0 million of revenues in excess of the TABOR limit is not shown as a TABOR Refund Liability on the Fiscal Year 2006-07 financial statements; the $0.7 million shown on the financial statements is the amount of Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2007. (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 MD&A), 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 the accrual basis of accounting.

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

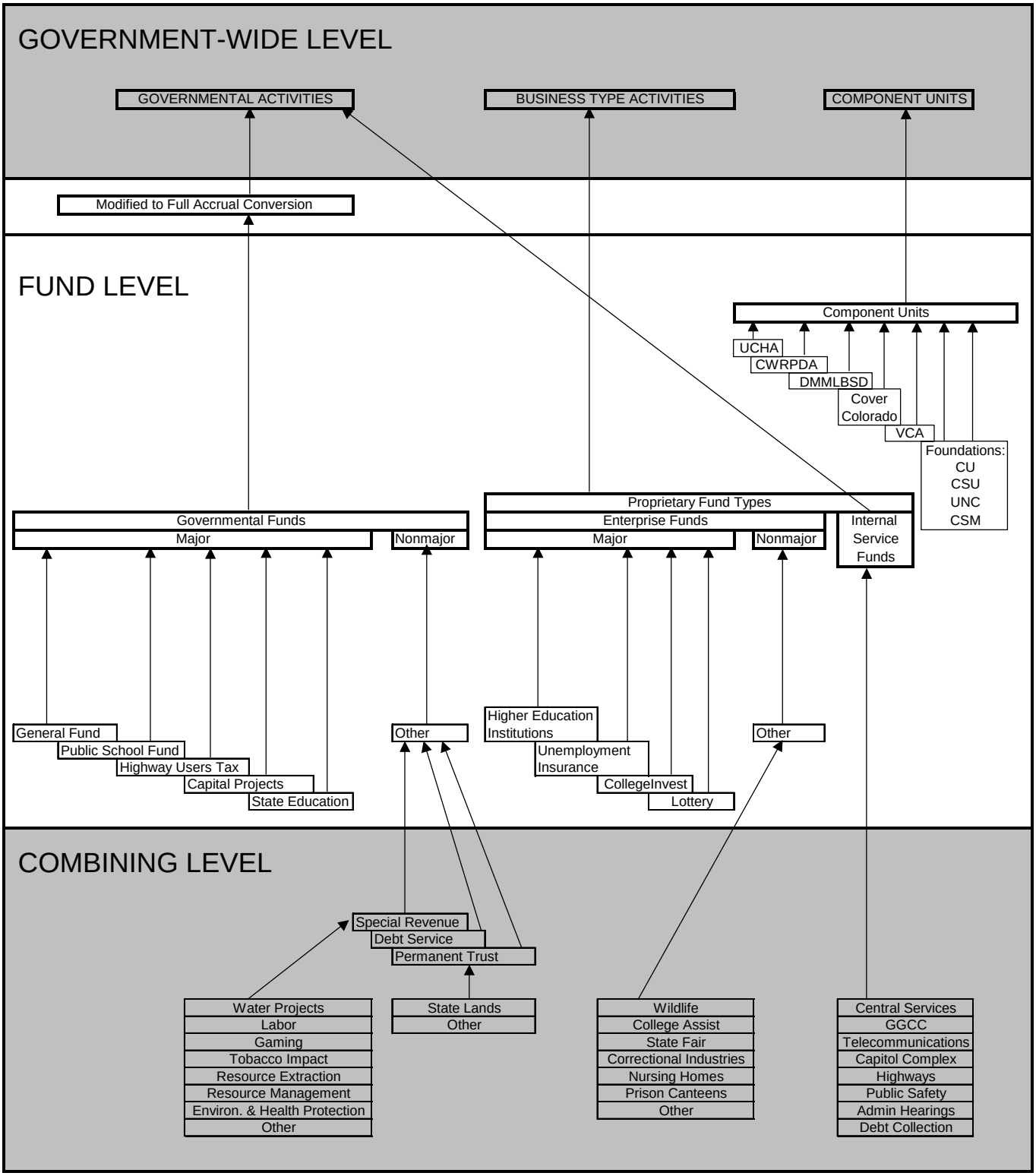
**Notes to Basic Financial Statements**

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

**Required Supplementary Information (RSI)**

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

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


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
UCHA
CWRPDA
DMMLBSD
Cover Colorado
VCA
Foundations: CU CSU UNC CSM
Proprietary Fund Types
Governmental Funds
Major
Nonmajor
Enterprise Funds
Major
Nonmajor
Internal Service Funds
General Fund
Public School Fund
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
CollegeInvest
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Impact
Resource Extraction
Resource Management
Environ. & Health Protection
Other
State Lands
Other
Wildlife
College Assist
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 | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Noncapital Assets | $ 6,930,463 | $ 6,301,963 | $ 5,439,200 | $ 4,747,593 | $12,369,663 | $11,049,556 |
| Capital Assets | 13,088,283 | 12,972,737 | 3,686,874 | 3,279,660 | 16,775,157 | 16,252,397 |
| Total Assets | 20,018,746 | 19,274,700 | 9,126,074 | 8,027,253 | 29,144,820 | 27,301,953 |
| Current Liabilities | 1,944,311 | 2,004,430 | 855,184 | 787,471 | 2,799,495 | 2,791,901 |
| Noncurrent Liabilities | 2,037,445 | 2,186,405 | 3,400,072 | 2,782,982 | 5,437,517 | 4,969,387 |
| Total Liabilities | 3,981,756 | 4,190,835 | 4,255,256 | 3,570,453 | 8,237,012 | 7,761,288 |
| Invested in Capital Assets, Net of Related Debt | 11,804,908 | 11,662,529 | 2,256,929 | 2,256,602 | 14,061,837 | 13,919,131 |
| Restricted | 2,326,595 | 1,719,232 | 1,352,948 | 1,135,776 | 3,679,543 | 2,855,008 |
| Unrestricted | 1,905,487 | 1,702,104 | 1,260,941 | 1,064,422 | 3,166,428 | 2,766,526 |
| Total Net Assets | $16,036,990 | $15,083,865 | $ 4,870,818 | $ 4,456,800 | $20,907,808 | $19,540,665 |

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 $14,061.8 million or 67.3 percent of the state's total net assets, which represents an increase of $142.7 million over 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 increase in the amount indicates that capital asset purchases from current resources and paying down capital related debt together exceeded the reduction in carrying value of capital assets caused by recognizing depreciation of those capital assets. However, it should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $3,679.5 million or 17.6 percent of net assets, which represents a $824.5 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. Governmental activities accounted for $607.4 million of the increase and business-type activities accounted the remaining $217.1 million of the increase. The largest individual fund increases were in restrictions related to Unemployment Insurance ($126.8 million) and Highway Construction and Maintenance ($372.2 million).

The Unrestricted Net Assets of $3,166.4 million or 15.1 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 $399.9 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $203.4 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. For the governmental activities, revenues and transfers-in exceeded expenses and transfers-out resulting in net assets increasing by $960.5 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 $693.6 million. Program revenue of the governmental activities increased by $189.8 million (3.7 percent), and general-purpose revenues increased by $550.8 million (6.5 percent) while expenses increased by $836.2 million (6.7 percent) from the prior year.

Business-type activities' revenues and transfers-in exceeded expenses by $396.8 million resulting in an increase in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $259.9 million while expenses increased by $363.0 million. Net transfers from the governmental activities to the business-type activities increased from $80.9 million to $98.9 million. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| Programs/Functions | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Program Revenues: | | | | | | |
| Charges for Services | $ 768,694 | $ 759,259 | $ 3,487,154 | $ 3,451,987 | $ 4,255,848 | 4,211,246 |
| Operating Grants and Contributions | 4,122,360 | 3,909,382 | 1,685,417 | 1,466,045 | 5,807,777 | 5,375,427 |
| Capital Grants and Contributions | 414,602 | 447,283 | 22,263 | 16,856 | 436,865 | 464,139 |
| General Revenues: | | | | | | |
| Taxes | 7,969,817 | 7,451,149 | 39,446 | 34,728 | 8,009,263 | 7,485,877 |
| Restricted Taxes | 946,757 | 922,872 | - | - | 946,757 | 922,872 |
| Unrestricted Investment Earnings | 43,638 | 35,372 | - | - | 43,638 | 35,372 |
| Other General Revenues | 84,328 | 84,335 | - | - | 84,328 | 84,335 |
| Total Revenues | 14,350,196 | 13,609,652 | 5,234,280 | 4,969,616 | 19,584,476 | 18,579,268 |
| Expenses: | | | | | | |
| General Government | 163,412 | 164,276 | - | - | 163,412 | 164,276 |
| Business, Community, and Consumer Affairs | 565,769 | 449,411 | - | - | 565,769 | 449,411 |
| Education | 4,771,218 | 4,394,236 | - | - | 4,771,218 | 4,394,236 |
| Health and Rehabilitation | 560,153 | 524,736 | - | - | 560,153 | 524,736 |
| Justice | 1,313,767 | 1,197,334 | - | - | 1,313,767 | 1,197,334 |
| Natural Resources | 138,457 | 112,753 | - | - | 138,457 | 112,753 |
| Social Assistance | 4,496,696 | 4,348,466 | - | - | 4,496,696 | 4,348,466 |
| Transportation | 1,213,138 | 1,205,556 | - | - | 1,213,138 | 1,205,556 |
| Interest on Debt | 42,269 | 31,969 | - | - | 42,269 | 31,969 |
| Higher Education Institutions | - | - | 3,661,270 | 3,446,716 | 3,661,270 | 3,446,716 |
| Unemployment Insurance | - | - | 316,577 | 305,447 | 316,577 | 305,447 |
| CollegeInvest | - | - | 96,720 | 73,745 | 96,720 | 73,745 |
| Lottery | - | - | 401,969 | 402,391 | 401,969 | 402,391 |
| Wildlife | - | - | 96,515 | 91,221 | 96,515 | 91,221 |
| College Assist | - | - | 199,677 | 115,200 | 199,677 | 115,200 |
| Other Business-Type Activities | - | - | 163,727 | 138,773 | 163,727 | 138,773 |
| Total Expenses | 13,264,879 | 12,428,737 | 4,936,455 | 4,573,493 | 18,201,334 | 17,002,230 |
| Excess (Deficiency) Before Contributions, Transfers, and Other Items | 1,085,317 | 1,180,915 | 297,825 | 396,123 | 1,383,142 | 1,577,038 |
| Contributions, Transfers, and Other Items: | | | | | | |
| Transfers (Out) In | (98,926) | (80,894) | 98,926 | 80,894 | - | - |
| Special Item | (25,915) | (13,534) | - | (707) | (25,915) | (14,241) |
| Total Contributions, Transfers, and Other Items | (124,841) | (94,428) | 98,926 | 80,187 | (25,915) | (14,241) |
| Total Changes in Net Assets | 960,476 | 1,086,487 | 396,751 | 476,310 | 1,357,227 | 1,562,797 |
| Net Assets - Beginning | 15,083,865 | 14,126,295 | 4,456,800 | 3,977,171 | 19,540,665 | 18,103,466 |
| Prior Period Adjustment | (7,351) | (128,917) | 17,267 | 3,319 | 9,916 | (125,598) |
| Net Assets - Ending | $16,036,990 | $ 15,083,865 | $ 4,870,818 | $ 4,456,800 | $20,907,808 | $19,540,665 |

## TABOR Revenue, Debt, and Tax-Increase Limits

### Background and Current Condition

Fiscal Year 2006-07 is the fourteenth 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.

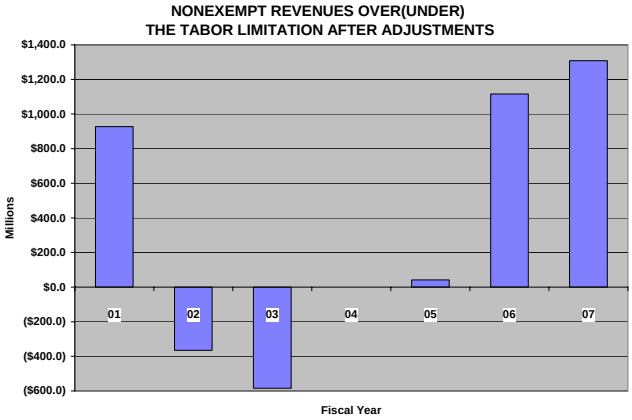
Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, that was referred to the ballot by the Legislature. Referendum 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. This requirement conflicts with the existing statutory six percent limit on General Fund expenditure growth unless General Fund appropriations are reduced by a matching amount.

In years when Referendum C is not in effect, 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. Referendum C contained a provision to suspend the ratchet down effect during the five-year refund hiatus period.

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 2006-07, 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 2006-07, state revenues subject to TABOR were $9,641.9 million, which was $1,308.0 million over the adjusted current year limit; however, the $1,308.0 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 2006-07, the Statewide Tolling Enterprise (a state agency) requalified as a

TABOR enterprise after having been disqualified as a TABOR enterprise in Fiscal Year 2005-06 due to receiving more than ten percent of its revenue from the state. As a qualified enterprise, the Enterprise's revenue is not subject to the TABOR revenue limits. In Fiscal Year 2006-07, the State Fair Authority (a state agency) was disqualified as a TABOR enterprise due to receiving a subsidy from the state's Travel and Tourism Fund. 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. Disqualifications are made neutral by adding the newly disqualified enterprise's nonexempt revenues to the limit after it has been adjusted for allowable growth. In Fiscal Year 2006-07, the TABOR limit was increased by $7.1 million related to enterprise qualifications and disqualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the state will retain $5.99 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. Spending from the General Fund Exempt Account is subject to the six percent limit on General Fund expenditure growth.
- 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, which is generally not available until up to six months after fiscal year-end. The referendum authorized spending the General Fund Exempt Account moneys in the same year the revenues are retained, and in the 2006 legislative session the Legislature appropriated an estimate of the amount to be retained for Fiscal Year 2006-07. The appropriation was based on the Legislative Council March 20, 2006, estimate of the total retained revenue, which was $1,062.2 million or $245.8 million less than the actual amount retained. It is expected that the General Assembly will enact a retroactive budget adjustment during the 2008 legislative session to appropriate the remaining $245.8 million as being spent from the General Fund Exempt Account. Per the report prepared by the Legislative Council, the Legislature appropriated the $1,062.2 million estimate of the fiscal year retained revenues from General Fund Exempt Account as follows:

(Amounts in Millions)

| Department | Purpose | Amount |
|---|---|---|
| Department of Education | Education - Total Program | $ 343.1 |
| Department of Health Care Policy and Financing | Health Care - Medical Services Premiums | 343.1 |
| Department of Higher Education | Education - Tuition Stipends | 322.4 |
| Department of Treasury | Fire & Police Retirement Plans | 34.8 |
| Department of Transportation | Transportation Projects | 15.0 |
| Department of Local Affairs | Fire & Police Retirement Plans | 3.8 |
| TOTAL | | $1,062.2 |

In order to comply with the six percent limit on spending growth, which applies to the General Fund and the General Fund Exempt Account alike, the General Fund Exempt Account spending forces a reduction in General Fund spending. As a result, the General Fund Exempt Account spending is not new money for the state agencies;

rather, it maintains spending that otherwise likely would have been reduced. It cannot be known what specific actions the General Assembly might have taken if Referendum C had not passed and the state followed its historical policy of paying TABOR refunds from the General Fund. However, it is likely that some combination of significant spending reductions, reserve spending, and/or transfers in from other funds would have been necessary to accommodate the required refund.

With Referendum C in place and TABOR refunds temporarily suspended, important statutory thresholds for the General Fund were met – including six percent growth in spending and maintaining a reserve equal to four percent. When these thresholds are met, 10.355 percent of sales and use tax is diverted from the General Fund to the Highway Users Tax Fund, which amounted to $230.4 million in Fiscal Year 2006-07. In addition, the General Fund ended the year with a surplus of $249.3 million that will be transferred in Fiscal Year 2007-08 to the Highway Fund Users Tax Fund and the Capital Construction Fund in the ratio of two-thirds ($166.2 million) to one-third ($83.1 million), respectively.

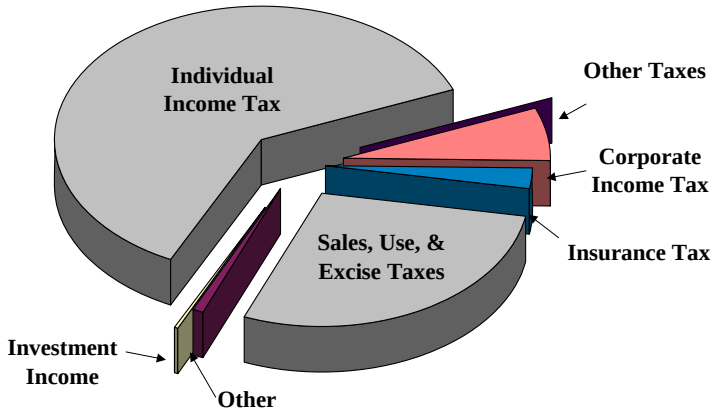
## INDIVIDUAL FUND ANALYSIS

### 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. Even though significant federal grant revenues are accounted for in the General Fund, they have little impact on the General Fund fund balance because Federal revenues are closely matched with federal expenditures.

The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $413.3 million, a decrease of $179.5 million from the prior year. The General Fund Reserve for Statutory Purposes was $267.0 million, an increase of $15.3 million over the prior year required by the increase in General Fund expenditures. The primary reason for the decrease in General Fund fund balance was a $738.2 million increase in net transfers-out, which was offset by an increase in revenues in excess of the increase in expenditures. The most significant transfer-out increases over the prior year were an additional $174.2 million to the Public School Fund, an additional $225.8 million to the Highway Users Tax Fund, and an additional $186.7 million to the Capital Projects Fund. Most of the decrease in fund balance shows as a $292.1 decline in Cash and Pooled Cash, which was offset by an increase in Taxes Receivable of $110.0 million. The General Fund's $549.8 million cash balance decreased from the prior year partially due to a $70.0 million decrease in the ending balance of the State Treasurer's Tax Revenue Anticipation Notes (TRANS) issued on behalf of local school districts. The reduction in cash related to the school district TRANS does not result in a decrease in fund balance because the State Treasurer records a matching liability for the repayment due in August 2007.

**GENERAL-PURPOSE REVENUES BY SOURCE**

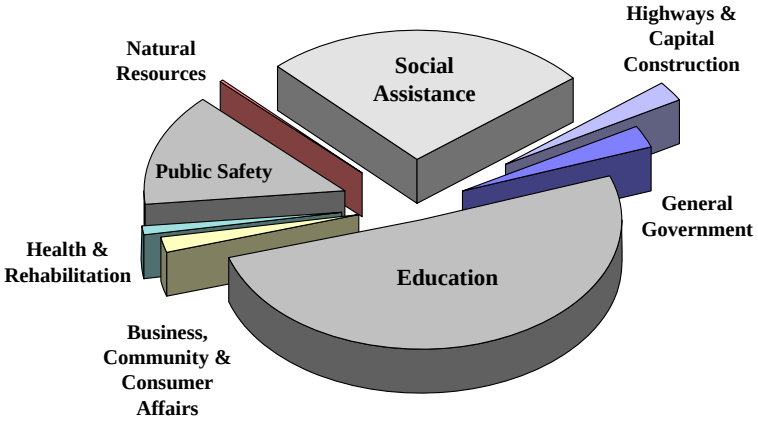



General-purpose revenues for Fiscal Years 2006-07 and 2005-06 were $7,312.6 million (see page 139) and $6,746.4 million, respectively – an increase of $566.2 million or 8.4 percent. Individual income tax revenue increased by $465.5 million. The major categories of individual income tax, all of which contributed to the increase, were withholding payments (up 7.1 percent), estimated payments (up 24.3 percent), and

payments with returns (up 10.0 percent). The change in income tax refunds (up 6.8 percent) partially offset revenue 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 $41.8 million or 9.9 percent. Investment income of the General Fund decreased by $5.1 million or 15.3 percent; the decrease reflects the decline in the General Fund cash balance. Sales, use, and excise taxes increased by $81.3 million or 4.1 percent, which is consistent with the 6.2 percent increase in personal income in 2007. Insurance premium taxes increased by $4.3 million or 2.5 percent due to increases in the number of policies and the amount of premiums. Other Taxes decreased by $6.0 million or 88.5 percent due to the nearly complete phase out of federal estate taxes and the related credit claimed by the state against those taxes. Other revenue decreased by $15.6 million or 22.4 percent primarily related to the diversion of $12.3 million of Gaming Fund revenue to the State Highway Fund ($5.3 million) and the Clean Energy Fund ($7.0 million) that previously would have been reported as general-purpose revenue of the General Fund.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2006-07 and 2005-06 were $6,903.6 million (see page 139) and $6,442.6 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, lawsuits against the state, and most transfers not appropriated by department. 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 2006-07, appropriation growth was 6.17 percent.

**EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES**

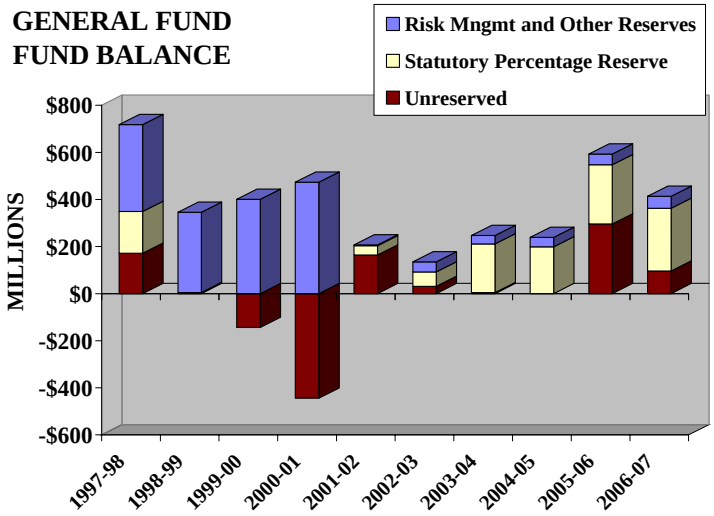



With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 75.6 percent of all Fiscal Year 2006-07 general-funded expenditures, which is a decrease of 4.6 percent from the prior year. In each instance, except for the Department of Health Care Policy and Financing, these departments' general-funded expenditures increased by 6 percent or more. However, the percentage use of total general-funded resources declined because of $656.9 million of transfers and distributions to the Capital Projects Fund ($291.5 million), the Highways Users Tax Fund ($291.2 million), and to counties for reimbursement of property tax credits for senior citizens ($74.2 million). These transfers and distributions represent a significant increase over the prior year and are primarily related to the $436.8 million General Fund Surplus in Fiscal Year 2005-06. The General Fund Surplus transfer is not appropriated by department, and it is not counted against the six percent General Fund spending limit. Of the departments with substantial General Fund expenditures, the major expenditure increases were in the Department of Education ($164.2 million or 6.0 percent), the Department of Human Services ($128.3 million or 21.7 percent), the Department of Higher Education ($57.7 million or 9.1 percent), the Department of Corrections ($43.2 million or 8.1 percent), and the Judicial Branch ($27.5 million or 11.6 percent).

Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending primarily related to payments to local public school districts. The largest increase in the Department of Human Services was an additional $45.7 million expended on the Child Welfare Program with smaller increases in community-based programs, mental health services for the medically indigent, and other grants. The increase in the Department of Higher Education was primarily related to student stipends paid through the College Opportunity Fund with smaller increases in need based grants to students and educational services provided to the state under

fee-for-service contracts. The Department of Corrections increase was primarily for payments to house state prisoners in local jails, costs of the department's internal inmate housing program, and medical services for prisoners. Each of these increases is affected by the general increase in the offender population. The largest individual increase in the Judicial Branch was related to trial court costs with smaller increases in the probation services, public defender, alternate defense counsel, and child's representative programs.

Each department that normally receives a general-purpose revenue funded appropriation had an increase equal to or in excess of the six percent limit except the Department of Health Care Policy and Financing (DHCPF) where the increase was .5 percent. The DHCPF limited increase along with the allowable six percent growth related to general-purpose revenue increases funded most of the departmental increases in excess of the 6 percent limit.




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 require a four percent fund balance reserve ($267.0 million in Fiscal Year 2006-07). In Fiscal Years 2006-07 and 2005-06 the General Fund had adequate resources to meet the required four percent reserve on the GAAP basis. In years prior to Fiscal Year 2005-06 compliance was achieved on the budgetary basis by deferring certain payroll and Medicaid costs into the following year or by deferring TABOR refund liabilities into the following year. The current economic conditions and the absence of a TABOR refund (authorized by Referendum C) results 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, 2007, 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 budget 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 $78.7 million of expenditures into the following year, while deferring Medicaid related expenditures moved $166.5 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $91.7 million. In total, the effect was to increase General Fund budgetary fund balance by $153.5 million, which was $12.6 million more than the effect of deferring Fiscal Year 2005-06 expenditures into Fiscal Year 2006-07.

Colorado statutes require that early in each year the State Controller transfer the entire ending General Fund Surplus of the prior fiscal year two-thirds to the Highway Users Tax Fund and one-third to the Capital Projects Fund. The General Fund Surplus is calculated on the budgetary basis as the amount in excess of the required four percent reserve with certain payroll and Medicaid expenditures deferred into the following year as noted above. In Fiscal Year 2006-07, the transfer amount was $436.8 million of which $291.2 million went to the Highway Users Tax Fund and $145.6 million went to the Capital Projects Fund. The transfer will be $249.3 million in Fiscal Year 2007-08 with

$166.2 million going to the Highway Users Tax Fund and $83.1 million going to the Capital Projects Fund. These transfers 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 General Fund transfer to local school districts resulting in year-end fund balances that are not significant. The fund made distributions of $2,758.2 million and $2,577.2 million in Fiscal Year 2006-07 and 2005-06, respectively.

**Highway Users Tax Fund**

The Highway Users Tax Fund (HUTF) fund balance increased by $298.8 million over the prior year primarily related to the following:

- A $232.8 million decrease in revenue primarily comprising a $220.4 million decrease in sales and use tax revenue, a $33.8 million decrease in Federal grants and contracts, and a $33.2 million increase in investment income related to increasing cash balances in the fund. The sales and use tax decrease was the result of a statutory change that caused 10.355 percent of sales and use tax to be recorded in the Sales and Use Tax Holding Fund (an Other Special Revenue Fund) rather than the HUTF. The monies are then transferred to the HUTF only to the extent that the monies are not needed to maintain the six percent spending increase and a four percent reserve in the General Fund.
- A $6.7 million decrease in expenditures including a $3.5 million increase in capital outlay for noninfrastructure assets, a $12.8 million reduction primarily related to construction and maintenance activities, an $3.8 million increase in public safety activities, and large offsetting increases and decreases in distributions to cities, counties, and special districts.
- A $465.8 million increase in net other financing sources, which was primarily a combination of an $8.6 million decrease in transfers-out to the General Fund, a $5.3 million first time transfer from the Gaming Fund, a $225.8 million increase in transfers-in from the General Fund related to receipt of the Fiscal Year 2005-06 ending General Fund Surplus, and a $222.0 million increase in transfers-in from Other Special Revenue Funds. The latter transfer was recorded as sales and uses tax revenue diverted from the General Fund before Fiscal Year 2006-07.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $24.8 million. This amount is the residual after a $628.5 million reserve for encumbrances and a $714.8 million reserve for funds reported as restricted. 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. The funds reported as restricted are primarily in the form of cash that is restricted by the State Constitution to be used only for highway construction and maintenance.

**Capital Projects Fund**

The Capital Projects Fund fund balance increased by $242.8 million from the prior fiscal year-end primarily related to a $184.6 million increase in transfers-in mostly from the General Fund. The General Fund transfers would likely not have occurred absent the passage of Referendum C. The increase nearly doubled the fund balance to $521.9 million. Without adjustment for inflation, the fund balance is approaching the normal balances maintained in the fund in the late 1990's. However, several years of limited funding of the Capital Projects Fund has left significant amounts of construction and maintenance deferred. Historically, it has been the General Assembly's policy to appropriate the entire Capital Construction fund balance, and most of the amount shown as unreserved has already been committed to projects in the Fiscal Year 2007-08 budget cycle.

**State Education Fund**

The State Education Fund fund balance increased by $72.8 million during Fiscal Year 2006-07. 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 2006-07 by $37.9 million from the prior year. Investment income increased by $10.3 million over the prior year primarily due to a significant increase in the fund's cash balance on deposit with the State Treasurer and rising interest rates. Unrealized gains were only a small portion of the investment income. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $333.7 million and $328.4 million in Fiscal Year 2006-07 and 2005-06, respectively.

**Higher Education Institutions**

Current period activity along with prior period adjustments increased the net assets of the Higher Education Institutions by $239.3 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 $79.6 million, sales of goods and services increased by $67.1 million, federal revenues increased by $13.4 million, investment income increased by $75.0 million, and other revenues increased by $13.0 million. Expenses of the fund increased by amounts consistent with the percentage change in revenues. The state made capital contributions of $34.8 million and $9.2 million in Fiscal Years 2006-07 and 2005-06, respectively, that were funded by the Capital Projects Fund and transferred $134.5 million ($139.3 million in Fiscal Year 2005-06) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training.

**Unemployment Insurance**

The net assets of the Unemployment Insurance Fund increased by $126.8 million primarily because unemployment insurance premium taxes and investment earnings on the Unemployment Insurance Fund assets exceeded unemployment benefits paid. The net asset increase was less than the prior fiscal year increase of $227.1 million because of a $100.4 million decrease in unemployment insurance premium taxes. The change in net assets was also affected by a $1.7 million increase in federal revenue, a $9.6 million increase in investment earnings, and an increase in unemployment benefits of $11.0 million. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. The fund's cash balance increased from Fiscal Year 2005-06 to 2006-07 by $155.3 million from $455.8 million to $611.1 million.

**CollegeInvest**

CollegeInvest's net assets increased by $17.8 million or 9.8 percent. The fund experienced a $1.6 million decrease in federal revenue, a $5.9 million increase in pledged investment income, a $24.8 million decrease in transfers-in, and a $16.0 million increase in Pledged Other Revenue. CollegeInvest's debt service increased $21.3 million related to an increase of $445.0 million in outstanding bonds. Assets of the fund increased from $1,447.9 million to $1,913.3 million while liabilities increased from $1,265.8 million to $1,713.5 million, primarily due to a $469.0 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 $117.3 million ($124.3 million in Fiscal Year 2005-06) on sales of $466.3 million ($474.3 million in Fiscal Year 2005-06), which represents a 5.6 percent decrease in operating income. The Lottery distributed $51.3 million ($50.2 million in Fiscal Year 2005-06) to the Great Outdoors Colorado program, a related organization, and transferred $68.1 million ($75.7 million in Fiscal Year 2005-06) to other state funds, of which, $8.2 million was distributed to local school districts through the Public School Fund, $11.9 million was used to fund operations of the state Division of Parks and Recreation, and $47.6 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 139. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

The following list shows departments that had net changes in general-funded budgets greater than $5.5 million.

- Department of Education – The department's final budget exceeded the original budget by $8.5 million. The Joint Budget Committee of the General Assembly increased the department's general-funded budget and decreased its cash-funded budget by $8.8 million close to fiscal year-end under its authority to allocate the resources of the state. The increase in general fund spending was subject to the six percent limit on expenditure growth.
- Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $30.9 million, a 2.2 percent decline. The reduction was the result of reduced general-funded appropriations for Medical Service Premiums required for matching Medicaid grant funds. The department's estimate for Medicaid clients in the original budget was 475,000, but this estimate was reduced to an estimated caseload of 393,734 in the final budget supplemental request. The department attributes the decline in estimated caseload to improvement in the state economy resulting in fewer eligible clients.
- Department of Human Services (DHS) – The department's final budget exceeded the original budget by $31.5 million. The increase was the result of a large number of increases and decreases, of which the following were the most significant:
  - $11.0 million increase in the Developmental Disabilities Services Adult Community program general-funded appropriation for vital services that were previously funded by Medicaid and local government matching funds but became ineligible for Medicaid,
  - $10.3 million increase in the general-funded appropriation for the Home Care Allowance program, which was previously general funded at the Department of Health Care Policy and Financing (DHCPF) and cash funded at the Department of Human Services through transfers from DHCPF,
  - $8.8 million increase in the Child Welfare Services program general-funded appropriation related to an unspent general-funded appropriation at DHCPF that is transferred annually for DHS to apply to the county grant close out process,
  - $7.3 million increase in the Mental Health Services for the Medically Indigent program to restore prior years' reductions in the program,
  - $6.6 million decrease moving the department's general-funded appropriation to DHCPF for providing mental health services that were originally mandated by the courts.
- Department of Treasury – The department's final budget exceeded the original budget by $21.3 million. $9.7 million of this increase was to accommodate increased participation in the Senior Citizen Property Tax Exemption Program, which requires the State Treasurer to reimburse county governments for property tax exemptions authorized by a statewide vote. The department's final budget increased by $11.6 million to support debt service payments on the 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. At the time of the original budget the level of participation by local school districts was unknown.
- Appropriation to the Capital Projects Fund – The State Controller's final nonoperating budget exceeded the original budget by $59.1 million related to the transfer of General Fund resources to the Capital Projects Fund and by $96.5 million related to the transfer of the Fiscal Year 2005-06 General Fund Surplus to the Highway Users Tax Fund and the Capital Projects Fund. The $59.1 million increase was the result of transfers authorized by the General Assembly that were not subject to the six percent limit on general-funded

expenditure growth. The General Assembly had additional resources available because final revenue estimates were higher than those used to estimate the original transfer to the Capital Projects Fund. The $96.5 million increase was the result of a larger Fiscal Year 2005-06 ending General Fund Surplus than was expected at the time of the original Fiscal Year 2006-07 budget estimate.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $5,800,344 for Fiscal Year 2006-07. General-funded overexpenditures are discussed in detail in Note 8A on page 80 at the individual line item appropriation level. In total, state departments reverted $14.0 million of general-funded appropriations; the reversion amount would have been $9.0 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 General Assembly of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $5.2 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $5.7 million, which included the following three largest individual amounts:
  - $1.7 million reversion of the medical services subprogram appropriation where in-patient and other medical services utilization was less than projected based on historical data and trends,
  - $0.7 million reversion of the housing subprogram appropriation related to unfilled correctional officer positions caused by employment turnover that is difficult to predict – this reversion represents .4 percent of the related appropriation,
  - $0.6 million reversion of the community supervision subprogram appropriation caused by unexpected delays in the start-up of a recidivism program that provided medication to mentally ill offenders.
- Department of Health Care Policy and Financing – The department reverted $2.6 million net of a $1.8 million statutorily authorized overexpenditure in the Medicaid program. The department reverted $1.0 million of the Medicare Modernization Act match appropriation because forecast of caseloads and rates set by the federal Centers for Medicare and Medicaid were 1.4 percent less than expected. The balance of the department's reversions were from line items appropriated to the department but managed and expended by programs in the Department of Human Services, which are discussed below.
- Department of Human Services – The department reverted $1.7 million of general-funded appropriation primarily from the purchases and contract placement portion of its community programs. The reversion was the result of moving clients in the Division of Youth Corrections into parole arrangements faster than was originally estimated and accounted for approximately $1.1 million of the total reversion.
- Legislative Branch – The Legislative Branch reverted $1.2 million – the largest portion of which was from the general administrative line item of the Office of the State Auditor. The reversion occurred primarily due to delays in finalizing service contracts, which precluded incurring the related expenditures in the fiscal year.
- Public Safety – The department reverted $1.2 million primarily related to the transition program portion of community corrections. The reversion occurred because offender placements in halfway houses were less than projected.
- Department of Revenue – The department reverted $7.8 million, not including the $9.0 million negative reversion related to Old Age Pension expenditures discussed above. The department reverted $5.5 million of the Old Age Heat and Fuel refunds appropriation because the lawful presence verification requirement instituted during Fiscal Year 2006-07 resulted in fewer applications than estimated. The department also reverted $0.7 million of the Driver and Vehicle Services personal services appropriation primarily because the personal services budget estimate was based on the prior year expenditures at which time the program was mostly cash funded. As a cash funded program it was not authorized to defer personal services costs into the

following year for budget purposes. In Fiscal Year 2006-07 the program became mostly general funded which required it to defer its June payroll costs into Fiscal Year 2007-08. As a result, the current expenditures were less than estimated.

## CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2007, was $16.8 billion ($16.3 billion in Fiscal Year 2005-06). Included in this amount were $4.1 billion of depreciable capital assets net of $3.4 billion of depreciation. Also included was $12.6 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $942.4 million and $715.0 million of capital assets in Fiscal Year 2006-07 and 2005-06, respectively. Of the Fiscal Year 2006-07 additions, $280.2 million was recorded by governmental funds and $662.2 million was recorded by proprietary funds. General-purpose revenues funded $53.4 million of capital and controlled maintenance expenditures during Fiscal Year 2006-07, and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the state's capital assets by asset type for both governmental and business-type activities.

The state's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2007, the state had commitments of $192.6 million in the Capital Projects Fund ($189.1 million in Fiscal Year 2005-06) and $628.5 million in the Highway Users Tax Fund ($625.7 million in Fiscal Year 2005-06). 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, 2007 and 2006, were (see Note 17 for additional detail):

(Amounts in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Capital Assets Not Being Depreciated | | | | | | |
| Land and Land Improvements | $ 81 | $ 83 | $ 231 | $ 221 | $ 312 | $ 304 |
| Collections | 9 | 9 | 13 | 13 | 22 | 22 |
| Construction in Progress | 442 | 1,208 | 591 | 328 | 1,033 | 1,536 |
| Infrastructure | 11,268 | 10,350 | - | - | 11,268 | 10,350 |
| Total Capital Assets Not Being Depreciated | 11,800 | 11,650 | 835 | 562 | 12,635 | 12,212 |
| Capital Assets Being Depreciated | | | | | | |
| Buildings and Related Improvements | 1,510 | 1,484 | 4,016 | 3,724 | 5,526 | 5,208 |
| Vehicles and Equipment | 674 | 645 | 741 | 736 | 1,415 | 1,381 |
| Library Books, Collections, and Other Capital Assets | 31 | 28 | 429 | 410 | 460 | 438 |
| Infrastructure | 89 | 104 | 19 | 19 | 108 | 123 |
| Total Capital Assets Being Depreciated | 2,304 | 2,261 | 5,205 | 4,889 | 7,509 | 7,150 |
| Accumulated Depreciation | (1,016) | (939) | (2,354) | (2,171) | (3,370) | (3,110) |
| Total | $ 13,088 | $ 12,972 | $ 3,686 | $ 3,280 | $ 16,774 | $ 16,252 |

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 highway users 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).

Fiscal Year 2006-07
(Amounts in Millions)

| | Capital Leases | | Revenue Bonds | | Certificates of Participation | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Governmental Activities | $ 30.5 | $ 11.3 | $ 1,319.7 | $ 371.1 | $ 183.2 | $ 80.7 | $ 1,533.4 | $ 463.1 |
| Business-Type Activities | 68.6 | 32.3 | 2,935.4 | 3,061.8 | 218.9 | 144.0 | 3,222.9 | 3,238.1 |
| Total | $ 99.1 | $ 43.6 | $ 4,255.1 | $ 3,432.9 | $ 402.1 | $ 224.7 | $ 4,756.3 | $ 3,701.2 |

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 |

In Fiscal Year 2005-06, the total principal amount of revenue bonds and COPs was 37.8 percent of net asset other than capital assets. In Fiscal Year 2006-07, that measure increased to 38.5 percent because debt principal increased more than did noncapital net assets on a proportional basis. Total per capita borrowing including bonds, certificate of participation, mortgages, notes, and leases was $1,045, $977, $923, and $800 per person in Fiscal Years 2006-07, 2005-06, 2004-05, and 2003-04, 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 under the modified approach for certain assets owned and maintained by the state Department of Transportation. The main feature of the modified approach is that annual maintenance and preservation 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 and preservation compares to the estimate of the amount needed to maintain the established condition level.

The established condition level set by the Colorado Transportation Commission for roadways is unchanged from the prior year and requires that 60 percent of roadways fall 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.

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|
| Percent Rated Good/Fair | 63 | 65 | 61 | 58 | 58 | 54 |
| Percent Rated Poor | 37 | 35 | 39 | 42 | 42 | 46 |

The established condition level for bridges is to maintain or improve the current percentage of bridges rated as Good or Fair. The current percentage of bridges rated Poor is 5.25 percent, which sets the percent rated as Good or Fair at 94.75 percent. The following table presents the condition assessment for those bridges rated as poor for the current and preceding six years.

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Percent Rated Poor | 5.25 | 5.19 | 3.20 | 3.25 | 3.36 | 3.61 | 3.39 |

The Department of Transportation has established a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Prior to Fiscal Year 2006-07, the department did not report projections, but instead, reported budgeted amounts as a surrogate for the cost to maintain. Because of the multiple year nature of the infrastructure budgets, it was determined that the department's projections of costs are a better basis for the comparison of estimated and actual costs to maintain. Beginning in Fiscal Year 2006-07 and for future fiscal years, the department reports the estimated versus actual cost to maintain as follows.

(Amounts in Millions)

| Fiscal Year | Projected Cost | Budgeted Cost | Actual Spending |
|---|---|---|---|
| 2006-07 | $ 734.2 | NA | $ 380.4 |
| 2005-06 | Not Available | $ 210.9 | 460.6 |
| 2004-05 | Not Available | 138.0 | 452.8 |
| 2003-04 | Not Available | 554.1 | 529.9 |
| 2002-03 | Not Available | 631.0 | 1,457.1 |
| Total | $ 734.2 | $ 1,534.0 | $ 3,280.8 |

## CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the state that were included in the Fiscal Year 2005-06 Management Discussion and Analysis continue to affect the state at the end of Fiscal Year 2006-07. However, the passage of Referendum C in November 2005 relieved significant current year constraints on the state's financial affairs. The most important effect of Referendum C is that refunds of revenues in excess of the TABOR limits will not be paid in the current or following three fiscal years. The Governor's Office of State Planning and Budgeting currently estimates retained revenues of $3,559.9 million for the period from Fiscal Year 2007-08 to 2009-10, which results in a total retained of $5,987.6 million for the five-year period covered by Referendum C.

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 those resources 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 a portion of general-purpose sales and use 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 $196.0 million of General Fund Surplus will be transferred between Fiscal Years 2007-08 and 2008-09, and that $1,205.0 million will be credited to the Highway Fund under the required sales and use tax diversion between Fiscal Year 2007-08 and 2011-12.

Several conditions adversely affect the state's future operations:

- Pension Plan Contributions – Notwithstanding a 15.7 percent return on investments in 2006, the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State Division of the Public Employees Retirement Association (PERA) did not change significantly from the prior year (2006 – 73.0 percent and 2005 – 71.5 percent). However, it should be noted that due to the smoothed market valuation methodology only a portion of 2006 and 2005 investment returns of 15.7 percent and 9.8 percent, respectively, have been recognized in the funded ratio. Based on fair value of assets, rather than the smoothed actuarial value, the funded ratio for all divisions of PERA increases from 74 percent to 78 percent. In 2000, when the State Division and the School Division were reported as a single division, the

combined division had a funding ratio of 104.7 percent. At December 31, 2006, the amortization period for the plan was infinite, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will never be fully paid. However, certain future benefit changes are not considered in this analysis, and PERA's actuary expects those changes will allow the State Division Trust Fund to reach a 30 year amortization period over the projected actuarial period. In addition, PERA's actuary opines that current funding rates are sufficient to pay benefits over the 30-year actuarial projection period. The current contribution rate of 11.15 percent is .3 percentage points (or 2.6 percent) below the average during the 1990s. PERA's actuary estimated that the contribution rate would need to have been 17.23 percent and 19.33 percent to achieve the 30 and 40-year amortization periods required, respectively in 2006 and 2005, 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 contribution 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 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 exempt a portion of state revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The Governor's Office of State Planning and Budgeting currently estimates that $409.3 million will be diverted from general-purpose tax revenue in Fiscal Year 2007-08 under this requirement. The amendment requires the General Assembly 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 six percent expenditure growth limit. Notwithstanding these expenditure increases, the state continues to face legal challenges 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.

- 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 for General Fund budget purposes. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($153.5 million net of related deferred revenue in Fiscal Year 2006-07) 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.

- General Fund Liquidity – The General Fund shows a cash balance of $549.8 million at June 30, 2007, providing apparent liquidity. However, $345.0 million of that cash was distributed immediately after fiscal year-end to pay short-term borrowing for the Education Tax Revenue Anticipation Note program, and at least $38.6 million of the cash belongs to the Risk Management Funds reported in the General Fund leaving approximately $166.2 million of disposable cash in the fund. When this cash is combined with nontax receivables it is still significantly less than the $473.8 of accounts payable and accrued liabilities that it must service in the near term. These conditions indicate that the General Fund reserve (and budgetary basis General Fund Surplus) increasingly comprises tax receivables ($1,024.3 million) net of tax refunds payable ($471.8 million) and deferred revenue ($133.7 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. When a downturn in the economy occurs, tax receivables tend to decline (due to declining personal income) and tax refunds tend to increase (due to higher than required estimated tax and withholding payments). This should be expected to exacerbate the lack of General Fund liquidity. The General Fund cash position is adversely

affected by the recurring cash transfers of General Fund Surplus to the Highway Users Tax Fund and the Capital Projects Fund. The General Fund Surplus was $249.3 million, $436.8 million, $98.0 million, $121.8 million, and $93.7 million in Fiscal Years 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, respectively. The General Fund legally has access to the cash balances of other funds; however, moving those balances to the General Fund has been contentious in the past and is currently the subject of a lawsuit disclosed in Note 37.

- Debt Service – Debt service payments on the remaining $1.2 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 of the early 2000's, those diversions did not occur for several years. As discussed above, the diversion of the General Fund resumed with the passage of Referendum C. However, the Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand.

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 2,455,425 | $ 1,430,836 | $ 3,886,261 | $ 138,284 |
| Investments | 998 | 326,087 | 327,085 | 46,498 |
| Taxes Receivable, net | 956,149 | 81,745 | 1,037,894 | 293 |
| Contributions Receivable, net | - | - | - | 30,239 |
| Other Receivables, net | 153,218 | 219,488 | 372,706 | 169,912 |
| Due From Other Governments | 280,637 | 126,391 | 407,028 | 2,335 |
| Internal Balances | 13,756 | (13,756) | - | - |
| Due From Component Units | 65 | 15,334 | 15,399 | - |
| Inventories | 14,053 | 38,000 | 52,053 | 9,432 |
| Prepaids, Advances, and Deferred Charges | 28,527 | 15,751 | 44,278 | 13,841 |
| Total Current Assets | 3,902,828 | 2,239,876 | 6,142,704 | 410,834 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | 1,689,703 | 149,811 | 1,839,514 | 136,058 |
| Restricted Investments | 552,211 | 555,310 | 1,107,521 | 420,731 |
| Restricted Receivables | 279,140 | 1,408,588 | 1,687,728 | 10,747 |
| Investments | 80,695 | 972,922 | 1,053,617 | 1,711,815 |
| Contributions Receivable, net | - | - | - | 50,472 |
| Other Long-Term Assets | 425,886 | 112,693 | 538,579 | 1,196,341 |
| Depreciable Capital Assets and Infrastructure, net | 1,288,308 | 2,851,692 | 4,140,000 | 437,682 |
| Land and Nondepreciable Infrastructure | 11,799,975 | 835,182 | 12,635,157 | 307,412 |
| Total Noncurrent Assets | 16,115,918 | 6,886,198 | 23,002,116 | 4,271,258 |
| TOTAL ASSETS | 20,018,746 | 9,126,074 | 29,144,820 | 4,682,092 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Tax Refunds Payable | 486,576 | - | 486,576 | - |
| Accounts Payable and Accrued Liabilities | 694,602 | 413,788 | 1,108,390 | 113,625 |
| TABOR Refund Liability (Note 8B) | 727 | - | 727 | - |
| Due To Other Governments | 176,864 | 38,501 | 215,365 | 9,317 |
| Due To Component Units | - | 273 | 273 | - |
| Deferred Revenue | 65,389 | 183,805 | 249,194 | 8,108 |
| Obligations Under Securities Lending | - | - | - | 22,299 |
| Accrued Compensated Absences | 9,533 | 12,578 | 22,111 | 13,673 |
| Claims and Judgments Payable | 40,948 | 11,717 | 52,665 | 7,621 |
| Leases Payable | 2,807 | 4,950 | 7,757 | 346 |
| Notes, Bonds, and COP's Payable | 457,250 | 62,998 | 520,248 | 56,713 |
| Other Current Liabilities | 9,615 | 126,574 | 136,189 | 250,809 |
| Total Current Liabilities | 1,944,311 | 855,184 | 2,799,495 | 482,511 |
| Noncurrent Liabilities: | | | | |
| Deposits Held In Custody For Others | 17 | - | 17 | 163,582 |
| Accrued Compensated Absences | 116,262 | 153,320 | 269,582 | - |
| Claims and Judgments Payable | 295,874 | 28,220 | 324,094 | - |
| Capital Lease Payable | 27,649 | 63,671 | 91,320 | 4,239 |
| Notes, Bonds, and COP's Payable | 1,390,671 | 3,100,764 | 4,491,435 | 1,591,145 |
| Other Long-Term Liabilities | 206,972 | 54,097 | 261,069 | 104,519 |
| Total Noncurrent Liabilities | 2,037,445 | 3,400,072 | 5,437,517 | 1,863,485 |
| TOTAL LIABILITIES | 3,981,756 | 4,255,256 | 8,237,012 | 2,345,996 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 11,804,908 | 2,256,929 | 14,061,837 | 216,023 |
| Restricted for: | | | | |
| Highway Construction and Maintenance | 1,196,903 | - | 1,196,903 | - |
| State Education | 225,818 | - | 225,818 | - |
| Unemployment Insurance | - | 675,574 | 675,574 | - |
| Debt Service | 558 | 125,656 | 126,214 | - |
| Emergencies | 85,760 | 37,472 | 123,232 | 24 |
| Permanent Funds and Endowments: | | | | |
| Expendable | 1,782 | 5,313 | 7,095 | 755,503 |
| Nonexpendable | 515,997 | 97,821 | 613,818 | 475,084 |
| Court Awards and Other Purposes | 299,777 | 411,112 | 710,889 | 420,768 |
| Unrestricted | 1,905,487 | 1,260,941 | 3,166,428 | 468,694 |
| TOTAL NET ASSETS | $ 16,036,990 | $ 4,870,818 | $ 20,907,808 | $ 2,336,096 |

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

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | Expenses | | Program Revenues | | |
|---|---|---|---|---|---|
| Functions/Programs | Expenses | Indirect Cost Allocation | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Primary Government:** | | | | | |
| Governmental Activities: | | | | | |
| General Government | $ 179,613 | $ (16,201) | $ 83,518 | $ 195,167 | $ 374 |
| Business, Community, and Consumer Affairs | 563,716 | 2,053 | 107,560 | 244,489 | 265 |
| Education | 4,770,206 | 1,012 | 14,080 | 574,322 | 413 |
| Health and Rehabilitation | 559,045 | 1,108 | 47,101 | 319,405 | 45 |
| Justice | 1,309,670 | 4,097 | 142,305 | 47,154 | 3,981 |
| Natural Resources | 137,221 | 1,236 | 106,131 | 57,478 | 236 |
| Social Assistance | 4,494,265 | 2,431 | 18,540 | 2,580,173 | 261 |
| Transportation | 1,211,913 | 1,225 | 249,459 | 104,172 | 409,027 |
| Interest on Debt | 42,269 | - | - | - | - |
| Total Governmental Activities | 13,267,918 | (3,039) | 768,694 | 4,122,360 | 414,602 |
| Business-Type Activities: | | | | | |
| Higher Education | 3,659,591 | 1,679 | 2,346,894 | 1,347,834 | 21,752 |
| Unemployment Insurance | 316,577 | - | 403,644 | 39,726 | - |
| CollegeInvest | 96,720 | - | 59,728 | 54,688 | - |
| Lottery | 401,642 | 327 | 467,642 | 2,170 | - |
| Wildlife | 95,908 | 607 | 92,464 | 19,709 | 511 |
| College Assist | 199,604 | 73 | 422 | 215,579 | - |
| Other Business-Type Activities | 163,374 | 353 | 116,360 | 5,711 | - |
| Total Business-Type Activities | 4,933,416 | 3,039 | 3,487,154 | 1,685,417 | 22,263 |
| Total Primary Government | 18,201,334 | - | 4,255,848 | 5,807,777 | 436,865 |
| **Component Units:** | | | | | |
| University of Colorado Hospital Authority | 579,305 | | 565,505 | 1,820 | 438 |
| Denver Metropolitan Baseball Stadium District | 4,593 | | 533 | - | 390 |
| Colorado Water Resources and Power Development Authority | 58,863 | | 45,413 | 15,774 | - |
| University of Colorado Foundation | 73,815 | | 7,249 | 211,372 | - |
| Colorado State University Foundation | 25,478 | | - | 49,297 | - |
| Colorado School of Mines Foundation | 14,379 | | - | 29,729 | - |
| University of Northern Colorado Foundation | 8,348 | | - | 19,320 | - |
| CoverColorado | 40,068 | | 25,080 | 2,019 | - |
| Venture Capital Authority | 30 | | - | - | - |
| Total Component Units | $ 804,879 | $ - | $ 643,780 | $ 329,331 | $ 828 |

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings
- 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 |
| $ 115,647 | $ - | $ 115,647 | |
| (213,455) | - | (213,455) | |
| (4,182,403) | - | (4,182,403) | |
| (193,602) | - | (193,602) | |
| (1,120,327) | - | (1,120,327) | |
| 25,388 | - | 25,388 | |
| (1,897,722) | - | (1,897,722) | |
| (450,480) | - | (450,480) | |
| (42,269) | - | (42,269) | |
| (7,959,223) | - | (7,959,223) | |
| - | 55,210 | 55,210 | |
| - | 126,793 | 126,793 | |
| - | 17,696 | 17,696 | |
| - | 67,843 | 67,843 | |
| - | 16,169 | 16,169 | |
| - | 16,324 | 16,324 | |
| - | (41,656) | (41,656) | |
| - | 258,379 | 258,379 | |
| (7,959,223) | 258,379 | (7,700,844) | |
| - | - | - | (11,542) |
| - | - | - | (3,670) |
| - | - | - | 2,324 |
| - | - | - | 144,806 |
| - | - | - | 23,819 |
| - | - | - | 15,350 |
| - | - | - | 10,972 |
| - | - | - | (12,969) |
| - | - | - | (30) |
| - | - | - | 169,060 |
| 2,244,000 | - | 2,244,000 | 203 |
| 261,711 | - | 261,711 | - |
| 4,508,845 | - | 4,508,845 | - |
| 470,853 | - | 470,853 | - |
| 484,408 | 39,446 | 523,854 | - |
| 358,988 | - | 358,988 | - |
| 36,120 | - | 36,120 | - |
| 551,065 | - | 551,065 | - |
| 584 | - | 584 | - |
| 43,638 | - | 43,638 | 103,511 |
| 84,328 | - | 84,328 | - |
| - | - | - | 17,996 |
| (25,915) | - | (25,915) | (30,663) |
| (98,926) | 98,926 | - | - |
| 8,919,699 | 138,372 | 9,058,071 | 91,047 |
| 960,476 | 396,751 | 1,357,227 | 260,107 |
| 15,083,865 | 4,456,800 | 19,540,665 | 2,075,989 |
| (7,351) | 17,267 | 9,916 | - |
| $ 16,036,990 | $ 4,870,818 | $ 20,907,808 | $ 2,336,096 |

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | GENERAL | PUBLIC SCHOOL | HIGHWAY USERS TAX |
|---|---|---|---|
| ASSETS: | | | |
| Cash and Pooled Cash | $ 549,793 | $ 34,431 | $ 29,312 |
| Taxes Receivable, net | 1,024,335 | - | - |
| Other Receivables, net | 53,584 | - | 3,743 |
| Due From Other Governments | 269,911 | 4,268 | 167 |
| Due From Other Funds | 9,982 | 12,072 | 64,590 |
| Due From Component Units | 65 | - | - |
| Inventories | 6,967 | - | 5,585 |
| Prepaids, Advances, and Deferred Charges | 21,884 | - | 57 |
| Restricted Cash and Pooled Cash | - | - | 1,185,936 |
| Restricted Investments | - | - | - |
| Restricted Receivables | - | - | 263,979 |
| Investments | 4,649 | - | - |
| Other Long-Term Assets | 13 | - | 9,119 |
| Capital Assets Held as Investments | - | - | - |
| TOTAL ASSETS | $ 1,941,183 | $ 50,771 | $ 1,562,488 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Tax Refunds Payable | $ 471,803 | $ - | $ 66 |
| Accounts Payable and Accrued Liabilities | 473,829 | 1,365 | 114,054 |
| TABOR Refund Liability (Note 8B) | 727 | - | - |
| Due To Other Governments | 47,525 | 1,268 | 51,850 |
| Due To Other Funds | 46,371 | 119 | 939 |
| Deferred Revenue | 134,150 | - | 18,337 |
| Compensated Absences Payable | 65 | - | - |
| Claims and Judgments Payable | 1,577 | - | - |
| Leases Payable | 4 | - | - |
| Notes, Bonds, and COP's Payable | 345,000 | - | - |
| Other Current Liabilities | 6,808 | - | 45 |
| Deposits Held In Custody For Others | 7 | - | - |
| TOTAL LIABILITIES | 1,527,866 | 2,752 | 185,291 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances | 11,912 | - | 628,477 |
| Noncurrent Assets | 13 | - | 9,119 |
| Debt Service | - | - | - |
| Statutory Purposes | 267,020 | - | - |
| Risk Management | 38,593 | - | - |
| Emergencies | - | - | - |
| Funds Reported as Restricted | - | - | 714,790 |
| Unreserved Undesignated, Reported in: | | | |
| General Fund | 95,779 | - | - |
| Special Revenue Funds | - | 48,019 | 24,811 |
| Capital Projects Funds | - | - | - |
| Nonmajor Special Revenue Funds | - | - | - |
| Nonmajor Permanent Funds | - | - | - |
| TOTAL FUND BALANCES | 413,317 | 48,019 | 1,377,197 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,941,183 | $ 50,771 | $ 1,562,488 |

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

| CAPITAL PROJECTS | STATE EDUCATION | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|
| $ 534,261 | $ - | $ 1,284,753 | $ 2,432,550 |
| - | - | 65,503 | 1,089,838 |
| 6,124 | - | 89,346 | 152,797 |
| 1,069 | - | 5,078 | 280,493 |
| 6,279 | - | 148,166 | 241,089 |
| - | - | - | 65 |
| - | - | 289 | 12,841 |
| 1,759 | - | 4,512 | 28,212 |
| - | 169,199 | 334,568 | 1,689,703 |
| - | 55,657 | 496,554 | 552,211 |
| - | 1,042 | 14,119 | 279,140 |
| - | - | 77,044 | 81,693 |
| 139 | - | 286,474 | 295,745 |
| - | - | 7,936 | 7,936 |
| $ 549,631 | $ 225,898 | $ 2,814,342 | $ 7,144,313 |
| | | | |
| $ - | $ - | $ 14,707 | $ 486,576 |
| 22,366 | 80 | 73,933 | 685,627 |
| - | - | - | 727 |
| - | - | 62,332 | 162,975 |
| 1,396 | - | 192,478 | 241,303 |
| 3,969 | - | 41,947 | 198,403 |
| - | - | 17 | 82 |
| - | - | 72 | 1,649 |
| - | - | - | 4 |
| - | - | - | 345,000 |
| - | - | 2,762 | 9,615 |
| - | - | 10 | 17 |
| 27,731 | 80 | 388,258 | 2,131,978 |
| | | | |
| 192,635 | - | - | 833,024 |
| 139 | - | 375,990 | 385,261 |
| - | - | 558 | 558 |
| 130,000 | - | - | 397,020 |
| - | - | - | 38,593 |
| - | - | 85,760 | 85,760 |
| - | 225,818 | 728,718 | 1,669,326 |
| | | | |
| - | - | - | 95,779 |
| - | - | - | 72,830 |
| 199,126 | - | - | 199,126 |
| - | - | 1,233,276 | 1,233,276 |
| - | - | 1,782 | 1,782 |
| 521,900 | 225,818 | 2,426,084 | 5,012,335 |
| $ 549,631 | $ 225,898 | $ 2,814,342 | $ 7,144,313 |

**GOVERNMENTAL FUNDS BALANCE SHEET**
**RECONCILED TO**
**STATEMENT OF NET ASSETS**
**JUNE 30, 2007**

| (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 | $ 2,432,550 | $ 22,875 | $ - | $ - | $ - | $ - | $ - | $ 2,455,425 |
| Investments | - | - | - | - | - | 998 | - | 998 |
| Taxes Receivable, net | 1,089,838 | - | - | - | - | (133,689) | - | 956,149 |
| Other Receivables, net | 152,797 | 421 | - | - | - | - | - | 153,218 |
| Due From Other Governments | 280,493 | 144 | - | - | - | - | - | 280,637 |
| Due From Other Funds | 241,089 | 88 | - | - | - | - | (227,421) | 13,756 |
| Due From Component Units | 65 | - | - | - | - | - | - | 65 |
| Inventories | 12,841 | 1,212 | - | - | - | - | - | 14,053 |
| Prepaids, Advances, and Deferred Charges | 28,212 | 315 | - | - | - | - | - | 28,527 |
| Total Current Assets | 4,237,885 | 25,055 | - | - | - | (132,691) | (227,421) | 3,902,828 |
| Noncurrent Assets: | | | | | | | | |
| Restricted Cash and Pooled Cash | 1,689,703 | - | - | - | - | - | - | 1,689,703 |
| Restricted Investments | 552,211 | - | - | - | - | - | - | 552,211 |
| Restricted Receivables | 279,140 | - | - | - | - | - | - | 279,140 |
| Investments | 81,693 | - | - | - | - | (998) | - | 80,695 |
| Other Long-Term Assets | 295,745 | 386 | - | - | - | 129,755 | - | 425,886 |
| Depreciable Capital Assets and Infrastructure, net | - | 63,054 | 1,225,254 | - | - | - | - | 1,288,308 |
| Land and Nondepreciable Infrastructure | 7,936 | - | 11,792,039 | - | - | - | - | 11,799,975 |
| Total Noncurrent Assets | 2,906,428 | 63,440 | 13,017,293 | - | - | 128,757 | - | 16,115,918 |
| TOTAL ASSETS | 7,144,313 | 88,495 | 13,017,293 | - | - | (3,934) | (227,421) | 20,018,746 |
| LIABILITIES: | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Tax Refunds Payable | 486,576 | - | - | - | - | - | - | 486,576 |
| Accounts Payable and Accrued Liabilities | 685,627 | 7,039 | - | 1,936 | - | - | - | 694,602 |
| TABOR Refund Liability (Note 8B) | 727 | - | - | - | - | - | - | 727 |
| Due To Other Governments | 162,975 | - | - | - | - | 13,889 | - | 176,864 |
| Due To Other Funds | 241,303 | 7 | - | - | - | (13,889) | (227,421) | - |
| Deferred Revenue | 198,403 | 675 | - | - | - | (133,689) | - | 65,389 |
| Compensated Absences Payable | 82 | 83 | - | - | - | 9,368 | - | 9,533 |
| Claims and Judgments Payable | 1,649 | - | - | - | 26,795 | 12,504 | - | 40,948 |
| Leases Payable | 4 | 1,773 | - | 1,030 | - | - | - | 2,807 |
| Notes, Bonds, and COP's Payable | 345,000 | 9,640 | - | 102,610 | - | - | - | 457,250 |
| Other Current Liabilities | 9,615 | - | - | - | - | - | - | 9,615 |
| Total Current Liabilities | 2,131,961 | 19,217 | - | 105,576 | 26,795 | (111,817) | (227,421) | 1,944,311 |
| Noncurrent Liabilities: | | | | | | | | |
| Deposits Held In Custody For Others | 17 | - | - | - | - | - | - | 17 |
| Accrued Compensated Absences | - | 1,735 | - | - | - | 114,527 | - | 116,262 |
| Claims and Judgments Payable | - | - | - | - | | 295,874 | - | 295,874 |
| Capital Lease Payable | - | 22,221 | - | 5,428 | - | - | - | 27,649 |
| Notes, Bonds, and COP's Payable | - | 23,581 | - | 1,367,090 | - | - | - | 1,390,671 |
| Other Long-Term Liabilities | - | - | - | - | 73,259 | 133,713 | - | 206,972 |
| Total Noncurrent Liabilities | 17 | 47,537 | - | 1,372,518 | 73,259 | 544,114 | - | 2,037,445 |
| TOTAL LIABILITIES | 2,131,978 | 66,754 | - | 1,478,094 | 100,054 | 432,297 | (227,421) | 3,981,756 |
| NET ASSETS: | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 7,930 | 5,839 | 13,017,293 | (1,226,154) | - | - | - | 11,804,908 |
| Restricted for: | | | | | | | | |
| Highway Construction and Maintenance | 1,343,267 | - | - | (146,364) | - | - | - | 1,196,903 |
| State Education | 225,818 | - | - | - | - | - | - | 225,818 |
| Debt Service | 558 | - | - | - | - | - | - | 558 |
| Emergencies | 85,760 | - | - | - | - | - | - | 85,760 |
| Permanent Funds and Endowments: | | | | | | | | |
| Expendable | 1,782 | - | - | - | - | - | - | 1,782 |
| Nonexpendable | 515,997 | - | - | - | - | - | - | 515,997 |
| Court Awards and Other Purposes | 299,777 | - | - | - | - | - | - | 299,777 |
| Unrestricted | 2,531,446 | 15,902 | - | (105,576) | (100,054) | (436,231) | - | 1,905,487 |
| TOTAL NET ASSETS | $ 5,012,335 | $ 21,741 | $ 13,017,293 | $ (1,478,094) | $ (100,054) | $ (436,231) | $ - | $ 16,036,990 |

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, and
- 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 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 are 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, 2007

| (DOLLARS IN THOUSANDS) | GENERAL | PUBLIC SCHOOL | HIGHWAY USERS TAX |
|---|---|---|---|
| REVENUES: | | | |
| Taxes: | | | |
| Individual and Fiduciary Income | $ 4,509,874 | $ - | $ - |
| Corporate Income | 463,812 | - | - |
| Sales and Use | 1,982,324 | - | - |
| Excise | 94,030 | - | 551,062 |
| Other Taxes | 184,361 | - | 584 |
| Licenses, Permits, and Fines | 42,806 | - | 257,866 |
| Charges for Goods and Services | 56,935 | - | 5,262 |
| Rents | 184 | - | 1,201 |
| Investment Income (Loss) | 66,357 | 20 | 53,036 |
| Federal Grants and Contracts | 3,378,733 | - | 428,558 |
| Other | 234,686 | 8,215 | 36,250 |
| TOTAL REVENUES | 11,014,102 | 8,235 | 1,333,819 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 218,723 | - | 11,894 |
| Business, Community, and Consumer Affairs | 146,881 | - | - |
| Education | 682,936 | 165 | - |
| Health and Rehabilitation | 435,585 | - | 7,558 |
| Justice | 987,927 | - | 74,013 |
| Natural Resources | 55,777 | - | - |
| Social Assistance | 3,244,903 | - | - |
| Transportation | - | - | 947,768 |
| Capital Outlay | 14,882 | - | 17,345 |
| Intergovernmental: | | | |
| Cities | 29,859 | - | 107,473 |
| Counties | 1,413,666 | - | 164,511 |
| School Districts | 597,508 | 2,758,226 | - |
| Special Districts | 78,978 | - | 30,100 |
| Federal | 2,314 | - | - |
| Other | 61,271 | - | 496 |
| Debt Service | 36,299 | - | - |
| TOTAL EXPENDITURES | 8,007,509 | 2,758,391 | 1,361,158 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 3,006,593 | (2,750,156) | (27,339) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-In | 209,886 | 2,764,265 | 525,000 |
| Transfers-Out | (3,400,079) | (14,658) | (198,923) |
| Capital Lease Proceeds | 3,874 | - | - |
| Sale of Capital Assets | 31 | - | 17 |
| Insurance Recoveries | 251 | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,186,037) | 2,749,607 | 326,094 |
| NET CHANGE IN FUND BALANCES | (179,444) | (549) | 298,755 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 592,761 | 48,568 | 1,078,442 |
| FUND BALANCE, FISCAL YEAR END | $ 413,317 | $ 48,019 | $ 1,377,197 |

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

| CAPITAL PROJECTS | STATE EDUCATION | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|
| $ - | $ 360,996 | $ - | $ 4,870,870 |
| - | 34,112 | - | 497,924 |
| - | - | 262,537 | 2,244,861 |
| - | - | 168,182 | 813,274 |
| - | - | 323,530 | 508,475 |
| - | - | 274,289 | 574,961 |
| - | - | 37,100 | 99,297 |
| - | 29 | 66,855 | 68,269 |
| 21,097 | 14,353 | 117,518 | 272,381 |
| 12,515 | - | 253,410 | 4,073,216 |
| 8,689 | 8 | 32,057 | 319,905 |
| 42,301 | 409,498 | 1,535,478 | 14,343,433 |
| | | | |
| 4,252 | - | 15,991 | 250,860 |
| 178 | - | 155,850 | 302,909 |
| 6,139 | 623 | 23,536 | 713,399 |
| 47 | - | 87,125 | 530,315 |
| 1,787 | - | 23,922 | 1,087,649 |
| 1,822 | - | 49,362 | 106,961 |
| 582 | - | 154,129 | 3,399,614 |
| - | - | 1,956 | 949,724 |
| 73,710 | - | 17,860 | 123,797 |
| 635 | - | 101,345 | 239,312 |
| 809 | - | 142,379 | 1,721,365 |
| - | 327,588 | 35,277 | 3,718,599 |
| - | 5,518 | 25,636 | 140,232 |
| 4 | - | 1,042 | 3,360 |
| 1,664 | - | 35,343 | 98,774 |
| - | - | 176,527 | 212,826 |
| 91,629 | 333,729 | 1,047,280 | 13,599,696 |
| (49,328) | 75,769 | 488,198 | 743,737 |
| 305,949 | - | 396,788 | 4,201,888 |
| (14,702) | (2,994) | (625,820) | (4,257,176) |
| - | - | - | 3,874 |
| - | - | 85 | 133 |
| 916 | - | 15 | 1,182 |
| 292,163 | (2,994) | (228,932) | (50,099) |
| 242,835 | 72,775 | 259,266 | 693,638 |
| 279,065 | 153,043 | 2,166,818 | 4,318,697 |
| $ 521,900 | $ 225,818 | $ 2,426,084 | $ 5,012,335 |

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007**

| (DOLLARS IN THOUSANDS) | TOTAL GOVERNMENTAL FUNDS | (A) INTERNAL SERVICE FUNDS | (B) CAPITAL RELATED ITEMS | (C) LONG-TERM DEBT TRANSACTIONS | (D) OTHER MEASUREMENT FOCUS ADJUSTMENTS | STATEMENT OF ACTIVITIES TOTALS |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| Taxes: | | | | | | |
| Individual and Fiduciary Income | $ 4,870,870 | $ - | $ - | $ - | $ (1,577) | $ 4,869,293 |
| Corporate Income | 497,924 | - | - | - | 7,041 | 504,965 |
| Sales and Use | 2,244,861 | - | - | - | (865) | 2,243,996 |
| Excise | 813,274 | - | - | - | (501) | 812,773 |
| Other Taxes | 508,475 | - | - | - | (65) | 508,410 |
| Licenses, Permits, and Fines | 574,961 | - | - | - | 52 | 575,013 |
| Charges for Goods and Services | 99,297 | - | - | - | 8 | 99,305 |
| Rents | 68,269 | - | - | - | - | 68,269 |
| Investment Income (Loss) | 272,381 | 521 | - | - | 54 | 272,956 |
| Federal Grants and Contracts | 4,073,216 | - | - | - | - | 4,073,216 |
| Other | 319,905 | - | 282 | - | (13,043) | 307,144 |
| TOTAL REVENUES | 14,343,433 | 521 | 282 | - | (8,896) | 14,335,340 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | 250,860 | (566) | 8,140 | - | (6,904) | 251,530 |
| Business, Community, and Consumer Affairs | 302,909 | (218) | 4,781 | - | (42,972) | 264,500 |
| Education | 713,399 | (57) | 518 | - | 20 | 713,880 |
| Health and Rehabilitation | 530,315 | (68) | 5,787 | - | 677 | 536,711 |
| Justice | 1,087,649 | 698 | 27,267 | - | 3,322 | 1,118,936 |
| Natural Resources | 106,961 | (46) | 5,478 | - | (582) | 111,811 |
| Social Assistance | 3,399,614 | (172) | 6,218 | - | 420 | 3,406,080 |
| Transportation | 949,724 | 839 | (124,262) | - | (291) | 826,010 |
| Capital Outlay | 123,797 | - | (91,725) | - | - | 32,072 |
| Intergovernmental: | | | | | | |
| Cities | 239,312 | - | - | - | - | 239,312 |
| Counties | 1,721,365 | - | - | - | - | 1,721,365 |
| School Districts | 3,718,599 | - | - | - | - | 3,718,599 |
| Special Districts | 140,232 | - | - | - | - | 140,232 |
| Federal | 3,360 | - | - | - | - | 3,360 |
| Other | 98,774 | - | - | - | - | 98,774 |
| Debt Service | 212,826 | 1,943 | - | (102,439) | - | 112,330 |
| TOTAL EXPENDITURES | 13,599,696 | 2,353 | (157,798) | (102,439) | (46,310) | 13,295,502 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 743,737 | (1,832) | 158,080 | 102,439 | 37,414 | 1,039,838 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers-In | 4,201,888 | 1,551 | - | - | - | 4,203,439 |
| Transfers-Out | (4,257,176) | (4,113) | - | - | - | (4,261,289) |
| Capital Lease Proceeds | 3,874 | - | - | (3,874) | - | - |
| Sale of Capital Assets | 133 | - | (22,974) | - | - | (22,841) |
| Insurance Recoveries | 1,182 | - | - | - | (6) | 1,176 |
| TOTAL OTHER FINANCING SOURCES (USES) | (50,099) | (2,562) | (22,974) | (3,874) | (6) | (79,515) |
| Internal Service Fund Charges to BTAs | - | 153 | - | - | - | 153 |
| NET CHANGE FOR THE YEAR | $ 693,638 | $ (4,241) | $ 135,106 | $ 98,565 | $ 37,408 | $ 960,476 |

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, and
- Debt collection.

(B) The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net 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 carrying value of the asset as well as the cash received.

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

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net 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, 2007**

| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | UNEMPLOYMENT INSURANCE |
|---|---|---|
| ASSETS: | | |
| Current Assets: | | |
| Cash and Pooled Cash | $ 637,174 | $ 611,116 |
| Investments | 326,076 | - |
| Taxes Receivable, net | - | 81,745 |
| Student and Other Receivables, net | 187,011 | 3,861 |
| Due From Other Governments | 118,394 | 1,497 |
| Due From Other Funds | 14,451 | - |
| Due From Component Units | 15,334 | - |
| Inventories | 24,845 | - |
| Prepaids, Advances, and Deferred Charges | 9,706 | - |
| Total Current Assets | 1,332,991 | 698,219 |
| Noncurrent Assets: | | |
| Restricted Cash and Pooled Cash | 65,167 | - |
| Restricted Investments | 178,982 | - |
| Restricted Receivables | - | - |
| Investments | 860,339 | - |
| Other Long-Term Assets | 99,189 | - |
| Depreciable Capital Assets and Infrastructure, net | 2,737,546 | - |
| Land and Nondepreciable Infrastructure | 716,567 | - |
| Total Noncurrent Assets | 4,657,790 | - |
| TOTAL ASSETS | 5,990,781 | 698,219 |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 374,769 | 133 |
| Due To Other Governments | - | - |
| Due To Other Funds | 8,073 | 2 |
| Due To Component Units | 273 | - |
| Deferred Revenue | 144,787 | - |
| Compensated Absences Payable | 11,723 | - |
| Claims and Judgments Payable | - | 8,004 |
| Leases Payable | 4,775 | - |
| Notes, Bonds, and COP's Payable | 45,229 | - |
| Other Current Liabilities | 78,043 | 14,506 |
| Total Current Liabilities | 667,672 | 22,645 |
| Noncurrent Liabilities: | | |
| Due to Other Funds | 1,073 | - |
| Accrued Compensated Absences | 144,607 | - |
| Claims and Judgments Payable | 28,220 | - |
| Capital Lease Payable | 61,433 | - |
| Notes, Bonds, and COP's Payable | 1,463,252 | - |
| Other Long-Term Liabilities | 19,609 | - |
| Total Noncurrent Liabilities | 1,718,194 | - |
| TOTAL LIABILITIES | 2,385,866 | 22,645 |
| NET ASSETS: | | |
| Invested in Capital Assets, Net of Related Debt | 2,040,607 | - |
| Restricted for: | | |
| Unemployment Insurance | - | 675,574 |
| Debt Service | 12,153 | - |
| Emergencies | - | - |
| Permanent Funds and Endowments: | | |
| Expendable | 5,313 | - |
| Nonexpendable | 97,821 | - |
| Court Awards and Other Purposes | 406,044 | - |
| Unrestricted | 1,042,977 | - |
| TOTAL NET ASSETS | $ 3,604,915 | $ 675,574 |

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 |
| $ 11,144 | $ 35,184 | $ 136,218 | $ 1,430,836 | $ 22,875 |
| 11 | - | - | 326,087 | - |
| - | - | - | 81,745 | - |
| 1,384 | 18,528 | 8,674 | 219,458 | 421 |
| - | - | 6,500 | 126,391 | 144 |
| 1,128 | - | 2,800 | 18,379 | 88 |
| - | - | - | 15,334 | - |
| - | 724 | 12,431 | 38,000 | 1,212 |
| 348 | 3,971 | 1,726 | 15,751 | 315 |
| 14,015 | 58,407 | 168,349 | 2,271,981 | 25,055 |
| - | - | 84,644 | 149,811 | - |
| 376,328 | - | - | 555,310 | - |
| 1,398,419 | - | 10,169 | 1,408,588 | - |
| 112,583 | - | - | 972,922 | - |
| 11,436 | - | 2,068 | 112,693 | 386 |
| 559 | 697 | 112,890 | 2,851,692 | 63,054 |
| - | - | 118,615 | 835,182 | - |
| 1,899,325 | 697 | 328,386 | 6,886,198 | 63,440 |
| 1,913,340 | 59,104 | 496,735 | 9,158,179 | 88,495 |
| 8,086 | 2,727 | 28,073 | 413,788 | 7,039 |
| 23,774 | 25 | 7,037 | 30,836 | - |
| 1,400 | 28,706 | 516 | 38,697 | 7 |
| - | - | - | 273 | - |
| - | 228 | 38,790 | 183,805 | 675 |
| - | 27 | 828 | 12,578 | 83 |
| - | - | 3,713 | 11,717 | - |
| - | - | 175 | 4,950 | 1,773 |
| 15,974 | - | 1,795 | 62,998 | 9,640 |
| 4,595 | 23,813 | 5,617 | 126,574 | - |
| 53,829 | 55,526 | 86,544 | 886,216 | 19,217 |
| - | - | - | 1,073 | - |
| 177 | 806 | 7,730 | 153,320 | 1,735 |
| - | - | - | 28,220 | - |
| - | - | 2,238 | 63,671 | 22,221 |
| 1,625,330 | - | 12,182 | 3,100,764 | 23,581 |
| 34,153 | 101 | 234 | 54,097 | - |
| 1,659,660 | 907 | 22,384 | 3,401,145 | 47,537 |
| 1,713,489 | 56,433 | 108,928 | 4,287,361 | 66,754 |
| 559 | 697 | 215,066 | 2,256,929 | 5,839 |
| - | - | - | 675,574 | - |
| 113,503 | - | - | 125,656 | - |
| - | - | 37,472 | 37,472 | - |
| - | - | - | 5,313 | - |
| - | - | - | 97,821 | - |
| - | - | 5,068 | 411,112 | - |
| 85,789 | 1,974 | 130,201 | 1,260,941 | 15,902 |
| $ 199,851 | $ 2,671 | $ 387,807 | $ 4,870,818 | $ 21,741 |

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | UNEMPLOYMENT INSURANCE |
|---|---|---|
| OPERATING REVENUES: | | |
| Unemployment Insurance Taxes | $ - | $ 403,642 |
| License and Permits | - | - |
| Tuition and Fees | 1,361,256 | - |
| Pledged Tuition and Fees | 84,475 | - |
| Scholarship Allowance for Tuition and Fees | (247,867) | - |
| Sales of Goods and Services | 858,305 | - |
| Pledged Sales of Goods & Services | 217,414 | - |
| Scholarship Allowance for Sales of Goods & Services | (11,650) | - |
| Investment Income (Loss) | 4,039 | - |
| Pledged Investment Income | - | - |
| Rental Income | 13,815 | - |
| Gifts and Donations | 10,934 | - |
| Federal Grants and Contracts | 770,661 | 15,607 |
| Pledged Federal Grants and Contracts | 139,013 | - |
| Intergovernmental Revenue | 12,887 | - |
| Other | 167,224 | 3 |
| Pledged Other Revenues | 11,307 | - |
| TOTAL OPERATING REVENUES | 3,391,813 | 419,252 |
| OPERATING EXPENSES: | | |
| Salaries and Fringe Benefits | 2,461,512 | - |
| Operating and Travel | 747,746 | 316,646 |
| Cost of Goods Sold | 129,975 | - |
| Depreciation and Amortization | 227,000 | - |
| Intergovernmental Distributions | 18,020 | - |
| Debt Service | - | - |
| Prizes and Awards | 72 | - |
| TOTAL OPERATING EXPENSES | 3,584,325 | 316,646 |
| OPERATING INCOME (LOSS) | (192,512) | 102,606 |
| NONOPERATING REVENUES AND (EXPENSES): | | |
| Taxes | - | - |
| Fines and Settlements | 70 | - |
| Investment Income (Loss) | 171,846 | 24,188 |
| Pledged Investment Income | 2,918 | - |
| Rental Income | 10,362 | - |
| Gifts and Donations | 97,595 | - |
| Intergovernmental Distributions | (23,304) | - |
| Federal Grants and Contracts | - | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (8,441) | - |
| Insurance Recoveries from Prior Year Impairments | - | - |
| Debt Service | (43,952) | - |
| Other Expenses | - | - |
| Other Revenues | 17,488 | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 224,582 | 24,188 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 32,070 | 126,794 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | |
| Capital Contributions | 59,520 | - |
| Transfers-In | 134,452 | - |
| Transfers-Out | (3,975) | - |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 189,997 | - |
| CHANGE IN NET ASSETS | 222,067 | 126,794 |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 3,365,581 | 548,780 |
| Accounting Changes (See Note 28) | 17,267 | - |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 3,604,915 | $ 675,574 |

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 |
| $ - | $ - | $ - | $ 403,642 | $ - |
| - | 62 | 84,240 | 84,302 | - |
| - | - | 315 | 1,361,571 | - |
| - | - | - | 84,475 | - |
| - | - | - | (247,867) | - |
| 251 | 466,265 | 100,658 | 1,425,479 | 86,044 |
| - | - | 1,543 | 218,957 | - |
| - | - | - | (11,650) | - |
| 2,997 | - | 4,909 | 11,945 | - |
| 16,329 | - | - | 16,329 | - |
| - | - | 1,711 | 15,526 | 10,291 |
| - | - | - | 10,934 | - |
| - | - | 239,095 | 1,025,363 | - |
| 35,362 | - | - | 174,375 | - |
| - | - | 8,360 | 21,247 | - |
| - | 1,314 | 1,740 | 170,281 | 263 |
| 59,477 | - | - | 70,784 | - |
| 114,416 | 467,641 | 442,571 | 4,835,693 | 96,598 |
| 2,522 | 8,857 | 151,535 | 2,624,426 | 25,820 |
| 19,873 | 45,242 | 243,631 | 1,373,138 | 51,108 |
| 1,821 | 8,799 | 30,199 | 170,794 | 5,526 |
| 414 | 157 | 8,040 | 235,611 | 16,290 |
| - | - | 3,537 | 21,557 | 3 |
| 72,090 | - | 19,375 | 91,465 | - |
| - | 287,266 | 776 | 288,114 | 6 |
| 96,720 | 350,321 | 457,093 | 4,805,105 | 98,753 |
| 17,696 | 117,320 | (14,522) | 30,588 | (2,155) |
| - | - | 39,446 | 39,446 | - |
| - | - | 1,104 | 1,174 | 3 |
| - | 2,170 | 5,548 | 203,752 | 521 |
| - | - | - | 2,918 | - |
| - | - | 384 | 10,746 | - |
| - | - | 1,268 | 98,863 | - |
| - | (51,278) | - | (74,582) | - |
| - | - | - | - | 174 |
| - | (25) | (1,200) | (9,666) | 572 |
| - | - | 16 | 16 | - |
| - | - | (793) | (44,745) | (1,772) |
| - | - | (89) | (89) | (146) |
| - | - | - | 17,488 | - |
| - | (49,133) | 45,684 | 245,321 | (648) |
| 17,696 | 68,187 | 31,162 | 275,909 | (2,803) |
| - | - | 1,635 | 61,155 | 1,124 |
| 162 | - | 3,847 | 138,461 | 1,551 |
| (27) | (68,100) | (6,672) | (78,774) | (4,113) |
| 135 | (68,100) | (1,190) | 120,842 | (1,438) |
| 17,831 | 87 | 29,972 | 396,751 | (4,241) |
| 182,020 | 2,584 | 357,835 | 4,456,800 | 25,982 |
| - | - | - | 17,267 | - |
| $ 199,851 | $ 2,671 | $ 387,807 | $ 4,870,818 | $ 21,741 |

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | UNEMPLOYMENT INSURANCE |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from: | | |
| Tuition, Fees, and Student Loans | $ 1,206,601 | $ - |
| Fees for Service | 1,038,840 | - |
| Sales of Products | 298 | - |
| Gifts, Grants, and Contracts | 1,039,434 | 15,018 |
| Loan and Note Repayments | 185,789 | - |
| Unemployment Insurance Taxes | - | 422,515 |
| Income from Property | 24,177 | - |
| Other Sources | 66,244 | - |
| Cash Payments to or for: | | |
| Employees | (2,367,657) | - |
| Suppliers | (795,007) | - |
| Sales Commissions and Lottery Prizes | - | - |
| Unemployment Benefits | - | (306,328) |
| Scholarships | (51,190) | - |
| Others for Student Loans and Loan Losses | (184,085) | - |
| Other Governments | (18,020) | - |
| Other | (71,404) | (69) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 74,020 | 131,136 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfers-In | 134,452 | - |
| Transfers-Out | (3,975) | - |
| Receipt of Deposits Held in Custody | 339,656 | - |
| Release of Deposits Held in Custody | (316,754) | - |
| Gifts for Other Than Capital Purposes | 91,654 | - |
| Intergovernmental Distributions | (23,304) | - |
| NonCapital Debt Proceeds | 250 | - |
| NonCapital Debt Service Payments | (167) | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | 221,812 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of Capital Assets | (549,574) | - |
| Capital Contributions | 13,401 | - |
| Capital Gifts, Grants, and Contracts | 19,998 | - |
| Proceeds from Sale of Capital Assets | 2,040 | - |
| Capital Debt Proceeds | 107,500 | - |
| Capital Debt Service Payments | (71,224) | - |
| Capital Lease Payments | (5,744) | - |
| NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES | (483,603) | - |

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 |
| $ - | $ - | $ 336 | $ 1,206,937 | $ 10 |
| 1,263 | - | 171,502 | 1,211,605 | 84,975 |
| 93 | 463,839 | 47,829 | 512,059 | 1,280 |
| 36,176 | - | 234,339 | 1,324,967 | 156 |
| 498,839 | - | - | 684,628 | - |
| - | - | - | 422,515 | - |
| - | - | 2,094 | 26,271 | 10,330 |
| - | 1,376 | 18,812 | 86,432 | 276 |
| (2,401) | (8,494) | (99,252) | (2,477,804) | (23,256) |
| (21,767) | (20,847) | (164,032) | (1,001,653) | (58,848) |
| - | (314,572) | (5,444) | (320,016) | (831) |
| - | - | - | (306,328) | - |
| - | - | - | (51,190) | - |
| (669,455) | - | (156,752) | (1,010,292) | - |
| - | - | (3,528) | (21,548) | (3) |
| - | (34) | (3,429) | (74,936) | (98) |
| (157,252) | 121,268 | 42,475 | 211,647 | 13,991 |
| 162 | - | 3,847 | 138,461 | 1,551 |
| (27) | (68,100) | (6,672) | (78,774) | (4,113) |
| - | - | 31 | 339,687 | - |
| - | - | (56) | (316,810) | - |
| - | - | 998 | 92,652 | - |
| - | (51,373) | - | (74,677) | - |
| 506,000 | - | - | 506,250 | - |
| (133,740) | - | (340) | (134,247) | - |
| 372,395 | (119,473) | (2,192) | 472,542 | (2,562) |
| (77) | (125) | (21,493) | (571,269) | (15,760) |
| - | - | - | 13,401 | - |
| - | - | - | 19,998 | - |
| - | - | 10,137 | 12,177 | 10,784 |
| - | - | 4 | 107,504 | 995 |
| - | - | (1,145) | (72,369) | (13,958) |
| - | - | (255) | (5,999) | (2,016) |
| (77) | (125) | (12,752) | (496,557) | (19,955) |

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

**(Continued)**

| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | UNEMPLOYMENT INSURANCE |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest and Dividends on Investments | 120,817 | 24,188 |
| Proceeds from Sale/Maturity of Investments | 3,323,028 | - |
| Purchases of Investments | (3,252,870) | - |
| Increase(Decrease) from Unrealized Gain(Loss) on Invesments | 4,653 | - |
| NET CASH FROM INVESTING ACTIVITIES | 195,628 | 24,188 |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | 7,857 | 155,324 |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 694,484 | 455,792 |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 702,341 | $ 611,116 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income (Loss) | $ (192,512) | $ 102,606 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation | 227,000 | - |
| Investment/Rental Income and Other Revenue in Operating Income | - | - |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 34,389 | - |
| Loss on Disposal of Capital Assets | 6 | - |
| Compensated Absences | 14,190 | - |
| Interest and Other Expense in Operating Income | 11,810 | - |
| Net Changes in Assets and Liabilities Related to Operating Activities: | | |
| (Increase) Decrease in Operating Receivables | (43,635) | 23,574 |
| (Increase) Decrease in Inventories | (2,222) | - |
| (Increase) Decrease in Other Operating Assets | (3,437) | - |
| Increase (Decrease) in Accounts Payable | 20,572 | 538 |
| Increase (Decrease) in Other Operating Liabilities | 7,859 | 4,418 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 74,020 | $ 131,136 |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | |
| Capital Assets Funded by the Capital Projects Fund | 21,413 | - |
| Capital Assets Acquired by Grants or Donations and Payable Increases | 70,794 | - |
| Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals | 46,590 | - |
| Gain/(Loss) on Disposal of Capital Assets | (8,976) | |
| Amortization of Debt Valuation Accounts and Interest Payable Accruals | 9,155 | - |
| Assumption of Capital Lease Obligation or Mortgage | 12,098 | - |

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 |
| 16,544 | 2,054 | 9,215 | 172,818 | 499 |
| 3,216,494 | - | - | 6,539,522 | - |
| (3,449,497) | - | - | (6,702,367) | - |
| 100 | 199 | 1,242 | 6,194 | 22 |
| (216,359) | 2,253 | 10,457 | 16,167 | 521 |
| (1,293) | 3,923 | 37,988 | 203,799 | (8,005) |
| 12,437 | 31,261 | 182,874 | 1,376,848 | 30,880 |
| $ 11,144 | $ 35,184 | $ 220,862 | $ 1,580,647 | $ 22,875 |
| $ 17,696 | $ 117,320 | $ (14,522) | $ 30,588 | $ (2,155) |
| 414 | 157 | 8,040 | 235,611 | 16,290 |
| (19,326) | - | (4,909) | (24,235) | - |
| - | - | 41,656 | 76,045 | 186 |
| - | - | 707 | 713 | - |
| 66 | (7) | 526 | 14,775 | 205 |
| 72,090 | - | 1,435 | 85,335 | 509 |
| (229,435) | (2,542) | (7,413) | (259,451) | 24 |
| - | 101 | (133) | (2,254) | (144) |
| 700 | (217) | (237) | (3,191) | 12 |
| 2,385 | 81 | 12,286 | 35,862 | (1,157) |
| (1,842) | 6,375 | 5,039 | 21,849 | 221 |
| $ (157,252) | $ 121,268 | $ 42,475 | $ 211,647 | $ 13,991 |
| - | - | 1,140 | 22,553 | 1,124 |
| - | - | 495 | 71,289 | - |
| 902 | - | - | 47,492 | - |
| - | (25) | (2,346) | (11,347) | 563 |
| - | - | - | 9,155 | - |
| - | - | 801 | 12,899 | 11,020 |

## STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | PENSION AND BENEFIT TRUST | PRIVATE PURPOSE TRUST | AGENCY |
|---|---|---|---|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Pooled Cash | $ 6,151 | $ 156,741 | $ 324,272 |
| Taxes Receivable, net | - | - | 121,215 |
| Other Receivables, net | 10,273 | 10,774 | 643 |
| Due From Other Funds | 13,814 | 1,400 | 6,349 |
| Inventories | - | - | 2 |
| Prepaids, Advances, and Deferred Charges | 13 | - | - |
| Noncurrent Assets: | | | |
| Investments: | | | |
| Government Securities | - | 13,129 | - |
| Corporate Bonds | - | 11,105 | - |
| Asset Backed Securities | - | 13,325 | - |
| Mortgages | - | 22,153 | - |
| Mutual Funds | 383,614 | 3,228,674 | - |
| Other Investments | 5,356 | 23,550 | - |
| Other Long-Term Assets | - | - | 15,847 |
| TOTAL ASSETS | 419,221 | 3,480,851 | 468,328 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Tax Refunds Payable | - | - | 839 |
| Accounts Payable and Accrued Liabilities | 10,856 | 52,825 | 2,349 |
| Due To Other Governments | - | - | 216,998 |
| Due To Other Funds | - | 38 | - |
| Deferred Revenue | - | 251 | - |
| Claims and Judgments Payable | 17,547 | - | 646 |
| Other Current Liabilities | - | - | 196,276 |
| Noncurrent Liabilities: | | | |
| Deposits Held In Custody For Others | - | 1,414 | 51,131 |
| Accrued Compensated Absences | 52 | - | - |
| Other Long-Term Liabilities | - | 2,745 | 89 |
| TOTAL LIABILITIES | 28,455 | 57,273 | 468,328 |
| NET ASSETS: | | | |
| Held in Trust for: | | | |
| Pension/Benefit Plan Participants | 385,870 | - | - |
| Individuals, Organizations, and Other Entities | - | 3,423,578 | - |
| Unrestricted | 4,896 | - | - |
| TOTAL NET ASSETS | $ 390,766 | $ 3,423,578 | $ - |

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, 2007

| (DOLLARS IN THOUSANDS) | PENSION AND BENEFIT TRUST | PRIVATE PURPOSE TRUST |
|---|---|---|
| ADDITIONS: | | |
| Additions By Participants | $ - | $ 976,394 |
| Member Contributions | 113,662 | - |
| Employer Contributions | 124,066 | - |
| Investment Income/(Loss) | 48,912 | 391,098 |
| Employee Deferral Fees | 2,001 | - |
| Unclaimed Property Receipts | - | 52,339 |
| Other Additions | 21,545 | 2,397 |
| TOTAL ADDITIONS | 310,186 | 1,422,228 |
| DEDUCTIONS: | | |
| Distributions to Participants | - | 313,861 |
| Benefits and Withdrawals | 33,471 | - |
| Health Insurance Premiums Paid | 63,948 | - |
| Health Insurance Claims Paid | 104,886 | - |
| Other Benefits Plan Expense | 17,998 | - |
| Payments in Accordance with Trust Agreements | - | 282,210 |
| Administrative Expense | 981 | - |
| Other Deductions | 30,600 | - |
| Transfers-Out | 120 | 1,717 |
| TOTAL DEDUCTIONS | 252,004 | 597,788 |
| CHANGE IN NET ASSETS | 58,182 | 824,440 |
| NET ASSETS AVAILABLE: | | |
| FISCAL YEAR BEGINNING | 332,584 | 2,599,138 |
| FISCAL YEAR ENDING | $ 390,766 | $ 3,423,578 |

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

## STATEMENT OF NET ASSETS
## COMPONENT UNITS
## JUNE 30, 2007

| (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 | $ 21,587 | $ 90,135 | $ 2,122 | $ 17,080 |
| Investments | - | - | - | - |
| Taxes Receivable, net | - | - | 293 | - |
| Contributions Receivable, net | - | - | - | 20,203 |
| Other Receivables, net | 94,191 | 68,872 | 72 | 516 |
| Due From Other Governments | - | 2,335 | - | - |
| Inventories | 9,432 | - | - | - |
| Prepaids, Advances, and Deferred Charges | 13,073 | - | 9 | 328 |
| Total Current Assets | 138,283 | 161,342 | 2,496 | 38,127 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | - | 134,618 | - | - |
| Restricted Investments | 47,846 | 372,885 | - | - |
| Restricted Receivables | 4,304 | 6,443 | - | - |
| Investments | 209,856 | - | - | 959,808 |
| Contributions Receivable, net | - | - | - | 21,442 |
| Other Long-Term Assets | 17,763 | 1,148,019 | 249 | - |
| Depreciable Capital Assets and Infrastructure, net | 294,988 | 23 | 136,434 | 4,477 |
| Land and Nondepreciable Infrastructure | 289,236 | - | 18,176 | - |
| Total Noncurrent Assets | 863,993 | 1,661,988 | 154,859 | 985,727 |
| TOTAL ASSETS | 1,002,276 | 1,823,330 | 157,355 | 1,023,854 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 86,842 | 16,926 | 8 | 7,794 |
| Due To Other Governments | - | 9,317 | - | - |
| Deferred Revenue | - | 786 | - | 1,097 |
| Obligations Under Securities Lending | - | - | - | 22,299 |
| Compensated Absences Payable | 13,673 | - | - | - |
| Claims and Judgments Payable | - | - | - | - |
| Leases Payable | - | - | - | 346 |
| Notes, Bonds, and COP's Payable | 8,483 | 48,230 | - | - |
| Other Current Liabilities | 18,773 | 219,118 | - | 12,918 |
| Total Current Liabilities | 127,771 | 294,377 | 8 | 44,454 |
| Noncurrent Liabilities: | | | | |
| Deposits Held In Custody For Others | - | - | - | 134,728 |
| Capital Lease Payable | - | - | - | 4,239 |
| Notes, Bonds, and COP's Payable | 538,472 | 1,052,673 | - | - |
| Other Long-Term Liabilities | 2,136 | 33,831 | - | 26,749 |
| Total Noncurrent Liabilities | 540,608 | 1,086,504 | - | 165,716 |
| TOTAL LIABILITIES | 668,379 | 1,380,881 | 8 | 210,170 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 59,736 | 23 | 154,611 | (107) |
| Restricted for: | | | | |
| Emergencies | - | - | 24 | - |
| Permanent Funds and Endowments: | | | | |
| Expendable | - | - | - | 523,106 |
| Nonexpendable | - | - | - | 229,139 |
| Court Awards and Other Purposes | 6,418 | 372,927 | 491 | - |
| Unrestricted | 267,743 | 69,499 | 2,221 | 61,546 |
| TOTAL NET ASSETS | $ 333,897 | $ 442,449 | $ 157,347 | $ 813,684 |

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 |
|---|---|---|---|---|---|
| $ 1,787 | $ 1,120 | $ 2 | $ 1,608 | $ 2,843 | $ 138,284 |
| - | - | - | 46,498 | - | 46,498 |
| - | - | - | - | - | 293 |
| 2,067 | 2,920 | 587 | - | 4,462 | 30,239 |
| - | 3,239 | 572 | 2,450 | - | 169,912 |
| - | - | - | - | - | 2,335 |
| - | - | - | - | - | 9,432 |
| 431 | - | - | - | - | 13,841 |
| 4,285 | 7,279 | 1,161 | 50,556 | 7,305 | 410,834 |
| - | 1,440 | - | - | - | 136,058 |
| - | - | - | - | - | 420,731 |
| - | - | - | - | - | 10,747 |
| 241,783 | 189,047 | 106,023 | - | 5,298 | 1,711,815 |
| 21,169 | 5,728 | 2,133 | - | - | 50,472 |
| 348 | 286 | 95 | - | 29,581 | 1,196,341 |
| 265 | 321 | 1,154 | 20 | - | 437,682 |
| - | - | - | - | - | 307,412 |
| 263,565 | 196,822 | 109,405 | 20 | 34,879 | 4,271,258 |
| 267,850 | 204,101 | 110,566 | 50,576 | 42,184 | 4,682,092 |
| 681 | 549 | 570 | 240 | 15 | 113,625 |
| - | - | - | - | - | 9,317 |
| - | - | - | 1,763 | 4,462 | 8,108 |
| - | - | - | - | - | 22,299 |
| - | - | - | - | - | 13,673 |
| - | - | - | 7,621 | - | 7,621 |
| - | - | - | - | - | 346 |
| - | - | - | - | - | 56,713 |
| - | - | - | - | - | 250,809 |
| 681 | 549 | 570 | 9,624 | 4,477 | 482,511 |
| 14,472 | 13,685 | 697 | - | - | 163,582 |
| - | - | - | - | - | 4,239 |
| - | - | - | - | - | 1,591,145 |
| 966 | 11,024 | 233 | - | 29,580 | 104,519 |
| 15,438 | 24,709 | 930 | - | 29,580 | 1,863,485 |
| 16,119 | 25,258 | 1,500 | 9,624 | 34,057 | 2,345,996 |
| 265 | 321 | 1,154 | 20 | - | 216,023 |
| - | - | - | - | - | 24 |
| 131,041 | 52,625 | 48,731 | - | - | 755,503 |
| 91,090 | 106,482 | 48,373 | - | - | 475,084 |
| - | - | - | 40,932 | - | 420,768 |
| 29,335 | 19,415 | 10,808 | - | 8,127 | 468,694 |
| $ 251,731 | $ 178,843 | $ 109,066 | $ 40,952 | $ 8,127 | $ 2,336,096 |

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2007

| (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 | $ - | $ 45,302 | $ - | $ 6,892 |
| Sales of Goods and Services | 547,118 | - | - | - |
| Investment Income (Loss) | - | 20,175 | - | - |
| Rental Income | - | - | 533 | - |
| Gifts and Donations | - | - | - | 109,268 |
| Federal Grants and Contracts | - | 3,272 | - | - |
| Other | 18,387 | 111 | - | 1,156 |
| TOTAL OPERATING REVENUES | 565,505 | 68,860 | 533 | 117,316 |
| OPERATING EXPENSES: | | | | |
| Salaries and Fringe Benefits | 264,571 | 1,115 | - | - |
| Operating and Travel | 145,863 | 5,972 | 85 | 20,127 |
| Cost of Goods Sold | 115,463 | - | - | - |
| Depreciation and Amortization | 35,482 | 13 | 3,883 | - |
| Debt Service | - | 51,764 | - | - |
| Foundation Program Distributions | - | - | - | 53,687 |
| TOTAL OPERATING EXPENSES | 561,379 | 58,864 | 3,968 | 73,814 |
| OPERATING INCOME (LOSS) | 4,126 | 9,996 | (3,435) | 43,502 |
| NONOPERATING REVENUES AND (EXPENSES): | | | | |
| Taxes | - | - | 203 | - |
| Investment Income (Loss) | 32,766 | - | 78 | 132,501 |
| Gifts and Donations | - | - | - | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (285) | - | - | - |
| Debt Service | (16,864) | - | - | - |
| Other Expenses | (777) | - | (625) | - |
| Other Revenues | - | - | 390 | 357 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 14,840 | - | 46 | 132,858 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 18,966 | 9,996 | (3,389) | 176,360 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | | |
| Capital Contributions | 2,258 | 12,503 | - | - |
| Special and/or Extraordinary Item (See Note 32) | (34,496) | - | - | 3,833 |
| TOTAL CONTRIBUTIONS AND TRANSFERS | (32,238) | 12,503 | - | 3,833 |
| CHANGE IN NET ASSETS | (13,272) | 22,499 | (3,389) | 180,193 |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 347,169 | 419,950 | 160,736 | 633,491 |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 333,897 | $ 442,449 | $ 157,347 | $ 813,684 |

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 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 25,078 | $ - | $ 77,272 |
| - | - | - | - | - | 547,118 |
| - | | - | - | (893) | 19,282 |
| - | - | - | - | - | 533 |
| 27,461 | 9,291 | 6,688 | - | - | 152,708 |
| - | - | - | 2,019 | - | 5,291 |
| 217 | 209 | 785 | - | - | 20,865 |
| 27,678 | 9,500 | 7,473 | 27,097 | (893) | 823,069 |
| | | | | | |
| - | - | - | - | - | 265,686 |
| 1,836 | 2,399 | 2,341 | 40,059 | 30 | 218,712 |
| - | - | - | - | - | 115,463 |
| - | - | - | 7 | - | 39,385 |
| - | - | - | - | - | 51,764 |
| 23,642 | 11,980 | 6,007 | - | - | 95,316 |
| 25,478 | 14,379 | 8,348 | 40,066 | 30 | 786,326 |
| 2,200 | (4,879) | (875) | (12,969) | (923) | 36,743 |
| | | | | | |
| - | - | - | - | - | 203 |
| 32,132 | 25,016 | 14,139 | 2,025 | 214 | 238,871 |
| - | - | - | 5,727 | 4,525 | 10,252 |
| - | - | - | - | - | (285) |
| - | - | - | - | - | (16,864) |
| - | - | - | - | - | (1,402) |
| - | - | - | 7,744 | - | 8,491 |
| 32,132 | 25,016 | 14,139 | 15,496 | 4,739 | 239,266 |
| | | | | | |
| 34,332 | 20,137 | 13,264 | 2,527 | 3,816 | 276,009 |
| | | | | | |
| - | - | - | - | - | 14,761 |
| - | - | - | - | - | (30,663) |
| - | - | - | - | - | (15,902) |
| 34,332 | 20,137 | 13,264 | 2,527 | 3,816 | 260,107 |
| 217,399 | 158,706 | 95,802 | 38,425 | 4,311 | 2,075,989 |
| $ 251,731 | $ 178,843 | $ 109,066 | $ 40,952 | $ 8,127 | $ 2,336,096 |

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | *Statement of Revenues, Expenses, and Changes in Net Assets* Totals | *Statement of Activities* Treatment | *Statement of Activities* Amounts |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Fees | $ 77,272 | Charges for Services | $ 77,274 |
| Sales of Goods and Services | 547,118 | Charges for Services | 547,118 |
| Investment Income (Loss) | 19,282 | Unrestricted Investment Earning | 19,282 |
| Rental Income | 533 | Charges for Services | 533 |
| Gifts and Donations | 152,708 | Operating Grants & Contributions | 152,708 |
| Federal Grants and Contracts | 5,291 | Operating Grants & Contributions | 5,291 |
| Other | 20,865 | Charges for Services | 18,498 |
| | | Operating Grants & Contributions | 2,367 |
| TOTAL OPERATING REVENUES | 823,069 | | |
| OPERATING EXPENSES: | | | |
| Salaries and Fringe Benefits | 265,686 | Expenses | 265,688 |
| Operating and Travel | 218,712 | Expenses | 218,712 |
| Cost of Goods Sold | 115,463 | Expenses | 115,463 |
| Depreciation and Amortization | 39,385 | Expenses | 39,385 |
| Debt Service | 51,764 | Expenses | 51,764 |
| Foundation Program Distributions | 95,316 | Expenses | 95,316 |
| TOTAL OPERATING EXPENSES | 786,326 | | |
| OPERATING INCOME (LOSS) | 36,743 | | |
| NONOPERATING REVENUES AND (EXPENSES): | | | |
| Taxes | 203 | Sales & Use Taxes | 203 |
| Investment Income (Loss) | 238,871 | Unrestricted Investment Earning | 84,229 |
| | | Operating Grants & Contributions | 154,642 |
| Gifts and Donations | 10,252 | Payment from State | 10,252 |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (285) | Expenses | (285) |
| Debt Service | (16,864) | Expenses | (16,864) |
| Other Expenses | (1,402) | Expenses | (1,402) |
| Other Revenues | 8,491 | Payment from State | 7,744 |
| | | Capital Grants & Contributions | 390 |
| | | Charges for Services | 357 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 239,266 | | |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 276,009 | | |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | |
| Capital Contributions | 14,761 | Operating Grants & Contributions | 14,323 |
| | | Capital Grants & Contributions | 438 |
| Special and/or Extraordinary Item (See Note 32) | (30,663) | Special and/or Extraordinary Item | (30,663) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | (15,902) | | |
| CHANGE IN NET ASSETS | 260,107 | | 260,107 |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 2,075,989 | | 2,075,989 |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 2,336,096 | | $ 2,336,096 |

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 2006-07 the state implemented GASB Statements No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. However, none of the postemployment benefit plans managed by the state qualify as irrevocable trust funds; therefore, they will be reported in the following fiscal year when GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions becomes effective.

In Fiscal Year 2006-07 the state early implemented GASB Statement No. 50 – Pension Disclosures.

Prior to Fiscal Year 2006-07, the state reported Other Special Revenue Funds as a major fund in the Basic Financial Statements because in aggregate these funds exceeded the thresholds set by GASB for major fund presentation. In Fiscal Year 2006-07, the state segregated a significant number of the underlying Other Special Revenue Funds into separate special revenue fund columns in the Supplementary Information Section of this report. As a result, the Other Special Revenue Funds column is no longer presented as a major fund.

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, that are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. 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 contributed by the state's 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 F417, P.O. Box 6510
Aurora, Colorado 80045

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.
Judy Farr Alumni Center
Campus Box 11
Greeley, Colorado 80639

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

Venture Capital Authority
1625 Broadway, Suite 2700
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
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 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. 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. 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 supporting a business-type activity, are presented as general revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The state reports only its 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 primarily 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 distributed to the local school districts as well.

Highway Users Tax Fund
Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver, and vehicle registration fees, and other related taxes. In prior years this fund has issued revenue bonds to finance construction and preservation of highway infrastructure. 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 students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11.

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 Water Projects, Labor, Gaming, Tobacco Impact Mitigation, Resource Extraction, Resource Management, Environment and Health Protection, and Other Special Revenue Funds.

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

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

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 Wildlife, College Assist (formerly College Access Network), State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, and several smaller funds aggregated as Other Enterprise Funds.

Internal Service Funds
The state uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The state's Internal Service Funds reported in supplementary information 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 and Benefit Trust Funds
In the basic financial statements, the state reports in a single column the activities related to resources being held in trust for members and beneficiaries of the 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, 2007.

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, 2006.

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, 2006.

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, 2007.

## NOTE 5 – BASIS OF ACCOUNTING

**Primary Government**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

### B. RECEIVABLES

**Component Units**

The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation 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.

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

## E. CAPITAL ASSETS

**Primary Government**

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net 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 | 10 | 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 142, 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 $34.5 million in Fiscal Year 2006-07 (see Note 32).

## F. DEFERRED REVENUE

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

## G. ACCRUED COMPENSATED ABSENCES LIABILITY

**Primary Government**

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

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

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net 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. Management may also make designations of unreserved fund balance that signal its 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. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

Restricted for 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 and the Department of Corrections. 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. Included in this restriction is the remaining $21.7 million balance of the following. 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 and their use is directed by the Governor.

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 139) 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 represents 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 state 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. State agencies are required to record encumbrances for construction projects, and therefore, this reserve in the Special Revenue and Capital Projects fund represents the major construction commitments of the state. 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 and the Department of Corrections.

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, and it is only presented at the full four percent amount 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 because the net change in fair value also includes the amount by which the fair value was more or less than amortized costs in prior years. 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 a business-type activity, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, part of the nonmajor 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, and
- Intergovernmental revenues (including capital and operating grants).

### B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2006-07. The Plan uses cost from Fiscal Year 2004-05 that will be incorporated in state agency indirect cost rates and plan to be charged to federal grants in Fiscal Year 2008-09. 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 being from operations. In general these revenues are derived from its principal ongoing 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 131.

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. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required 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, 2007, were $5,800,344 as described below.

Medicaid Overexpenditures:

- High Risk Pregnant Women Program – The Department of Human Services Alcohol and Drug Abuse Division overexpended this line item by $125,489 budgeted as cash funds exempt from TABOR. The Department of Health Care Policy and Financing overexpended the same line item by $62,745 of general funds, which represents the match for the Medicaid funds paid to the Department of Human Services. The overexpenditure occurred in both instances primarily because a change in statute increased the benefit period from 60 days to one year and because current year cases required more residential and less outpatient services. This program is an entitlement program driven by the eligible population.
- Services for Children and Families – The Department of Human Services Division of Developmental Disabilities overexpended this line item by $330,313 that was appropriated as cash funds exempt from TABOR. The overexpenditure occurred because two separate supplemental reductions in the line item collectively exceeded the actual amount by which expenditures were less than the original estimate. Because this activity is first appropriated to the Department of Health Care Policy and Financing as a general fund match for federal Medicaid funding, the overexpenditure at the Department of Human Services also results in a general fund overexpenditure of $239,285 in the Services for Children and Families – Medicaid Funding line item at the Department of Health Care Policy and Financing.
- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $1,474,141 of general funds. This program is an entitlement program driven by the eligible population; the department reported unexpectedly large increases in the foster children and the disabled adults categories of the client population.
- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this

line item by $1,840,815 of general funds, which amounts to .2 percent of the line item. This program is an entitlement program driven by the eligible population. The department reported an increase in the utilization of acute care services, and a migration of clients from managed care to fee-for-service providers where increased utilization results in increased variable costs.

Department of Human Services Overexpenditures Other Than Medicaid:

- Aging and Adult Services – Aid-to-the-Needy Disabled – The Department of Human Services overexpended this line item by $657,711 of general funds. The original appropriation authorized spending a mix of general funds and cash funds exempt from TABOR. However, the cash fund exempt revenues did not materialize, and the expenditure therefore became general funded. Approximately 70 percent of the overexpenditure was caused by the underearning of the cash exempt revenue that was expected from clients reimbursing the state for advances of Social Security benefits. The remaining 30 percent of the overexpenditure was the result of a spike in initial benefits advances that resulted from delays in claims processing at the county offices that administer the program.
- Regional Centers Operating Expense – The Department of Human Services Regional Centers overexpended this line item by $112,253 of cash funds exempt from TABOR. The overexpenditure occurred because of increased motor pool charges related to fuel and maintenance costs increases and a one-time settlement payment.

Statewide Overexpenditures Subject to the $1.0 million Limit:

- Executive Director's Office - Fleet Management Lease Purchase – The Department of Personnel & Administration overexpended this line item by $18,748 of cash funds exempt from TABOR. The overexpenditure occurred because of a miscalculation in the supplemental budget request process and will be corrected in the next supplemental request.
- Auraria Higher Education Center – Auxiliary Revenue – The Auraria Higher Education Center (AHEC) overexpended this line item by $825,051 that was appropriated as cash funds. The overexpenditure occurred because AHEC's tenants requested and paid for more renovations and administrative costs than AHEC included in its budget request. In the normal course of business, higher education internal costs similar to these are not appropriated; however, they are appropriated in this instance because AHEC's tenants are qualified TABOR enterprises and receipts from these tenants must be counted for TABOR purposes. AHEC intends to address this problem by requesting qualified TABOR status for the renovations service center; however, the change in TABOR status will not solve the administrative costs reimbursement portion of the problem.
- Nurse Home Visitor Program – The Department of Public Health & Environment overexpended this line item by $113,793 of cash funds exempt from TABOR. The overexpenditure occurred because the department miscalculated the effect of the statutory requirement to defer certain Medicaid related costs until the following year for budget purposes. In Fiscal Year 2006-07, a greater amount of expenditures were moved from the prior year into the current year than were moved from the current year into the following year.

Deficit net assets in cash funds are considered to be overexpenditures. In the following instance, the net asset deficit occurred in a nonappropriated fund. As a result, this overexpenditure is not a violation of the legal budget. The Department of Personnel & Administration's Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund, had a net asset deficit of $2,299,101 in the nonadministrative portion of the fund at June 30, 2007. The fund accounts for employee health benefits and accrues benefit claims based on actuarial analysis. The fund is in its second year of self-insurance funding, and employee health claims exceeded estimates.

The General Fund Surplus Schedule (page 139) shows a negative reversion of $1.2 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 $9.0 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 does not record the additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversion Report will show that the appropriations act estimate was less than the actual expenditures.

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

## B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain state revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The TABOR section of the 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 2006-07 even though the TABOR nonexempt revenues exceeded the TABOR limit by $1,308.0 million. The $0.7 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. Any amount unrefunded through this process will be carried forward to the first year that a refund is paid after Fiscal Year 2009-10.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2006-07 that amount was $289,256,007. At June 30, 2007, 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 – The $40,000,000 designation by the Legislature has been reduced by $6,240,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per Governors' Executive Orders. (See additional information at the end of this Note 8B.)
- Subsequent Injury Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $40,000,000.
- Worker's Compensation Cash Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $12,000,000.
- 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 $37,471,933, 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 $62,528,067 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 $82,096,932 of cash and receivables that are reported as restricted.

The 2007 legislative session Long Appropriations Act, as amended by the 2008 legislative session Long Appropriations Act, designated up to $90,000,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2006 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly more than estimated, the amount designated for the reserve was $7,256,007 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2006-07, under the direction of Governors' executive orders, the state transferred $6,240,000 from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the cost of fighting wildfires and tornado damage mitigation in the state. As a result the ending emergency reserve has been reduced by the $6,240,000. The Major Medical Fund is part of the Labor Fund – a nonmajor Special Revenue Fund.

## 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 deficit appears on the 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 $856,743 on the *Combining Statement of Net Assets – Enterprise 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 the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $5,396.2 million ($5,415.3 at amortized cost) of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2007, the treasurer had invested $5,315.7 million (fair value), held $79.8 million of demand deposits and certificates of deposit, and had a $19.8 million receivable from the sale of investments that had not yet been settled.

At June 30, 2007, the state had a cash deposit balance of $1,056.8 million, which includes the $79.8 million held as demand deposits and certificates of deposit in the treasurer's pool. Under the GASB Statement No. 40 definitions, $87.6 million of the state's total bank balance of $1,027.1 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

**Component Units**

The University of Colorado Hospital Authority had cash deposits with a book balance of $21.6 million at June 30, 2007, and a related bank balance of $33.4 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 $552,552 of which $100,000 was federally insured and $452,552 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. The authority also reported as cash and cash equivalents $60.8 million held by the State Treasurer in a Treasurer's Agency Fund and $163.7 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, 2006 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of $34,090. They also had $2.1 million held by a major bank paying interest of 4.13 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.

The Colorado Venture Capital Authority had bank deposits of $2,843,055 at December 31, 2006 – of that amount $2,833,635 was not covered by federal deposit insurance.

## 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 transactions.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains or losses on the treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the treasurer's pooled cash 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 future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net 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 $1,037.9 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $890.6 million, mainly of self-assessed income, estate, and sales tax recorded in the General Fund. In addition, $133.7 million of tax receivable is expected to be collected after one year and is reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Assets*. These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $65.5 million recorded in nonmajor Special Revenue Funds, of which, approximately $12.3 million is from gaming tax, $17.6 million is severance tax, and $34.0 million is insurance premium tax, and
- $81.7 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, $47.0 million of Taxes Receivable, $21.3 million of Other Receivables, and $195.7 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. All three items were reported as restricted receivables because the State Constitution restricts that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

Taxes Receivable of $14.1 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund, are reported as restricted because they are authorized and their use is limited by the State Constitution.

The Other Receivables of $372.7 million shown on the government-wide *Statement of Net Assets* are net of $112.7 million in allowance for doubtful accounts and primarily comprise the following:

- $187.0 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- $53.6 million of receivables recorded in the General Fund, of which $26.3 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $12.7 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $9.7 million of patient receivables.
- $89.3 million of receivables recorded by Other Governmental Funds including $48.7 million of tobacco settlement revenues expected within the following year, $11.8 million recorded by the Water Projects Fund, $7.6 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $7.0 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,389.5 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 $547.1 million, which it recorded net of third-party contractual allowances ($1,029.8 million), indigent and charity care ($110.7 million), provision for bad debt ($34.6 million), and self-pay discounts ($50.9 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $34.0 million for Fiscal Year 2006-07. The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The University of Colorado Hospital Authority has historically adjusted patient service revenue for settlements related to billings contested by third-party payers including Medicare and Medicaid. In Fiscal Year 2006-07, the hospital received a Notice of Provider Reimbursement covering seven fiscal years and totaling $11.1 million.

The hospital's management believes that reducing patient services revenue by that amount would inappropriately distort current operating performance. Therefore, the hospital has changed the treatment of settlements to report them as a separate operating expense that changes the reserve for third-party settlements. Hospital management disagrees with many of the items in the Notice of Provider Reimbursement and intends to pursue administrative and legal remedies to the fullest extent permissible by regulation and law. However, the hospital recorded an increase in the reserve for third-party settlements of $11.1 million as an operating expense.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (23 percent), Medicaid (7 percent), managed care (44 percent), other commercial insurance (3 percent), and self-pay and medically indigent (15 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 decreased from the prior year's 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 2006-07 was approximately $128.9 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, 2007, decreased approximately $11.5 million, due to final settlements unrelated to the separately recorded change in reserves for third-party settlements.

The hospital reports pledges at their net present value. As a result, one $10.0 million pledge received during 2001 was discounted at 4.25 percent. At June 30, 2007, $2.0 million remains receivable on that pledge and the related discount is $40,500. At June 30, 2007, $1.5 million of pledges remain outstanding that were originally restricted to the recently completed Center for Dependency, Addiction, and Rehabilitation (CeDAR). The related pledges were discounted at 5.75 percent resulting in a current discount of $131,000. During Fiscal Year 2006-07, the hospital received final payment on a $10 million pledge related to the CeDAR project. As of June 30, 2007, the authority had no restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.2 billion at December 31, 2006. During 2006, the authority made new loans of $117.5 million and canceled or received repayments for existing loans of $47.5 million.

The University of Colorado Foundation contributions receivable of $20.2 million and $21.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2007, the amount reported as contributions receivable includes $53.3 million of unconditional promises to give which were offset by a $8.7 million allowance for uncollectible contributions and a $2.9 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2007, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $29.2 million, which were offset by $6.1 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2007, contributions from one donor represented approximately 65 percent of total contributions receivable for the foundation.

At June 30, 2007, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $8.6 million was offset by $484,530 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 45 percent of the foundation's contributions receivable at June 30, 2007, consists of pledges from three donors in 2007, and approximately $3.7 million is due from irrevocable remainder trusts.

The Venture Capital Authority's receivables are derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the $34.1 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.5 million) and Other Long-Term Assets ($29.6 million) 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 $52.1 million shown on the government-wide *Statement of Net Assets* at June 30, 2007, primarily comprise:

- $10.6 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $19.5 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $17.4 million.
- $16.4 million of consumable supplies inventories, of which, $5.4 million was recorded by the Highway Users Tax Fund, a major Special Revenue Fund, $7.4 million by the Higher Education Institutions, a major Enterprise Fund, and $2.3 million by the General Fund.

## NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $44.3 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $17.2 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $4.8 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund and the Resource Management Fund (a nonmajor Special Revenue Fund), and
- $4.0 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.
- $3.2 million primarily related to cash payments for library subscriptions at Colorado State University.

## NOTE 15 – INVESTMENTS

### Primary Government

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

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including state agencies may be invested. Investments of the Public Employees Retirement Association discussed in Note 19 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to lease purchase commitments, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, domestic corporate or bank debt securities, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

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

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain international banks, 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. In Fiscal Year 2006-07, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $23,061, for the State Education Fund of $207,166, and for the treasurer's pooled cash of $35,093.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2007 and 2006, the treasurer had $47.6 million and $46.8 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 nonmajor Other Special Revenue Funds. A portion of these earnings are transferred from the Tourism Promotion Fund to the State Fair, a nonmajor Enterprise Fund.

As provided by state statute, the State Treasurer held $4.6 million of investment in residential mortgages by paying the property taxes of certain elderly state citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the state as there is no quoted market price for these investments.

Colorado State University, which is reported in the Higher Education Institutions Enterprise Fund, held $5.3 million of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the state recognized $2,945,578 of net realized gains from the sale of investments held by state agencies other than the State Treasurer during Fiscal Year 2006-07.

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) | $ 1,056,781 |
| Investments: | |
| Governmental Activities | 5,949,549 |
| Business-Type Activities | 1,854,320 |
| Fiduciary Activities | 3,700,906 |
| Pooled Cash Investments Sold But Not Settled | 19,827 |
| Total | $ 12,581,383 |
| | |
| Financial Statement Amounts | |
| Net Cash and Pooled Cash | $ 4,373,425 |
| Add: Warrants Payable Included in Cash | 179,315 |
| Total Cash and Pooled Cash | 4,552,740 |
| Add: Restricted Cash | 1,839,514 |
| Add: Restricted Investments | 1,107,521 |
| Add: Investments | 5,081,608 |
| Total | $ 12,581,383 |

## Custodial Credit Risk

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

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following table lists the investments of the State Treasurer's pooled cash, major governmental funds, and nonmajor governmental funds in the aggregate, by investment type at fair value. The 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 | $ 2,147,417 | $ - | $20,009 | $ 131,580 | $ 2,299,006 |
| Commercial Paper | 1,360,643 | - | - | 12,416 | 1,373,059 |
| Corporate Bonds | 522,457 | - | 35,648 | 88,666 | 646,771 |
| Asset Backed Securities | 881,778 | - | - | 114,118 | 995,896 |
| Mortgages Securities | 144,349 | 4,649 | - | 226,417 | 375,415 |
| Mutual Funds | 259,000 | - | - | 202 | 259,202 |
| Other | - | - | - | 200 | 200 |
| TOTAL INVESTMENTS | $ 5,315,644 | $ 4,649 | $55,657 | $ 573,599 | $ 5,949,549 |
| | | | | | |
| INVESTMENTS SUBJECT TO CUSTODIAL RISK | | | | | |
| Commercial Paper | $ - | $ - | $ - | $ 12,416 | $ 12,416 |
| TOTAL SUBJECT TO CUSTODIAL RISK | $ - | $ - | $ - | $ 12,416 | $ 12,416 |

The following table lists the investments of the major enterprise funds 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 | $ 102,424 | $ 4,956 | $ 107,380 | $ 13,129 |
| Commercial Paper | 4,205 | - | 4,205 | - |
| Corporate Bonds | 105,653 | 26,916 | 132,569 | 11,105 |
| Corporate Securities | 34,492 | - | 34,492 | - |
| Repurchase Agreements | 112,176 | - | 112,176 | - |
| Asset Backed Securities | 51,261 | - | 51,261 | 13,325 |
| Mortgages Securities | 92,649 | - | 92,649 | 22,153 |
| Mutual Funds | 657,343 | 115,116 | 772,459 | 3,612,289 |
| Guaranteed Investment Contracts | 66,976 | 341,934 | 408,910 | - |
| Other | 138,219 | - | 138,219 | 28,905 |
| TOTAL INVESTMENTS | $ 1,365,398 | $ 488,922 | $ 1,854,320 | $ 3,700,906 |
| INVESTMENTS SUBJECT TO CUSTODIAL RISK | | | | |
| U.S. Government Securities | $ 1,335 | $ - | $ 1,335 | $ - |
| Corporate Bonds | 2,739 | - | 2,739 | - |
| Corporate Securities | 17,976 | - | 17,976 | - |
| TOTAL SUBJECT TO CUSTODIAL RISK | $ 22,050 | $ - | $ 22,050 | $ - |

**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 $23.5 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 | Municipal Bonds | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Treasurer's Pool:** | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | |
| Gilt Edge | $ 799,841 | $ - | $ 51,658 | $ - | $ 1,026,127 | $ 259,000 | $ - | $ - | $ - | $ 2,136,626 |
| High Grade | - | - | 213,908 | - | - | - | - | - | - | 213,908 |
| Upper Medium | - | - | 251,898 | - | - | - | - | - | - | 251,898 |
| Lower Medium | - | - | 4,993 | - | - | - | - | - | - | 4,993 |
| Short-term Ratings | | | | | | | | | | |
| Highest | 808,374 | 1,360,643 | - | - | - | - | - | - | - | 2,169,017 |
| **Higher Education Institutions:** | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | |
| Gilt Edge | $ 27,847 | $ - | $ 14,807 | $ - | $ 94,332 | $ 296,823 | $ 466 | $ 65,261 | $ 49 | $ 499,585 |
| High Grade | 1,158 | - | 31,159 | - | 1,818 | - | 1,573 | - | 20 | 35,728 |
| Upper Medium | - | - | 31,912 | - | 1,345 | - | 38 | - | - | 33,295 |
| Lower Medium | - | - | 19,903 | - | 1,161 | - | 38 | - | - | 21,102 |
| Speculative | - | - | 2,338 | - | 465 | - | 19 | - | - | 2,822 |
| Very Speculative | - | - | 1,851 | - | - | - | - | - | - | 1,851 |
| High Default Risk | - | - | 332 | - | - | - | - | - | - | 332 |
| Short-term Ratings | | | | | | | | | | |
| Highest | - | 4,205 | - | - | - | - | - | - | - | 4,205 |
| Unrated | 7,060 | - | 1,356 | 112,176 | 44,788 | 65,361 | 34,847 | - | - | 265,588 |
| **Fiduciary Funds:** | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | |
| Gilt Edge | $ 757 | $ - | $ 1,442 | $ - | $ 35,478 | $ - | $ - | $ - | $ - | $ 37,677 |
| High Grade | - | - | 2,417 | - | - | - | - | 1,369 | - | 3,786 |
| Upper Medium | - | - | 7,247 | - | - | - | - | - | - | 7,247 |
| Unrated | - | - | - | - | - | 3,228,674 | 136,667 | - | - | 3,365,341 |
| **All Other Funds:** | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | |
| Gilt Edge | $ 110,821 | $ - | $ 36,035 | $ - | $ 320,986 | $ 202 | $ - | $ - | $ - | $ 468,044 |
| High Grade | - | - | 65,843 | - | - | - | - | - | - | 65,843 |
| Upper Medium | - | - | 49,352 | - | - | - | - | - | - | 49,352 |
| Short-term Ratings | | | | | | | | | | |
| Highest | - | 12,416 | - | - | - | - | - | - | - | 12,416 |
| Unrated | - | - | - | - | 24,197 | 115,116 | - | 341,923 | - | 481,236 |

## Interest Rate Risk

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

The University of Colorado operates a treasury function separate of the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no greater than five years.

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

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. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $14.1 million that have a weighted average maturity of 6.3 years. These securities are excluded from the weighted average maturity table below because interest rate risk is mitigated by the inflation protection attribute of the securities.

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

(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 | $ 2,147,417 | 1.097 | $ 12,978 | 1.279 | $ 12,428 | 6.954 | $ 157,132 | 4.718 |
| Commercial Paper | 1,360,643 | 0.082 | 4,205 | 0.919 | - | - | 12,416 | 0.080 |
| Corporate Bonds | 522,457 | 2.679 | 50,003 | 2.399 | 11,105 | 5.810 | 150,778 | 4.305 |
| Repurchase Agreements | - | - | - | - | - | - | - | - |
| Asset Backed Securities | 1,026,127 | 2.130 | - | - | 35,478 | 6.159 | 340,534 | 6.159 |
| Money Market Mutual Funds | 259,000 | 0.010 | 1,869 | 0.000 | - | - | - | - |
| Bond Mutual Funds | - | - | 1,497 | 7.000 | 234,598 | 4.500 | - | - |
| Total Investments | $ 5,315,644 | | $ 70,552 | | $ 293,609 | | $ 660,860 | |

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

The University of Colorado participated in tri-party repurchase agreements of $68,328,972 and $43,847,071 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. However, the duration associated with the first repurchase agreements is 1.26 years and the weighted average maturity related to the second repurchase agreement is .417 years. The $68.3 million and the $43.8 million are not shown in the weighted average maturity table above or the following duration table.

The University of Colorado has invested $8,216,764 in U.S. Treasury Inflation Protected Securities with duration of 8.96 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

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 |
|---|---|---|
| Enterprise Funds: | | |
| Higher Education Institutions: | | |
| University of Colorado: | | |
| U.S. Treasury Bonds and Notes | $ 48,337 | 6.540 |
| U.S. Treasury Strips | 2,429 | 15.270 |
| U.S. Government Agency Notes | 27,192 | 2.030 |
| U.S. Government Agency Strips | 1,405 | 1.440 |
| Municipal Bonds | 69 | 1.800 |
| Corporate Bonds | 52,133 | 5.410 |
| Asset Backed Securities | 238,196 | 3.590 |
| Bond Mutual Funds | 34,066 | 2.760 |
| Colorado State University: | | |
| Bond Mutual Funds | $ 639 | 2.990 |
| Fiduciary Funds: | | |
| Pension Funds: | | |
| Department of Personnel & Administration | | |
| Bond Mutual Funds - Deferred Compensation Plan | $133,931 | 3.693 |
| Bond Mutual Funds - Defined Contribution Plan | 2,736 | 4.414 |
| Private Purpose Trust: | | |
| CollegeInvest: | | |
| Bond Mutual Fund-1 | $ 78,414 | 4.200 |
| Bond Mutual Fund-2 | 200,712 | 2.630 |
| Bond Mutual Fund-3 | 518,270 | 5.090 |

**Foreign Currency Risk**

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University held the following assets denominated in various foreign currencies where the individual currency amounts were not material; corporate bonds - $511,187, currency - $151,917, and equities - $900,835. The University also held investments in mutual funds denominated in the following currencies (amounts in millions); Australian Dollar - $1.5, Brazil Real - $3.3, Canadian Dollar - $1.7, Swiss Franc - $5.7, China Yuan - $1.5, Denmark Kroner - $0.8, Euro Dollar - $26.8, British Pound - $18.3, Hong Kong Dollars - $1.0, Japanese Yen – $13.3, Korean Won - $3.1, Mexican Peso - $1.1, Sweden Kronor - $2.0, Taiwan New Dollars - $1.2, and various other currencies totaling $5.1 most of which are unidentifiable within the investment.

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

**Concentration of Credit Risk**

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 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; First Data Corporation - 9.0 percent, Verizon – 9.0 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 nonmajor Special Revenue Fund. Of the $12.8 million of investments reported by these agencies, 52.9 percent is invested in the American Express Card and 44.3 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 2006-07 | Fiscal Year 2005-06 |
|---|---|---|
| Governmental Activities: | | |
| Major Funds | | |
| General Fund | $ 9,920 | $ (12,866) |
| Highway Users Tax | 3,350 | (8,712) |
| Capital Projects | 57 | (2,057) |
| State Education | 685 | (5,287) |
| NonMajor Funds: | | |
| State Lands | 3,430 | (25,375) |
| Other Permanent Trusts | 49 | (75) |
| Water Projects | 497 | (1,004) |
| Labor | 797 | (3,426) |
| Gaming | 779 | (1,243) |
| Tobacco Impact Mitigation | 2,232 | (3,171) |
| Resource Extraction | 3,531 | (5,297) |
| Resource Management | 158 | (241) |
| Environment Health Protection | 472 | (838) |
| Other Special Revenue | 1,395 | (1,928) |
| Highways (Internal Service) | 22 | (31) |
| Business-Type Activities: | | |
| Major Funds | | |
| Higher Education Institutions | 51,243 | (4,168) |
| CollegeInvest | 1,002 | (2,346) |
| Lottery | 199 | (326) |
| NonMajor Funds: | | |
| Wildlife | 594 | (965) |
| College Assist | 511 | (944) |
| Correctional Industries | 25 | (40) |
| State Nursing Homes | 30 | (48) |
| Prison Canteens | 36 | (54) |
| Petroleum Storage Tank | 35 | (83) |
| Other Enterprise Activities | 11 | (75) |
| Fiduciary: | | |
| Pension/Benefits Trust | 147 | (239) |
| Private Purpose Trust | 125,604 | 25,754 |
| | $ 206,811 | $ (55,085) |

**Component Units**

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

**Component Units – Non-Foundations**

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2007:

(Amounts in Thousands)

| | TOTAL |
|---|---|
| INVESTMENT TYPE | |
| Cash Equivalents | $ 19,624 |
| U.S. Government Securities | 72,959 |
| Corporate Bonds | 8,182 |
| Corporate Securities | 77,077 |
| Asset Backed Securities | 37,420 |
| Other | 44,425 |
| TOTAL INVESTMENTS | $ 259,687 |

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

The Colorado Water Resources and Power Development Authority's investments at December 31, 2006, were:

(Amounts in Thousands)

| | TOTAL |
|---|---|
| INVESTMENT TYPE | |
| U.S. Government Securities | $ 23,788 |
| Repurchase Agreements | 349,096 |
| TOTAL INVESTMENTS | $ 372,884 |

At December 31, 2006, CoverColorado held $46.5 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, $31.6 million matures within one year, and the remaining $14.9 million matures between one and five years.

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

**Credit Quality Risk**

The University of Colorado Hospital Authority's investment policy is based on the prudent-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, 2007:

(Amounts In Thousands)

| | U.S. Govt. Agencies | Corporate Bonds | Asset Backed Securities | Guaranteed Investment Contract | Total |
|---|---|---|---|---|---|
| Long-term Ratings | | | | | |
| Gilt Edge | $ 32,306 | $ - | $ 37,420 | $ 39,149 | $ 108,875 |
| High Grade | - | 2,678 | - | 5,416 | 8,094 |
| Upper Medium | - | 1,004 | - | - | 1,004 |
| Lower Medium | - | 4,500 | - | - | 4,500 |

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 major classes of authority investments at June 30, 2007:

(Dollar Amounts in Thousands, Duration in Years)

| | Fair Value Amount | Years |
|---|---|---|
| U.S. Government Securities | $42,737 | 3.395 |
| Corporate Bonds | 8,182 | 2.637 |
| Asset Backed Securities | 37,420 | 1.040 |

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 $372.9 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 – 14 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, 2007, the authority had the following foreign currency exposures in United States dollars: Australian Dollar - $5,913,000, Canadian Dollar - $2,806,000, Danish Krone - $1,923,000, Euro - $1,087,000, Hong Kong Dollar - $883,000, Indian Rupee - $869,000, Japanese Yen - $846,000, and Taiwan New Dollar - $627,000. An additional $1,696,000 was held in various international currencies, none of which exceeded $500,000.

**Concentration of Credit Risk**

At June 30, 2007, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

**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 counterparty nonperformance is not anticipated.

At June 30, 2007, the hospital was party to a floating-to-fixed rate swap having a notional value of $72.8 million, a floating-to-fixed rate swap having a notional value of $107.0 million, and a fixed-to-floating rate swap having a notional value of $50.0 million. At June 30, 2007, the agreements had fair values of $2,843,000, $2,714,000, and ($803,000) and are scheduled to terminate in 2031, 2033, and 2010, respectively. In addition, a basis swap with a notational value of $72,000,000 matured in October 2006. In Fiscal Year 2006-07, the three outstanding swap agreements and the basis swap produced a net cash outflow of approximately $123,000. Realized and unrealized gains and losses on the swap agreements are reported as investment 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, 2007, the University of Colorado Foundation held $220.7 million of domestic equity securities, $202.4 million of international equity securities, $125.1 million of fixed income securities, and $332.6 million of alternative investments including real estate, private equities, hedge funds, venture capital, absolute return funds, and oil and gas assets. The foundations total investments of $882.4 million include $22.3 million of securities on loan. 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 $132.5 million is net of $2.8 million of investment fees and comprises $14.4 million of interest and dividends, $29.9 million of realized gains, and $91.0 million of unrealized gains. At June 30, 2007, the foundation could be obligated to fund an additional $102.5 million of alternative investment commitments.

The University of Colorado Foundation participates in a securities lending program operated by its custodian bank. The borrowers provide and maintain cash, U.S. Government securities, or letters of credit as collateral equal to 102 percent of market value of the loaned

domestic securities (105 percent for international securities). At June 30, 2007, the fair value of foundation securities on loan was $21.1 million, which the borrowers had collateralized with $19.7 million of cash and $2.6 million of U.S. Government securities. On the *Statement of Net Assets – Component Units*, the loaned securities and collateral are both reported with the collateral offset by an obligation under securities lending agreements.

At June 30, 2007, the Colorado State University Foundation held international and large, small, and micro capitalization equity securities totaling $119.2 million, fixed income investments of $10.7 million, and alternative and other investment types of $111.0 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. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment manager. At June 30, 2007, the CSMF held bonds and bond mutual funds totaling $18.3 million, stocks and stock mutual funds totaling $79.5 million, and investments in limited partnerships and real estate totaling $56.8 million in its long term investments pool. Of the foundation's $189.0 million of investments, $18.5 million, or 9.8 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $9.0 million and a long-term trust valued at $2.0 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Thirty-six percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2007, the University of Northern Colorado Foundation held $27.1 million of fixed income securities (including $18.3 million of corporate notes), $62.2 million of equity securities, and $16.7 million of other investments. These amounts include $4.3 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 2006-07, 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, 2007, 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, 2007, the market value of securities on loan to Morgan Stanley was $1,851,706,438, and the market value of the collateral securities pledged was $1,954,417,454. 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 2006-07 the state capitalized $14.1 million of interest incurred during the construction of capital assets. Of that amount, the Parking Fund, a nonmajor Other Enterprise Fund, capitalized $39,643 and the balance was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded $2.2 million of insurance recoveries during Fiscal Year 2006-07. Of that amount $122,180 was recorded in the Capital Projects 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 ($793,554), a major Governmental Fund, the Higher Education Institutions ($529,127), a major Enterprise Fund, the Wildlife Fund ($374,960), a nonmajor Enterprise Fund, and the General Fund ($251,230).

During Fiscal Year 2006-07 the Department of Labor and Employment determined that a major computer hardware and software system that was under development to replace multiple existing systems could not be completed as designed. The project had been under development for

several years. Except for certain hardware useable for other purposes, all $16.1 million of expenditures related to the project were removed from the capital asset accounts and written off as a loss on impairment.

The following schedule shows the capital asset activity for Fiscal Year 2006-07.

(Amounts in Thousands)

| | Restated Beginning Balance | Increases | CIP Transfers | Decreases | Ending Balance |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | $ 80,706 | $ 15,950 | $ 4 | $ (18,247) | $ 78,413 |
| Land Improvements | 2,575 | - | 284 | - | 2,859 |
| Collections | 8,831 | - | 64 | - | 8,895 |
| Construction in Progress (CIP) | 1,117,093 | 184,920 | (840,150) | (20,008) | 441,855 |
| Infrastructure | 10,450,398 | 12,364 | 806,548 | (1,357) | 11,267,953 |
| Total Capital Assets Not Being Depreciated | 11,659,603 | 213,234 | (33,250) | (39,612) | 11,799,975 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 79,736 | 1,602 | 5,526 | (1,087) | 85,777 |
| Buildings | 1,404,370 | 10,301 | 25,150 | (15,719) | 1,424,102 |
| Vehicles and Equipment | 645,065 | 50,311 | 1,267 | (22,744) | 673,899 |
| Library Materials and Collections | 5,365 | 418 | - | (235) | 5,548 |
| Other Capital Assets | 23,133 | 2,101 | - | - | 25,234 |
| Infrastructure | 86,774 | 2,252 | 1,307 | (1,022) | 89,311 |
| Total Capital Assets Being Depreciated | 2,244,443 | 66,985 | 33,250 | (40,807) | 2,303,871 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (39,676) | (3,575) | - | 61 | (43,190) |
| Buildings | (511,467) | (33,120) | - | 1,636 | (542,951) |
| Vehicles and Equipment | (318,148) | (51,353) | - | 14,856 | (354,645) |
| Library Materials and Collections | (3,956) | (281) | - | 235 | (4,002) |
| Other Capital Assets | (17,075) | (282) | - | - | (17,357) |
| Infrastructure | (48,339) | (5,639) | - | 560 | (53,418) |
| Total Accumulated Depreciation | (938,661) | (94,250) | - | 17,348 | (1,015,563) |
| Total Capital Assets Being Depreciated, net | 1,305,782 | (27,265) | 33,250 | (23,459) | 1,288,308 |
| TOTAL GOVERNMENTAL ACTIVITIES | 12,965,385 | 185,969 | - | (63,071) | 13,088,283 |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | 208,841 | 5,140 | 4,341 | (455) | 217,867 |
| Land Improvements | 11,770 | 1,430 | 105 | - | 13,305 |
| Collections | 13,315 | 549 | - | (1,040) | 12,824 |
| Construction in Progress (CIP) | 327,601 | 485,536 | (218,646) | (3,305) | 591,186 |
| Total Capital Assets Not Being Depreciated | 561,527 | 492,655 | (214,200) | (4,800) | 835,182 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 368,839 | 4,034 | 21,426 | (326) | 393,973 |
| Buildings | 3,355,187 | 84,671 | 187,994 | (5,570) | 3,622,282 |
| Vehicles and Equipment | 735,878 | 60,187 | 4,780 | (59,737) | 741,108 |
| Library Materials and Collections | 401,524 | 20,594 | - | (1,424) | 420,694 |
| Other Capital Assets | 8,674 | 65 | - | - | 8,739 |
| Infrastructure | 19,184 | - | - | - | 19,184 |
| Total Capital Assets Being Depreciated | 4,889,286 | 169,551 | 214,200 | (67,057) | 5,205,980 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (145,691) | (17,485) | - | 113 | (163,063) |
| Buildings | (1,244,297) | (132,897) | - | 2,194 | (1,375,000) |
| Vehicles and Equipment | (506,580) | (64,205) | - | 48,679 | (522,106) |
| Library Materials and Collections | (265,761) | (20,554) | - | 1,488 | (284,827) |
| Infrastructure | (8,822) | (470) | - | - | (9,292) |
| Total Accumulated Depreciation | (2,171,151) | (235,611) | - | 52,474 | (2,354,288) |
| Total Capital Assets Being Depreciated, net | 2,718,135 | (66,060) | 214,200 | (14,583) | 2,851,692 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 3,279,662 | 426,595 | - | (19,383) | 3,686,874 |
| TOTAL CAPITAL ASSETS, NET | $ 16,245,047 | $ 612,564 | $ - | $ (82,454) | $ 16,775,157 |

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 | $ 10,093 |
| Business, Community, and Consumer Affairs | 4,784 |
| Education | 1,063 |
| Health and Rehabilitation | 5,831 |
| Justice | 26,389 |
| Natural Resources | 5,001 |
| Social Assistance | 7,685 |
| Transportation | 17,114 |
| Internal Service Funds (Charged to programs and BTAs based on useage) | 16,290 |
| Total Depreciation Expense Governmental Activities | 94,250 |
| BUSINESS-TYPE ACTIVITIES | |
| Higher Education Institutions | 227,001 |
| CollegeInvest | 414 |
| State Lottery | 157 |
| Other Enterprise Funds | 8,039 |
| Total Depreciation Expense Business-Type Activities | 235,611 |
| Total Depreciation Expense Primary Government | $ 329,861 |

**Component Units**

At June 30, 2007, the University of Colorado Hospital Authority reported $289.2 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $468.4 million and equipment of $208.5 million. Accumulated depreciation related to these capital assets was $381.9 million resulting in net depreciable capital assets of $295.0 million.

As of June 30, 2007, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient and Outpatient Pavilions, and the Leprino Office Building. Costs incurred at June 30, 2007, for these projects approximated $258.0 million while estimated costs to complete are $34.0 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $23,431 net of accumulated depreciation of $141,738 at December 31, 2006.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of $154.6 million, net of accumulated depreciation of $51.1 million, at December 31, 2006. 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 $4.5 million, net of accumulated depreciation of $6.9 million, at June 30, 2007. During Fiscal Year 2006-07, the foundation sold its student housing and related facilities held in the name of Bear Creek I, LLC (a Colorado limited liability company whose sole member is the foundation) to the University of Colorado for $65.5 million (see Note 32).

## NOTE 18 – OTHER LONG-TERM ASSETS

The $538.6 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 $133.7 million, held in the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund*, but are shown in Taxes Receivable and are offset by Deferred Revenue.

The $295.7 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($9.1 million), a major Special Revenue Fund, and the Water Projects Fund ($247.8 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 30 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 $112.7 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 (DB) pension plan, however all employees, with the exception of higher education employees, have the option of participating in the state's defined contribution (DC) plans instead (see Note 21). The DB 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 Division Trust Fund, the Local Government 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. However, the State and School Division of PERA was separated into a State Division and a School Division effective January 1, 2006. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes (CRS).

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

Non-higher education 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. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. 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 (except state troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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. Members are also

eligible for retirement benefits without a reduction for early retirement based on the original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

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

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

- Hired before January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods, starting with the lowest salary of the four periods.
- Hired on or after January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to an 8 percent increase between periods, starting with the lowest salary of the four periods.

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

PERA retirement and survivor benefits are increased annually based on original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, compounded annually.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

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 5 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 through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit.

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.

The state, as employer, made the following percentage contributions of gross covered wages in the current and previous two fiscal years:

| Time Period | Contribution Percentage Judges | Troopers | Other | Percent of ARC |
|---|---|---|---|---|
| Fiscal Year 2006-07 | | | | |
| 1-1-07 to 6-30 | 14.66 | 13.85 | 11.15 | 100 |
| 7-1-06 to 12-3 | 14.16 | 13.35 | 10.65 | 100 |
| Fiscal Year 2005-06 | | | | |
| 1-1-06 to 6-30 | 14.16 | 13.35 | 10.65 | 100 |
| 7-1-05 to 12-3 | 13.66 | 12.85 | 10.15 | 100 |
| Fiscal Year 2004-05 | | | | |
| 1-1-05 to 6-30 | 13.66 | 12.85 | 10.15 | 100 |
| 7-1-04 to 12-3 | 13.66 | 12.85 | 10.15 | 100 |

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 contribution table above reflects the increase required by the AED legislation.

The Fiscal Year 2006-07 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, 2006, to December 31, 2006, 9.63 percent was allocated to the defined benefit plan, and
- From January 1, 2007, to June 30, 2007, 10.13 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2006, the State Division of PERA had a funded ratio of 73 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. 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 available for increases in state employees' salaries, and used by the employer to pay the SAED.

The state made the following retirement contributions:

- Fiscal Year 2006-07 - $223.6 million
- 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.

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

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 2006-07 and 2005-06, the Department of Local Affairs transferred $4.0 million and $3.7 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 Years 2006-07 and 2005-06, the State Treasurer transferred $34.8 million and $25.3 million, respectively, 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 $136,000 to this plan in Fiscal Year 2006-07. 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 $12.1 million in Fiscal Year 2006-07 to this plan. This amount was below the actuarially computed net periodic pension cost of $14.7 million, and subsequent to June 30, 2007, the hospital contributed the additional amount needed to bring the Fiscal Year 2006-07 contribution to the recommended amount. At July 1, 2006, 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, 2000. 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 Division of PERA discussed above.

## NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

### Primary Government

PERA Health Care Trust Fund

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 is subject to reduction 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, 2006, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.0 billion, a funded ratio of 17.2 percent, and a 37-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 $23.1 million, $20.6 million, $21.2 million, $20.4 million, and $24.6 million in Fiscal Years 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, 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 2006. As of December 31, 2006, there were 42,433 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 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 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 12,790 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. None of these plans were subject to the requirements of Governmental Accounting Standards Board Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

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

## NOTE 21 – OTHER EMPLOYEE BENEFITS

### Primary Government

### A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-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. Plan costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employee. 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 105, reports a net asset deficit of $2.16 million. The net asset deficit related to claims in excess of those anticipated by the plan's actuary was $2.30 million and administrative net assets of $141,654 offset that amount. The plan began Fiscal Year 2006-07 with a net deficit of $150,219, and began the prior fiscal year with a 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 19A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

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

## B. EMPLOYEE DEFERRED COMPENSATION PLAN

The state initiated a deferred compensation (457) plan for state and local government employees in 1981. Participants in the plan are mostly state employees except for 1,113 school district employee participants. The nine-member Deferred Compensation Committee establishes rules and regulations for implementing 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 $381.2 million and $324.3 million at June 30, 2007, and June 30, 2006, 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.

## C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In 2006, 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 $15,000. In 2007, the maximum increased to $15,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,000 catch-up contribution in 2007, for a total contribution of $20,500. Contributions and earnings are tax deferred. On December 31, 2006, the plan had net assets of $1,522.8 million and 72,932 accounts.

PERA Defined Contribution Retirement Plan

Effective January 1, 2006, legislation added a defined contribution plan to PERA's 401(k) Voluntary Investment Program. The plan is available to certain new state employees hired after January 1, 2006; these employees have the option of joining the PERA defined benefit plan, the PERA defined contribution plan, or a defined contribution plan administered by the Deferred Compensation Committee of the state. At December 31, 2006, there were 225 participants in the PERA defined contribution plan.

State 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 the 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, 2007, and June 30, 2006, the plan's three investment contractors reported a total of 1,237 and 756 accounts, respectively. At the same dates there were 579 and 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, 2006, to December 31, 2006, the state contribution rate was 10.65 percent and from January 1, 2007, to June 30, 2007 the rate was 11.15 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 based on quoted market prices.

Higher Education Optional Retirement Plans

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

The state made contributions to other retirement plans of $71.1 million and $65.6 million during Fiscal Years 2006-07 and 2005-06, respectively. In addition, the state paid $62.5 million and $57.3 million in FICA and Medicare taxes on employee wages during Fiscal Years 2006-07 and 2005-06, respectively.

Of the benefit plans discussed in this note, financial statements for the Deferred Compensation Plan, the state's Defined Contribution Plan, and the Group Benefit Plans are presented on the following page.

## STATEMENT OF FIDUCIARY NET ASSETS
## PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | DEFERRED COMPENSATION PLAN | DEFINED CONTRIBUTION PLAN | GROUP BENEFIT PLANS | TOTALS |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 837 | $ 66 | $ 5,248 | $ 6,151 |
| Other Receivables, net | 3,126 | 162 | 6,985 | 10,273 |
| Due From Other Funds | - | - | 13,814 | 13,814 |
| Prepaids, Advances, and Deferred Charges | - | - | 13 | 13 |
| Total Current Assets | 3,963 | 228 | 26,060 | 30,251 |
| Noncurrent Assets: | | | | |
| Investments: | | | | |
| Mutual Funds | 372,087 | 11,527 | - | 383,614 |
| Other Investments | 5,356 | - | - | 5,356 |
| Total Noncurrent Assets | 377,443 | 11,527 | - | 388,970 |
| TOTAL ASSETS | 381,406 | 11,755 | 26,060 | 419,221 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 213 | 15 | 10,628 | 10,856 |
| Claims and Judgments Payable | - | - | 17,547 | 17,547 |
| Total Current Liabilities | 213 | 15 | 28,175 | 28,403 |
| Noncurrent Liabilities: | | | | |
| Accrued Compensated Absences | 9 | 1 | 42 | 52 |
| Total Noncurrent Liabilities | 9 | 1 | 42 | 52 |
| TOTAL LIABILITIES | 222 | 16 | 28,217 | 28,455 |
| NET ASSETS: | | | | |
| Held in Trust for: | | | | |
| Pension/Benefit Plan Participants | 374,343 | 11,527 | - | 385,870 |
| Unrestricted | 6,841 | 212 | (2,157) | 4,896 |
| TOTAL NET ASSETS | $ 381,184 | $ 11,739 | $ (2,157) | $ 390,766 |

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | DEFERRED COMPENSATION PLAN | DEFINED CONTRIBUTION PLAN | GROUP BENEFIT PLANS | TOTALS |
|---|---|---|---|---|
| ADDITIONS: | | | | |
| Member Contributions | $ 42,198 | $ 1,488 | $ 69,976 | $ 113,662 |
| Employer Contributions | - | 1,885 | 122,181 | 124,066 |
| Investment Income/(Loss) | 46,706 | 1,530 | 676 | 48,912 |
| Employee Deferral Fees | 848 | 243 | 910 | 2,001 |
| Other Additions | 1 | 1 | 21,543 | 21,545 |
| TOTAL ADDITIONS | 89,753 | 5,147 | 215,286 | 310,186 |
| DEDUCTIONS: | | | | |
| Benefits and Withdrawals | 31,753 | 1,718 | - | 33,471 |
| Health Insurance Premiums Paid | - | - | 63,948 | 63,948 |
| Health Insurance Claims Paid | - | - | 104,886 | 104,886 |
| Other Benefits Plan Expense | - | - | 17,998 | 17,998 |
| Administrative Expense | 854 | 127 | - | 981 |
| Other Deductions | 232 | 4 | 30,364 | 30,600 |
| Transfers-Out | 21 | 2 | 97 | 120 |
| TOTAL DEDUCTIONS | 32,860 | 1,851 | 217,293 | 252,004 |
| CHANGE IN NET ASSETS | 56,893 | 3,296 | (2,007) | 58,182 |
| FISCAL YEAR BEGINNING | 324,291 | 8,443 | (150) | 332,584 |
| FISCAL YEAR ENDING | $ 381,184 | $ 11,739 | $ (2,157) | $ 390,766 |

**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 $4.8 million in Fiscal Year 2006-07. 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. Settlements have not exceeded insurance coverage in any of the three prior years.

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. The claims and related liabilities are 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 participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. 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. There were no reductions of insurance coverage in Fiscal Year 2006-07, and settlements did not exceed insurance coverage in any of the three prior fiscal years. The university purchased two annuity contracts for workers compensation claims in Fiscal Year 2006-07, which reduced the UCIP liability by $257,781.

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 $200,000 per person and $7.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2006-07 for this program. There have been no collections against the aggregate stop-loss insurance in the

previous three years; however, the university collected $1,127,484 from the stop-loss insurance carrier for individual claims in excess of the threshold in Fiscal Year 2006-07. 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 $1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2006-07, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. 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.

Colorado State University general liability claims arising out of employment practices are self-insured up to $1.0 million 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. There were no significant reductions in insurance coverage in Fiscal Year 2006-07, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, property, auto, and workers' compensation risks primarily through the purchase of insurance. The university has purchased $3.0 million of general liability insurance ($5,000 deductible), $3.0 million of product liability/malpractice insurance ($5,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($100,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $100,000 of employee fraud insurance ($1,000 deductible), and $250.0 million of commercial property insurance ($10,000 deductible). Before Fiscal Year 2005-06, the university was covered under the state risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2006-07, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

| Fiscal Year | Liability at July 1 | Current Year Claims and Changes in Estimates | Claim Payments | Liability at June 30 |
|---|---|---|---|---|
| State Risk Management: | | | | |
| Liability Fund | | | | |
| 2006-07 | $ 25,167 | $ 3,333 | $ 4,541 | $ 23,959 |
| 2005-06 | 18,962 | 11,476 | 5,271 | 25,167 |
| 2004-05 | 24,541 | (142) | 5,437 | 18,962 |
| Workers' Compensation | | | | |
| 2006-07 | 82,123 | 24,659 | 30,687 | 76,095 |
| 2005-06 | 74,072 | 34,530 | 26,479 | 82,123 |
| 2004-05 | 69,582 | 27,421 | 22,931 | 74,072 |
| Group Benefit Plans: | | | | |
| 2006-07 | 15,175 | 134,363 | 131,991 | 17,547 |
| 2005-06 | - | 118,491 | 103,316 | 15,175 |
| 2004-05 | - | - | - | - |
| University of Colorado: | | | | |
| General Liability, Property, and Workers' Compensation | | | | |
| 2006-07 | 15,720 | 4,701 | 7,072 | 13,349 |
| 2005-06 | 15,012 | 6,072 | 5,364 | 15,720 |
| 2004-05 | 12,841 | 8,838 | 6,667 | 15,012 |
| University of Colorado at Denver and Health Sciences Center: | | | | |
| Medical Malpractice | | | | |
| 2006-07 | 6,561 | (767) | 548 | 5,246 |
| 2005-06 | 6,556 | 965 | 960 | 6,561 |
| 2004-05 | 8,759 | (225) | 1,978 | 6,556 |
| Graduate Medical Education Health Benefits Program | | | | |
| 2006-07 | 1,024 | 6,196 | 6,082 | 1,138 |
| 2005-06 | 972 | 5,723 | 5,671 | 1,024 |
| 2004-05 | 812 | 5,166 | 5,006 | 972 |
| Colorado State University: | | | | |
| Medical, Dental, and Disability Benefits | | | | |
| 2006-07 | 11,742 | 22,664 | 20,453 | 13,953 |
| 2005-06 | 10,242 | 18,951 | 17,451 | 11,742 |
| 2004-05 | 9,841 | 16,166 | 15,765 | 10,242 |
| University of Northern Colorado: | | | | |
| General Liability, Property, and Workers' Compensation | | | | |
| 2006-07 | 1,725 | (889) | 478 | 358 |
| 2005-06 | - | - | - | 1,725 |

**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 ($150,000 per individual and $600,000 per occurrence) and contracts with a commercial insurance company for coverage to $6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2006-07, the hospital recorded premium and administrative expenses of $384,000. The trust had a fund balance of $5.0 million, which was in excess of $5.2 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 2006. 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, 2007, 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 | $ - | $ 18,703 | $ 14,345 |
| Business-Type Activities | 2,435 | 56,613 | 11,438 |
| Total | $ 2,435 | $ 75,316 | $ 25,783 |

The gross amount of assets under lease is less than the total capital lease liability reported on the following page because Western State College entered a private leasing arrangement to finance a building that has not been constructed at this time.

At June 30, 2007, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

| | Capital | Operating | Total |
|---|---|---|---|
| Governmental Activities | $ - | $ 18 | $ 18 |
| Business-Type Activities | - | 23 | 23 |
| Total | $ - | $ 41 | $ 41 |

During the year ended June 30, 2007, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

| | Capital | Operating | Total |
|---|---|---|---|
| Business-Type Activities | $ - | $ 41 | $ 41 |
| Total | $ - | $ 41 | $ 41 |

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, 2007, for the space and vehicles was $75,224 and $290,042, respectively. The Colorado State University System leases equipment from the foundation and has a total lease obligation of $1,895,178.

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 $105,655 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of $580,769 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 2006-07, the state recorded building and land rent of $37.5 million and $19.2 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $7.3 million and $28.3 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 $0.26 million of lease interest costs in the governmental activities and $0.87 million in the business-type activities. The $3.9 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 entering a building lease for $2.8 million and a bus lease for $0.4 million.

Future minimum payments at June 30, 2007, for existing leases were as follows:

(Amounts in Thousands)

| | Operating Leases | | Capital Leases | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Governmental Activities | Business-Type Activities |
| 2008 | $ 33,977 | $ 11,934 | $ 4,148 | $ 8,529 |
| 2009 | 29,752 | 9,358 | 3,887 | 7,874 |
| 2010 | 31,462 | 7,333 | 3,643 | 7,428 |
| 2011 | 24,919 | 4,547 | 3,571 | 6,930 |
| 2012 | 52,076 | 2,940 | 3,379 | 6,337 |
| 2013 to 2017 | 87,303 | 8,515 | 12,605 | 30,067 |
| 2018 to 2022 | 2,736 | 58 | 7,823 | 23,940 |
| 2023 to 2027 | 2,440 | 2 | 2,702 | 6,189 |
| 2028 to 2032 | 1,263 | 2 | - | 3,481 |
| 2033 to 2037 | 870 | - | - | 164 |
| Total Minimum Lease Payments | 266,798 | 44,689 | 41,758 | 100,939 |
| Less: Imputed Interest Costs | | | 11,302 | 32,318 |
| Present Value of Minimum Lease Payments | $ 266,798 | $ 44,689 | $ 30,456 | $ 68,621 |

**Component Units**

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $6.1 million for Fiscal Years 2006-07. Future minimum lease payments for these leases at June 30, 2007, are:

(Amounts in Thousands)

| Fiscal Year | Amount |
|---|---|
| 2008 | $ 7,277 |
| 2009 | 3,033 |
| 2010 | 2,209 |
| 2011 | 2,288 |
| 2012 | 2,123 |
| Thereafter | 5,980 |
| Total Minimum Obligations | $22,910 |

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expired March 31, 2007, and is negotiating a new lease agreement. Total rental expense for the year ended December 31, 2006 was $115,058.

CoverColorado leases office facilities under an operating lease that expires in 2010. Total rental expense for the year ended December 31, 2006, was $36,651. The total minimum rental commitment under this lease is $98,031 for years 2007 through 2010.

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 $4.6 million. Total minimum lease payments including interest at June 30, 2007, were $6.9 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 $3.0 million, net of accumulated depreciation of $2.7 million, as of June 30, 2007.

## NOTE 24 – SHORT-TERM DEBT

On July 6, 2006, the State Treasurer issued $650.0 million of General Fund Tax Revenue Anticipation Notes, Series 2006A. The notes were due and payable on June 27, 2007, at an average coupon rate of 4.6 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2007, 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 11, 2006, the State Treasurer issued $145.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2006A. The notes carried an average coupon rate of 4.5 percent and matured on August 3, 2007.

On December 19, 2006, the State Treasurer issued $200.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2006B. The notes carried an average coupon rate of 3.75 percent and matured on August 3, 2007. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2007, 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 the Note Repayment Account that was restricted to paying off the notes on the August 3, 2007, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2007:

(Amount in Thousands)

| | Beginning Balance July 1 | Changes Additions | Changes Reductions | Ending Balance June 30 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Tax Revenue Anticipation Notes | $ - | $ 650,000 | $ (650,000) | $ - |
| Education Loan Anticipation Notes | 415,000 | 345,000 | (415,000) | 345,000 |
| Total Governmental Activities Short-Term Financing | 415,000 | 995,000 | (1,065,000) | 345,000 |
| Total Short-Term Financing | $ 415,000 | $ 995,000 | $ (1,065,000) | $ 345,000 |

## NOTE 25 – NOTES AND BONDS PAYABLE

### Primary Government

Many Higher Education Institutions, the Department of Corrections, the Highway Users Tax Fund, the State Nursing Homes, and CollegeInvest have issued bonds and/or 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. The state is not allowed by its Constitution to issue general obligation debt.

During Fiscal Year 2006-07, 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 $596.1 million of available net revenue after operating expenses to meet the $174.5 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 recorded $250.0 million of interest costs, of which, $115.0 million was recorded by governmental activities and $135.0 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $35.8 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $71.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $5.7 million of interest primarily on Certificates of Participation issued by the Department of Corrections. The business-type activities interest cost primarily comprises $42.8 million of interest on revenue bonds issued by Higher Education Institutions, $72.1 million of interest on revenue bonds issued by CollegeInvest, and $19.4 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes and bonds payable at June 30, 2007, are as follows:

(Amounts in Thousands)

| Fiscal Year | Governmental Activities: Revenue Bonds Principal | Revenue Bonds Interest | Notes Payable Principal | Notes Payable Interest | Certificates of Participation Principal | Certificates of Participation Interest | Totals Principal | Totals Interest |
|---|---|---|---|---|---|---|---|---|
| 2008 | $ 102,475 | $ 65,514 | $ 345,000 | $ 10,974 | $ 9,775 | $ 7,618 | $ 457,250 | $ 84,106 |
| 2009 | 107,795 | 60,197 | - | - | 6,355 | 7,371 | 114,150 | 67,568 |
| 2010 | 113,300 | 54,691 | - | - | 9,135 | 10,979 | 122,435 | 65,670 |
| 2011 | 119,385 | 48,605 | - | - | 12,570 | 7,025 | 131,955 | 55,630 |
| 2012 | 125,265 | 42,725 | - | - | 12,325 | 6,461 | 137,590 | 49,186 |
| 2013 to 2017 | 702,975 | 99,358 | - | - | 55,530 | 24,846 | 758,505 | 124,204 |
| 2018 to 2022 | - | - | - | - | 51,995 | 10,581 | 51,995 | 10,581 |
| 2023 to 2027 | - | - | - | - | 4,485 | 3,441 | 4,485 | 3,441 |
| 2028 to 2032 | - | - | - | - | 7,110 | 2,074 | 7,110 | 2,074 |
| 2033 to 2037 | - | - | - | - | 3,785 | 288 | 3,785 | 288 |
| Subtotals | 1,271,195 | 371,090 | 345,000 | 10,974 | 173,065 | 80,684 | 1,789,260 | 462,748 |
| Unamortized Prem/Discount | 48,523 | - | - | - | 10,138 | - | 58,661 | - |
| Totals | $1,319,718 | $ 371,090 | $ 345,000 | $ 10,974 | $ 183,203 | $ 80,684 | $1,847,921 | $ 462,748 |

(Amounts in Thousands)

| Fiscal Year | Business-Type Activities: Revenue Bonds Principal | Revenue Bonds Interest | Notes Payable Principal | Notes Payable Interest | Mortgages Payable Principal | Mortgages Payable Interest | Certificates of Participation Principal | Certificates of Participation Interest | Totals Principal | Totals Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | $ 56,603 | $ 133,508 | $ 996 | $ 331 | $ 45 | $ 5 | $ 5,354 | $ 10,043 | $ 62,998 | $ 143,887 |
| 2009 | 43,955 | 131,258 | 1,272 | 326 | 48 | 2 | 5,584 | 9,818 | 50,859 | 141,404 |
| 2010 | 44,395 | 129,403 | 1,325 | 272 | - | - | 5,814 | 9,582 | 51,534 | 139,257 |
| 2011 | 45,835 | 127,502 | 954 | 217 | - | - | 6,044 | 9,357 | 52,833 | 137,076 |
| 2012 | 47,260 | 125,705 | 1,571 | 178 | - | - | 6,293 | 9,114 | 55,124 | 134,997 |
| 2013 to 2017 | 255,934 | 602,350 | 2,662 | 438 | - | - | 36,353 | 40,890 | 294,949 | 643,678 |
| 2018 to 2022 | 265,751 | 553,501 | 591 | 31 | - | - | 44,555 | 31,221 | 310,897 | 584,753 |
| 2023 to 2027 | 450,129 | 477,263 | 48 | 5 | - | - | 54,252 | 19,040 | 504,429 | 496,308 |
| 2028 to 2032 | 183,170 | 387,960 | - | - | - | - | 48,837 | 4,968 | 232,007 | 392,928 |
| 2033 to 2037 | 618,730 | 274,828 | - | - | - | - | - | - | 618,730 | 274,828 |
| 2038 to 2042 | 900,110 | 118,480 | - | - | - | - | - | - | 900,110 | 118,480 |
| Subtotals | 2,911,872 | 3,061,758 | 9,419 | 1,798 | 93 | 7 | 213,086 | 144,033 | 3,134,470 | 3,207,596 |
| Unamortized Prem/Discount | 23,511 | - | (49) | - | - | - | 5,830 | - | 29,292 | - |
| Totals | $2,935,383 | $3,061,758 | $ 9,370 | $ 1,798 | $ 93 | $ 7 | $ 218,916 | $ 144,033 | $3,163,762 | $3,207,596 |

## Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2006, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $ 48,230 | $ 51,853 | $ 100,083 |
| 2008 | 49,305 | 50,158 | 99,463 |
| 2009 | 50,545 | 47,933 | 98,478 |
| 2010 | 53,440 | 45,595 | 99,035 |
| 2011 | 57,160 | 43,047 | 100,207 |
| 2012 to 2016 | 269,590 | 175,390 | 444,980 |
| 2017 to 2021 | 238,725 | 113,012 | 351,737 |
| 2022 to 2026 | 154,685 | 62,022 | 216,707 |
| 2027 to 2031 | 59,970 | 37,327 | 97,297 |
| 2032 to 2036 | 82,855 | 20,824 | 103,679 |
| 2037 to 2041 | 24,435 | 7,042 | 31,477 |
| 2042 to 2043 | 11,665 | 926 | 12,591 |
| Total Future Payments | $ 1,100,605 | $ 655,129 | $ 1,755,734 |

The original principal amount for the outstanding bonds was $1.6 billion. Total interest paid during 2006 amounted to $51.8 million.

All of the Colorado 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, 2006, had $98,245,000 of these bonds outstanding.

In January 2007, the University of Colorado Hospital Authority issued $72.8 million of Series 2007A Revenue Bonds with an average 2007 variable interest rate of 3.83 percent. Proceeds from the bond will be used for the partial refunding of Series 2001A bonds (see Note 27).

During Fiscal Year 2006-07, the hospital met all the financial ratio requirements of its bond indentures. Cash paid for interest by the hospital in Fiscal Year 2006-07 approximated $23.0 million. Total interest cost capitalized in Fiscal Year 2006-07 amounted to $5.5 million, which is net of $4.5 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, 2007, are:

(Amounts in Thousands)

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2008 | $ 8,483 | $ 23,931 | $ 32,414 |
| 2009 | 8,844 | 23,525 | 32,369 |
| 2010 | 9,239 | 23,118 | 32,357 |
| 2011 | 9,557 | 22,720 | 32,277 |
| 2012 | 9,360 | 22,352 | 31,712 |
| 2013 to 2017 | 36,135 | 104,189 | 140,324 |
| 2018 to 2022 | 55,440 | 90,157 | 145,597 |
| 2023 to 2027 | 114,525 | 72,343 | 186,868 |
| 2028 to 2032 | 104,740 | 49,452 | 154,192 |
| 2033 to 2037 | 100,690 | 29,768 | 130,458 |
| 2038 to 2042 | 103,000 | 7,911 | 110,911 |
| Total Long-Term Debt Payments | 560,013 | 469,466 | 1,029,479 |
| Less: Unamortized Discount | (2,241) | | |
| Deferred Amount on Refunding of | | | |
| Series 1997 A Bonds | (5,029) | | |
| Series 2007 A Bonds | (5,788) | | |
| Total Carrying Amount of Long-Term Debt | $ 546,955 | | |

In June 2004, the University of Colorado Foundation established a $20.0 million unsecured line of credit with a bank. The credit line carried variable interest based on the LIBOR or the prime rate. This line of credit commitment ended on June 21, 2007. The foundation subsequently established a new $20 million unsecured line of credit with another bank. No amounts were outstanding at June 30, 2007.

## NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

### Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2006-07:

(Amount in Thousands)

| | Beginning Balance July 1 | Changes Additions | Changes Reductions | Ending Balance June 30 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Deposits Held In Custody For Others | $ 3,801 | $ 2 | $ (1,045) | $ 2,758 | $ 2,741 |
| Accrued Compensated Absences | 122,297 | 44,218 | (40,720) | 125,795 | 9,533 |
| Claims and Judgments Payable | 392,867 | - | (56,045) | 336,822 | 40,948 |
| Capital Lease Obligations | 17,482 | 15,690 | (2,716) | 30,456 | 2,805 |
| Bonds Payable | 1,418,445 | - | (98,727) | 1,319,718 | 102,475 |
| Certificates of Participation | 196,476 | 1,363 | (14,636) | 183,203 | 9,775 |
| Other Long-Term Liabilities | 210,369 | 3,208 | (6,605) | 206,972 | - |
| Total Governmental Activities Long-Term Liabilities | 2,361,737 | 64,481 | (220,494) | 2,205,724 | 168,277 |
| Business-Type Activities | | | | | |
| Accrued Compensated Absences | 151,121 | 30,193 | (15,416) | 165,898 | 12,578 |
| Claims and Judgments Payable | 39,126 | 48,596 | (47,785) | 39,937 | 11,717 |
| Capital Lease Obligations | 60,725 | 12,899 | (5,003) | 68,621 | 4,950 |
| Bonds Payable | 2,446,217 | 846,191 | (357,025) | 2,935,383 | 56,603 |
| Certificates of Participation | 118,844 | 140,696 | (40,624) | 218,916 | 5,354 |
| Notes, Anticipation Warrants, Mortgages | 6,947 | 3,007 | (491) | 9,463 | 1,041 |
| Other Long-Term Liabilities | 57,414 | 6,997 | (5,720) | 58,691 | 4,595 |
| Total Business-Type Activities Long-Term Liabilities | 2,880,394 | 1,088,579 | (472,064) | 3,496,909 | 96,838 |
| Fiduciary Activities | | | | | |
| Deposits Held In Custody For Others | 266,422 | 5,836 | (25,234) | 247,024 | 194,478 |
| Accrued Compensated Absences | 42 | 23 | (13) | 52 | - |
| Other Long-Term Liabilities | 2,462 | 873 | (501) | 2,834 | - |
| Total Fiduciary Activities Long-Term Liabilities | 268,926 | 6,732 | (25,748) | 249,910 | 194,478 |
| Total Primary Government Long-Term Liabilities | $ 5,511,057 | $ 1,159,792 | $ (718,306) | $ 5,952,543 | $ 459,593 |

Accrued compensated absences liabilities of both the Governmental Activities and the Business-Type Activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the state's funds are used to liquidate the compensated absence liability.

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

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

At June 30, 2007, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets.*

The $207.0 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 $54.1 million shown for business-type activities primarily comprises:

- $34.2 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $4.6 million will be paid within one year and is reported as an Other Current Liability.
- $19.6 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 long-term deferred revenue at the Colorado School of Mines ($1.5 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 | $ 550,673 | $ 7,946 | $ 11,664 | $ 546,955 | $ 8,483 |
| Colorado Water Resources and Power Development Authority | | | | | |
| Bonds Payable | $ 1,014,948 | $ 100,755 | $ 63,031 | $ 1,052,672 | $ 48,230 |
| Other Long-Term Liabilities | $ 332,246 | $ 121,331 | $ 194,473 | $ 259,104 | $ 219,118 |

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 minor 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 related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net 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 Gifts and Donations revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2007, the foundation held $51.1 million of split interest agreement investments with $30.0 million of related liabilities and reported $3.8 million of net beneficial interest in charitable trusts held by others.

At June 30, 2007, the University of Colorado Foundation held $144.1 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Assets – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

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, 2007, total life income agreement assets of CSUF were $1.2 million. Life income agreements payable at the same date totaled $966,113. 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, 2007, the foundation held $14.5 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, 2007, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $18.5 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 $3.6 million on the *Statement of Net Assets – Component Units.* At June 30, 2007, CSMF reported $13.7 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 2006-07, debt was defeased in the business-type activities.

At June 30, 2007, 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: | |
| University of Colorado | 171,865 |
| Auraria Higher Education Center | 24,419 |
| Western State College | 15,035 |
| Fort Lewis College | 4,570 |
| University of Northern Colorado | 1,265 |
| Colorado School of Mines | 574 |
| Total | $ 884,213 |

The Regents of the University of Colorado issued $195,014,723 of its University Enterprise Refunding Revenue Bonds Series 2007A to defease all of its Enterprise System Revenue Refunding Bonds Series 1999A, Master Lease Purchase Agreement Certificates of Participation Series 2003A, and to partially defease its Enterprise System Revenue Refunding Bonds Series 1995A, Enterprise System Revenue Refunding and Improvement Bonds Series 2001B, Enterprise System Revenue Bonds Series 2002A, Tax-Exempt Enterprise System Revenue Bonds Series 2002B, and its Master Lease Purchase Agreement Certificates of Participation Taxable Series 2003B. The defeased debt had interest rates ranging from 3.125 percent to 5.50 percent and the new debt has interest rates ranging from 3.625 percent to 5.00 percent. The remaining term of the debt was unchanged at 27 years, and the estimated debt service cash flows decreased by $11,028,273. The defeasance resulted in an economic gain of $7,335,694 and a book loss of $9,478,277 that will be amortized as an adjustment of interest expense over the remaining 27 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 refund 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, 2007, the unamortized deferred loss on refunding is $5.0 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 achieve an economic gain of $3.2 million.

During 2007, the University of Colorado Hospital Authority issued $72.8 million in Refunding Revenue Bonds Series 2007A to partially refund Series 2001A bonds. The refunding resulted in a partial legal defeasance, and the deferred loss on refunding is approximately $5.8 million, which the hospital is charging to operations through Fiscal Year 2030-31. The hospital completed the advance refunding in order to convert the 2001A fixed rate to a variable rate issuance.

During 2006, the Colorado Water Resources and Power Development Authority issued $14.0 million of Small Water Resources Bonds Series 2006A to advance refund portions of its 1994A, 1997A, and 2000A Small Water Resources Revenue Bonds totaling $13.6 million. The difference between the new debt and the carrying amount of the old debt was a book loss of $350,000, which will be amortized against the new debt over the life of the refunded debt. The refunding resulted in an economic gain of approximately $1.0 million.

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

### NOTE 28 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING PRINCIPLE CHANGES

**Primary Government**

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $7,351,461 when the Department of Transportation recorded adjustments related to refining its process for identifying and recording construction in progress that is required to be capitalized under the modified approach to reporting infrastructure assets. This adjustment did not affect any of the fund-level financial statements.

The beginning fund balance of the Other Special Revenue Funds, a nonmajor Special Revenue Fund that was previously reported as a major fund, decreased by $684,508,246 and the beginning balance of the following nonmajor Special Revenue Funds increased by:

- Labor Fund - $69,636,889
- Resource Extraction - $491,971,106
- Resource Management - $29,959,331
- Environment and Health Protection - $92,940,920

This change was made to ensure that the Other Special Revenue Fund, which is currently reported as nonmajor, does not exceed the threshold for major fund reporting. All five of these funds are reported in Supplementary information in the state's Comprehensive Annual Financial Report, and therefore, the change did not affect the fund-level financial statements or the government-wide financial statements.

As the result of a change in accounting principle, Colorado State University increased beginning net assets of the Business-Type Activities by $17,267,168 on the government-wide *Statement of Activities* and on the fund-level *Statement of Revenues, Expenses, and Changes in Net Assets.* The accounting principle change was the result of implementing GASB Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The university determined that its other postemployment benefit (OPEB) plan was a revocable trust arrangement that caused it not to qualify for reporting under GASB Statement No. 43. However, implementation guidance accompanying the new standard requires that the university cease reporting the OPEB plan using agency accounting (liabilities equal to plan assets) and begin reporting the plan assets as assets of the university. The removal of the plan liabilities resulted in the increase in beginning net assets. In Fiscal Year 2007-08, the university will apply the requirements of GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions to their OPEB plan.

### 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 $192.6 million reserve for encumbrances represents construction commitments related to projects appropriated by the Legislature in the state's capital construction fund. Those appropriations are multi-year budgets (see Note RSI-1B) that are funded by various sources including general-purpose revenue, cash earnings by state agencies, and federal revenue. In most instances, the cash and federally funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund. In years when the general-purpose revenue transferred into the fund is low the unreserved undesignated fund balance is reported as a deficit because of the unearned cash sources related to the encumbrances.

## NOTE 30 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2007, were:

| SELLER'S/LENDER'S RECEIVABLE | General Fund | Public School | Highway Users Tax | Capital Projects |
|---|---|---|---|---|
| MAJOR FUNDS: | | | | |
| General Fund | $ - | $ 119 | $ 191 | $ - |
| Public School | - | - | - | - |
| Highway Users | 556 | - | - | - |
| Capital Projects | - | - | - | - |
| Higher Education Institutions | 7,563 | - | 599 | 949 |
| CollegeInvest | - | - | - | - |
| NONMAJOR FUNDS | | | | |
| SPECIAL REVENUE FUNDS: | | | | |
| Water Projects | 5 | - | - | 148 |
| Labor | 521 | - | - | - |
| Resource Extraction | 19 | - | - | - |
| Resource Management | 5 | - | 10 | 11 |
| Environment and Health Protection | 27 | - | 37 | - |
| Other Special Revenue | 22,201 | - | - | - |
| PERMANENT FUNDS: | | | | |
| State Lands Trust Nonexpendable | - | - | - | - |
| Other Permanent Trust Nonexpendable | - | - | - | - |
| ENTERPRISE FUNDS: | | | | |
| Correctional Industries | - | - | - | 288 |
| Nursing Homes | 1,614 | - | - | - |
| INTERNAL SERVICE FUNDS: | | | | |
| Central Services | - | - | - | - |
| Public Safety | 1 | - | - | - |
| Administrative Hearings | 70 | - | - | - |
| FIDUCIARY FUNDS: | | | | |
| Group Benefit Plans | 13,699 | - | 102 | - |
| College Savings Plan | - | - | - | - |
| Other Fiduciary | 90 | - | - | - |
| TOTAL | $ 46,371 | $ 119 | $ 939 | $ 1,396 |

Except for the Resource Extraction Fund receivable discussed below, all of the material receivables and related payables shown in the above schedule are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the state's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Group Benefits Plan Fund receivable of $13.7 million from the General Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Other Special Revenue Fund receivable of $22.2 million from the General Fund is primarily related to a tax audit adjustment finalized after year-end.

The General Fund receivable of $8.4 million from All Other Funds is primarily related to a $6.7 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund.

The Highway Users Tax Fund receivable of $64.0 million from All Other Funds is primarily related to a $5.3 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund, and a $58.8 million receivable from the Sales and Use Tax Holding Fund, a portion of the nonmajor Other Special Revenue Fund.

(Amounts in Thousands)

**BUYER'S/BORROWER'S PAYABLE**

| Higher Education Institutions | CollegeInvest | State Lottery | All Other Funds | Total |
|---|---|---|---|---|
| $ 1,279 | $ - | $ - | $ 8,393 | $ 9,982 |
| - | - | 8,220 | 3,852 | 12,072 |
| - | - | - | 64,034 | 64,590 |
| 5,868 | - | - | 411 | 6,279 |
| - | - | - | 5,340 | 14,451 |
| 1,090 | - | - | 38 | 1,128 |
| | | | | |
| - | - | - | 1,417 | 1,570 |
| - | - | - | - | 521 |
| - | - | - | 82,125 | 82,144 |
| - | - | 2,871 | 13 | 2,910 |
| - | - | - | - | 64 |
| - | - | 11,482 | 27,177 | 60,860 |
| | | | | |
| - | - | - | 87 | 87 |
| - | - | - | 10 | 10 |
| | | | | |
| 895 | - | - | 1 | 1,184 |
| - | - | - | 2 | 1,616 |
| | | | | |
| 14 | - | - | 3 | 17 |
| - | - | - | - | 1 |
| - | - | - | - | 70 |
| | | | | |
| - | - | - | 13 | 13,814 |
| - | 1,400 | - | - | 1,400 |
| - | - | 6,133 | 125 | 6,348 |
| $ 9,146 | $ 1,400 | $ 28,706 | $ 193,041 | $ 281,118 |

The Resource Extraction Fund receivable of $82.1 million from All Other Funds was recorded by the Severance Tax Trust Fund and is primarily related to a $81.7 million receivable 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, a portion of the nonmajor Resource Extraction Fund. The loans have terms ranging from 10 to 30 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 Other Special Revenue Fund receivable of $27.2 million from All Other Funds is primarily related to a $19.7 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund, and a $7.0 million receivable that the Clean Energy Fund has from the Limited Gaming Fund.

The Other Special Revenue Fund receivable of $11.5 million from the Lottery Fund is held by the Conservation Trust Fund to be distributed as grants to purchase, preserve, and improve Colorado open space.

## NOTE 31 – TRANSFERS BETWEEN FUNDS

### Primary Government

Transfers between funds for the fiscal year ended June 30, 2007, were as follows:

| TRANSFER-OUT FUND | General Fund | Public School | Highway Users Tax | Capital Projects |
|---|---|---|---|---|
| MAJOR FUNDS: | | | | |
| General Fund | $ - | $ 2,664,259 | $ 291,179 | $ 292,093 |
| Public School | 314 | - | - | - |
| Highway Users | 26,993 | - | - | 2,464 |
| Capital Projects | - | - | - | - |
| State Education | - | - | - | - |
| Higher Education Institutions | 3,975 | - | - | - |
| CollegeInvest | 27 | - | - | - |
| Lottery | 382 | 8,220 | - | - |
| NONMAJOR FUNDS | | | | |
| SPECIAL REVENUE FUNDS: | | | | |
| Water Projects | 1,177 | - | - | - |
| Labor | 22,269 | - | - | 10 |
| Gaming | 7,700 | - | 5,259 | 1,635 |
| Tobacco Impact Mitigation | 47,849 | - | - | 6,405 |
| Resource Extraction | 17,664 | 60,398 | - | - |
| Resource Management | 20,308 | - | - | 2,747 |
| Environment and Health Protection | 9,095 | - | - | - |
| Other Special Revenue | 40,190 | - | 228,562 | 595 |
| PERMANENT FUNDS: | | | | |
| State Lands Trust Expendable | 32 | 31,388 | - | - |
| State Lands Trust Nonexpendable | - | - | - | - |
| Other Permanent Trust Nonexpendable | - | - | - | - |
| OTHER GOVERNMENTAL FUNDS: | | | | |
| Debt Service | - | - | - | - |
| ENTERPRISE FUNDS: | | | | |
| Wildlife | 4,606 | - | - | - |
| College Assist | 80 | - | - | - |
| Correctional Industries | 365 | - | - | - |
| Nursing Homes | 96 | - | - | - |
| Prison Canteens | 67 | - | - | - |
| Petroleum Storage | 875 | - | - | - |
| Other Enterprise | 287 | - | - | - |
| INTERNAL SERVICE FUNDS: | | | | |
| Central Services | 1,558 | - | - | - |
| General Government Computer Center | 615 | - | - | - |
| Telecommunications | 362 | - | - | - |
| Capitol Complex | 698 | - | - | - |
| Administrative Hearings | 292 | - | - | - |
| Debt Collection | 173 | - | - | - |
| FIDUCIARY FUNDS: | | | | |
| Deferred Compensation | 21 | - | - | - |
| Defined Contribution | 2 | - | - | - |
| Group Benefit Plans | 97 | - | - | - |
| Treasurer's Private Purpose | 1,717 | - | - | - |
| TOTAL | $ 209,886 | $ 2,764,265 | $ 525,000 | $ 305,949 |

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs shown in the above schedule. The most significant of these are the transfers out of the General Fund and into the Public School Fund, the Highway Users Tax Fund, the Capital Projects Fund, and the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

The Labor Fund transfer-out of $22.3 million to the General Fund occurs entirely within the Department of Labor and Employment and provides revenues in the General Fund for programs that support the Labor Fund.

The Highway Users Tax Fund transfer-out of $27.0 million to the General Fund includes $17.8 million transferred to the Department of Revenue to support programs that generate Highway Users Tax Fund revenue.

The Tobacco Impact Mitigation Fund transfer-out of $47.8 million to the General Fund includes a $37.6 million transfer from the Health Care Expansion Fund, a $6.0 million transfer from the Tobacco Litigation Settlement Fund, and a $1.3 million transfer from the Nurse Home Visitor Program. Each of these transfers was to the Department of Health Care Policy and Financing for purchase of medical services.

(Amounts in Thousands)

**TRANSFER-IN FUND**

| Higher Education Institutions | CollegeInvest | All Other Funds | TOTAL |
|---|---|---|---|
| $ 120,203 | $ 162 | $ 32,183 | $ 3,400,079 |
| - | - | 14,344 | 14,658 |
| - | - | 169,466 | 198,923 |
| 6,405 | - | 8,297 | 14,702 |
| 2,287 | - | 707 | 2,994 |
| - | - | - | 3,975 |
| - | - | - | 27 |
| - | - | 59,498 | 68,100 |
| - | - | 651 | 1,828 |
| - | - | 6,240 | 28,519 |
| - | - | 26,677 | 41,271 |
| - | - | 31,635 | 85,889 |
| 3,750 | - | 40,736 | 122,548 |
| 1,178 | - | 75 | 24,308 |
| - | - | - | 9,095 |
| - | - | 5,460 | 274,807 |
| 104 | - | 1,213 | 32,737 |
| 525 | - | 4,254 | 4,779 |
| - | - | 35 | 35 |
| - | - | 4 | 4 |
| - | - | 296 | 4,902 |
| - | - | - | 80 |
| - | - | - | 365 |
| - | - | - | 96 |
| - | - | - | 67 |
| - | - | - | 875 |
| - | - | - | 287 |
| - | - | - | 1,558 |
| - | - | - | 615 |
| - | - | - | 362 |
| - | - | 415 | 1,113 |
| - | - | - | 292 |
| - | - | - | 173 |
| - | - | - | 21 |
| - | - | - | 2 |
| - | - | - | 97 |
| - | - | - | 1,717 |
| $ 134,452 | $ 162 | $ 402,186 | $ 4,341,900 |

The Resource Management Fund transfer-out of $20.3 million to the General Fund includes a $16.9 million transfer within the Department of Natural Resources that was paid out of the Parks Cash Fund.

The Other Special Revenue Funds transfer-out of $40.2 million comprises $31.6 million of legislative mandated transfers to fund programs in agencies that operate primarily in the General Fund and $8.6 million of indirect cost transfers to support overhead charged to the Other Special Revenue Funds.

The $60.4 million transfer-out of Resource Extraction and into the Public School Fund is from the Mineral Leasing Fund.

The Other Special Revenue Funds transfer-out of $228.6 million is from the Sales and Use Tax Holding Fund which transfers sales and use tax to the General Fund or the Highway Users Tax Fund depending on the adequacy of the required four percent reserve in the General Fund.

The General Fund transfer-out of $32.2 million to All Other Funds included $11.2 million to support the Children's Basic Health Plan and $7.5 million to the School Construction and Renovation Fund.

The Highway Users Tax Fund transfer-out of $169.5 million to All Other Funds was exclusively to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery Fund transfer-out of $59.5 million to All Other Funds included $47.6 million to the Conservation Trust Fund and $11.9 million to the Division of Parks and Outdoor Recreation to support management of the state's natural resources.

The Gaming Fund transfer-out of $26.7 million to All Other Funds included $19.7 million transferred to the Travel and Tourism Trust Fund and $7.0 million transferred to the Clean Energy Fund. Both receiving funds are managed by the Governor's Office.

The Tobacco Impact Mitigation Fund transfer-out of $31.6 million to All Other Funds included $19.2 million transferred from the Tobacco Settlement Fund and $12.1 million from the Tobacco Tax Fund. Both transfers were to the Department of Health Care Policy and Financing to support purchase of medical services.

The Resource Extraction Fund transfer-out of $40.7 million to All Other Funds included $13.7 million transferred from the Operating Account of the Severance Tax Trust and $12.3 million from the Mineral Leasing Fund to the Water Conservation Board in the Department of Natural Resources. The $40.7 million also included $8.8 million transferred from the Operating Account of the Severance Tax Trust to the Species Conservation Funds.

## NOTE 32 – UNUSUAL OR INFREQUENT TRANSACTIONS

### Primary Government

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following.

The Department of Labor and Employment recorded an asset impairment of $16.1 million related to termination of a computer system under development. The event was an infrequent occurrence that was under the control of management (see Note 17).

The Department of Revenue recorded a loss of $9.8 million related to employee fraud in its income tax collection section. The department recorded a receivable of $11.3 million from the parties charged with the fraud, recovered $0.9 million, and expects to recover an additional $0.6 million. The loss was recorded as an allowance for uncollectible amounts related to the receivable. This event is considered both unusual and infrequent.

### Component Units

The University of Colorado Hospital Authority recorded an asset impairment of $34.5 million as a special expense. The impairment was related to vacating the hospital campus at 9th Avenue in Denver, Colorado, earlier than previously anticipated. The early move was made possible by additional donations that allowed accelerated development of the new Fitzsimons medical campus in Aurora, Colorado. The impairment comprises $33.0 million of the remaining net book value of buildings that will be vacated earlier than expected and $1.5 million related to the remaining prepayment of the land lease of the ground beneath and adjacent to the vacated buildings.

The University of Colorado Foundation reports a special item of $3.8 million related to the sale of its student housing and other facilities held by Bear Creek I, LLC (a Colorado limited liability corporation whose sole member is the foundation). In June 2002, the Colorado Educational and Cultural Facilities Authority issued $69.1 million of bonds and loaned the proceeds to Bear Creek to construct, equip, and furnish student housing and related facilities. The facilities were held in the name of Bear Creek. In June 2007, Bear Creek sold the facilities to the University of Colorado for $65.5 million, defeased outstanding bonds of $66.9 million, and recorded a gain on sale of $6.2 million. Bear Creek reported a current period operating loss of $2.4 million, and therefore, reported a net gain of $3.8 million as income from discontinued operations under Financial Accounting Standards Board reporting requirements. Bear Creek owns no other properties and will be eliminated as an operating division of the foundation in Fiscal Year 2007-08.

## 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 $6.8 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 $303,813 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 $1,457,130 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, a management fee of 1 to 1.5 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported $302,242 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 on the following page 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 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 page presents condensed financial information for the state's segments that are not presented as major funds.

## CONDENSED STATEMENT OF NET ASSETS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | STATE FAIR AUTHORITY | UNIVERSITY OF COLORADO: UNIVERSITY PHYSICIANS INCORPORATED | COLORADO SCHOOL OF MINES: AUXILIARY HOUSING | COLORADO SCHOOL OF MINES: GENERAL RESEARCH FACILITIES | AURARIA HIGHER EDUCATION CENTER: PARKING FACILITIES | AURARIA HIGHER EDUCATION CENTER: STUDENT FACILITIES |
|---|---|---|---|---|---|---|
| ASSETS: | | | | | | |
| Current Assets | $ 445 | $ 85,001 | $ 4,645 | $ 788 | $ 3,082 | $ 9,556 |
| Other Assets | 25 | 53,147 | 1,000 | 68 | 7,805 | 1,833 |
| Capital Assets | 10,877 | 16,320 | 65,462 | 10,400 | 41,890 | 37,861 |
| Total Assets | 11,347 | 154,468 | 71,107 | 11,256 | 52,777 | 49,250 |
| LIABILITIES: | | | | | | |
| Current Liabilities | 2,368 | 20,436 | 3,226 | - | 2,115 | 3,844 |
| Due To Other Funds | - | - | - | 399 | - | - |
| Noncurrent Liabilities | 122 | 18,968 | 61,753 | 10,166 | 35,388 | 34,296 |
| Total Liabilities | 2,490 | 39,404 | 64,979 | 10,565 | 37,503 | 38,140 |
| NET ASSETS: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 9,713 | (3,102) | 3,065 | (97) | 5,699 | 3,189 |
| Other Restricted Net Assets | - | 62 | - | - | 7,100 | 742 |
| Unrestricted | (856) | 118,104 | 3,063 | 788 | 2,475 | 7,179 |
| Total Net Assets | $ 8,857 | $ 115,064 | $ 6,128 | $ 691 | $ 15,274 | $ 11,110 |

## CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2007

| | | | | | | |
|---|---|---|---|---|---|---|
| OPERATING REVENUES : | | | | | | |
| Tuition and Fees | $ - | $ - | $ 2,034 | $ - | $ - | $ 4,680 |
| Sales of Goods and Services | 4,840 | 269,549 | - | - | 7,463 | 21,026 |
| Other | 2,062 | - | 8,492 | 1,085 | - | 56 |
| Total Operating Revenues | 6,902 | 269,549 | 10,526 | 1,085 | 7,463 | 25,762 |
| OPERATING EXPENSES: | | | | | | |
| Depreciation | 592 | 1,423 | 1,946 | 294 | 1,821 | 2,182 |
| Other | 8,719 | 257,923 | 6,106 | - | 4,399 | 22,375 |
| Total Operating Expenses | 9,311 | 259,346 | 8,052 | 294 | 6,220 | 24,557 |
| OPERATING INCOME (LOSS) | (2,409) | 10,203 | 2,474 | 791 | 1,243 | 1,205 |
| NONOPERATING REVENUES AND (EXPENSES): | | | | | | |
| Investment Income | 3 | 5,542 | 313 | - | 434 | 474 |
| Gifts and Donations | 270 | - | 573 | - | - | - |
| Other Nonoperating Revenues | 8 | - | - | - | - | 2 |
| Debt Service | (170) | (683) | (2,671) | - | (1,576) | (1,522) |
| Other Nonoperating Expenses | - | (1,792) | (376) | (441) | - | - |
| Total Nonoperating Revenues(Expenses) | 111 | 3,067 | (2,161) | (441) | (1,142) | (1,046) |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | | | | |
| Capital Contributions and Additions to Endowments | 1,055 | - | - | - | - | 168 |
| Transfers-In | 3,265 | - | - | - | - | - |
| Transfers-Out | - | - | (144) | - | (571) | (1,542) |
| Total Contributions, Transfers, and Other | 4,320 | - | (144) | - | (571) | (1,374) |
| CHANGE IN NET ASSETS | 2,022 | 13,270 | 169 | 350 | (470) | (1,215) |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 6,835 | 101,794 | 5,959 | 341 | 15,744 | 12,325 |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 8,857 | $ 115,064 | $ 6,128 | $ 691 | $ 15,274 | $ 11,110 |

## CONDENSED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2007

| | | | | | | |
|---|---|---|---|---|---|---|
| NET CASH PROVIDED (USED) BY: | | | | | | |
| Operating Activities | $ (2,685) | $ 8,813 | $ 14,847 | $ 895 | $ 3,322 | $ 3,265 |
| Noncapital Financing Activities | 3,265 | (1,820) | (11,494) | (590) | (571) | (1,542) |
| Capital and Related Financing Activities | (430) | (1,110) | - | - | (3,807) | (4,769) |
| Investing Activities | 3 | (11,610) | (1,034) | - | 1,293 | 2,866 |
| NET INCREASE (DECR.) IN CASH AND POOLED CASH | 153 | (5,727) | 2,319 | 305 | 237 | (180) |
| CASH AND POOLED CASH, FISCAL YEAR BEGINNING | - | 37,299 | 2,056 | 293 | 2,617 | 7,452 |
| CASH AND POOLED CASH, FISCAL YEAR ENDING | $ 153 | $ 31,572 | $ 4,375 | $ 598 | $ 2,854 | $ 7,272 |

**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 389 beds with six outpatient clinics and a home therapy unit operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado 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. During 2007, the hospital completed the relocation of its main campus from east central Denver to the Anshutz Medical 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 authority paid the state $2.8 million during 2006 for services provided by two state departments.

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 state legislature authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt. In 2006, the district refunded $625,000 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. 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 2006-07, it received $6.9 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, 2007, the foundation distributed $53.7 million to or for the benefit of the University of Colorado as follows: $50.8 million of gifts and income and $2.9 million to the Boulder Alumni Association. Subsequent to June 30, 2007, the foundation transferred the operations of the Boulder Alumni Association to the University.

Through an operating agreement with the University of Colorado at Boulder, Bear Creek, a limited liability company of which the foundation is the sole member, constructed the Bear Creek Apartments and Community Center. On June 7, 2007, the foundation recorded the university's purchase of the apartments and community center for $65.5 million (see Note 32).

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 2006-07, the foundation transferred $24.1 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. 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 the university $208,168 at June 30, 2007.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the university equal to its net available cash flow as defined in a ground lease with the university that terminates in 2047. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility. Title to the student housing facility transfers to the university at the end of the ground lease or upon earlier retirement of the bond issue. At June 30, 2007, the LLC had capital assets of $14.7 million and other assets of $7.5 million; long-term debt of $23.6 million and current liabilities of $1.0 million exceeded total assets by $2.3 million.

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

In 2005, the authority created Colorado Fund 1, LP 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, LP 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, 2006, the authority has contributed approximately $6.4 million or 29 percent of its total funding commitment to Colorado Fund 1, LP.

## 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 $1.4 million to the university during Fiscal Year 2006-07, owed the university $529,813, and was due $261,821 from the university at June 30, 2007.

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 $1.6 million and $1.7 million in scholarships and grants during Fiscal Year 2006-07 and 2005-06, 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 2006-07, the foundation awarded $492,820 of scholarships directly to Mesa State College students. The foundation transferred real property to the college valued at $585,000 for a note payable due November 11, 2011.

The Mesa State College Real Estate Foundation was formed to acquire, manage, and dispose of properties to help meet the financial needs of Mesa State College. In Fiscal Year 2006-07, Mesa State College transferred land totaling $433,637 and an additional $100,000 to the foundation for start-up assistance, as authorized by the College Board of Trustees.

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 $2.2 million and $2.4 million of funding to the college in Fiscal Years 2006-07 and 2005-06, respectively. The foundation also reimbursed the college $174,626 for services provided by college employees in Fiscal Year 2006-07. At June 30, 2007, the foundation owed the college $385,348.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $1.1 million and $1.9 million to the college in Fiscal Years 2006-07 and 2005-06, respectively.

Auraria Foundation was established to provide gifts and grants for the educational mission of the Auraria Higher Education Center (AHEC). The foundation provided $270,458 in support to AHEC during Fiscal Year 2006-07 primarily for campus safety upgrades.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of the Front Range and Pueblo Community Colleges, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Front Range Community College Foundation transferred $628,873 to Front Range Community College during Fiscal Year 2006-07 for student scholarships and instructional support. The Pueblo Community College Foundation provided support to Pueblo Community College in the amount of $900,863 for scholarships, rental properties, construction, and discretionary funds.

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 I. The LLC owed the University of Northern Colorado $416,890 for a working capital loan at June 30, 2007.

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 were $2.4 million at June 30, 2007 and 2006. At June 30, 2007, 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 $691,476 and $340,523 at June 30, 2007 and 2006, 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 2006-07 and 2005-06, the board funded $24.2 million and $25.8 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2007, GOCO owed the Department of Natural Resources $9.1 million.

**Component Units**

The University of Colorado 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 Anschutz Medical Campus 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 used 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 $30.5 million for these services in Fiscal Year 2006-07. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado at Denver and Health Sciences Center (UCDHSC) to the hospital of approximately $8.0 million in Fiscal Year 2006-07. In total, the UCDHSC paid the hospital $10.4 million in Fiscal Year 2006-07.

The hospital has contracted with University Physicians, Inc., a blended component unit of the state's Higher Education Institutions enterprise fund, to provide support for clinical services, patient services, and recruitment for expanded clinical access. The hospital passed through $6.9 million of government external funds and paid UPI an additional $45.9 million for services in Fiscal Year 2006-07.

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 $1.8 million were billed to CRC for the cost of these services during Fiscal Year 2006-07. The amount due from the UCDHSC, including CRC, amounted to $7.1 million at June 30, 2007.

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 2006 and 2007. 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 $2.0 million in Fiscal Year 2006-07.

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 to provide services to medically underserved Coloradoans. 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 was originally due on or before August 24, 2004, but remains unpaid at June 30, 2007. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital. During Fiscal Year 2006-07, the hospital wrote down interest earned on the loan for the year, in addition to having written down $600,000 of principal and related accrued interest in Fiscal Year 2005-06.

The Venture Capital Authority (VCA) has a Limited Partnership Agreement with Colorado Fund 1, LP and has selected High Country Venture, LLC, to serve as manager and general partner of the Fund. As of December 31, 2006, VCA's investment in the fund totaled $5.3 million.

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 is paid in advance, on a quarterly basis, as a percentage of total capital commitments ranging from .5 percent to 2 percent through 2013. In 2006, the VCA made capital contributions to the fund of $326,496 for management fees and $83,732 for operating expenses.

## 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 health patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the

courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

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

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 Department of Agriculture has informed the state that it will disallow approximately $10.9 million of Food Stamps payments issued improperly due to problems incurred with the state's implementation of the Colorado Benefits Management System. The state estimates the actual range of loss from $4.0 to $6.0 million. The state normally contests such disallowances, and the outcome is uncertain at this time.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for approximately 25 percent, or $2.75 billion, of the $11.02 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote.

At June 30, 2007, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $526.3 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 $15.0 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 $7.64 billion are outstanding. Of this amount, $6.70 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. In prior fiscal years the State of Colorado paid the State of Kansas a cumulative amount of $35.7 million for settlement of the original lawsuit and related litigation costs. The State of Kansas continues to seek to recover up to $9.0 million in additional litigation costs.

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, and 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. After Colorado Court of Appeals decisions, both the plaintiffs and the state petitioned the Colorado Supreme Court, and the case was accepted for review.

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 $5.0 billion to $10.0 billion is provided. All claims were dismissed by the district court, and the case is currently under appeal with the Colorado Court of Appeals. Estimates of plaintiff attorney fees and cost currently exceed $1.0 million.

The state believes it has a good chance of prevailing in the actions discussed in this Note 37, 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 $10.4 million, in the event of default of the Development Corporation. Any payment of principal, interest, or fees by the foundation will be reimbursed by the Colorado School of Mines through a transfer of investments held in trust for others by the foundation.

## NOTE 38 – SUBSEQUENT EVENTS

### DEBT ISSUANCE

On July 5, 2007, the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2007A. The notes are due and payable on June 27, 2008, at a coupon rate of 4.25 percent. The total interest related to this issuance will be $20.8 million. The notes are issued for cash management purposes.

On July 16, 2007, the State Treasurer issued $150.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2007A. The notes have coupon rates ranging from 4.0 to 4.5 percent, which will result in approximately $6.2 million of interest due at maturity. The notes mature on August 5, 2008, but the State Treasurer has established a Series 2007A Note Repayment Account that will be funded by June 26, 2008, in an amount adequate to fully defease the outstanding notes.

On December 19, 2007, the State Treasurer issued $310.0 million of ETRANs Series 2007B. The notes have coupon rates ranging from 2.95 to 3.5 percent, which will result in approximately $6.3 million of interest due at maturity. This ETRAN issuance also matures on August 5, 2008, and the State Treasurer has established a Series 2007B Note Repayment Account that will be funded by June 26, 2008, in an amount adequate to fully defease the outstanding notes.

On September 6, 2007, Colorado State University issued $210,045,000 of System Enterprise Revenue Bonds Series 2007A-C. The proceeds will be used to fund various types of facilities at the Fort Collins and Pueblo campuses, to refund certain outstanding obligations ($19.3 million of current refunding and $14.9 million of advance refunding), to pay capitalized interest, and to pay issuance costs. The revenue bonds bear interest rates ranging from 4.0 to 5.883 percent with final maturity in 2037. The revenue bonds have optional redemption provisions at various dates.

On July 2, 2007, the University of Colorado transferred $100.0 million to the University of Colorado Foundation to be held in trust for the university.

In September 2007, the Colorado School of Mines issued $43.8 million of the Board of Trustees of the Colorado School of Mines Enterprise Refunding and Improvement Revenue Bonds, Series 2007. The proceeds of the bonds will be used to refund a portion of certain outstanding bonds, pay bond issuance costs, and finance capital improvements. The revenue bonds mature in Fiscal Year 2038 and have an interest rate of 3.59 percent.

On December 13, 2007, the Mesa County Board of County Commissioners and several Colorado taxpayers filed suit challenging the constitutionality of Senate Bill 199 enacted in the 2007 legislative session (SB07-199). The bill removed a provision from the Colorado School Finance Act that required a reduction of school district property tax mill levies when property values increased. The mill levy reduction is also an effect of Article X Section 20 (TABOR), which prevents school districts from collecting and spending monies in excess of the TABOR growth limits. However, school districts are allowed to retain and spend amounts in excess of the TABOR limit after voter approval, which most school districts have obtained. Prior to the enactment of SB07-199, school districts were required by the School Finance Act to reduce their mill levies even if they had obtained the voters approval. As a result of the school district mill levy reductions, the state's portion of school district funding continued to increase as the mill levies declined. In the lawsuit the plaintives claim that the removal of the School Finance Act provision violates the TABOR requirement for a vote of the people when spending limitations are weakened. The plaintives seek, among other things, a refund of the excess taxes paid to school districts, plus 10 percent, due to the absence of mill levy reductions when property valuations increased. The amount of the refunds cannot be estimated; however, SB07-199 reduced Fiscal Year 2007-08 state appropriations related to school district funding by $41.0 million. Legislative Council's most recent estimate of the increase in statewide property taxes related to SB07-199 was $114.1 million.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 2,076,354 | |
| Income Taxes | | | 4,973,681 | |
| Other Taxes | | | 184,323 | |
| Federal Grants and Contracts | | | 90 | |
| Sales and Services | | | 304 | |
| Interest Earnings | | | 43,084 | |
| Other Revenues | | | 42,820 | |
| Transfers-In | | | 304,688 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 7,625,344 | |
| EXPENDITURES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 5,205 | $ 5,222 | 5,159 | $ 63 |
| Corrections | 585,350 | 581,647 | 575,630 | 6,017 |
| Education | 2,874,603 | 2,883,127 | 2,882,795 | 332 |
| Governor | 11,230 | 16,050 | 11,356 | 4,694 |
| Health Care Policy and Financing | 1,396,827 | 1,369,918 | 1,363,701 | 6,217 |
| Higher Education | 689,674 | 694,210 | 693,814 | 396 |
| Human Services | 604,056 | 626,731 | 620,797 | 5,934 |
| Judicial Branch | 262,618 | 264,846 | 264,156 | 690 |
| Labor and Employment | 140 | 141 | 108 | 33 |
| Law | 9,306 | 9,956 | 8,864 | 1,092 |
| Legislative Branch | 30,887 | 31,176 | 29,647 | 1,529 |
| Local Affairs | 10,304 | 10,303 | 9,973 | 330 |
| Military and Veterans Affairs | 5,275 | 5,216 | 5,039 | 177 |
| Natural Resources | 28,534 | 28,443 | 28,122 | 321 |
| Personnel & Administration | 7,368 | 9,549 | 9,445 | 104 |
| Public Health and Environment | 22,817 | 26,820 | 26,786 | 34 |
| Public Safety | 66,899 | 68,200 | 66,997 | 1,203 |
| Regulatory Agencies | 1,302 | 1,297 | 1,267 | 30 |
| Revenue | 180,011 | 178,310 | 180,057 | (1,747) |
| Treasury | 121,402 | 121,458 | 121,407 | 51 |
| SUB-TOTAL OPERATING BUDGETS | 6,913,808 | 6,932,620 | 6,905,120 | 27,500 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | 1,513 | 750 | - | 750 |
| Corrections | 52,357 | 17,698 | 1,862 | 15,836 |
| Education | 1,097 | 1,418 | 411 | 1,007 |
| Governor | - | 245 | - | 245 |
| Health Care Policy and Financing | - | 112 | 2 | 110 |
| Higher Education | 114,063 | 128,424 | 35,202 | 93,222 |
| Human Services | 49,562 | 45,474 | 11,402 | 34,072 |
| Judicial Branch | - | 862 | 28 | 834 |
| Military and Veterans Affairs | 1,630 | 3,182 | 490 | 2,692 |
| Personnel & Administration | 4,604 | 11,124 | 3,223 | 7,901 |
| Public Health and Environment | - | 3,377 | 418 | 2,959 |
| Public Safety | 8,030 | 2,339 | 175 | 2,164 |
| Revenue | 645 | 8,651 | 180 | 8,471 |
| Transportation | 20,000 | 25,000 | - | 25,000 |
| Budgets/Transfers Not Booked by Department | 585,826 | 585,826 | 585,826 | - |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 839,327 | 834,482 | 639,219 | 195,263 |
| TOTAL EXPENDITURES AND TRANSFERS-OUT | $ 7,753,135 | $ 7,767,102 | 7,544,339 | $ 222,763 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT | | | $ 81,005 | |

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, 2007

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 981,781 | |
| Income Taxes | | | 395,108 | |
| Other Taxes | | | 811,212 | |
| Tuition and Fees | | | 1,522,701 | |
| Sales and Services | | | 982,989 | |
| Interest Earnings | | | 576,224 | |
| Other Revenues | | | 2,381,436 | |
| Transfers-In | | | 5,556,252 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 13,207,703 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 28,858 | $ 29,000 | 23,174 | $ 5,826 |
| Corrections | 65,489 | 67,365 | 61,763 | 5,602 |
| Education | 3,183,520 | 3,194,464 | 3,143,307 | 51,157 |
| Governor | 62,747 | 73,079 | 53,365 | 19,714 |
| Health Care Policy and Financing | 420,946 | 387,881 | 349,640 | 38,241 |
| Higher Education | 2,606,615 | 2,604,170 | 2,364,936 | 239,234 |
| Human Services | 660,576 | 293,994 | 270,523 | 23,471 |
| Judicial Branch | 99,714 | 97,218 | 92,940 | 4,278 |
| Labor and Employment | 429,636 | 431,279 | 419,417 | 11,862 |
| Law | 30,153 | 31,566 | 29,592 | 1,974 |
| Legislative Branch | 2,884 | 2,764 | 2,255 | 509 |
| Local Affairs | 382,548 | 385,573 | 195,167 | 190,406 |
| Military and Veterans Affairs | 3,539 | 3,585 | 2,664 | 921 |
| Natural Resources | 464,580 | 440,143 | 284,857 | 155,286 |
| Personnel & Administration | 457,855 | 463,989 | 408,162 | 55,827 |
| Public Health and Environment | 221,024 | 232,106 | 140,088 | 92,018 |
| Public Safety | 121,199 | 118,698 | 111,093 | 7,605 |
| Regulatory Agencies | 66,384 | 67,073 | 63,975 | 3,098 |
| Revenue | 704,239 | 734,316 | 633,923 | 100,393 |
| State | 26,669 | 56,755 | 34,331 | 22,424 |
| Transportation | 231,729 | 234,605 | 211,487 | 23,118 |
| Treasury | 1,918,039 | 1,918,789 | 1,908,313 | 10,476 |
| SUB-TOTAL OPERATING BUDGETS | 12,188,943 | 11,868,412 | 10,804,972 | 1,063,440 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | 340 | 2,109 | 968 | 1,141 |
| Corrections | 141,418 | 134,939 | 15,780 | 119,159 |
| Governor | 1,805 | 1,805 | 92 | 1,713 |
| Higher Education | 210,949 | 544,321 | 203,712 | 340,609 |
| Human Services | 825 | 866 | 461 | 405 |
| Labor and Employment | 46,000 | 44,996 | 40,259 | 4,737 |
| Military and Veterans Affairs | 191 | 1,118 | 470 | 648 |
| Natural Resources | 50,183 | 53,452 | 15,211 | 38,241 |
| Personnel & Administration | 10,957 | 25,635 | 8,088 | 17,547 |
| Public Health and Environment | 2,950 | 11,457 | 1,409 | 10,048 |
| Public Safety | - | 209 | 197 | 12 |
| Revenue | - | 4,672 | 1,963 | 2,709 |
| Transportation | 1,651,296 | 1,649,471 | 766,334 | 883,137 |
| Budgets/Transfers Not Booked by Department | 7,143 | 7,143 | 7,143 | - |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 2,124,057 | 2,482,193 | 1,062,087 | 1,420,106 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 14,313,000 | $ 14,350,605 | 11,867,059 | $ 2,483,546 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ 1,340,644 | |

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, 2007

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Federal Grants and Contracts | | | $ 4,422,417 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 4,422,417 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 1,775 | $ 17,612 | 7,692 | $ 9,920 |
| Corrections | 3,435 | 7,739 | 4,908 | 2,831 |
| Education | 488,040 | 713,509 | 529,143 | 184,366 |
| Governor | 12,316 | 65,416 | 32,357 | 33,059 |
| Health Care Policy and Financing | 1,622,470 | 1,613,569 | 1,586,348 | 27,221 |
| Higher Education | 20,133 | 369,363 | 249,586 | 119,777 |
| Human Services | 595,160 | 1,121,560 | 926,802 | 194,758 |
| Judicial Branch | 1,166 | 5,733 | 3,515 | 2,218 |
| Labor and Employment | 104,759 | 177,826 | 111,887 | 65,939 |
| Law | 882 | 964 | 920 | 44 |
| Local Affairs | 97,749 | 202,676 | 90,538 | 112,138 |
| Military and Veterans Affairs | 145,806 | 20,967 | 11,886 | 9,081 |
| Natural Resources | 21,311 | 53,259 | 28,795 | 24,464 |
| Personnel & Administration | 121 | 852 | 732 | 120 |
| Public Health and Environment | 234,457 | 325,866 | 211,719 | 114,147 |
| Public Safety | 35,285 | 56,571 | 28,627 | 27,944 |
| Regulatory Agencies | 1,152 | 2,285 | 1,164 | 1,121 |
| Revenue | 1,562 | 3,870 | 1,818 | 2,052 |
| State | - | 276 | 132 | 144 |
| Transportation | 415,272 | 456,834 | 428,748 | 28,086 |
| Treasury | - | 128,701 | 128,615 | 86 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 3,802,851 | 5,345,448 | 4,385,932 | 959,516 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 3,802,851 | $ 5,345,448 | 4,385,932 | $ 959,516 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ 36,485 | |

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, 2007**

(DOLLARS IN THOUSANDS)

| | GOVERNMENTAL FUND TYPES | | | | | |
|---|---|---|---|---|---|---|
| | GENERAL | PUBLIC SCHOOL | HIGHWAY USERS TAX | CAPITAL PROJECTS | STATE EDUCATION | OTHER GOVERNMENTAL FUNDS |
| BUDGETARY BASIS: | | | | | | |
| Revenues and Transfers-In: | | | | | | |
| General | $ 7,312,561 | $ - | $ - | $ 312,783 | $ - | $ - |
| Cash | 740,155 | 2,772,500 | 2,460,684 | 216,297 | 408,813 | 2,063,832 |
| Federal | 3,401,037 | - | 428,558 | 31,541 | - | 253,414 |
| Sub-Total Revenues and Transfers-In | 11,453,753 | 2,772,500 | 2,889,242 | 560,621 | 408,813 | 2,317,246 |
| Expenditures/Expenses and Transfers-Out | | | | | | |
| General Funded | 7,487,767 | - | - | 56,572 | - | - |
| Cash Funded | 732,156 | 2,773,049 | 2,205,783 | 229,729 | 336,723 | 1,844,005 |
| Federally Funded | 3,400,931 | - | 428,558 | 31,542 | - | 253,837 |
| Expenditures/Expenses and Transfers-Out | 11,620,854 | 2,773,049 | 2,634,341 | 317,843 | 336,723 | 2,097,842 |
| Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis | (167,101) | (549) | 254,901 | 242,778 | 72,090 | 219,404 |
| BUDGETARY BASIS ADJUSTMENTS: | | | | | | |
| Increase/(Decrease) for Unrealized Gains/Losses | 9,920 | - | 3,348 | 57 | 685 | 13,340 |
| Increase for Budgeted Non-GAAP Expenditures | - | - | - | - | - | 27,057 |
| Increase/(Decrease) for GAAP Expenditures Not Budgeted | 76,860 | - | 35,301 | 207,671 | - | 1,838 |
| Increase/(Decrease) for GAAP Revenue Adjustments | (99,123) | - | 5,205 | (207,671) | - | (2,373) |
| Increase/(Decrease) for Non-Budgeted Funds | - | - | - | - | - | - |
| Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis | (179,444) | (549) | 298,755 | 242,835 | 72,775 | 259,266 |
| GAAP BASIS FUND BALANCES/NET ASSETS: | | | | | | |
| FUND BALANCE/NET ASSETS, JULY 1 | 592,761 | 48,568 | 1,078,442 | 279,065 | 153,043 | 2,166,818 |
| Prior Period Adjustments (See Note 28) | - | - | - | - | - | - |
| FUND BALANCE/NET ASSETS, JUNE 30 | $ 413,317 | $ 48,019 | $ 1,377,197 | $ 521,900 | $ 225,818 | $ 2,426,084 |

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** |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 7,625,344 |
| 1,578,105 | 427,832 | 82,213 | 469,588 | 269,279 | 101,852 | 1,616,553 | 13,207,703 |
| 17,538 | 15,699 | 35,362 | - | 239,094 | 174 | - | 4,422,417 |
| 1,595,643 | 443,531 | 117,575 | 469,588 | 508,373 | 102,026 | 1,616,553 | 25,255,464 |
| - | - | - | - | - | - | - | 7,544,339 |
| 1,676,184 | 295,860 | 100,747 | 469,689 | 241,293 | 102,173 | 859,668 | 11,867,059 |
| 17,538 | 15,587 | - | - | 237,765 | 174 | - | 4,385,932 |
| 1,693,722 | 311,447 | 100,747 | 469,689 | 479,058 | 102,347 | 859,668 | 23,797,330 |
| (98,079) | 132,084 | 16,828 | (101) | 29,315 | (321) | 756,885 | 1,458,134 |
| 187 | - | 1,003 | 197 | 1,243 | 22 | 125,746 | 155,748 |
| - | - | - | 125 | 10,013 | 1,380 | - | 38,575 |
| 3,921 | (5,290) | - | (134) | (12,213) | (4,565) | (9) | 303,380 |
| - | - | - | - | 1,614 | (757) | - | (303,105) |
| 316,038 | - | - | - | - | - | - | 316,038 |
| 222,067 | 126,794 | 17,831 | 87 | 29,972 | (4,241) | 882,622 | 1,968,770 |
| 3,365,581 | 548,780 | 182,020 | 2,584 | 357,835 | 25,982 | 2,931,722 | 11,733,201 |
| 17,267 | - | - | - | - | - | - | 17,267 |
| $ 3,604,915 | $ 675,574 | $ 199,851 | $ 2,671 | $ 387,807 | $ 21,741 | $ 3,814,344 | $ 13,719,238 |

# 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 general-purpose and augmenting revenues in excess of expenditures. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Fund. 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 $1.2 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 expenditures 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.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS**
**BUDGET AND ACTUAL - BUDGETARY BASIS**
**FOR THE YEAR ENDED JUNE 30, 2007**

| (DOLLARS IN THOUSANDS) | ORIGINAL ESTIMATE/ BUDGET | REVISED ESTIMATE/ BUDGET | ACTUAL | REVERSIONS OF GENERAL FUND APPROPRIATION | EXCESS AUGMENTING REVENUE EARNED |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Sales and Use Tax | $ 2,102,400 | $ 2,002,300 | $ 1,982,324 | | |
| Other Excise Taxes | 91,200 | 92,000 | 94,030 | | |
| Individual Income Tax, net | 4,116,500 | 4,403,900 | 4,509,869 | | |
| Corporate Income Tax, net | 389,700 | 431,800 | 463,812 | | |
| Estate Tax | 2,000 | 700 | 783 | | |
| Insurance Tax | 170,600 | 188,700 | 179,423 | | |
| Parimutuel, Courts, and Other | 57,100 | 52,700 | 47,600 | | |
| Investment Income | 45,400 | 36,500 | 28,173 | | |
| Gaming | 15,100 | 10,000 | 6,547 | | |
| TOTAL GENERAL PURPOSE REVENUES | 6,990,000 | 7,218,600 | 7,312,561 | | |
| ACTUAL BUDGET RECORDED AND EXPENDITURES: | | | | | |
| Agriculture | 5,205 | 5,222 | 5,159 | $ 63 | $ 82 |
| Corrections | 584,921 | 581,296 | 575,631 | 5,665 | 46 |
| Education | 2,874,603 | 2,883,126 | 2,882,797 | 329 | 371 |
| Governor | 10,981 | 12,116 | 11,940 | 176 | 124 |
| Health Care Policy and Financing | 1,400,632 | 1,369,707 | 1,367,078 | 2,629 | 1,086 |
| Higher Education | 689,512 | 694,143 | 693,999 | 144 | 273 |
| Human Services | 593,457 | 624,958 | 623,283 | 1,675 | 983 |
| Judicial Branch | 259,513 | 264,610 | 263,720 | 890 | 677 |
| Labor and Employment | - | 141 | 108 | 33 | - |
| Law | 8,860 | 9,080 | 8,890 | 190 | 202 |
| Legislative Branch | 30,887 | 30,932 | 29,738 | 1,194 | - |
| Local Affairs | 10,300 | 10,303 | 9,973 | 330 | 466 |
| Military and Veterans Affairs | 5,274 | 5,216 | 5,039 | 177 | 2 |
| Natural Resources | 28,534 | 28,428 | 28,107 | 321 | 2 |
| Personnel & Administration | 7,274 | 9,466 | 9,439 | 27 | 254 |
| Public Health and Environment | 22,817 | 22,819 | 22,785 | 34 | 245 |
| Public Safety | 66,811 | 68,159 | 66,954 | 1,205 | 280 |
| Regulatory Agencies | 1,302 | 1,297 | 1,266 | 31 | 70 |
| Revenue | 178,486 | 175,140 | 176,311 | (1,171) | 3 |
| State | - | - | - | - | 37 |
| Treasury | 100,131 | 121,459 | 121,407 | 52 | - |
| TOTAL ACTUAL BUDGET AND EXPENDITURES | 6,879,500 | 6,917,618 | 6,903,624 | $ 13,994 | $ 5,203 |
| Variance Between Actual and Estimated Budgets | 37,700 | 5,632 | - | | |
| TOTAL ESTIMATED BUDGET | 6,917,200 | 6,923,250 | 6,903,624 | | |
| EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES | 72,800 | 295,350 | 408,937 | | |
| EXCESS AUGMENTING REVENUES | | | 5,203 | | |
| TRANSFERS (Not Appropriated By Department): | | | | | |
| Transfers-In From Various Cash Funds | 32,600 | | | | |
| Transfers-Out to Various Cash Funds | (3,000) | | | | |
| Net Transfers To/(From) the General Fund | | (3,750) | (3,748) | | |
| Transfer-Out to Capital Projects - General Fund | (86,800) | (130,900) | (130,878) | | |
| Transfer-Out to Capital Projects - General Fund-Exempt Account | - | (15,000) | (15,000) | | |
| Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds | (340,200) | (436,700) | (436,768) | | |
| TOTAL TRANSFERS | (397,400) | (586,350) | (586,394) | | |
| EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES | | | (172,254) | | |
| BEGINNING GENERAL FUND SURPLUS | 340,200 | 436,700 | 436,768 | | |
| GAAP Revenues/(Expenditures) Not Budgeted | | | (3) | | |
| (Increase)/Decrease in Long-Term Asset Reserve | | | 78 | | |
| Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement | (15,600) | (15,300) | (15,316) | | |
| ENDING GENERAL FUND SURPLUS | - | 130,400 | 249,273 | | |
| RECONCILIATION TO GAAP UNRESERVED FUND BALANCE: | | | | | |
| GAAP Medicaid Expenditures Deferred to Fiscal Year 2007-08 for Budget | | | (166,496) | | |
| GAAP Payroll Expenditures Deferred to Fiscal Year 2007-08 for Budget | | | (78,650) | | |
| GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures | | | 91,652 | | |
| ENDING GAAP UNRESERVED FUND BALANCE | | | $ 95,779 | | |

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

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI-1. BUDGETARY INFORMATION

#### A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 132 to 134). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institutions 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 budgeted fund may be shown as a transfer-in or revenue in another budgeted 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 services provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act, except for medically indigent program expenditures.
- 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 operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

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

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 each 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 if no general fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

## C. OVEREXPENDITURES

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

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

## D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 136) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 132 to 134) 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 schedule 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 budget implementation in most funds except certain Fiduciary Funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

## NOTE RSI-2. 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 23,080 lane miles of roads and 3,800 bridges for which the state has maintenance responsibilities. Lane mile statistics are developed and reported annually in June for the previous calendar year.

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 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|
| Good/Fair | 63% | 65% | 61% | 58% | 58% | 54% |
| Poor | 37% | 35% | 39% | 42% | 42% | 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 National Bridge Inventory is used to determine a condition rating for the bridge elements 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. |

The bridge element condition ratings are combined with other factors such as, average daily traffic, load carrying capacity, and geometric adequacy to determine a sufficiency rating and a status for each major bridge. Status ratings include structurally deficient, functionally obsolete, not deficient, or not applicable. The major bridges are then grouped into three categories using the sufficiency rating and the status based on the following classification system.

| Rating | Criteria |
|---|---|
| Poor | Sufficiency rating less than 50 and status of structurally deficient or functionally obsolete.<br>♦ Bridges in Poor condition do not meet all safety and geometry standards and require reactive maintenance to ensure safe service. For the purpose of determining bridge-funding needs it is assumed that bridges in Poor condition have exceeded their economically viable service life and require replacement. |
| Fair | Sufficiency rating between 50 and 80 and status of structurally deficient or functionally obsolete.<br>♦ Bridges in Fair condition require preventative maintenance and either marginally satisfy safety and geometry standards or require rehabilitation. |
| Good | All remaining major bridges that do not meet the criteria for Poor or Fair classification.<br>♦ Bridges in Good condition typically adequately meet all safety and geometry standards and typically do not require maintenance. |

### Established Condition Level

The Commission's objective is to maintain or improve the current percentage of bridges in Good or Fair condition. Each year the Commission is provided with the estimates of the funding needed to alternatively maintain or improve existing conditions over the next 20 years.

**Assessed Conditions**

The following table reports the percentage of major bridge deck area where the condition was assessed as Poor.

| Fiscal Year | Percent Poor |
|---|---|
| 2007 | 5.25% |
| 2006 | 5.19% |
| 2005 | 3.20% |
| 2004 | 3.25% |
| 2003 | 3.36% |
| 2002 | 3.61% |
| 2001 | 3.39% |
| 2000 | 2.80% |

**Budgeted and Estimated Costs to Maintain**

The Department of Transportation has an established process for reporting the estimated cost to maintain infrastructure assets at the established condition level that includes annually updated twenty-year projections. Prior to Fiscal Year 2006-07, the department did not report the projections in the Required Supplementary Information (RSI). Instead, the department reported budgeted amounts as a surrogate for the cost to maintain. Because of the multiple year nature of the infrastructure budgets, it was determined that the department's projections of costs are a better basis for the comparison of estimated and actual costs to maintain. Beginning in Fiscal Year 2006-07 and for future fiscal years, the department reports the estimated versus actual cost to maintain as follows.

| | (Amounts in Millions) | | |
|---|---|---|---|
| Fiscal Year | Projected Cost | Budgeted Cost | Actual Spending |
| 2006-07 | $734.2 | N/A | $380.4 |
| 2005-06 | Not Available | $210.9 | $460.6 |
| 2004-05 | Not Available | $138.0 | $452.8 |
| 2003-04 | Not Available | $554.1 | $529.9 |
| 2002-03 | Not Available | $631.0 | $1,457.1 |

The Department reported $129.5 million of construction in progress additions in Fiscal Year 2006-07 that will be capitalized as infrastructure in future years.

# SUPPLEMENTARY INFORMATION

## COMBINING BALANCE SHEET
## OTHER GOVERNMENTAL FUNDS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | SPECIAL REVENUE | DEBT SERVICE | PERMANENT | TOTAL |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 1,284,753 | $ - | $ - | $ 1,284,753 |
| Taxes Receivable, net | 65,503 | - | - | 65,503 |
| Other Receivables, net | 82,312 | - | 7,034 | 89,346 |
| Due From Other Governments | 4,738 | 340 | - | 5,078 |
| Due From Other Funds | 148,069 | - | 97 | 148,166 |
| Inventories | 289 | - | - | 289 |
| Prepaids, Advances, and Deferred Charges | 4,512 | - | - | 4,512 |
| Restricted Cash and Pooled Cash | 307,513 | 218 | 26,837 | 334,568 |
| Restricted Investments | 17,489 | - | 479,065 | 496,554 |
| Restricted Receivables | 14,119 | - | - | 14,119 |
| Investments | 77,044 | - | - | 77,044 |
| Other Long-Term Assets | 273,750 | - | 12,724 | 286,474 |
| Land and Nondepreciable Infrastructure | 85 | - | 7,851 | 7,936 |
| TOTAL ASSETS | $ 2,280,176 | $ 558 | $ 533,608 | $ 2,814,342 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 14,707 | $ - | $ - | $ 14,707 |
| Accounts Payable and Accrued Liabilities | 73,844 | - | 89 | 73,933 |
| Due To Other Governments | 62,332 | - | - | 62,332 |
| Due To Other Funds | 188,464 | - | 4,014 | 192,478 |
| Deferred Revenue | 38,072 | - | 3,875 | 41,947 |
| Compensated Absences Payable | 17 | - | - | 17 |
| Claims and Judgments Payable | 72 | - | - | 72 |
| Other Current Liabilities | 2,762 | - | - | 2,762 |
| Deposits Held In Custody For Others | 10 | - | - | 10 |
| TOTAL LIABILITIES | 380,280 | - | 7,978 | 388,258 |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| Noncurrent Assets | 355,415 | - | 20,575 | 375,990 |
| Debt Service | - | 558 | - | 558 |
| Emergencies | 85,760 | - | - | 85,760 |
| Funds Reported as Restricted | 225,445 | - | 503,273 | 728,718 |
| Unreserved Undesignated, Reported in: | | | | |
| Nonmajor Special Revenue Funds | 1,233,276 | - | - | 1,233,276 |
| Nonmajor Permanent Funds | - | - | 1,782 | 1,782 |
| TOTAL FUND BALANCES | 1,899,896 | 558 | 525,630 | 2,426,084 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 2,280,176 | $ 558 | $ 533,608 | $ 2,814,342 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | SPECIAL REVENUE | DEBT SERVICE | PERMANENT | TOTALS |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Sales and Use | $ 262,537 | $ - | $ - | $ 262,537 |
| Excise | 168,182 | - | - | 168,182 |
| Other Taxes | 323,530 | - | - | 323,530 |
| Licenses, Permits, and Fines | 274,289 | - | - | 274,289 |
| Charges for Goods and Services | 37,022 | - | 78 | 37,100 |
| Rents | 6,287 | - | 60,568 | 66,855 |
| Investment Income (Loss) | 88,350 | - | 29,168 | 117,518 |
| Federal Grants and Contracts | 253,410 | - | - | 253,410 |
| Other | 31,636 | - | 421 | 32,057 |
| TOTAL REVENUES | 1,445,243 | - | 90,235 | 1,535,478 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 15,991 | - | - | 15,991 |
| Business, Community, and Consumer Affairs | 155,850 | - | - | 155,850 |
| Education | 23,536 | - | - | 23,536 |
| Health and Rehabilitation | 87,125 | - | - | 87,125 |
| Justice | 23,922 | - | - | 23,922 |
| Natural Resources | 49,355 | - | 7 | 49,362 |
| Social Assistance | 154,129 | - | - | 154,129 |
| Transportation | 1,956 | - | - | 1,956 |
| Capital Outlay | 17,860 | - | - | 17,860 |
| Intergovernmental: | | | | |
| Cities | 101,345 | - | - | 101,345 |
| Counties | 142,357 | - | 22 | 142,379 |
| School Districts | 35,277 | - | - | 35,277 |
| Special Districts | 25,636 | - | - | 25,636 |
| Federal | 1,042 | - | - | 1,042 |
| Other | 35,165 | - | 178 | 35,343 |
| Debt Service | 34 | 176,493 | - | 176,527 |
| TOTAL EXPENDITURES | 870,580 | 176,493 | 207 | 1,047,280 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 574,663 | (176,493) | 90,028 | 488,198 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers-In | 220,313 | 176,475 | - | 396,788 |
| Transfers-Out | (588,265) | (4) | (37,551) | (625,820) |
| Sale of Capital Assets | 480 | - | (395) | 85 |
| Insurance Recoveries | 15 | - | - | 15 |
| TOTAL OTHER FINANCING SOURCES (USES) | (367,457) | 176,471 | (37,946) | (228,932) |
| NET CHANGE IN FUND BALANCES | 207,206 | (22) | 52,082 | 259,266 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 1,692,690 | 580 | 473,548 | 2,166,818 |
| FUND BALANCE, FISCAL YEAR END | $ 1,899,896 | $ 558 | $ 525,630 | $ 2,426,084 |

# 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 when the injury is not covered by workers' compensation benefits. |
| GAMING | This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the state. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming. |
| TOBACCO IMPACT MITIGATION | This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional state tax on cigarettes and tobacco products approved by state voters in the 2004 general election and the expenditure of those tax revenues. |
| RESOURCE EXTRACTION | This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments and regulatory costs. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds. |
| RESOURCE MANAGEMENT | This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the state. Most of the related programs are managed by the Colorado Department of Natural Resources. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds. |
| ENVIRONMENT AND HEALTH PROTECTION | This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds. |
| OTHER SPECIAL REVENUE | This fund category represents a collection of approximately 340 individual funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 190 for a detail listing of these funds that have net assets in excess of $150,000.) |

## COMBINING BALANCE SHEET
## SPECIAL REVENUE FUNDS
## JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | WATER PROJECTS | LABOR | GAMING |
|---|---|---|---|
| ASSETS: | | | |
| Cash and Pooled Cash | $ 125,181 | $ 67,724 | $ 134,992 |
| Taxes Receivable, net | - | 34,054 | 12,290 |
| Other Receivables, net | 11,778 | 850 | 14 |
| Due From Other Governments | 315 | - | - |
| Due From Other Funds | 1,570 | 521 | - |
| Inventories | - | - | - |
| Prepaids, Advances, and Deferred Charges | 55 | 1 | 44 |
| Restricted Cash and Pooled Cash | - | 68,271 | - |
| Restricted Investments | - | 17,489 | - |
| Restricted Receivables | - | - | - |
| Investments | - | 64,227 | - |
| Other Long-Term Assets | 247,792 | - | - |
| Land and Nondepreciable Infrastructure | - | - | - |
| TOTAL ASSETS | $ 386,691 | $ 253,137 | $ 147,340 |
| LIABILITIES: | | | |
| Tax Refunds Payable | $ - | $ - | $ - |
| Accounts Payable and Accrued Liabilities | 2,630 | 1,140 | 2,084 |
| Due To Other Governments | - | - | 23,398 |
| Due To Other Funds | 81,689 | 500 | 40,129 |
| Deferred Revenue | - | - | 387 |
| Compensated Absences Payable | - | - | - |
| Claims and Judgments Payable | - | 61 | - |
| Other Current Liabilities | - | 280 | 16 |
| Deposits Held In Custody For Others | - | - | 9 |
| TOTAL LIABILITIES | 84,319 | 1,981 | 66,023 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Noncurrent Assets | 247,792 | - | - |
| Emergencies | - | 85,760 | - |
| Funds Reported as Restricted | - | - | 1,501 |
| Unreserved: | | | |
| Undesignated | 54,580 | 165,396 | 79,816 |
| TOTAL FUND BALANCES | 302,372 | 251,156 | 81,317 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 386,691 | $ 253,137 | $ 147,340 |

| TOBACCO IMPACT MITIGATION | RESOURCE EXTRACTION | RESOURCE MANAGEMENT | ENVIRONMENT AND HEALTH PROTECTION | OTHER SPECIAL REVENUE | TOTALS |
|---|---|---|---|---|---|
| $ 102,465 | $ 445,285 | $ 22,159 | $ 78,443 | $ 308,504 | $ 1,284,753 |
| - | 17,634 | - | - | 1,525 | 65,503 |
| 48,652 | 1,974 | 8,611 | 4,288 | 6,145 | 82,312 |
| - | 175 | 593 | 3,169 | 486 | 4,738 |
| - | 82,144 | 2,910 | 64 | 60,860 | 148,069 |
| - | - | 268 | - | 21 | 289 |
| - | 8 | 3,022 | - | 1,382 | 4,512 |
| 190,780 | - | - | 13,379 | 35,083 | 307,513 |
| - | - | - | - | - | 17,489 |
| 14,100 | - | - | 2 | 17 | 14,119 |
| - | - | - | - | 12,817 | 77,044 |
| - | 15,292 | - | - | 10,666 | 273,750 |
| - | - | - | - | 85 | 85 |
| $ 355,997 | $ 562,512 | $ 37,563 | $ 99,345 | $ 437,591 | $ 2,280,176 |
| | | | | | |
| $ 56 | $ 14,491 | $ - | $ - | $ 160 | $ 14,707 |
| 32,362 | 5,191 | 4,919 | 8,458 | 17,060 | 73,844 |
| 295 | 22,673 | 248 | - | 15,718 | 62,332 |
| 54 | 86 | 1,466 | 1,703 | 62,837 | 188,464 |
| - | 167 | 104 | 1,497 | 35,917 | 38,072 |
| 4 | - | - | 13 | - | 17 |
| - | - | - | - | 11 | 72 |
| - | - | 5 | - | 2,461 | 2,762 |
| - | - | - | - | 1 | 10 |
| 32,771 | 42,608 | 6,742 | 11,671 | 134,165 | 380,280 |
| | | | | | |
| - | 96,957 | - | - | 10,666 | 355,415 |
| - | - | - | - | - | 85,760 |
| 176,249 | - | - | 13,342 | 34,353 | 225,445 |
| 146,977 | 422,947 | 30,821 | 74,332 | 258,407 | 1,233,276 |
| 323,226 | 519,904 | 30,821 | 87,674 | 303,426 | 1,899,896 |
| $ 355,997 | $ 562,512 | $ 37,563 | $ 99,345 | $ 437,591 | $ 2,280,176 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)

| | WATER PROJECTS | LABOR | GAMING |
|---|---|---|---|
| REVENUES: | | | |
| Taxes: | | | |
| Sales and Use | $ - | $ - | $ - |
| Excise | - | - | - |
| Other Taxes | - | 80,992 | 112,006 |
| Licenses, Permits, and Fines | 10 | 2,055 | 831 |
| Charges for Goods and Services | 271 | 222 | 712 |
| Rents | - | 1 | 411 |
| Investment Income (Loss) | 11,271 | 10,052 | 4,973 |
| Federal Grants and Contracts | 1,419 | - | 1,317 |
| Other | 555 | 432 | 10 |
| TOTAL REVENUES | 13,526 | 93,754 | 120,260 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | - | - | - |
| Business, Community, and Consumer Affairs | - | 19,699 | 12,053 |
| Education | - | - | 18,893 |
| Health and Rehabilitation | - | - | - |
| Justice | - | - | - |
| Natural Resources | 11,054 | - | - |
| Social Assistance | - | - | - |
| Transportation | - | - | - |
| Capital Outlay | 9 | - | 75 |
| Intergovernmental: | | | |
| Cities | 227 | - | 18,370 |
| Counties | 138 | - | 18,699 |
| School Districts | 3 | - | 172 |
| Special Districts | 871 | - | 434 |
| Federal | 587 | - | - |
| Other | 85 | - | - |
| Debt Service | - | - | - |
| TOTAL EXPENDITURES | 12,974 | 19,699 | 68,696 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 552 | 74,055 | 51,564 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-In | 26,591 | - | - |
| Transfers-Out | (1,828) | (28,519) | (41,271) |
| Sale of Capital Assets | - | - | - |
| Insurance Recoveries | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 24,763 | (28,519) | (41,271) |
| NET CHANGE IN FUND BALANCES | 25,315 | 45,536 | 10,293 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 277,057 | 135,983 | 71,024 |
| Prior Period Adjustment (See Note 28) | - | 69,637 | - |
| FUND BALANCE, FISCAL YEAR END | $ 302,372 | $ 251,156 | $ 81,317 |

| TOBACCO IMPACT MITIGATION | RESOURCE EXTRACTION | RESOURCE MANAGEMENT | ENVIRONMENT AND HEALTH PROTECTION | OTHER SPECIAL REVENUE | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 262,537 | $ 262,537 |
| 166,475 | - | - | - | 1,707 | 168,182 |
| - | 127,315 | - | - | 3,217 | 323,530 |
| 93,202 | 1,000 | 14,445 | 19,717 | 143,029 | 274,289 |
| - | 22 | 7,507 | 11,852 | 16,436 | 37,022 |
| - | - | 5,828 | - | 47 | 6,287 |
| 11,491 | 25,753 | 1,131 | 6,549 | 17,130 | 88,350 |
| - | 125,506 | 1,634 | 65,666 | 57,868 | 253,410 |
| 1,333 | 350 | 16,796 | 1,216 | 10,944 | 31,636 |
| 272,501 | 279,946 | 47,341 | 105,000 | 512,915 | 1,445,243 |
| | | | | | |
| 178 | - | - | - | 15,813 | 15,991 |
| - | 216 | 102 | 169 | 123,611 | 155,850 |
| 7 | - | - | - | 4,636 | 23,536 |
| 42,631 | - | - | 25,024 | 19,470 | 87,125 |
| - | - | - | - | 23,922 | 23,922 |
| - | 10,511 | 24,684 | - | 3,106 | 49,355 |
| 34,808 | - | - | 117,039 | 2,282 | 154,129 |
| - | - | - | - | 1,956 | 1,956 |
| - | 53 | 13,608 | 442 | 3,673 | 17,860 |
| 1,315 | 40,491 | 82 | 202 | 40,658 | 101,345 |
| 15,900 | 57,879 | 387 | 970 | 48,384 | 142,357 |
| 4,472 | 6,373 | - | - | 24,257 | 35,277 |
| 62 | 14,527 | 9 | 150 | 9,583 | 25,636 |
| - | 18 | 88 | - | 349 | 1,042 |
| 9,753 | 3,790 | 144 | 506 | 20,887 | 35,165 |
| - | - | - | - | 34 | 34 |
| 109,126 | 133,858 | 39,104 | 144,502 | 342,621 | 870,580 |
| 163,375 | 146,088 | 8,237 | (39,502) | 170,294 | 574,663 |
| | | | | | |
| 516 | 4,392 | 16,924 | 43,328 | 128,562 | 220,313 |
| (85,889) | (122,548) | (24,308) | (9,095) | (274,807) | (588,265) |
| - | - | - | - | 480 | 480 |
| - | - | 9 | - | 6 | 15 |
| (85,373) | (118,156) | (7,375) | 34,233 | (145,759) | (367,457) |
| 78,002 | 27,932 | 862 | (5,269) | 24,535 | 207,206 |
| 245,224 | - | - | - | 963,402 | 1,692,690 |
| - | 491,972 | 29,959 | 92,943 | (684,511) | - |
| $ 323,226 | $ 519,904 | $ 30,821 | $ 87,674 | $ 303,426 | $ 1,899,896 |

# 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, 2007

| (DOLLARS IN THOUSANDS) | STATE LANDS | OTHER | TOTALS |
|---|---|---|---|
| ASSETS: | | | |
| Other Receivables, net | $ 7,034 | $ - | $ 7,034 |
| Due From Other Funds | 87 | 10 | 97 |
| Restricted Cash and Pooled Cash | 19,188 | 7,649 | 26,837 |
| Restricted Investments | 479,065 | - | 479,065 |
| Other Long-Term Assets | 12,724 | - | 12,724 |
| Capital Assets Held as Investments | 7,851 | - | 7,851 |
| TOTAL ASSETS | $ 525,949 | $ 7,659 | $ 533,608 |
| LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | $ 9 | $ 80 | $ 89 |
| Due To Other Funds | 4,014 | - | 4,014 |
| Deferred Revenue | 3,873 | 2 | 3,875 |
| TOTAL LIABILITIES | 7,896 | 82 | 7,978 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Noncurrent Assets | 20,575 | - | 20,575 |
| Funds Reported as Restricted | 496,511 | 6,762 | 503,273 |
| Unreserved: | | | |
| Undesignated | 967 | 815 | 1,782 |
| TOTAL FUND BALANCES | 518,053 | 7,577 | 525,630 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 525,949 | $ 7,659 | $ 533,608 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## PERMANENT FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | STATE LANDS | OTHER | TOTALS |
|---|---|---|---|
| REVENUES: | | | |
| Charges for Goods and Services | $ 78 | $ - | $ 78 |
| Rents | 60,568 | - | 60,568 |
| Investment Income (Loss) | 28,771 | 397 | 29,168 |
| Other | 25 | 396 | 421 |
| TOTAL REVENUES | 89,442 | 793 | 90,235 |
| EXPENDITURES: | | | |
| Current: | | | |
| Natural Resources | - | 7 | 7 |
| Intergovernmental: | | | |
| Counties | 22 | - | 22 |
| Other | - | 178 | 178 |
| TOTAL EXPENDITURES | 22 | 185 | 207 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 89,420 | 608 | 90,028 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-Out | (37,516) | (35) | (37,551) |
| Sale of Capital Assets | - | (395) | (395) |
| TOTAL OTHER FINANCING SOURCES (USES) | (37,516) | (430) | (37,946) |
| NET CHANGE IN FUND BALANCES | 51,904 | 178 | 52,082 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 466,149 | 7,399 | 473,548 |
| FUND BALANCE, FISCAL YEAR END | $ 518,053 | $ 7,577 | $ 525,630 |

# 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 ASSIST | This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government. |
| STATE FAIR AUTHORITY | The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo. |
| CORRECTIONAL INDUSTRIES | This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the state prison system. |
| STATE NURSING HOMES | This activity is for nursing home and retirement care provided to the elderly at the state facilities at 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, 2007

| (DOLLARS IN THOUSANDS) | WILDLIFE | COLLEGE ASSIST | STATE FAIR AUTHORITY |
|---|---|---|---|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Pooled Cash | $ 11,198 | $ 84,873 | $ 153 |
| Student and Other Receivables, net | 485 | 398 | 95 |
| Due From Other Governments | - | 4,017 | 5 |
| Due From Other Funds | - | - | - |
| Inventories | 931 | 5 | 51 |
| Prepaids, Advances, and Deferred Charges | 384 | 191 | 141 |
| Total Current Assets | 12,998 | 89,484 | 445 |
| Noncurrent Assets: | | | |
| Restricted Cash and Pooled Cash | 78,152 | 6,492 | - |
| Restricted Receivables | 3,944 | 6,225 | - |
| Other Long-Term Assets | - | - | 25 |
| Depreciable Capital Assets and Infrastructure, net | 54,135 | 628 | 9,339 |
| Land and Nondepreciable Infrastructure | 108,246 | - | 1,538 |
| Total Noncurrent Assets | 244,477 | 13,345 | 10,902 |
| TOTAL ASSETS | 257,475 | 102,829 | 11,347 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 10,067 | 367 | 380 |
| Due To Other Governments | - | 6,865 | - |
| Due To Other Funds | 385 | - | - |
| Deferred Revenue | 31,675 | - | 829 |
| Compensated Absences Payable | 419 | - | - |
| Claims and Judgments Payable | - | 3,713 | - |
| Leases Payable | - | - | 24 |
| Notes, Bonds, and COP's Payable | - | - | 1,126 |
| Other Current Liabilities | 6 | 5,579 | 9 |
| Total Current Liabilities | 42,552 | 16,524 | 2,368 |
| Noncurrent Liabilities: | | | |
| Accrued Compensated Absences | 4,542 | 139 | 108 |
| Capital Lease Payable | - | - | 14 |
| Notes, Bonds, and COP's Payable | - | - | - |
| Other Long-Term Liabilities | - | 234 | - |
| Total Noncurrent Liabilities | 4,542 | 373 | 122 |
| TOTAL LIABILITIES | 47,094 | 16,897 | 2,490 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 162,381 | 628 | 9,713 |
| Restricted for: | | | |
| Emergencies | 37,472 | - | - |
| Court Awards and Other Purposes | - | 5,068 | - |
| Unrestricted | 10,528 | 80,236 | (856) |
| TOTAL NET ASSETS | $ 210,381 | $ 85,932 | $ 8,857 |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ 4,596 | $ 5,385 | $ 5,355 | $ 8,976 | $ 15,682 | $ 136,218 |
| 850 | 910 | 1,181 | 4,239 | 516 | 8,674 |
| 57 | 1,099 | - | 846 | 476 | 6,500 |
| 1,184 | 1,616 | - | - | - | 2,800 |
| 10,729 | 125 | 484 | - | 106 | 12,431 |
| 726 | 48 | - | - | 236 | 1,726 |
| 18,142 | 9,183 | 7,020 | 14,061 | 17,016 | 168,349 |
| - | - | - | - | - | 84,644 |
| - | - | - | - | - | 10,169 |
| 1,410 | 438 | - | - | 195 | 2,068 |
| 4,834 | 31,192 | 1,203 | 89 | 11,470 | 112,890 |
| 1,055 | 3,626 | 138 | - | 4,012 | 118,615 |
| 7,299 | 35,256 | 1,341 | 89 | 15,677 | 328,386 |
| 25,441 | 44,439 | 8,361 | 14,150 | 32,693 | 496,735 |
| 2,931 | 4,594 | 751 | 6,974 | 2,009 | 28,073 |
| - | 172 | - | - | - | 7,037 |
| 122 | 6 | 3 | - | - | 516 |
| 722 | 135 | - | - | 5,429 | 38,790 |
| 20 | 202 | - | - | 187 | 828 |
| - | - | - | - | - | 3,713 |
| - | 151 | - | - | - | 175 |
| - | 355 | - | - | 314 | 1,795 |
| 9 | - | - | - | 14 | 5,617 |
| 3,804 | 5,615 | 754 | 6,974 | 7,953 | 86,544 |
| 913 | 1,363 | 143 | 171 | 351 | 7,730 |
| - | 2,224 | - | - | - | 2,238 |
| - | 4,376 | - | - | 7,806 | 12,182 |
| - | - | - | - | - | 234 |
| 913 | 7,963 | 143 | 171 | 8,157 | 22,384 |
| 4,717 | 13,578 | 897 | 7,145 | 16,110 | 108,928 |
| 5,889 | 27,663 | 1,341 | 89 | 7,362 | 215,066 |
| - | - | - | - | - | 37,472 |
| - | - | - | - | - | 5,068 |
| 14,835 | 3,198 | 6,123 | 6,916 | 9,221 | 130,201 |
| $ 20,724 | $ 30,861 | $ 7,464 | $ 7,005 | $ 16,583 | $ 387,807 |

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | WILDLIFE | COLLEGE ASSIST | STATE FAIR AUTHORITY |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| License and Permits | $ 81,080 | $ - | $ - |
| Tuition and Fees | 35 | - | - |
| Sales of Goods and Services | 2,195 | 85 | 4,840 |
| Pledged Sales of Goods & Services | - | - | 1,543 |
| Investment Income (Loss) | - | 4,909 | - |
| Rental Income | - | - | 507 |
| Federal Grants and Contracts | 15,258 | 210,671 | - |
| Intergovernmental Revenue | 8,209 | - | - |
| Other | 688 | 337 | 12 |
| TOTAL OPERATING REVENUES | 107,465 | 216,002 | 6,902 |
| OPERATING EXPENSES: | | | |
| Salaries and Fringe Benefits | 52,929 | 35,966 | 4,200 |
| Operating and Travel | 36,180 | 143,967 | 3,786 |
| Cost of Goods Sold | - | - | - |
| Depreciation and Amortization | 4,228 | 303 | 592 |
| Intergovernmental Distributions | 1,496 | - | - |
| Debt Service | - | 19,375 | - |
| Prizes and Awards | 41 | - | 733 |
| TOTAL OPERATING EXPENSES | 94,874 | 199,611 | 9,311 |
| OPERATING INCOME (LOSS) | 12,591 | 16,391 | (2,409) |
| NONOPERATING REVENUES AND (EXPENSES): | | | |
| Taxes | - | - | - |
| Fines and Settlements | 641 | - | - |
| Investment Income (Loss) | 3,908 | - | 3 |
| Rental Income | 224 | - | - |
| Gifts and Donations | 568 | - | 270 |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (1,301) | - | 8 |
| Insurance Recoveries from Prior Year Impairments | 16 | - | - |
| Debt Service | (3) | - | (170) |
| Other Expenses | - | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 4,053 | - | 111 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 16,644 | 16,391 | (2,298) |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | |
| Capital Contributions | 495 | - | 1,055 |
| Transfers-In | - | - | 3,265 |
| Transfers-Out | (4,902) | (80) | - |
| TOTAL CONTRIBUTIONS AND TRANSFERS | (4,407) | (80) | 4,320 |
| CHANGE IN NET ASSETS | 12,237 | 16,311 | 2,022 |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 198,144 | 69,621 | 6,835 |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 210,381 | $ 85,932 | $ 8,857 |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 525 | $ 2,635 | $ 84,240 |
| - | - | - | - | 280 | 315 |
| 38,542 | 35,024 | 14,057 | 8 | 5,907 | 100,658 |
| - | - | - | - | - | 1,543 |
| - | - | - | - | - | 4,909 |
| - | - | - | - | 1,204 | 1,711 |
| - | 10,680 | - | 1,097 | 1,389 | 239,095 |
| - | 151 | - | - | - | 8,360 |
| 158 | 103 | 8 | 18 | 416 | 1,740 |
| 38,700 | 45,958 | 14,065 | 1,648 | 11,831 | 442,571 |
| 8,396 | 34,215 | 2,942 | 7,169 | 5,718 | 151,535 |
| 7,666 | 8,684 | 1,620 | 36,625 | 5,103 | 243,631 |
| 21,270 | - | 8,828 | - | 101 | 30,199 |
| 916 | 1,578 | 64 | 12 | 347 | 8,040 |
| - | 2,041 | - | - | - | 3,537 |
| - | - | - | - | - | 19,375 |
| - | 2 | - | - | - | 776 |
| 38,248 | 46,520 | 13,454 | 43,806 | 11,269 | 457,093 |
| 452 | (562) | 611 | (42,158) | 562 | (14,522) |
| - | - | - | 39,446 | - | 39,446 |
| - | - | - | 4 | 459 | 1,104 |
| 108 | 122 | 337 | 371 | 699 | 5,548 |
| 148 | 12 | - | - | - | 384 |
| - | 1 | - | - | 429 | 1,268 |
| 64 | - | - | - | 29 | (1,200) |
| - | - | - | - | - | 16 |
| - | (281) | - | - | (339) | (793) |
| - | (78) | - | - | (11) | (89) |
| 320 | (224) | 337 | 39,821 | 1,266 | 45,684 |
| 772 | (786) | 948 | (2,337) | 1,828 | 31,162 |
| - | 85 | - | - | - | 1,635 |
| - | 578 | - | - | 4 | 3,847 |
| (365) | (96) | (67) | (875) | (287) | (6,672) |
| (365) | 567 | (67) | (875) | (283) | (1,190) |
| 407 | (219) | 881 | (3,212) | 1,545 | 29,972 |
| 20,317 | 31,080 | 6,583 | 10,217 | 15,038 | 357,835 |
| $ 20,724 | $ 30,861 | $ 7,464 | $ 7,005 | $ 16,583 | $ 387,807 |

## COMBINING STATEMENT OF CASH FLOWS
## OTHER ENTERPRISE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | WILDLIFE | COLLEGE ASSIST | STATE FAIR AUTHORITY |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from: | | | |
| Tuition, Fees, and Student Loans | $ 35 | $ 22 | $ - |
| Fees for Service | 81,831 | 63 | 4,970 |
| Sales of Products | 812 | - | 188 |
| Gifts, Grants, and Contracts | 16,468 | 204,603 | 12 |
| Income from Property | 224 | - | 507 |
| Other Sources | 8,238 | 337 | 1,520 |
| Cash Payments to or for: | | | |
| Employees | (46,932) | (2,292) | (1,928) |
| Suppliers | (31,383) | (33,605) | (7,124) |
| Sales Commissions and Lottery Prizes | (5,444) | - | - |
| Others for Student Loans and Loan Losses | - | (156,752) | - |
| Other Governments | (1,498) | - | - |
| Other | (2,352) | - | (830) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 19,999 | 12,376 | (2,685) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers-In | - | - | 3,265 |
| Transfers-Out | (4,902) | (80) | - |
| Receipt of Deposits Held in Custody | - | 30 | 1 |
| Release of Deposits Held in Custody | - | (55) | (1) |
| Gifts for Other Than Capital Purposes | 568 | - | - |
| NonCapital Debt Service Payments | - | - | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | (4,334) | (105) | 3,265 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of Capital Assets | (7,229) | (126) | (97) |
| Proceeds from Sale of Capital Assets | - | 94 | 10 |
| Capital Debt Proceeds | - | - | 4 |
| Capital Debt Service Payments | (3) | - | (320) |
| Capital Lease Payments | - | - | (27) |
| NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES | (7,232) | (32) | (430) |

(Continued)

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 279 | $ 336 |
| 5,211 | 34,725 | - | 39,914 | 4,788 | 171,502 |
| 32,644 | 39 | 13,245 | - | 901 | 47,829 |
| - | 11,025 | - | 1,110 | 1,121 | 234,339 |
| 148 | 12 | - | - | 1,203 | 2,094 |
| 222 | 7 | 8 | 4 | 8,476 | 18,812 |
| (7,911) | (31,028) | (1,959) | (2,849) | (4,353) | (99,252) |
| (28,982) | (10,836) | (11,602) | (34,960) | (5,540) | (164,032) |
| - | - | - | - | - | (5,444) |
| - | - | - | - | - | (156,752) |
| - | (2,030) | - | - | - | (3,528) |
| (64) | (42) | (1) | - | (140) | (3,429) |
| 1,268 | 1,872 | (309) | 3,219 | 6,735 | 42,475 |
| - | 578 | - | - | 4 | 3,847 |
| (365) | (96) | (67) | (875) | (287) | (6,672) |
| - | - | - | - | - | 31 |
| - | | - | - | - | (56) |
| - | 1 | - | - | 429 | 998 |
| - | (340) | - | - | - | (340) |
| (365) | 143 | (67) | (875) | 146 | (2,192) |
| (831) | (1,427) | (138) | (66) | (11,579) | (21,493) |
| 127 | - | - | - | 9,906 | 10,137 |
| - | - | - | - | - | 4 |
| - | (206) | - | - | (616) | (1,145) |
| - | (228) | - | - | - | (255) |
| (704) | (1,861) | (138) | (66) | (2,289) | (12,752) |

## COMBINING STATEMENT OF CASH FLOWS
## OTHER ENTERPRISE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007 (Continued)

| (DOLLARS IN THOUSANDS) | WILDLIFE | COLLEGE ASSIST | STATE FAIR AUTHORITY |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and Dividends on Investments | 3,314 | 4,398 | 3 |
| Increase(Decrease) from Unrealized Gain(Loss) on Invesments | 594 | 511 | - |
| NET CASH FROM INVESTING ACTIVITIES | 3,908 | 4,909 | 3 |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | 12,341 | 17,148 | 153 |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 77,009 | 74,217 | - |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 89,350 | $ 91,365 | $ 153 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | $ 12,591 | $ 16,391 | $ (2,409) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 4,228 | 303 | 592 |
| Investment/Rental Income and Other Revenue in Operating Income | - | (4,909) | - |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 1,256 | - | 270 |
| Loss on Disposal of Capital Assets | 706 | - | - |
| Compensated Absences | 184 | (14) | 11 |
| Interest and Other Expense in Operating Income | 445 | 19 | 85 |
| (Increase) Decrease in Operating Receivables | (31) | (5,774) | (9) |
| (Increase) Decrease in Inventories | (91) | - | (15) |
| (Increase) Decrease in Other Operating Assets | 81 | (144) | 27 |
| Increase (Decrease) in Accounts Payable | 1,711 | 5,111 | (1,256) |
| Increase (Decrease) in Other Operating Liabilities | (1,081) | 1,393 | 19 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 19,999 | $ 12,376 | $ (2,685) |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | | |
| Capital Assets Funded by the Capital Projects Fund | - | - | 1,055 |
| Capital Assets Acquired by Grants or Donations and Payable Increases | 495 | - | - |
| Gain/(Loss) on Disposal of Capital Assets | (2,382) | - | 8 |
| Assumption of Capital Lease Obligation or Mortgage | - | - | - |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| 83 | 92 | 301 | 336 | 688 | 9,215 |
| 25 | 30 | 36 | 35 | 11 | 1,242 |
| 108 | 122 | 337 | 371 | 699 | 10,457 |
| 307 | 276 | (177) | 2,649 | 5,291 | 37,988 |
| 4,289 | 5,109 | 5,532 | 6,327 | 10,391 | 182,874 |
| $ 4,596 | $ 5,385 | $ 5,355 | $ 8,976 | $ 15,682 | $ 220,862 |
| $ 452 | $ (562) | $ 611 | $ (42,158) | $ 562 | $ (14,522) |
| 916 | 1,578 | 64 | 12 | 347 | 8,040 |
| - | - | - | - | - | (4,909) |
| 212 | 9 | - | 39,450 | 459 | 41,656 |
| 1 | - | - | - | - | 707 |
| 130 | 202 | 22 | (9) | - | 526 |
| - | 51 | - | - | 835 | 1,435 |
| (304) | 60 | (814) | (59) | (482) | (7,413) |
| 167 | (21) | (146) | - | (27) | (133) |
| (162) | (48) | - | - | 9 | (237) |
| 237 | 472 | (46) | 5,983 | 74 | 12,286 |
| (381) | 131 | - | - | 4,958 | 5,039 |
| $ 1,268 | $ 1,872 | $ (309) | $ 3,219 | $ 6,735 | $ 42,475 |
| - | 85 | - | - | - | 1,140 |
| - | - | - | - | - | 495 |
| (1) | - | - | - | 29 | (2,346) |
| - | 801 | - | - | - | 801 |

# 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. The capitol complex capital assets are not reported in this fund and are reported only on the government-wide financial statements. |
| HIGHWAYS | This fund is used to account for the operations of the Department of Transportation print shop. |
| PUBLIC SAFETY | This fund accounts for aircraft rental to state agencies by the Department of Public Safety. |
| 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, 2007

| (DOLLARS IN THOUSANDS) | CENTRAL SERVICES | GENERAL GOVERNMENT COMPUTER CENTER | TELECOM-MUNICATIONS |
|---|---|---|---|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Pooled Cash | $ 12,588 | $ 2,015 | $ 1,860 |
| Other Receivables, net | 278 | 1 | 95 |
| Due From Other Governments | - | - | 144 |
| Due From Other Funds | 17 | - | - |
| Inventories | 748 | - | - |
| Prepaids, Advances, and Deferred Charges | 13 | 208 | 15 |
| Total Current Assets | 13,644 | 2,224 | 2,114 |
| Noncurrent Assets: | | | |
| Other Long-Term Assets | 386 | - | - |
| Depreciable Capital Assets and Infrastructure, net | 44,144 | 482 | 2,187 |
| Total Noncurrent Assets | 44,530 | 482 | 2,187 |
| TOTAL ASSETS | 58,174 | 2,706 | 4,301 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 2,828 | 603 | 1,324 |
| Due To Other Funds | - | - | 5 |
| Deferred Revenue | 643 | - | 6 |
| Compensated Absences Payable | 2 | 42 | 36 |
| Leases Payable | 1,449 | - | - |
| Notes, Bonds, and COP's Payable | 9,640 | - | - |
| Total Current Liabilities | 14,562 | 645 | 1,371 |
| Noncurrent Liabilities: | | | |
| Accrued Compensated Absences | 439 | 345 | 464 |
| Capital Lease Payable | 9,391 | - | - |
| Notes, Bonds, and COP's Payable | 23,581 | - | - |
| Total Noncurrent Liabilities | 33,411 | 345 | 464 |
| TOTAL LIABILITIES | 47,973 | 990 | 1,835 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 83 | 482 | 2,187 |
| Unrestricted | 10,118 | 1,234 | 279 |
| TOTAL NET ASSETS | $ 10,201 | $ 1,716 | $ 2,466 |

| CAPITOL COMPLEX | HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE HEARINGS | DEBT COLLECTION | TOTALS |
|---|---|---|---|---|---|
| $ 1,961 | $ 2,660 | $ 403 | $ 976 | $ 412 | $ 22,875 |
| 28 | - | 10 | 3 | 6 | 421 |
| - | - | - | - | - | 144 |
| - | - | 1 | 70 | - | 88 |
| 220 | 244 | - | - | - | 1,212 |
| 78 | - | - | 1 | - | 315 |
| 2,287 | 2,904 | 414 | 1,050 | 418 | 25,055 |
| - | - | - | - | - | 386 |
| 13,295 | 95 | 2,750 | 60 | 41 | 63,054 |
| 13,295 | 95 | 2,750 | 60 | 41 | 63,440 |
| 15,582 | 2,999 | 3,164 | 1,110 | 459 | 88,495 |
| 1,455 | 287 | 48 | 260 | 234 | 7,039 |
| - | - | - | 2 | - | 7 |
| 26 | - | - | - | - | 675 |
| 3 | - | - | - | - | 83 |
| 324 | - | - | - | - | 1,773 |
| - | - | - | - | - | 9,640 |
| 1,808 | 287 | 48 | 262 | 234 | 19,217 |
| 213 | - | - | 242 | 32 | 1,735 |
| 12,830 | - | - | - | - | 22,221 |
| - | - | - | - | - | 23,581 |
| 13,043 | - | - | 242 | 32 | 47,537 |
| 14,851 | 287 | 48 | 504 | 266 | 66,754 |
| 141 | 95 | 2,750 | 60 | 41 | 5,839 |
| 590 | 2,617 | 366 | 546 | 152 | 15,902 |
| $ 731 | $ 2,712 | $ 3,116 | $ 606 | $ 193 | $ 21,741 |

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | CENTRAL SERVICES | GENERAL GOVERNMENT COMPUTER CENTER | TELECOM-MUNICATIONS |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Sales of Goods and Services | $ 45,301 | $ 11,553 | $ 20,819 |
| Rental Income | - | - | - |
| Other | 191 | 39 | 24 |
| TOTAL OPERATING REVENUES | 45,492 | 11,592 | 20,843 |
| OPERATING EXPENSES: | | | |
| Salaries and Fringe Benefits | 7,478 | 4,527 | 5,778 |
| Operating and Travel | 21,615 | 6,351 | 14,083 |
| Cost of Goods Sold | 5,526 | - | - |
| Depreciation and Amortization | 11,946 | 365 | 2,621 |
| Intergovernmental Distributions | - | - | - |
| Prizes and Awards | 2 | 1 | 1 |
| TOTAL OPERATING EXPENSES | 46,567 | 11,244 | 22,483 |
| OPERATING INCOME (LOSS) | (1,075) | 348 | (1,640) |
| NONOPERATING REVENUES AND (EXPENSES): | | | |
| Fines and Settlements | 3 | - | - |
| Investment Income (Loss) | 499 | - | - |
| Federal Grants and Contracts | - | - | 174 |
| Gain/(Loss) on Sale or Impairment of Capital Assets | 836 | - | (242) |
| Debt Service | (1,167) | - | - |
| Other Expenses | (146) | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 25 | - | (68) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | (1,050) | 348 | (1,708) |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | |
| Capital Contributions | 1,124 | - | - |
| Transfers-In | 415 | - | 716 |
| Transfers-Out | (1,558) | (615) | (362) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | (19) | (615) | 354 |
| CHANGE IN NET ASSETS | (1,069) | (267) | (1,354) |
| TOTAL NET ASSETS - FISCAL YEAR BEGINNING | 11,270 | 1,983 | 3,820 |
| TOTAL NET ASSETS - FISCAL YEAR ENDING | $ 10,201 | $ 1,716 | $ 2,466 |

| CAPITOL COMPLEX | HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE HEARINGS | DEBT COLLECTION | TOTALS |
|---|---|---|---|---|---|
| $ 2 | $ 1,843 | $ 192 | $ 4,027 | $ 2,307 | $ 86,044 |
| 10,291 | - | - | - | - | 10,291 |
| 4 | - | 1 | 1 | 3 | 263 |
| 10,297 | 1,843 | 193 | 4,028 | 2,310 | 96,598 |
| 2,869 | 1,130 | 110 | 3,084 | 844 | 25,820 |
| 5,372 | 1,404 | 380 | 586 | 1,317 | 51,108 |
| - | - | - | - | - | 5,526 |
| 810 | 39 | 462 | 39 | 8 | 16,290 |
| 3 | - | - | - | - | 3 |
| 1 | - | - | 1 | - | 6 |
| 9,055 | 2,573 | 952 | 3,710 | 2,169 | 98,753 |
| 1,242 | (730) | (759) | 318 | 141 | (2,155) |
| - | - | - | - | - | 3 |
| - | 22 | - | - | - | 521 |
| - | - | - | - | - | 174 |
| (18) | (4) | - | - | - | 572 |
| (605) | - | - | - | - | (1,772) |
| - | - | - | - | - | (146) |
| (623) | 18 | - | - | - | (648) |
| 619 | (712) | (759) | 318 | 141 | (2,803) |
| - | - | - | - | - | 1,124 |
| - | - | 420 | - | - | 1,551 |
| (1,113) | - | - | (292) | (173) | (4,113) |
| (1,113) | - | 420 | (292) | (173) | (1,438) |
| (494) | (712) | (339) | 26 | (32) | (4,241) |
| 1,225 | 3,424 | 3,455 | 580 | 225 | 25,982 |
| $ 731 | $ 2,712 | $ 3,116 | $ 606 | $ 193 | $ 21,741 |

## COMBINING STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

| (DOLLARS IN THOUSANDS) | CENTRAL SERVICES | GENERAL GOVERNMENT COMPUTER CENTER | TELECOM-MUNICATIONS |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from: | | | |
| Tuition, Fees, and Student Loans | $ 10 | $ - | $ - |
| Fees for Service | 45,260 | 11,553 | 20,725 |
| Sales of Products | 277 | - | 90 |
| Gifts, Grants, and Contracts | - | - | 156 |
| Income from Property | - | - | - |
| Other Sources | 193 | 39 | 38 |
| Cash Payments to or for: | | | |
| Employees | (6,010) | (4,218) | (5,499) |
| Suppliers | (29,284) | (6,818) | (15,329) |
| Sales Commissions and Lottery Prizes | - | - | - |
| Other Governments | - | - | - |
| Other | (9) | (1) | (2) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 10,437 | 555 | 179 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers-In | 415 | - | 716 |
| Transfers-Out | (1,558) | (615) | (362) |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | (1,143) | (615) | 354 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of Capital Assets | (14,056) | (236) | (1,034) |
| Proceeds from Sale of Capital Assets | 10,784 | - | - |
| Capital Debt Proceeds | 995 | - | - |
| Capital Debt Service Payments | (13,353) | - | - |
| Capital Lease Payments | (1,688) | - | - |
| NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES | (17,318) | (236) | (1,034) |

(Continued)

| CAPITOL COMPLEX | HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE HEARINGS | DEBT COLLECTION | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 10 |
| 2 | 931 | 184 | 4,012 | 2,308 | 84,975 |
| - | 912 | 1 | - | - | 1,280 |
| - | - | - | - | - | 156 |
| 10,330 | - | - | - | - | 10,330 |
| 1 | - | 1 | 1 | 3 | 276 |
| (2,753) | (879) | (111) | (2,973) | (813) | (23,256) |
| (4,762) | (1,294) | (375) | (661) | (325) | (58,848) |
| - | - | - | - | (831) | (831) |
| (3) | - | - | - | - | (3) |
| (2) | (8) | - | (1) | (75) | (98) |
| 2,813 | (338) | (300) | 378 | 267 | 13,991 |
| - | - | 420 | - | - | 1,551 |
| (1,113) | - | - | (292) | (173) | (4,113) |
| (1,113) | - | 420 | (292) | (173) | (2,562) |
| (434) | - | - | - | - | (15,760) |
| - | - | - | - | - | 10,784 |
| - | - | - | - | - | 995 |
| (605) | - | - | - | - | (13,958) |
| (328) | - | - | - | - | (2,016) |
| (1,367) | - | - | - | - | (19,955) |

## COMBINING STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2007

**(Continued)**

| (DOLLARS IN THOUSANDS) | CENTRAL SERVICES | GENERAL GOVERNMENT COMPUTER CENTER | TELECOM-MUNICATIONS |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and Dividends on Investments | 499 | - | - |
| Increase(Decrease) from Unrealized Gain(Loss) on Invesments | - | - | - |
| NET CASH FROM INVESTING ACTIVITIES | 499 | - | - |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | (7,525) | (296) | (501) |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 20,113 | 2,311 | 2,361 |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 12,588 | $ 2,015 | $ 1,860 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | $ (1,075) | $ 348 | $ (1,640) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 11,946 | 365 | 2,621 |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 3 | - | 183 |
| Compensated Absences | 58 | 62 | 50 |
| Interest and Other Expense in Operating Income | 21 | 47 | 4 |
| (Increase) Decrease in Operating Receivables | 28 | - | (21) |
| (Increase) Decrease in Inventories | (270) | - | - |
| (Increase) Decrease in Other Operating Assets | (4) | 56 | 39 |
| Increase (Decrease) in Accounts Payable | (488) | (323) | (1,062) |
| Increase (Decrease) in Other Operating Liabilities | 218 | - | 5 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 10,437 | $ 555 | $ 179 |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | | |
| Capital Assets Funded by the Capital Projects Fund | 1,124 | - | - |
| Gain/(Loss) on Disposal of Capital Assets | 836 | - | (251) |
| Assumption of Capital Lease Obligation or Mortgage | 11,020 | - | - |

| CAPITOL COMPLEX | HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE HEARINGS | DEBT COLLECTION | TOTALS |
|---|---|---|---|---|---|
| - | - | - | - | - | 499 |
| - | 22 | - | - | - | 22 |
| - | 22 | - | - | - | 521 |
| 333 | (316) | 120 | 86 | 94 | (8,005) |
| 1,628 | 2,976 | 283 | 890 | 318 | 30,880 |
| $ 1,961 | $ 2,660 | $ 403 | $ 976 | $ 412 | $ 22,875 |
| $ 1,242 | $ (730) | $ (759) | $ 318 | $ 141 | $ (2,155) |
| 810 | 39 | 462 | 39 | 8 | 16,290 |
| - | - | - | - | - | 186 |
| - | - | - | 40 | (5) | 205 |
| 437 | - | - | - | - | 509 |
| 40 | - | (6) | (17) | - | 24 |
| (47) | 173 | - | - | - | (144) |
| (78) | - | - | (1) | - | 12 |
| 411 | 180 | 3 | (1) | 123 | (1,157) |
| (2) | - | - | - | - | 221 |
| $ 2,813 | $ (338) | $ (300) | $ 378 | $ 267 | $ 13,991 |
| - | - | - | - | - | 1,124 |
| (18) | (4) | - | - | - | 563 |
| - | - | - | - | - | 11,020 |

# 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 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 student's 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, 2007**

| (DOLLARS IN THOUSANDS) | TREASURER'S | COLLEGE SAVINGS PLAN | COLLEGE OPPORTUNITY FUND | OTHER | TOTALS |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and Pooled Cash | $ 151,604 | $ 2,888 | $ 1,834 | $ 415 | $ 156,741 |
| Other Receivables, net | 427 | 10,343 | - | 4 | 10,774 |
| Due From Other Funds | - | 1,400 | - | - | 1,400 |
| Noncurrent Assets: | | | | | |
| Investments: | | | | | |
| Government Securities | 12,428 | - | | 701 | 13,129 |
| Corporate Bonds | 11,105 | - | - | - | 11,105 |
| Asset Backed Securities | 13,325 | - | - | - | 13,325 |
| Mortgages | 22,153 | - | - | - | 22,153 |
| Mutual Funds | - | 3,228,674 | - | - | 3,228,674 |
| Other Investments | - | 23,550 | - | - | 23,550 |
| TOTAL ASSETS | 211,042 | 3,266,855 | 1,834 | 1,120 | 3,480,851 |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable and Accrued Liabilities | $ 45,459 | $ 7,352 | $ - | $ 14 | 52,825 |
| Due To Other Funds | - | 38 | - | - | 38 |
| Deferred Revenue | - | 251 | - | - | 251 |
| Noncurrent Liabilities: | | | | | |
| Deposits Held In Custody For Others | - | 1,414 | - | - | 1,414 |
| Other Long-Term Liabilities | 2,745 | - | - | - | 2,745 |
| TOTAL LIABILITIES | 48,204 | 9,055 | - | 14 | 57,273 |
| NET ASSETS: | | | | | |
| Held in Trust for: | | | | | |
| Individuals, Organizations, and Other Entities | 162,838 | 3,257,800 | 1,834 | 1,106 | 3,423,578 |
| TOTAL NET ASSETS | $ 162,838 | $ 3,257,800 | $ 1,834 | $ 1,106 | $ 3,423,578 |

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**PRIVATE PURPOSE TRUST FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2007**

| (DOLLARS IN THOUSANDS) | TREASURER'S | COLLEGE SAVINGS PLAN | COLLEGE OPPORTUNITY FUND | OTHER | TOTALS |
|---|---|---|---|---|---|
| ADDITIONS: | | | | | |
| Additions By Participants | $ - | $ 660,752 | $ 315,642 | $ - | $ 976,394 |
| Investment Income/(Loss) | 7,413 | 383,635 | - | 50 | 391,098 |
| Unclaimed Property Receipts | 52,339 | - | - | - | 52,339 |
| Other Additions | 557 | 620 | - | 1,220 | 2,397 |
| TOTAL ADDITIONS | 60,309 | 1,045,007 | 315,642 | 1,270 | 1,422,228 |
| DEDUCTIONS: | | | | | |
| Distributions to Participants | - | - | 313,861 | - | 313,861 |
| Payments in Accordance with Trust Agreements | 29,026 | 251,992 | - | 1,192 | 282,210 |
| Transfers-Out | 1,717 | - | - | - | 1,717 |
| TOTAL DEDUCTIONS | 30,743 | 251,992 | 313,861 | 1,192 | 597,788 |
| CHANGE IN NET ASSETS | 29,566 | 793,015 | 1,781 | 78 | 824,440 |
| NET ASSETS AVAILABLE: | | | | | |
| FISCAL YEAR BEGINNING | 133,272 | 2,464,785 | 53 | 1,028 | 2,599,138 |
| FISCAL YEAR ENDING | $ 162,838 | $ 3,257,800 | $ 1,834 | $ 1,106 | $ 3,423,578 |

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

***DEPARTMENT OF REVENUE AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 90,225 | $ 2,221,772 | $ 2,218,884 | $ 93,113 |
| Taxes Receivable, net | 113,814 | 12,648 | 9,525 | 116,937 |
| TOTAL ASSETS | $ 204,039 | $ 2,234,420 | $ 2,228,409 | $ 210,050 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Tax Refunds Payable | $ 411 | $ 494 | $ 128 | $ 777 |
| Due To Other Governments | 203,170 | 3,348,884 | 3,343,034 | 209,020 |
| Claims and Judgments Payable | 127 | 3,316 | 3,279 | 164 |
| Other Long-Term Liabilities | 331 | 257 | 499 | 89 |
| TOTAL LIABILITIES | $ 204,039 | $ 3,352,951 | $ 3,346,940 | $ 210,050 |

***OTHER AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 128,368 | $ 185,425 | $ 199,026 | $ 114,767 |
| Taxes Receivable, net | 4,259 | 418 | 399 | 4,278 |
| Other Receivables, net | 477 | 541 | 375 | 643 |
| Due From Other Funds | 235 | 226 | 246 | 215 |
| Inventories | 2 | 42 | 42 | 2 |
| Prepaids, Advances, and Deferred Charges | - | 5 | 5 | - |
| Other Long-Term Assets | 13,227 | 2,988 | 367 | 15,848 |
| TOTAL ASSETS | $ 146,568 | $ 189,645 | $ 200,460 | $ 135,753 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 21 | $ 51 | $ 10 | $ 62 |
| Accounts Payable and Accrued Liabilities | 477 | 10,140 | 8,268 | 2,349 |
| Due To Other Governments | 7,549 | 121,669 | 121,506 | 7,712 |
| Due To Other Funds | 2 | 11,423 | 11,425 | - |
| Deferred Revenue | - | 43 | 43 | - |
| Claims and Judgments Payable | 270 | 212 | - | 482 |
| Other Current Liabilities | 134,396 | 91,709 | 105,145 | 120,960 |
| Deposits Held In Custody For Others | 3,850 | 1,543 | 1,205 | 4,188 |
| Other Long-Term Liabilities | 3 | - | 3 | - |
| TOTAL LIABILITIES | $ 146,568 | $ 236,790 | $ 247,605 | $ 135,753 |

***DEPARTMENT OF TREASURY AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 128,189 | $ 88,433 | $ 100,230 | $ 116,392 |
| Due From Other Funds | 1,853 | 6,133 | 1,853 | 6,133 |
| TOTAL ASSETS | $ 130,042 | $ 94,566 | $ 102,083 | $ 122,525 |
| LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | $ - | $ 118 | $ 118 | $ - |
| Other Current Liabilities | 78,942 | 100,369 | 103,729 | 75,582 |
| Deposits Held In Custody For Others | 51,100 | 3,500 | 7,657 | 46,943 |
| TOTAL LIABILITIES | $ 130,042 | $ 103,987 | $ 111,504 | $ 122,525 |

***TOTALS - ALL AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 346,782 | $ 2,495,630 | $ 2,518,140 | $ 324,272 |
| Taxes Receivable, net | 118,073 | 13,066 | 9,924 | 121,215 |
| Other Receivables, net | 477 | 541 | 375 | 643 |
| Due From Other Funds | 2,088 | 6,359 | 2,099 | 6,348 |
| Inventories | 2 | 42 | 42 | 2 |
| Prepaids, Advances, and Deferred Charges | - | 5 | 5 | - |
| Other Long-Term Assets | 13,227 | 2,988 | 367 | 15,848 |
| TOTAL ASSETS | $ 480,649 | $ 2,518,631 | $ 2,530,952 | $ 468,328 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 432 | $ 545 | $ 138 | $ 839 |
| Accounts Payable and Accrued Liabilities | 477 | 10,258 | 8,386 | 2,349 |
| Due To Other Governments | 210,719 | 3,470,553 | 3,464,540 | 216,732 |
| Due To Other Funds | 2 | 11,423 | 11,425 | - |
| Deferred Revenue | - | 43 | 43 | - |
| Claims and Judgments Payable | 397 | 3,528 | 3,279 | 646 |
| Other Current Liabilities | 213,338 | 192,078 | 208,874 | 196,542 |
| Deposits Held In Custody For Others | 54,950 | 5,043 | 8,862 | 51,131 |
| Other Long-Term Liabilities | 334 | 257 | 502 | 89 |
| TOTAL LIABILITIES | $ 480,649 | $ 3,693,728 | $ 3,706,049 | $ 468,328 |

# 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, 2007

| (DOLLARS IN THOUSANDS) | LAND | LAND AND LEASEHOLD IMPROVEMENTS | BUILDINGS | LIBRARY BOOKS AND COLLECTIONS |
|---|---|---|---|---|
| GENERAL GOVERNMENT | | | | |
| Governor's Office | $ - | $ - | $ - | $ - |
| Legislature | - | 38 | - | - |
| Military Affairs | 778 | 150 | 19,342 | - |
| Personnel & Administration | 5,684 | 2,522 | 65,168 | - |
| Revenue | - | 2,739 | 1,833 | - |
| Subtotal | 6,462 | 5,449 | 86,343 | - |
| BUSINESS, COMMUNITY & CONSUMER AFFAIRS | | | | |
| Agriculture | 103 | - | 1,757 | - |
| [1]GOV, GEO, OED | - | - | - | 27 |
| Labor and Employment | 543 | 202 | 8,069 | - |
| Local Affairs | - | 113 | 1,397 | - |
| Regulatory Agencies | - | - | - | - |
| Revenue | 421 | - | 286 | - |
| State | - | - | - | - |
| Subtotal | 1,067 | 315 | 11,509 | 27 |
| EDUCATION | | | | |
| Education | 163 | 99 | 8,035 | 1,042 |
| Higher Education | 1,842 | 1,363 | 8,257 | 8,868 |
| Subtotal | 2,005 | 1,462 | 16,292 | 9,910 |
| HEALTH AND REHABILITATION | | | | |
| Public Health and Environment | 188 | 194 | 7,282 | - |
| Human Services | 3,068 | 3,874 | 29,354 | - |
| Subtotal | 3,256 | 4,068 | 36,636 | - |
| JUSTICE | | | | |
| Corrections | 3,872 | 4,264 | 515,428 | - |
| DHS, Division of Youth Services | 75 | 1,583 | 99,870 | - |
| Judicial | 1,605 | - | 4,714 | 504 |
| Law | - | - | - | - |
| Public Safety | 659 | 54 | 8,656 | - |
| Regulatory Agencies | - | - | - | - |
| Subtotal | 6,211 | 5,901 | 628,668 | 504 |
| NATURAL RESOURCES | | | | |
| Natural Resources | 44,282 | 25,649 | 20,254 | - |
| SOCIAL ASSISTANCE | | | | |
| Human Services | - | 228 | - | - |
| Military Affairs | 36 | 2,374 | 2,397 | - |
| Health Care Policy and Finance | - | - | - | - |
| Subtotal | 36 | 2,602 | 2,397 | - |
| TRANSPORTATION | | | | |
| Transportation | 15,094 | - | 79,052 | - |
| TOTAL GENERAL FIXED ASSETS | $ 78,413 | $ 45,446 | $ 881,151 | $ 10,441 |

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

| VEHICLES AND EQUIPMENT | OTHER CAPITAL ASSETS | CONSTRUCTION IN PROGRESS | INFRASTRUCTURE | TOTALS |
|---|---|---|---|---|
| $ 54 | $ - | $ - | $ - | $ 54 |
| 456 | - | - | - | 494 |
| 471 | - | 8,571 | - | 29,312 |
| 81,256 | 39 | 5,668 | - | 160,337 |
| 1,955 | - | 7,564 | - | 14,091 |
| 84,192 | 39 | 21,803 | - | 204,288 |
| | | | | |
| 1,327 | - | 175 | - | 3,362 |
| 112 | - | - | - | 139 |
| 11,097 | 834 | - | - | 20,745 |
| 381 | 995 | - | - | 2,886 |
| 220 | - | - | - | 220 |
| 148 | - | 1 | - | 856 |
| 5,505 | - | - | - | 5,505 |
| 18,790 | 1,829 | 176 | - | 33,713 |
| | | | | |
| 1,254 | - | - | - | 10,593 |
| 916 | - | 1,375 | - | 22,621 |
| 2,170 | - | 1,375 | - | 33,214 |
| | | | | |
| 4,105 | 676 | 780 | - | 13,225 |
| 2,112 | 61 | 3,023 | - | 41,492 |
| 6,217 | 737 | 3,803 | - | 54,717 |
| | | | | |
| 6,964 | 53 | 14,827 | - | 545,408 |
| 218 | - | 7,039 | - | 108,785 |
| 4,096 | 731 | 1,007 | - | 12,657 |
| 107 | - | - | - | 107 |
| 10,907 | - | 182 | - | 20,458 |
| 1 | - | - | - | 1 |
| 22,293 | 784 | 23,055 | - | 687,416 |
| | | | | |
| 4,185 | 4,488 | 42,761 | 14,902 | 156,521 |
| | | | | |
| 88,453 | - | 15,533 | - | 104,214 |
| 13 | - | - | - | 4,820 |
| 19 | - | - | - | 19 |
| 88,485 | - | 15,533 | - | 109,053 |
| | | | | |
| 92,922 | - | 333,349 | 11,288,944 | 11,809,361 |
| $ 319,254 | $ 7,877 | $ 441,855 | $ 11,303,846 | $ 13,088,283 |

# 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, 2007

(Dollars in Thousands)

| FUND NAME | Statutory Cite | Assets | Liabilities | Net Assets |
|---|---|---|---|---|
| OTHER PERMANENT FUNDS | | | | |
| Wildlife for Future Generations (Nonexpendable) | 33-1-112(7) | $ 5,982 | $ - | $ 5,982 |
| Wildlife for Future Generations (Expendable) | 33-1-112 | 895 | 80 | 815 |
| Other Permanent-Nonexpendable | Various | 750 | - | 750 |
| Veterans Monument Preservation | 24-80-1401 | 24 | 2 | 22 |
| Hall Historical Marker-Nonexpendable | 24-80-209 | 8 | - | 8 |
| Total Other Permanent Funds | | $ 7,659 | $ 82 | $ 7,577 |
| OTHER PRIVATE PURPOSE TRUST FUNDS | | | | |
| Supplemental Purse & Breeders Awards | 12-60-704 | 701 | - | 701 |
| Brand Estray Fund | 35-41-102 | 240 | - | 240 |
| Americans with Disabilities Act Contractor Settlement | 24-34-301 ADA | 146 | - | 146 |
| Colorado Combined Campaign Administration | Restricted | 32 | 14 | 18 |
| Total Other Private Purpose Funds | | $ 1,119 | $ 14 | $ 1,105 |
| OTHER ENTERPRISE FUNDS | | | | |
| Capitol Parking Fund | None | 16,038 | 8,667 | 7,371 |
| Statewide Tolling Operating | 43-4-805 | 4,412 | 143 | 4,269 |
| Buildings and Grounds Rentals | None | 1,737 | 86 | 1,651 |
| Statewide Tolling Special Revenue | 43-4-804(1) | 1,542 | - | 1,542 |
| Business Enterprise Program | None | 1,529 | 760 | 769 |
| Brand Inspection Fund | 35-41-102 | 6,654 | 6,139 | 515 |
| Clean Screen Authority | 42-3-304(19) | 389 | 154 | 235 |
| Work Therapy | None | 132 | 34 | 98 |
| Enterprise Services | 24-80-209 | 239 | 127 | 112 |
| Conference & Training | None | 16 | - | 16 |
| Other Enterprise Funds | Various | 5 | - | 5 |
| Total Other Enterprise Funds | | $ 32,693 | $ 16,110 | $ 16,583 |
| OTHER SPECIAL REVENUE FUNDS | | | | |
| Aviation Fund | 43-10-109 | 38,126 | 2,236 | 35,890 |
| Travel and Tourism Promotion | 24-49.7-106 | 23,926 | 1,693 | 22,233 |
| Federal Tax Relief Act - 2003 | RESTRICTED | 21,914 | 213 | 21,701 |
| Help America Vote Fund | HAVA 2002 | 21,867 | 933 | 20,934 |
| School Construction and Renovation | 22-43.7-103 | 22,224 | 1,699 | 20,525 |
| Gear Up Scholarship Trust Fund | None | 10,624 | - | 10,624 |
| Clean Energy Fund | 24-75-1201(1 | 10,597 | - | 10,597 |
| Supreme Court Committee | CRT RULE 227 | 12,819 | 2,600 | 10,219 |
| Victims Assistance | 24-4.2-104 | 9,951 | 61 | 9,890 |
| Economic Development Fund | 24-46-105 | 8,981 | 249 | 8,732 |
| Species Conservation-Capital Account | 24-33-111(2) | 8,485 | - | 8,485 |
| Species Conservation-Oper. & Main. Account | None | 8,185 | 2 | 8,183 |
| Offender Services | 16-11-214 | 6,301 | 73 | 6,228 |
| Consumer Protection-Custodial Funds | 6-1-103 | 5,064 | 14 | 5,050 |
| Old Age Pension Stabilization | 26-2-116 | 5,000 | - | 5,000 |
| Excess Title IV-E Reimbursement | 26-1-111(2)D | 8,072 | 3,283 | 4,789 |
| Victims Compensation | 24-4.1-124 | 4,781 | 16 | 4,765 |
| Collaborative Management Incentive | 24-1.9-104(1 | 3,525 | - | 3,525 |
| Cumulative Surplus-HUD Section 8 Voucher | 29-4-708(K) | 3,405 | 28 | 3,377 |
| Housing Rehabilitation Revolving Loans | 29-4-728 | 3,692 | 410 | 3,282 |
| Secretary of State Fees | 24-21-104 | 6,003 | 2,729 | 3,274 |
| Operating Vouchers | NONE | 3,403 | 225 | 3,178 |
| Other Expendable Trusts | VARIOUS | 10,320 | 7,224 | 3,096 |
| Drug Offender Surcharge Fund | 18-19-103(4) | 3,186 | 196 | 2,990 |
| Traumatic Brain Injury Fund | 26-1-210(1) | 3,022 | 129 | 2,893 |
| Division of Registrations Cash Fund | 24-34-105 | 14,384 | 11,614 | 2,770 |

## COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2007

(Dollars in Thousands)

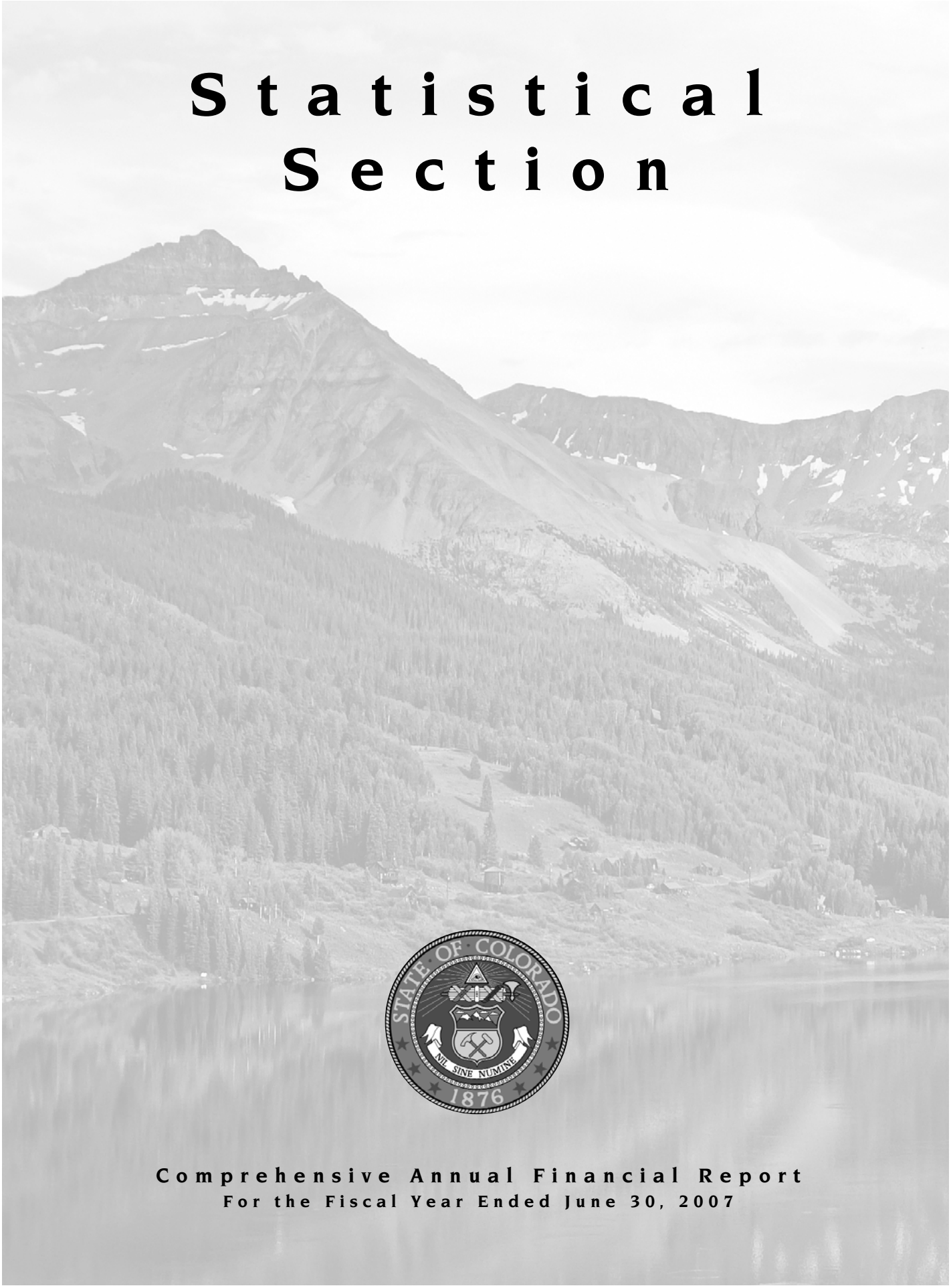
| FUND NAME | Statutory Cite | Assets | Liabilities | Net Assets |
|---|---|---|---|---|
| Real Estate Proceeds | 28-3-106 | 2,560 | 3 | 2,557 |
| Texaco Oil Overcharge Fund | None | 2,396 | 217 | 2,179 |
| Patient Benefit Fund | NONE | 2,069 | 11 | 2,058 |
| Stripper Well Settlement | NONE | 1,870 | - | 1,870 |
| Judicial Stabilization Cash Fund | Restricted | 1,686 | - | 1,686 |
| Inspection & Consumer Service Cash Fund | 35-1-106.5 | 2,310 | 628 | 1,682 |
| Transportation Renovation | 43-1-210 6(B | 1,580 | - | 1,580 |
| Judicial Performance Cash Fund | 13-5.5-107 | 1,624 | 59 | 1,565 |
| Criminal Alien Assistance Cash Fund | 17-1-107.5 | 1,554 | - | 1,554 |
| State Rail Bank Fund | Various | 10,900 | 9,356 | 1,544 |
| Law Examiner Board Fund | CRT RULE 201 | 1,511 | 28 | 1,483 |
| Advance Technology Fund | 23-1-106.5(9 | 1,458 | 20 | 1,438 |
| Victims Assistance Fund | 24-33.5-506 | 1,552 | 138 | 1,414 |
| Building Regulation Fund | 24-32-3309 | 1,464 | 75 | 1,389 |
| Disaster Emergency Fund | 24-32-2106 | 5,145 | 3,777 | 1,368 |
| Uniform Consumer Credit Code Custodial Funds | RESTRICTED | 1,344 | - | 1,344 |
| Library Trust Fund | 24-90-105 | 1,134 | 5 | 1,129 |
| Mortgage Broker Registration Fund | 12-61-908(2) | 1,117 | 7 | 1,110 |
| Legislative Legal Expenses Fund | 2-3-1002(1) | 1,089 | - | 1,089 |
| Exxon Oil Overcharge Funds | NONE | 1,244 | 158 | 1,086 |
| Alternative Fuels Rebate | 39-33-105 | 1,077 | - | 1,077 |
| Organ & Tissue Donation Awareness | 24-33.5-225 | 1,020 | 24 | 996 |
| Travel and Tourism Additional Fund | 24-49.7-106 | 1,138 | 162 | 976 |
| Colorado Comprehensive Health Education Fund | Court Rule 260 | 966 | 1 | 965 |
| Colorado Dealer License Board | 12-6-123 | 1,106 | 157 | 949 |
| Home Grant Revolving Loan Fund | NONE | 923 | 13 | 910 |
| Continuing Legal Education Fund | Restricted | 902 | 16 | 886 |
| Persistent Drunk Driver | 42-3-130.5 | 959 | 120 | 839 |
| Howard Fund | 26-8-104(1)C | 823 | - | 823 |
| Notary Administration Cash Fund | 12-55-102.5 | 771 | 15 | 756 |
| Waste Tire Recycling Fund | 25-17-202(3) | 987 | 234 | 753 |
| Division of Securities Cash Fund | 11-51-707 | 1,982 | 1,258 | 724 |
| Disabled Telephone Users Fund | 40-17-104 | 964 | 302 | 662 |
| Innovative Higher Education Research Fund | 23-19.7-104 | 649 | - | 649 |
| Real Estate Cash Fund | 12-61-111.5 | 2,660 | 2,067 | 593 |
| Colorado Bureau of Investigation Contraband | 24-33.5-415 | 573 | - | 573 |
| Small Business Loan Investment and Development | 36-1-153(1) | 681 | 120 | 561 |
| Alcohol/Drug Driving Safety | 42-4-1301.3 | 973 | 416 | 557 |
| Public School Transportation | 22-51-103(1) | 523 | - | 523 |
| Agriculture Value-Added Fund | 35-75-205 | 537 | 17 | 520 |
| Pesticide Registration Fund | 35-9-126 | 1,116 | 606 | 510 |
| Ballot Information Publication & Distribution Fund | 1-40-124.5 | 507 | - | 507 |
| Abandoned Mine Reclamation | 34-34-102(1) | 518 | 18 | 500 |
| EPA - Settlement Projects | RESTRICTED | 500 | - | 500 |
| Conservation District Grants | 35-1-106.7(1 | 487 | - | 487 |
| Historical Society Unrestricted | 24-80-209 | 463 | - | 463 |
| Public Deposit Administration | 11-10.5-112 | 738 | 283 | 455 |
| Records and Reports Fund | 19-1-307(2.5 | 487 | 37 | 450 |
| Organ & Tissue Donation Awareness | 42-2-107(4) | 443 | - | 443 |
| Colorado Family Support Loan | 27-10.5-502 | 383 | - | 383 |
| Mandatory Fruit & Vegetable Inspection Fund | 35-23-114 | 723 | 357 | 366 |
| Family-Friendly Court Program | 13-3-113(6) | 391 | 34 | 357 |
| Educator Licensure Cash Fund | 22-60.5-112 | 475 | 119 | 356 |
| Identity Theft Financial Fraud | 24-33.5-1707 | 414 | 59 | 355 |
| Uniform Consumer Credit Code | 5-6-204 | 382 | 73 | 309 |
| Attorney's Fees and Costs | 24-31-108(2) | 305 | - | 305 |
| Western Slope Military Veterans Cemetery | 28-5-708 | 308 | 15 | 293 |
| Liquor Law Enforcement | 24-35-401 | 390 | 116 | 274 |

## COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2007

(Dollars in Thousands)

| FUND NAME | Statutory Cite | Assets | Liabilities | Net Assets |
|---|---|---|---|---|
| Ground Water Protection | 25-8-205.5(8 | 550 | 277 | 273 |
| Donations | 25-1-107(U) | 599 | 352 | 247 |
| Fixed Utilities | 40-2-114 | 984 | 738 | 246 |
| HUD Section 8 Before Federal Fiscal Year 2004 | NONE | 264 | 21 | 243 |
| Colorado Heritage Communities Fund | 24-32-3207 | 239 | - | 239 |
| Older Coloradans Cash Fund | 26-11-205.5 | 572 | 333 | 239 |
| Racing Cash Fund | 12-60-205 | 401 | 163 | 238 |
| Low Income Telephone Assistance | 40-3.4-108(2 | 221 | - | 221 |
| Conservation Trust Fund | 24-35-210(10 | 11,533 | 11,315 | 218 |
| Diamond Shamrock Settlement | NONE | 214 | - | 214 |
| Reading Assistance Grant Program | 22-88-104 | 209 | - | 209 |
| Auto Theft Prevention Cash Fund | 42-5-112(4A) | 212 | 6 | 206 |
| Highway Crossing | 43-4-201 | 200 | - | 200 |
| Vickers Oil Overcharge Funds | EX ORD 56-87 | 194 | - | 194 |
| Cervidae Disease Fund | 35-50-114.5 | 190 | - | 190 |
| Charter School Institute Fund | 22-30.5-506 | 456 | 291 | 165 |
| Domestic Abuse Program | None | 235 | 70 | 165 |
| Diseased Livestock Fund | 35-50-140.5 | 161 | - | 161 |
| Property Tax Exemption Fund | 39-2-117(3) | 208 | 52 | 156 |
| Pet Animal Care and Facility | 35-80-116 | 482 | 328 | 154 |
| Collection Agency Board | 12-14-136 | 176 | 24 | 152 |
| Violent Offender Identification Fund | 24-33.5-415. | 174 | 24 | 150 |
| 114 Funds with Net Assets Below $150,000 | | 66,409 | 63,423 | 2,986 |
| Total Other Special Revenue Funds | | $ 437,591 | $ 134,165 | $ 303,426 |

# Statistical Section



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

**GOVERNMENT-WIDE**
**SCHEDULE OF NET ASSETS**
**PRIMARY GOVERNMENT**
**Last Six Fiscal Years**

| (DOLLARS IN THOUSANDS) | GOVERNMENTAL ACTIVITIES | | | | | |
|---|---|---|---|---|---|---|
| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash and Pooled Cash | $ 2,455,425 | $ 2,334,948 | $ 1,944,751 | $ 1,387,469 | $ 712,256 | $ 571,293 |
| Investments | 998 | 12,637 | 10,440 | 10,209 | - | - |
| Taxes Receivable, net | 956,149 | 845,241 | 731,647 | 738,769 | 758,887 | 809,839 |
| Other Receivables, net | 153,218 | 153,916 | 146,906 | 143,717 | 104,475 | 125,181 |
| Due From Other Governments | 280,637 | 264,688 | 307,704 | 282,252 | 515,860 | 378,906 |
| Internal Balances | 13,756 | 26,313 | 18,122 | 22,070 | (98,203) | 20,287 |
| Due From Component Units | 65 | 56 | 110 | - | - | - |
| Inventories | 14,053 | 14,906 | 18,266 | 16,696 | 17,580 | 16,895 |
| Prepaids, Advances, and Deferred Charges | 28,527 | 28,735 | 23,700 | 29,628 | 27,413 | 99,893 |
| Total Current Assets | 3,902,828 | 3,681,440 | 3,201,646 | 2,630,810 | 2,038,268 | 2,022,294 |
| Noncurrent Assets: | | | | | | |
| Restricted Cash and Pooled Cash | 1,689,703 | 1,349,184 | 1,199,258 | 1,360,083 | 1,236,865 | 1,306,432 |
| Restricted Investments | 552,211 | 491,780 | 465,819 | 408,790 | 571,970 | - |
| Restricted Receivables | 279,140 | 335,774 | 311,462 | 347,245 | - | - |
| Investments | 80,695 | 48,173 | 24,162 | 4,055 | 152,495 | 1,142,818 |
| Other Long-Term Assets | 425,886 | 395,612 | 356,325 | 325,376 | 332,964 | 244,499 |
| Depreciable Capital Assets and Infrastructure, net | 1,288,308 | 1,322,945 | 1,348,957 | 1,208,235 | 1,191,785 | 1,138,996 |
| Land and Nondepreciable Infrastructure | 11,799,975 | 11,649,792 | 11,613,109 | 11,583,157 | 11,032,850 | 10,827,222 |
| Total Noncurrent Assets | 16,115,918 | 15,593,260 | 15,319,092 | 15,236,941 | 14,518,929 | 14,659,967 |
| TOTAL ASSETS | 20,018,746 | 19,274,700 | 18,520,738 | 17,867,751 | 16,557,197 | 16,682,261 |
| LIABILITIES: | | | | | | |
| Current Liabilities: | | | | | | |
| Tax Refunds Payable | 486,576 | 457,124 | 476,445 | 425,610 | 431,132 | 384,040 |
| Accounts Payable and Accrued Liabilities | 694,602 | 633,685 | 679,425 | 687,136 | 684,956 | 569,102 |
| TABOR Refund Liability (Note 8B) | 727 | 2,917 | 41,064 | - | - | 48,920 |
| Due To Other Governments | 176,864 | 247,548 | 192,611 | 172,239 | 151,989 | 172,691 |
| Due to Component Units | - | - | - | - | - | - |
| Deferred Revenue | 65,389 | 66,290 | 73,609 | 84,431 | 114,149 | 84,906 |
| Accrued Compensated Absences | 9,533 | 9,437 | 7,900 | 7,992 | 7,394 | 6,123 |
| Claims and Judgments Payable | 40,948 | 49,415 | 38,738 | 12,084 | 14,743 | 35,576 |
| Leases Payable | 2,807 | 1,461 | 3,403 | 2,821 | 3,492 | 1,298 |
| Notes, Bonds, COP's Payable | 457,250 | 526,235 | 628,395 | 419,778 | 21,125 | 19,530 |
| Other Current Liabilities | 9,615 | 10,318 | 25,092 | 37,152 | 33,987 | 37,050 |
| Total Current Liabilities | 1,944,311 | 2,004,430 | 2,166,682 | 1,849,243 | 1,462,967 | 1,359,236 |
| Noncurrent Liabilities: | | | | | | |
| Deposits Held In Custody For Others | 17 | 17 | 16 | 10 | 8 | 12 |
| Accrued Compensated Absences | 116,262 | 112,860 | 111,418 | 112,104 | 113,548 | 112,027 |
| Claims and Judgments Payable | 295,874 | 343,452 | 430,978 | 29,200 | 29,200 | - |
| Capital Lease Obligations | 27,649 | 16,021 | 18,905 | 13,219 | 5,054 | 2,175 |
| Notes, Bonds, COP's Payable | 1,390,671 | 1,503,686 | 1,467,924 | 1,540,053 | 1,309,153 | 1,328,072 |
| Other Long-Term Liabilities | 206,972 | 210,369 | 198,520 | 516,756 | 501,390 | 263,034 |
| Total Noncurrent Liabilities | 2,037,445 | 2,186,405 | 2,227,761 | 2,211,342 | 1,958,353 | 1,705,320 |
| TOTAL LIABILITIES | 3,981,756 | 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 | 11,804,908 | 11,662,529 | 11,771,877 | 11,747,276 | 11,444,442 | 10,633,044 |
| Restricted for: | | | | | | |
| Highway Construction and Maintenance | 1,196,903 | 824,698 | 679,440 | 559,450 | 509,354 | 1,376,522 |
| State Education | 225,818 | 153,043 | 123,867 | 147,286 | 218,545 | 303,827 |
| Unemployment Insurance | - | - | - | - | - | - |
| Debt Service | 558 | 580 | 3,298 | 7,965 | 5,241 | 6,495 |
| Emergencies | 85,760 | 79,800 | 71,000 | 172,202 | 150,762 | 81,917 |
| Permanent Funds and Endowments: | | | | | | |
| Expendable | 1,782 | 1,642 | 1,953 | 1,297 | 986 | 810 |
| Nonexpendable | 515,997 | 460,473 | 433,538 | 392,542 | 378,369 | 356,004 |
| Court Awards and Other Purposes | 299,777 | 198,996 | 141,933 | 134,658 | 95,135 | 16,006 |
| Unrestricted | 1,905,487 | 1,702,104 | 899,389 | 644,490 | 333,043 | 843,080 |
| TOTAL NET ASSETS | $16,036,990 | $15,083,865 | $14,126,295 | $13,807,166 | $13,135,877 | $13,617,705 |

(Continued)

| BUSINESS-TYPE ACTIVITIES | | | | | |
|---|---|---|---|---|---|
| 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| $ 1,430,836 | $ 1,188,953 | $ 872,618 | $ 678,233 | $ 754,879 | $ 1,193,338 |
| 326,087 | 328,466 | 670,346 | 182,572 | - | - |
| 81,745 | 105,973 | 103,598 | 92,485 | 46,597 | 36,237 |
| 219,488 | 209,497 | 206,946 | 180,707 | 219,048 | 884,919 |
| 126,391 | 99,040 | 95,170 | 86,355 | 98,017 | 74,061 |
| (13,756) | (26,313) | (18,122) | (22,070) | 98,203 | (20,287) |
| 15,334 | 11,141 | 9,294 | 5,406 | - | |
| 38,000 | 35,747 | 34,797 | 33,065 | 33,861 | 35,315 |
| 15,751 | 13,148 | 13,723 | 18,396 | 19,138 | 22,441 |
| 2,239,876 | 1,965,652 | 1,988,370 | 1,255,149 | 1,269,743 | 2,226,024 |
| 149,811 | 187,895 | 160,283 | 121,764 | 114,642 | 40,136 |
| 555,310 | 424,826 | 453,876 | 243,390 | 114,292 | 140,074 |
| 1,408,588 | 1,173,312 | 1,015,134 | 889,108 | - | - |
| 972,922 | 887,302 | 225,329 | 577,619 | 888,232 | 663,412 |
| 112,693 | 108,606 | 119,359 | 99,358 | 832,622 | 74,237 |
| 2,851,692 | 2,718,135 | 2,719,778 | 2,623,814 | 2,259,846 | 1,899,066 |
| 835,182 | 561,525 | 403,037 | 371,552 | 520,085 | 651,292 |
| 6,886,198 | 6,061,601 | 5,096,796 | 4,926,605 | 4,729,719 | 3,468,217 |
| 9,126,074 | 8,027,253 | 7,085,166 | 6,181,754 | 5,999,462 | 5,694,241 |
| - | - | - | - | - | - |
| 413,788 | 380,194 | 350,347 | 334,136 | 332,990 | 188,839 |
| - | - | - | - | - | - |
| 38,501 | 30,749 | 38,472 | 37,120 | 26,570 | 45,626 |
| 273 | 1,067 | 1,607 | 703 | - | - |
| 183,805 | 171,411 | 145,432 | 131,496 | 138,313 | 138,382 |
| 12,578 | 14,284 | 14,103 | 9,719 | 10,582 | 8,526 |
| 11,717 | 7,430 | 8,233 | - | - | - |
| 4,950 | 4,851 | 6,039 | 5,537 | 5,283 | 3,840 |
| 62,998 | 83,271 | 85,672 | 80,127 | 60,105 | 97,064 |
| 126,574 | 94,214 | 107,228 | 107,611 | 92,272 | 89,335 |
| 855,184 | 787,471 | 757,133 | 706,449 | 666,115 | 571,612 |
| - | - | - | - | - | - |
| 153,320 | 136,837 | 131,883 | 128,635 | 124,853 | 121,127 |
| 28,220 | 48,396 | 20,019 | - | - | - |
| 63,671 | 55,873 | 84,101 | 80,994 | 80,636 | 43,382 |
| 3,100,764 | 2,488,738 | 2,062,837 | 1,578,762 | 1,546,903 | 1,199,426 |
| 54,097 | 53,138 | 52,022 | 70,174 | 76,251 | 144,027 |
| 3,400,072 | 2,782,982 | 2,350,862 | 1,858,565 | 1,828,643 | 1,507,962 |
| 4,255,256 | 3,570,453 | 3,107,995 | 2,565,014 | 2,494,758 | 2,079,574 |
| 2,256,929 | 2,256,602 | 2,238,068 | 2,195,837 | 2,142,940 | 2,045,202 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 675,574 | 548,780 | 321,725 | 200,311 | 322,423 | 653,690 |
| 125,656 | 105,348 | 122,290 | 103,602 | 2,048 | 2,295 |
| 37,472 | 29,883 | 27,247 | 39,277 | 32,881 | 38,813 |
| 5,313 | 4,757 | 16,483 | 17,449 | 17,746 | 47,015 |
| 97,821 | 82,698 | 76,460 | 49,659 | 46,851 | 49,200 |
| 411,112 | 364,310 | 303,714 | 297,765 | 189,466 | 198,696 |
| 1,260,941 | 1,064,422 | 871,184 | 712,840 | 750,349 | 579,756 |
| $ 4,870,818 | $ 4,456,800 | $ 3,977,171 | $ 3,616,740 | $ 3,504,704 | $ 3,614,667 |

**GOVERNMENT-WIDE**
**SCHEDULE OF NET ASSETS**
**PRIMARY GOVERNMENT**
**Last Six Fiscal Years**

| (DOLLARS IN THOUSANDS) | PRIMARY GOVERNMENT TOTAL | | | | | |
|---|---|---|---|---|---|---|
| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash and Pooled Cash | $ 3,886,261 | $ 3,523,901 | $ 2,817,369 | $ 2,065,702 | $ 1,467,135 | $ 1,764,631 |
| Investments | 327,085 | 341,103 | 680,786 | 192,781 | - | - |
| Taxes Receivable, net | 1,037,894 | 951,214 | 835,245 | 831,254 | 805,484 | 846,076 |
| Other Receivables, net | 372,706 | 363,413 | 353,852 | 324,424 | 323,523 | 1,010,100 |
| Due From Other Governments | 407,028 | 363,728 | 402,874 | 368,607 | 613,877 | 452,967 |
| Internal Balances | - | - | - | - | - | - |
| Due From Component Units | 15,399 | 11,197 | 9,404 | 5,406 | - | - |
| Inventories | 52,053 | 50,653 | 53,063 | 49,761 | 51,441 | 52,210 |
| Prepaids, Advances, and Deferred Charges | 44,278 | 41,883 | 37,423 | 48,024 | 46,551 | 122,334 |
| Total Current Assets | 6,142,704 | 5,647,092 | 5,190,016 | 3,885,959 | 3,308,011 | 4,248,318 |
| Noncurrent Assets: | | | | | | |
| Restricted Cash and Pooled Cash | 1,839,514 | 1,537,079 | 1,359,541 | 1,481,847 | 1,351,507 | 1,346,568 |
| Restricted Investments | 1,107,521 | 916,606 | 919,695 | 652,180 | 686,262 | 140,074 |
| Restricted Receivables | 1,687,728 | 1,509,086 | 1,326,596 | 1,236,353 | - | - |
| Investments | 1,053,617 | 935,475 | 249,491 | 581,674 | 1,040,727 | 1,806,230 |
| Other Long-Term Assets | 538,579 | 504,218 | 475,684 | 424,734 | 1,165,586 | 318,736 |
| Depreciable Capital Assets and Infrastructure, net | 4,140,000 | 4,041,080 | 4,068,735 | 3,832,049 | 3,451,631 | 3,038,062 |
| Land and Nondepreciable Infrastructure | 12,635,157 | 12,211,317 | 12,016,146 | 11,954,709 | 11,552,935 | 11,478,514 |
| Total Noncurrent Assets | 23,002,116 | 21,654,861 | 20,415,888 | 20,163,546 | 19,248,648 | 18,128,184 |
| TOTAL ASSETS | 29,144,820 | 27,301,953 | 25,605,904 | 24,049,505 | 22,556,659 | 22,376,502 |
| LIABILITIES: | | | | | | |
| Current Liabilities: | | | | | | |
| Tax Refunds Payable | 486,576 | 457,124 | 476,445 | 425,610 | 431,132 | 384,040 |
| Accounts Payable and Accrued Liabilities | 1,108,390 | 1,013,879 | 1,029,772 | 1,021,272 | 1,017,946 | 757,941 |
| TABOR Refund Liability (Note 8B) | 727 | 2,917 | 41,064 | - | - | 48,920 |
| Due To Other Governments | 215,365 | 278,297 | 231,083 | 209,359 | 178,559 | 218,317 |
| Due to Component Units | 273 | 1,067 | 1,607 | 703 | - | - |
| Deferred Revenue | 249,194 | 237,701 | 219,041 | 215,927 | 252,462 | 223,288 |
| Accrued Compensated Absences | 22,111 | 23,721 | 22,003 | 17,711 | 17,976 | 14,649 |
| Claims and Judgments Payable | 52,665 | 56,845 | 46,971 | 12,084 | 14,743 | 35,576 |
| Leases Payable | 7,757 | 6,312 | 9,442 | 8,358 | 8,775 | 5,138 |
| Notes, Bonds, COP's Payable | 520,248 | 609,506 | 714,067 | 499,905 | 81,230 | 116,594 |
| Other Current Liabilities | 136,189 | 104,532 | 132,320 | 144,763 | 126,259 | 126,385 |
| Total Current Liabilities | 2,799,495 | 2,791,901 | 2,923,815 | 2,555,692 | 2,129,082 | 1,930,848 |
| Noncurrent Liabilities: | | | | | | |
| Deposits Held In Custody For Others | 17 | 17 | 16 | 10 | 8 | 12 |
| Accrued Compensated Absences | 269,582 | 249,697 | 243,301 | 240,739 | 238,401 | 233,154 |
| Claims and Judgments Payable | 324,094 | 391,848 | 450,997 | 29,200 | 29,200 | - |
| Capital Lease Obligations | 91,320 | 71,894 | 103,006 | 94,213 | 85,690 | 45,557 |
| Notes, Bonds, COP's Payable | 4,491,435 | 3,992,424 | 3,530,761 | 3,118,815 | 2,856,056 | 2,527,498 |
| Other Long-Term Liabilities | 261,069 | 263,507 | 250,542 | 586,930 | 577,641 | 407,061 |
| Total Noncurrent Liabilities | 5,437,517 | 4,969,387 | 4,578,623 | 4,069,907 | 3,786,996 | 3,213,282 |
| TOTAL LIABILITIES | 8,237,012 | 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 | 14,061,837 | 13,919,131 | 14,009,945 | 13,943,113 | 13,587,382 | 12,678,246 |
| Restricted for: | | | | | | |
| Highway Construction and Maintenance | 1,196,903 | 824,698 | 679,440 | 559,450 | 509,354 | 1,376,522 |
| State Education | 225,818 | 153,043 | 123,867 | 147,286 | 218,545 | 303,827 |
| Unemployment Insurance | 675,574 | 548,780 | 321,725 | 200,311 | 322,423 | 653,690 |
| Debt Service | 126,214 | 105,928 | 125,588 | 111,567 | 7,289 | 8,790 |
| Emergencies | 123,232 | 109,683 | 98,247 | 211,479 | 183,643 | 120,730 |
| Permanent Funds and Endowments: | | | | | | |
| Expendable | 7,095 | 6,399 | 18,436 | 18,746 | 18,732 | 47,825 |
| Nonexpendable | 613,818 | 543,171 | 509,998 | 442,201 | 425,220 | 405,204 |
| Court Awards and Other Purposes | 710,889 | 563,306 | 445,647 | 432,423 | 284,601 | 214,702 |
| Unrestricted | 3,166,428 | 2,766,526 | 1,770,573 | 1,357,330 | 1,083,392 | 1,422,836 |
| TOTAL NET ASSETS | $20,907,808 | $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 Six Fiscal Years**

(DOLLARS IN THOUSANDS)

| | GOVERNMENTAL ACTIVITIES | | | | | |
|---|---|---|---|---|---|---|
| Functions/Programs | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| PROGRAM REVENUES: | | | | | | |
| Charges for Services: | | | | | | |
| Licenses and Permits | $ 352,819 | $ 339,779 | $ 357,241 | $ 353,628 | $ 327,134 | $ 310,343 |
| Service Fees | 129,980 | 123,392 | 128,101 | 132,644 | 117,253 | 105,932 |
| Education - Tuition, Fees, and Sales | - | - | - | - | - | - |
| Fines and Forfeits | 126,612 | 121,859 | 117,666 | 109,341 | 99,654 | 87,994 |
| Rents and Royalties | 68,270 | 68,920 | 61,524 | 45,340 | 32,314 | 31,673 |
| Sales of Products | 3,703 | 3,100 | 2,841 | 3,164 | 2,296 | 3,001 |
| Unemployment Surcharge | 22,346 | 22,399 | 21,524 | 20,112 | 19,500 | 19,630 |
| Other | 64,964 | 79,810 | 54,254 | 55,216 | 47,264 | 72,996 |
| Operating Grants and Contributions | 4,122,360 | 3,909,382 | 3,684,878 | 3,601,808 | 3,552,745 | 3,166,623 |
| Capital Grants and Contributions | 414,602 | 447,283 | 409,458 | 487,442 | 410,070 | 352,125 |
| TOTAL PROGRAM REVENUES | 5,305,656 | 5,115,924 | 4,837,487 | 4,808,695 | 4,608,230 | 4,150,317 |
| EXPENSES: | | | | | | |
| General Government | 163,412 | 164,276 | 141,320 | 161,588 | 244,062 | 210,837 |
| Business, Community, and Consumer Affairs | 565,769 | 449,411 | 367,553 | 343,589 | 327,935 | 253,054 |
| Education | 4,771,218 | 4,394,236 | 194,723 | 173,823 | 194,436 | 285,636 |
| Health and Rehabilitation | 560,153 | 524,736 | 475,668 | 477,572 | 475,405 | 471,198 |
| Justice | 1,313,767 | 1,197,334 | 1,026,282 | 936,374 | 971,227 | 957,320 |
| Natural Resources | 138,457 | 112,753 | 62,638 | 81,114 | 103,888 | 103,801 |
| Social Assistance | 4,496,696 | 4,348,466 | 3,016,668 | 2,954,217 | 2,830,164 | 2,608,748 |
| Transportation | 1,213,138 | 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 | 42,269 | 31,969 | 26,925 | 9,625 | 16,219 | 16,750 |
| Higher Education Institutions | - | - | - | - | - | - |
| Unemployment Insurance | - | - | - | - | - | - |
| CollegeInvest | - | - | - | - | - | - |
| Lottery | - | - | - | - | - | - |
| Wildlife | - | - | - | - | - | - |
| College Assist | - | - | - | - | - | - |
| Other Business-Type Activities | - | - | - | - | - | - |
| TOTAL EXPENSES | 13,264,879 | 12,428,737 | 11,363,677 | 10,689,957 | 10,687,102 | 9,943,621 |
| NET (EXPENSE) REVENUE | (7,959,223) | (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 | 2,244,000 | 2,148,981 | 1,980,785 | 1,920,934 | 1,829,380 | 1,881,162 |
| Excise Taxes | 261,711 | 266,747 | 182,726 | 112,741 | 86,048 | 91,761 |
| Individual Income Tax | 4,508,845 | 4,044,581 | 3,450,493 | 3,253,027 | 2,996,597 | 3,168,499 |
| Corporate Income Tax | 470,853 | 422,656 | 291,583 | 220,236 | 205,569 | 172,257 |
| Other Taxes | 484,408 | 568,184 | 491,214 | 465,826 | 371,089 | 363,190 |
| Restricted Taxes | 946,757 | 922,872 | 868,251 | 835,680 | 731,138 | 818,234 |
| Unrestricted Investment Earnings | 43,638 | 35,372 | 29,736 | 16,534 | 16,577 | 37,236 |
| Other General Revenues | 84,328 | 84,335 | 95,912 | 99,200 | 146,516 | 122,527 |
| Special and/or Extraordinary Item | (25,915) | (13,534) | (1,112) | - | - | (21,000) |
| Transfers (Out) In | (98,926) | (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: | 8,919,699 | 8,399,300 | 6,843,982 | 6,377,578 | 5,725,385 | 5,971,750 |
| TOTAL CHANGES IN NET ASSETS | 960,476 | 1,086,487 | 317,792 | 496,316 | (353,487) | 178,446 |
| NET ASSETS - BEGINNING | 15,083,865 | 14,126,295 | 13,807,166 | 13,135,877 | 13,617,705 | 5,457,647 |
| Prior Period Adjustment | (7,351) | (128,917) | 1,337 | 174,973 | (128,341) | (172,615) |
| Accounting Changes | - | - | - | - | - | 8,154,227 |
| NET ASSETS - ENDING | $16,036,990 | $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 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 | | | | | |
|---|---|---|---|---|---|
| 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| $ 84,302 | $ 75,388 | $ 64,864 | $ 66,196 | $ 59,426 | $ 57,546 |
| 575,555 | 536,261 [2] | 273,541 | 242,809 | 188,614 | 153,983 |
| 1,734,996 | 1,622,045 [2] | 1,294,488 | 1,227,187 | 1,143,890 | 1,062,083 |
| 1,174 | 729 | 596 | 554 | 1,025 | 1,379 |
| 26,271 | 28,765 | 21,527 | 44,783 | 16,576 | 21,084 |
| 520,838 | 522,715 | 467,088 | 449,910 | 440,902 | 459,317 |
| 403,641 | 504,039 | 462,416 | 338,063 | 190,461 | 153,024 |
| 140,376 | 162,045 | 120,145 | 117,682 | 130,239 | 255,970 |
| 1,685,417 | 1,466,045 | 1,403,928 | 1,344,191 | 1,398,401 | 1,176,005 |
| 22,263 | 16,856 | 16,667 | 73,952 | 28,662 | 47,202 |
| 5,194,834 | 4,934,888 | 4,125,260 | 3,905,327 | 3,598,196 | 3,387,593 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3,661,270 | 3,446,716 | 3,294,154 | 3,128,126 | 3,108,493 | 2,942,776 |
| 316,577 | 305,447 | 352,712 | 591,789 | 742,745 | 583,508 |
| 96,720 | 73,745 | 54,453 | 37,355 | 45,213 | 41,351 |
| 401,969 | 402,391 | 367,474 | 354,159 | 341,907 | 349,955 |
| 96,515 | 91,221 [3] | - | - | - | - |
| 199,677 | 115,200 [3] | - | - | - | - |
| 163,727 | 138,773 | 267,408 | 246,988 | 253,633 | 229,773 |
| 4,936,455 | 4,573,493 | 4,336,201 | 4,358,417 | 4,491,991 | 4,147,363 |
| 258,379 | 361,395 | (210,941) | (453,090) | (893,795) | (759,770) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 39,446 | 34,728 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (707) | - | - | - | - |
| 98,926 | 80,894 [2] | 545,175 | 546,580 | 634,674 | 662,141 |
| - | - | 10,303 | 15,330 | 76,210 | 151,465 |
| 138,372 | 114,915 | 555,478 | 561,910 | 710,884 | 813,606 |
| 396,751 | 476,310 | 344,537 | 108,820 | (182,911) | 53,836 |
| 4,456,800 | 3,977,171 | 3,616,740 | 3,504,704 | 3,614,667 | 4,887,925 |
| 17,267 | 3,319 | 15,894 | 3,216 | 72,948 | 95,811 |
| - | - | - | - | - | (1,422,905) |
| $ 4,870,818 | $ 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 College Assist enterprise funds out of the Other Business-Type Activities.

**GOVERNMENT-WIDE**
**SCHEDULE OF CHANGES IN NET ASSETS**
**PRIMARY GOVERNMENT**
**Last Six Fiscal Years**

(DOLLARS IN THOUSANDS)

| | PRIMARY GOVERNMENT TOTAL | | | | | |
|---|---|---|---|---|---|---|
| Functions/Programs | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
| PROGRAM REVENUES: | | | | | | |
| Charges for Services: | | | | | | |
| Licenses and Permits | $ 437,121 | $ 415,167 | $ 422,105 | $ 419,824 | $ 386,560 | $ 367,889 |
| Service Fees | 705,535 | 659,653 | 401,642 | 375,453 | 305,867 | 259,915 |
| Education - Tuition, Fees, and Sales | 1,734,996 | 1,622,045 | 1,294,488 | 1,227,187 | 1,143,890 | 1,062,083 |
| Fines and Forfeits | 127,786 | 122,588 | 118,262 | 109,895 | 100,679 | 89,373 |
| Rents and Royalties | 94,541 | 97,685 | 83,051 | 90,123 | 48,890 | 52,757 |
| Sales of Products | 524,541 | 525,815 | 469,929 | 453,074 | 443,198 | 462,318 |
| Unemployment Surcharge | 425,987 | 526,438 | 483,940 | 358,175 | 209,961 | 172,654 |
| Other | 205,340 | 241,855 | 174,399 | 172,898 | 177,503 | 328,966 |
| Operating Grants and Contributions | 5,807,777 | 5,375,427 | 5,088,806 | 4,945,999 | 4,951,146 | 4,342,628 |
| Capital Grants and Contributions | 436,865 | 464,139 | 426,125 | 561,394 | 438,732 | 399,327 |
| TOTAL PROGRAM REVENUES | 10,500,490 | 10,050,812 | 8,962,747 | 8,714,022 | 8,206,426 | 7,537,910 |
| EXPENSES: | | | | | | |
| General Government | 163,412 | 164,276 | 141,320 | 161,588 | 244,062 | 210,837 |
| Business, Community, and Consumer Affairs | 565,769 | 449,411 | 367,553 | 343,589 | 327,935 | 253,054 |
| Education | 4,771,218 | 4,394,236 | 194,723 | 173,823 | 194,436 | 285,636 |
| Health and Rehabilitation | 560,153 | 524,736 | 475,668 | 477,572 | 475,405 | 471,198 |
| Justice | 1,313,767 | 1,197,334 | 1,026,282 | 936,374 | 971,227 | 957,320 |
| Natural Resources | 138,457 | 112,753 | 62,638 | 81,114 | 103,888 | 103,801 |
| Social Assistance | 4,496,696 | 4,348,466 | 3,016,668 | 2,954,217 | 2,830,164 | 2,608,748 |
| Transportation | 1,213,138 | 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 | 42,269 | 31,969 | 26,925 | 9,625 | 16,219 | 16,750 |
| Higher Education Institutions | 3,661,270 | 3,446,716 | 3,294,154 | 3,128,126 | 3,108,493 | 2,942,776 |
| Unemployment Insurance | 316,577 | 305,447 | 352,712 | 591,789 | 742,745 | 583,508 |
| CollegeInvest | 96,720 | 73,745 | 54,453 | 37,355 | 45,213 | 41,351 |
| Lottery | 401,969 | 402,391 | 367,474 | 354,159 | 341,907 | 349,955 |
| Wildlife | 96,515 | 91,221 | - | - | - | - |
| College Assist | 199,677 | 115,200 | - | - | - | - |
| Other Business-Type Activities | 163,727 | 138,773 | 267,408 | 246,988 | 253,633 | 229,773 |
| TOTAL EXPENSES | 18,201,334 | 17,002,230 | 15,699,878 | 15,048,374 | 15,179,093 | 14,090,984 |
| NET (EXPENSE) REVENUE | (7,700,844) | (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 | 2,244,000 | 2,148,981 | 1,980,785 | 1,920,934 | 1,829,380 | 1,881,162 |
| Excise Taxes | 261,711 | 266,747 | 182,726 | 112,741 | 86,048 | 91,761 |
| Individual Income Tax | 4,508,845 | 4,044,581 | 3,450,493 | 3,253,027 | 2,996,597 | 3,168,499 |
| Corporate Income Tax | 470,853 | 422,656 | 291,583 | 220,236 | 205,569 | 172,257 |
| Other Taxes | 523,854 | 602,912 | 491,214 | 465,826 | 371,089 | 363,190 |
| Restricted Taxes | 946,757 | 922,872 | 868,251 | 835,680 | 731,138 | 818,234 |
| Unrestricted Investment Earnings | 43,638 | 35,372 | 29,736 | 16,534 | 16,577 | 37,236 |
| Other General Revenues | 84,328 | 84,335 | 95,912 | 99,200 | 146,516 | 122,527 |
| Special and/or Extraordinary Item | (25,915) | (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: | 9,058,071 | 8,514,215 | 7,399,460 | 6,939,488 | 6,436,269 | 6,785,356 |
| TOTAL CHANGES IN NET ASSETS | 1,357,227 | 1,562,797 | 662,329 | 605,136 | (536,398) | 232,282 |
| NET ASSETS - BEGINNING | 19,540,665 | 18,103,466 | 17,423,906 | 16,640,581 | 17,232,372 | 10,345,572 |
| Prior Period Adjustment | 9,916 | (125,598) | 17,231 | 178,189 | (55,393) | (76,804) |
| Accounting Changes | - | - | - | - | - | 6,731,322 |
| NET ASSETS - ENDING | $20,907,808 | $19,540,665 | $18,103,466 | $17,423,906 | $16,640,581 | $17,232,372 |

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES (AND EXPENDABLE TRUST FUNDS BEFORE FISCAL YEAR 2001-02)

### Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes | $ 8,936 | $ 8,396 | $ 7,323 | $ 6,794 |
| Less: Excess TABOR Revenues | - | - | (41) | - |
| Licenses, Permits, and Fines | 575 | 541 | 565 | 551 |
| Charges for Goods and Services | 99 | 99 | 99 | 108 |
| Rents (reported in 'Other' prior to FY05) | 68 | 69 | 62 | - |
| Investment Income | 272 | 117 | 126 | 54 |
| Federal Grants and Contracts | 4,073 | 4,054 | 3,831 | 3,880 |
| Other | 320 | 341 | 321 | 358 |
| TOTAL REVENUES | 14,343 | 13,617 | 12,286 | 11,745 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 251 | 256 | 278 | 267 |
| Business, Community and Consumer Affairs | 303 | 274 | 277 | 296 |
| Education | 713 | 673 | 129 | 119 |
| Health and Rehabilitation | 530 | 486 | 443 | 450 |
| Justice | 1,088 | 998 | 978 | 897 |
| Natural Resources | 107 | 97 | 90 | 85 |
| Social Assistance | 3,400 | 3,263 | 3,026 | 2,969 |
| Transportation | 950 | 962 | 983 | 1,098 |
| Capital Outlay | 124 | 82 | 92 | 74 |
| Intergovernmental: | | | | |
| Cities | 239 | 251 | 218 | 211 |
| Counties | 1,721 | 1,616 | 1,474 | 1,319 |
| School Districts | 3,719 | 3,455 | 3,284 | 3,131 |
| Other | 242 | 197 | 157 | 144 |
| Deferred Compensation Distributions | - | - | - | - |
| Debt Service | 213 | 204 | 114 | 92 |
| TOTAL EXPENDITURES | 13,600 | 12,814 | 11,543 | 11,152 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 743 | 803 | 743 | 593 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers-In | 4,202 | 3,645 | 3,198 | 2,819 |
| Transfers-Out: | | | | |
| Higher Education | (120) | (128) | (597) | (605) |
| Other | (4,137) | (3,580) | (3,136) | (2,750) |
| Face Amount of Debt Issued | - | - | - | 235 |
| Bond Premium/Discount | - | - | - | 53 |
| Capital Lease Debt Issuance | 4 | 132 | 27 | 2 |
| Sale of Capital Assets | - | 4 | 10 | 12 |
| Insurance Recoveries | 1 | 1 | - | - |
| Debt Refunding Issuance | - | - | - | 280 |
| Debt Refunding Payments | - | - | - | (311) |
| TOTAL OTHER FINANCING SOURCES (USES) | (50) | 74 | (498) | (265) |
| NET CHANGE IN FUND BALANCE | 693 | 877 | 245 | 328 |
| FUND BALANCE - BEGINNING | 4,319 | 3,441 | 3,196 | 2,827 |
| Prior Period Adjustments | - | 1 | - | 41 |
| FUND BALANCE - ENDING | $ 5,012 | $ 4,319 | $ 3,441 | $ 3,196 |

[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 State Lands Fund (a Nonexpendable

| 2002-03 | 2001-02[1] | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|
| $ 6,261 | $ 6,499 | $ 7,501 | $ 7,058 | $ 6,443 | $ 5,995 |
| - | - | (927) | (941) | (680) | (563) |
| 517 | 504 | 534 | 505 | 422 | 418 |
| 108 | 99 | 109 | 117 | 181 | 183 |
| - | - | - | - | - | - |
| 259 | 240 | 314 | 244 | 233 | 223 |
| 3,471 | 3,104 | 2,809 | 2,673 | 2,473 | 2,225 |
| 351 | 299 | 308 | 220 | 179 | 151 |
| 10,967 | 10,745 | 10,648 | 9,876 | 9,251 | 8,632 |
| | | | | | |
| 229 | 238 | 224 | 216 | 208 | 209 |
| 317 | 277 | 426 | 391 | 368 | 361 |
| 116 | 122 | 112 | 74 | 71 | 75 |
| 450 | 453 | 467 | 434 | 413 | 418 |
| 933 | 924 | 851 | 776 | 694 | 619 |
| 82 | 82 | 137 | 130 | 123 | 116 |
| 2,851 | 2,619 | 2,367 | 2,152 | 1,992 | 1,770 |
| 1,105 | 1,127 | 1,069 | 958 | 877 | 716 |
| 136 | 276 | 185 | 223 | 253 | 233 |
| 198 | 209 | 196 | 192 | 191 | 193 |
| 1,328 | 1,229 | 1,162 | 1,074 | 1,011 | 920 |
| 2,947 | 2,689 | 2,389 | 2,257 | 2,158 | 2,011 |
| 160 | 158 | 146 | 141 | 138 | 142 |
| - | - | 18 | 17 | 15 | - |
| 99 | 85 | 54 | 5 | 23 | 41 |
| 10,951 | 10,488 | 9,803 | 9,040 | 8,535 | 7,824 |
| 16 | 257 | 845 | 836 | 716 | 808 |
| 3,507 | 3,987 | 676 | 469 | 772 | 513 |
| (695) | (742) | (907) | (898) | (778) | (735) |
| (3,406) | (3,880) | (655) | (391) | (712) | (461) |
| - | 208 | 539 | 536 | - | - |
| - | 12 | - | - | - | - |
| 12 | 5 | 1 | 4 | 3 | 1 |
| 3 | 3 | - | - | - | - |
| - | - | - | - | - | - |
| 443 | 10 | - | - | - | - |
| (436) | (10) | - | - | - | - |
| (572) | (407) | (346) | (280) | (715) | (682) |
| (556) | (150) | 499 | 556 | 1 | 126 |
| 3,383 | 4,043 | 3,523 | 2,959 | 2,673 | 2,547 |
| - | (510) | 21 | 8 | 285 | - |
| $ 2,827 | $ 3,383 | $ 4,043 | $ 3,523 | $ 2,959 | $ 2,673 |

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)

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| Income Tax: | | | | |
| Individual | $ 4,510 | $ 4,044 | $ 3,421 | $ 3,189 |
| Less: Excess TABOR Revenues | - | - | - | - |
| Corporate | 464 | 422 | 293 | 218 |
| Net Income Tax | 4,974 | 4,466 | 3,714 | 3,407 |
| Sales, Use, and Excise Taxes | 2,076 | 1,995 | 2,146 | 2,005 |
| Less: Excess TABOR Revenues | - | - | (41) | - |
| Net Sales, Use, and Excise Taxes | 2,076 | 1,995 | 2,105 | 2,005 |
| Estate Taxes | 1 | 7 | 26 | 47 |
| Insurance Tax | 179 | 175 | 189 | 176 |
| Gaming and Other Taxes | 7 | 18 | 40 | 40 |
| Investment Income | 28 | 33 | 28 | 20 |
| Medicaid Provider Revenues | - | - | - | - |
| Other | 48 | 52 | 59 | 72 |
| TOTAL GENERAL REVENUES | $ 7,313 | $ 6,746 | $ 6,161 | $ 5,767 |
| Percent Change Over Previous Year | 8.4% | 9.5% | 6.8% | 5.3% |
| (AS PERCENT OF TOTAL EXCLUDING TABOR REFUND) | | | | |
| Net Income Tax | 68.0% | 66.2% | 60.3% | 59.1% |
| Sales, Use, and Excise Taxes | 28.4 | 29.5 | 34.1 | 34.8 |
| Estate Taxes | 0.0 | 0.1 | 0.4 | 0.8 |
| Insurance Tax | 2.4 | 2.6 | 3.1 | 3.1 |
| Other Taxes | 0.1 | 0.3 | 0.6 | 0.7 |
| Interest | 0.4 | 0.5 | 0.5 | 0.3 |
| Medicaid Provider Revenues | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.7 | 0.8 | 1.0 | 1.2 |
| TOTAL GENERAL REVENUES | 100.0% | 100.0% | 100.0% | 100.0% |

| 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|
| $ 2,945 | $ 3,086 | $ 3,867 | $ 3,718 | $ 3,327 | $ 3,052 |
| - | - | (209) | (192) | (30) | - |
| 214 | 165 | 316 | 289 | 276 | 263 |
| 3,159 | 3,251 | 3,974 | 3,815 | 3,573 | 3,315 |
| 1,915 | 1,962 | 1,809 | 1,775 | 1,628 | 1,485 |
| - | - | (719) | (750) | (650) | (563) |
| 1,915 | 1,962 | 1,090 | 1,025 | 978 | 922 |
| 53 | 73 | 83 | 60 | 67 | 109 |
| 171 | 155 | 142 | 129 | 118 | 114 |
| 38 | 34 | 31 | 29 | 27 | 21 |
| 51 | 25 | 45 | 42 | 48 | 52 |
| 16 | 11 | - | 7 | 73 | 73 |
| 74 | 61 | 63 | 67 | 59 | 75 |
| $ 5,477 | $ 5,572 | $ 5,428 | $ 5,174 | $ 4,943 | $ 4,681 |
| -1.7% | 2.7% | 4.9% | 4.7% | 5.6% | 3.1% |
| 57.7% | 58.3% | 65.8% | 65.5% | 64.0% | 63.2% |
| 34.9 | 35.3 | 28.5 | 29.0 | 29.0 | 28.3 |
| 1.0 | 1.3 | 1.3 | 1.0 | 1.2 | 2.1 |
| 3.1 | 2.8 | 2.2 | 2.1 | 2.1 | 2.2 |
| 0.7 | 0.6 | 0.5 | 0.5 | 0.5 | 0.4 |
| 0.9 | 0.4 | 0.7 | 0.7 | 0.9 | 1.0 |
| 0.3 | 0.2 | 0.0 | 0.1 | 1.3 | 1.4 |
| 1.4 | 1.1 | 1.0 | 1.1 | 1.0 | 1.4 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

## EXPENDITURES BY DEPARTMENT[1] AND TRANSFERS FUNDED BY GENERAL PURPOSE REVENUES
### Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| Department:[1] | | | | |
| Agriculture | $ 5,197 | $ 4,038 | $ 4,107 | $ 3,716 |
| Corrections | 577,482 | 534,233 | 495,234 | 467,207 |
| Education | 2,882,876 | 2,718,667 | 2,514,427 | 2,417,490 |
| Governor | 11,991 | 15,862 | 15,808 | 13,317 |
| Health Care Policy and Financing | 1,369,321 | 1,362,893 | 1,247,254 | 1,142,620 |
| Higher Education | 693,999 | 636,341 | 587,958 | 591,221 |
| Human Services | 718,366 | 590,071 | 568,461 | 534,759 |
| Judicial Branch | 265,161 | 237,673 | 219,612 | 207,432 |
| Labor and Employment | 108 | - | - | - |
| Law | 8,975 | 7,143 | 6,738 | 6,266 |
| Legislative Branch | 29,880 | 27,633 | 26,745 | 26,818 |
| Local Affairs | 9,973 | 8,500 | 8,573 | 4,565 |
| Military and Veterans Affairs | 5,050 | 4,324 | 3,883 | 3,739 |
| Natural Resources | 28,550 | 22,806 | 22,481 | 19,337 |
| Personnel & Administration | 9,385 | 8,181 | 7,805 | 7,457 |
| Public Health and Environment | 23,081 | 20,586 | 13,061 | 12,359 |
| Public Safety | 67,169 | 58,785 | 56,315 | 53,895 |
| Regulatory Agencies | 1,273 | 1,390 | 1,047 | 1,028 |
| Revenue | 65,398 | 57,928 | 57,702 | 57,066 |
| Transportation | - | - | - | - |
| Treasury | 12,403 | 18,443 | 15,027 | 690 |
| Transfer to Capital Construction Fund | 291,467 | 104,841 | 40,759 | 12,270 |
| Transfer to Various Cash Funds | 3,748 | 67,100 | 185,628 | - |
| Transfer to the Highway Users Tax Fund | 291,179 | 65,345 | 81,212 | 5,559 |
| Other Transfers and Nonoperating Disbursements | 130,598 | 49,190 | 20,264 | 34,257 |
| TOTALS | $ 7,502,630 | $ 6,621,973 | $ 6,200,101 | $ 5,623,068 |
| Percent Change | 13.3% | 6.8% | 10.3% | -2.5% |
| (AS PERCENT OF TOTAL) | | | | |
| Education | 38.4% | 41.1% | 40.6% | 43.0% |
| Health Care Policy and Financing | 18.3 | 20.6 | 20.1 | 20.3 |
| Higher Education | 9.3 | 9.6 | 9.5 | 10.5 |
| Human Services | 9.6 | 8.9 | 9.2 | 9.5 |
| Corrections | 7.7 | 8.1 | 8.0 | 8.3 |
| Transfer to Capital Construction Fund | 3.9 | 1.6 | 0.7 | 0.2 |
| Transfer to Various Cash Funds | 0.0 | 1.0 | 3.0 | 0.0 |
| Transfers to the Highway Users Tax Fund | 3.9 | 1.0 | - | - |
| Judicial | 3.5 | 3.6 | 3.5 | 3.7 |
| Revenue | 0.9 | 0.9 | 0.9 | 1.0 |
| All Others | 4.5 | 4.6 | 4.5 | 3.5 |
| 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. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

| 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|
| $ 8,700 | $ 10,118 | $ 9,866 | $ 8,106 | $ 7,675 | $ 7,305 |
| 476,972 | 443,334 | 417,677 | 381,669 | 338,715 | 297,179 |
| 2,313,588 | 2,268,794 | 2,143,115 | 2,041,087 | 1,914,294 | 1,830,940 |
| 31,465 | 19,566 | 19,754 | 5,877 | 7,388 | 2,996 |
| 1,132,643 | 1,076,838 | 1,028,785 | 951,827 | 891,319 | 789,532 |
| 685,686 | 739,556 | 747,332 | 715,933 | 676,449 | 651,893 |
| 551,299 | 560,716 | 553,364 | 509,309 | 486,325 | 481,258 |
| 213,939 | 214,619 | 205,341 | 194,420 | 180,282 | 166,574 |
| - | - | - | - | - | 20 |
| 8,141 | 9,677 | 8,571 | 10,106 | 9,144 | 8,558 |
| 28,100 | 27,224 | 27,356 | 25,393 | 23,062 | 21,567 |
| 7,419 | 10,361 | 10,525 | 37,758 | 29,958 | 26,672 |
| 4,273 | 3,973 | 4,090 | 3,800 | 3,874 | 3,460 |
| 23,599 | 24,434 | 28,893 | 28,863 | 26,864 | 24,845 |
| 12,282 | 14,028 | 14,825 | 15,026 | 15,245 | 15,361 |
| 16,573 | 31,790 | 33,496 | 23,731 | 22,596 | 20,507 |
| 54,465 | 56,597 | 56,616 | 49,492 | 43,910 | 39,433 |
| 1,582 | 1,914 | 1,975 | 1,919 | 1,730 | 1,194 |
| 66,898 | 69,297 | 78,317 | 69,682 | 69,871 | 70,224 |
| - | - | 1 | 203 | 239 | 244 |
| 62,171 | 4,198 | 2,378 | 2,240 | 2,970 | 2,800 |
| 9,489 | 25,564 | 285,255 | 175,154 | 470,179 | 198,387 |
| - | - | - | - | - | - |
| - | 35,179 | - | - | - | 5,611 |
| 58,746 | 68,325 | 61,894 | 66,588 | 56,992 | 57,811 |
| $ 5,768,030 | $ 5,716,102 | $ 5,739,426 | $ 5,318,183 | $ 5,279,081 | $ 4,724,371 |
| | | | | | |
| 0.9% | -0.4% | 7.9% | 0.7% | 11.7% | 4.2% |
| | | | | | |
| 40.1% | 39.7% | 37.3% | 38.4% | 36.3% | 38.8% |
| 19.6 | 18.8 | 17.9 | 17.9 | 16.9 | 16.7 |
| 11.9 | 12.9 | 13.0 | 13.5 | 12.8 | 13.8 |
| 9.6 | 9.8 | 9.6 | 9.6 | 9.2 | 10.2 |
| 8.3 | 7.8 | 7.3 | 7.2 | 6.4 | 6.3 |
| 0.2 | 0.4 | 5.0 | 3.3 | 8.9 | 4.2 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3.7 | 3.8 | 3.6 | 3.7 | 3.4 | 3.5 |
| 1.2 | 1.2 | 1.4 | 1.3 | 1.3 | 1.5 |
| 5.4 | 5.6 | 4.9 | 5.1 | 4.8 | 5.0 |
| 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 Six Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|---|---|---|---|---|---|---|
| GENERAL FUND: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | $ 11,912 | $ 12,233 | $ 3,497 | $ 2,106 | $ 3,684 | $ 2,093 |
| Noncurrent Assets | 13 | 91 | 192 | 300 | 231 | 320 |
| Statutory Purposes | 267,020 | 251,704 | 198,751 | 207,003 | 60,731 | 39,622 |
| Risk Management | 38,593 | 32,851 | 36,473 | 33,301 | 39,412 | - |
| Unreserved Undesignated: | | | | | | |
| General Fund | 95,779 | 295,882 | - | - | - | 137,595 |
| Unreserved: | | | | | | |
| Designated for Unrealized Investment Gains: | | | | | | |
| General Fund | - | - | - | 4,272 | 30,657 | 26,697 |
| TOTAL RESERVED | 317,538 | 296,879 | 238,913 | 242,710 | 104,058 | 42,035 |
| TOTAL UNRESERVED | 95,779 | 295,882 | - | 4,272 | 30,657 | 164,292 |
| TOTAL FUND BALANCE | 413,317 | 592,761 | 238,913 | 246,982 | 134,715 | 206,327 |
| ALL OTHER GOVERNMENTAL FUNDS: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | $ 821,112 | $ 814,811 | $ 629,430 | $ 795,414 | $ 916,053 | $ 994,758 |
| Noncurrent Assets | 385,248 | 342,341 | 292,336 | 278,843 | 278,006 | 245,051 |
| Debt Service | 558 | 580 | 3,298 | 7,965 | 5,137 | 6,495 |
| Statutory Purposes | 130,000 | 137,530 | 10,263 | 11,565 | 10,929 | 14,328 |
| Emergencies | 85,760 | 79,800 | 71,000 | 172,202 | 150,762 | 81,917 |
| Funds Reported as Restricted | 1,669,326 | 1,233,272 | 1,104,061 | 998,428 | 770,874 | 1,118,886 |
| Unreserved, Reported in: | | | | | | |
| Special Revenue Funds | 72,830 | 872,212 | 812,706 | 41,589 | 27,692 | 29,918 |
| Capital Projects Funds | 199,126 | (47,740) | (12,545) | (39,986) | 4,555 | 43,029 |
| Nonmajor Special Revenue Funds | 1,233,276 | 291,488 | 274,941 | 664,258 | 448,766 | 591,846 |
| Nonmajor Permanent Funds | 1,782 | 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 | 3,092,004 | 2,608,334 | 2,110,388 | 2,264,417 | 2,131,761 | 2,461,435 |
| TOTAL UNRESERVED | 1,507,014 | 1,117,602 | 1,091,813 | 684,245 | 560,727 | 714,756 |
| TOTAL FUND BALANCE | 4,599,018 | 3,725,936 | 3,202,201 | 2,948,662 | 2,692,488 | 3,176,191 |
| TOTAL RESERVED | 3,409,542 | 2,905,213 | 2,349,301 | 2,507,127 | 2,235,819 | 2,503,470 |
| TOTAL UNRESERVED | 1,602,793 | 1,413,484 | 1,091,813 | 688,517 | 591,384 | 879,048 |
| TOTAL FUND BALANCE | $ 5,012,335 | $ 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)

| | 2006-07 | RESTATED 2005-06 | RESTATED 2004-05 | RESTATED 2003-04 |
|---|---|---|---|---|
| DEBT SERVICE EXPENDITURES: | | | | |
| Principal | $ 100,681 | $ 97,583 | $ 15,574 | $ 11,932 |
| Interest | 112,145 | 106,322 | 98,829 | 80,281 |
| TOTAL DEBT SERVICE EXPENDITURES | $ 212,826 | $ 203,905 | $ 114,403 | $ 92,213 |
| Percent Change Over Previous Year | 4.4% | 78.2% | 24.1% | -6.6% |
| TOTAL NONCAPITAL EXPENDITURES[1] | 13,333,710 | 12,576,459 | 11,293,325 | 10,654,824 |
| TOTAL CAPITAL EXPENDITURES[1] | 265,986 | 237,997 | 249,187 | 497,856 |
| TOTAL GOVERNMENTAL EXPENDITURES | 13,599,696 | 12,814,456 | 11,542,512 | 11,152,680 |
| DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES: | | | | |
| Principal | 0.8% | 0.8% | 0.1% | 0.1% |
| Interest | 0.8% | 0.8% | 0.9% | 0.8% |
| Total Debt Service Expenditures | 1.6% | 1.6% | 1.0% | 0.9% |

[1] – For fiscal years prior to 2002-03 capitalizable expenditures for infrastructure are not individually identifiable and are therefore included in Noncapital Expenditures.

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

(DOLLARS IN THOUSANDS)

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Revenue Backed Debt | $1,319,718 | $1,418,446 | $1,512,987 | $1,518,564 |
| Certificates of Participation | 183,203 | 196,475 | 63,332 | 44,244 |
| Capital Leases | 30,456 | 17,482 | 22,308 | 16,040 |
| Notes and Mortgages | 345,000 | 415,000 | 520,000 | 397,023 |
| TOTAL GOVERNMENTAL OUTSTANDING DEBT | 1,878,377 | 2,047,403 | 2,118,627 | 1,975,871 |
| Business-Type Activities | | | | |
| Revenue Backed Debt | 2,935,383 | 2,304,485 | 2,063,378 | 1,578,903 |
| Certificates of Participation | 218,916 | 260,578 | 75,729 | 73,724 |
| Capital Leases | 68,621 | 60,724 | 90,140 | 86,531 |
| Notes and Mortgages | 9,463 | 6,946 | 9,402 | 6,262 |
| TOTAL BUSINESS-TYPE OUTSTANDING DEBT | 3,232,383 | 2,632,733 | 2,238,649 | 1,745,420 |
| Total Primary Government | | | | |
| Revenue Backed Debt | 4,255,101 | 3,722,931 | 3,576,365 | 3,097,467 |
| Certificates of Participation | 402,119 | 457,053 | 139,061 | 117,968 |
| Capital Leases | 99,077 | 78,206 | 112,448 | 102,571 |
| Notes and Mortgages | 354,463 | 421,946 | 529,402 | 403,285 |
| TOTAL OUTSTANDING DEBT[1] | $5,110,760 | $4,680,136 | $4,357,276 | $3,721,291 |
| Percent Change Over Previous Year | 9.2% | 7.4% | 17.1% | 22.7% |
| Colorado Population (In Thousands) | 4,890 | 4,792 | 4,723 | 4,653 |
| Per Capita Debt (Dollars Per Person) | $1,045 | $977 | $923 | $800 |
| Per Capita Income (Thousands Per Person) | $40.7 | $39.9 | $37.5 | $35.8 |
| Per Capita Debt as a Percent of Per Capita Income | 2.6% | 2.4% | 2.5% | 2.2% |

[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.

| RESTATED 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|
| $ 16,581 | $ 9,245 | $ 4,188 | $ 3,943 | $ 13,837 | $ 25,207 |
| 82,116 | 76,096 | 49,658 | 1,491 | 8,687 | 15,814 |
| $ 98,697 | $ 85,341 | $ 53,846 | $ 5,434 | $ 22,524 | $ 41,021 |
| 15.7% | 58.5% | 890.9% | -75.9% | -45.1% | -26.0% |
| 10,473,200 | 10,212,475 | 9,620,382 | 8,817,399 | 8,282,321 | 7,590,661 |
| 478,278 | 275,873 | 184,945 | 223,490 | 253,159 | 233,159 |
| 10,951,478 | 10,488,348 | 9,805,327 | 9,040,889 | 8,535,480 | 7,823,820 |
| 0.2% | 0.1% | 0.0% | 0.0% | 0.2% | 0.3% |
| 0.8% | 0.7% | 0.5% | 0.0% | 0.1% | 0.2% |
| 0.9% | 0.8% | 0.6% | 0.1% | 0.3% | 0.5% |

| 2002-03 | 2001-02 | 2000-01 [3] | 1999-00 [3] | 1998-99 [3] | 1997-98 |
|---|---|---|---|---|---|
| $1,273,146 | $1,293,196 | $1,028,880 | $ 524,360 | $ - | $ - |
| 57,132 | 54,406 | - | - | - | - |
| 8,546 | 3,473 | 63,123 | 69,710 | 70,079 | 75,934 |
| - | - | 4 | 113 | - | - |
| 1,338,824 | 1,351,075 | 1,092,007 | 594,183 | 70,079 | 75,934 |
| 1,553,595 | 1,240,946 | 1,017,866 [4] | 329,733 | 347,336 | 343,529 |
| 46,811 | 54,545 | - | - | - | - |
| 85,919 | 47,222 | 103,001 | 115,566 | 125,383 | 114,046 |
| 6,602 | 1,444 | 19,590 | 22,304 | 1,817 | 1,066 |
| 1,692,927 | 1,344,157 | 1,140,457 | 467,603 | 474,536 | 458,641 |
| 2,826,741 | 2,534,142 | 2,046,746 | 854,093 | 347,336 | 343,529 |
| 103,943 | 108,951 | - | - | - | - |
| 94,465 | 50,695 | 166,124 | 185,276 | 195,462 | 189,980 |
| 6,602 | 1,444 | 19,594 | 22,417 | 1,817 | 1,066 |
| $3,031,751 | $2,695,232 | $2,232,464 | $1,061,786 | $ 544,615 | $ 534,575 |
| 12.5% | 20.7% | 110.3% [4] | 95.0% | 1.9% | 1.4% |
| 4,587 | 4,522 | 4,447 | 4,326 | 4,216 | 4,103 |
| $661 | $596 | $502 | $245 | $129 | $130 |
| $34.1 | $34.0 | $34.5 | $33.4 | $30.5 | $28.8 |
| 1.9% | 1.8% | 1.5% | 0.7% | 0.4% | 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 Eleven Fiscal Years

| (DOLLARS IN THOUSANDS) | Unaudited 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| DISTRICT REVENUES: | | | | |
| Exempt District Revenues | $11,759,065 | $10,899,936 | $11,015,958 | $11,650,100 |
| Nonexempt District Revenues | 9,641,867 | 9,161,391 | 8,482,963 | 8,331,991 |
| TOTAL DISTRICT REVENUES | 21,400,932 | 20,061,327 | 19,498,921 | 19,982,091 |
| Percent Change In Nonexempt District Revenues | 5.2% | 8.0% | 1.8% | 8.0% |
| DISTRICT EXPENDITURES: | | | | |
| Exempt District Expenditures | 11,759,065 | 10,899,937 | 11,015,958 | 11,650,100 |
| Nonexempt District Expenditures | 8,847,334 | 8,029,686 | 9,473,642 | 7,799,832 |
| TOTAL DISTRICT EXPENDITURES | 20,606,399 | 18,929,623 | 20,489,600 | 19,449,932 |
| Percent Change In Nonexempt District Expenditures | 10.2% | -15.2% | 21.5% | -4.9% |
| TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE) | $ 794,533 | $ 1,131,705 | $(1,031,742) | $ 532,159 |
| LIMIT AND REFUND CALCULATIONS: | | | | |
| Prior Fiscal Year Spending Limitation | $ 8,045,256 | $ 8,314,374 | $ 8,331,991 | $ 7,712,512 |
| Adjustments To Prior Year Limit[2] | (172) | (372,471) | (383,102) | (31,732) |
| ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION | 8,045,084 | 7,941,903 | 7,948,889 | 7,680,780 |
| Allowable Growth Rate (Population Plus Inflation) | 3.5% | 1.3% | 2.2% | 3.6% |
| Current Fiscal Year Spending Limitation | 8,326,662 | 8,045,148 | 8,123,764 | 7,957,288 |
| Adjustments To Current Year Limit | 7,165 | 109 | 190,610 | 374,703 |
| ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION | 8,333,827 | 8,045,257 | 8,314,374 | 8,331,991 |
| NONEXEMPT DISTRICT REVENUES | 9,641,867 | 9,161,391 | 8,482,963 | 8,331,991 |
| Amount Over(Under) Adjusted Fiscal Year Spending Limitation | 1,308,040 | 1,116,134 | 168,589 | - |
| Correction Of Prior Years' Refunds | - | - | 284 | - |
| Voter Approved or Statutory Retention of Excess Revenue | 1,308,040 | 1,116,134 | 127,810 | - |
| 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.

| 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 | 1996-97 |
|---|---|---|---|---|---|---|
| $12,059,372 | $11,702,980 | $ 8,213,400 | $ 7,437,634 | $ 6,398,011 | $ 5,845,712 | $ 5,141,032 |
| 7,712,512 | 7,752,211 | 8,877,105 | 8,502,952 | 7,923,019 | 7,435,202 | 6,647,618 |
| 19,771,884 | 19,455,191 | 17,090,505 | 15,940,586 | 14,321,030 | 13,280,914 | 11,788,650 |
| -0.5% | -12.7% | 4.4% | 7.3% | 6.6% | 11.8% | 8.5% |
| 12,059,372 | 11,702,980 [1] | 8,213,400 | 7,437,634 | 6,398,011 | 5,845,712 | 5,280,059 |
| 8,198,724 | 7,729,239 | 6,945,742 | 6,474,840 | 7,125,736 | 6,485,675 | 6,108,964 |
| 20,258,096 | 19,432,219 | 15,159,142 | 13,912,474 | 13,523,747 | 12,331,387 | 11,389,023 |
| 6.1% | 11.3% | 7.3% | -9.1% | 9.9% | 6.2% | 10.5% |
| $ (486,212) | $ 22,972 | $ 1,004,163 | $ 1,086,983 | $ 117,649 | $ 386,364 | $ 399,628 |
| $ 7,752,211 | $ 7,948,550 | $ 7,563,710 | $ 7,243,385 | $ 6,872,039 | $ 6,508,592 | $ 6,124,314 |
| (12,865) | (53,497) | - | - | - | - | - |
| 7,739,346 | 7,895,053 | 7,563,710 | 7,243,385 | 6,872,039 | 6,508,592 | 6,124,314 |
| 6.9% | 4.0% | 5.1% | 4.4% | 5.3% | 5.5% | 6.6% |
| 8,273,361 | 8,210,855 | 7,949,459 | 7,562,093 | 7,236,257 | 6,866,565 | 6,528,518 |
| 23,426 | (84,666) | (909) | 1,617 | 7,128 | 5,474 | (19,926) |
| 8,296,787 | 8,126,189 | 7,948,550 | 7,563,710 | 7,243,385 | 6,872,039 | 6,508,592 |
| 7,712,512 | 7,752,211 | 8,877,105 | 8,502,952 | 7,923,019 | 7,435,202 | 6,647,618 |
| (584,275) | (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[1] BY ADJUSTED GROSS INCOME CLASS 1995 to 2004

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

| | 2004 | | 2003 | | 2002 | | 2001 | |
|---|---|---|---|---|---|---|---|---|
| | # of Tax Returns | % of Income Tax | # of Tax Returns | % of Income Tax | # of Tax Returns | % of Income Tax | # of Tax Returns | % of Income Tax |
| ADJUSTED GROSS INCOME CLASS | | | | | | | | |
| Negative Income | 24,570 | 0.0% | 24,632 | 0.0% | 22,477 | 0.0% | 16,539 | 0.0% |
| $0 to $5,000 | 73,929 | 0.0% | 74,854 | 0.0% | 73,714 | 0.0% | 75,710 | 0.0% |
| $5,001 to $10,000 | 112,776 | 0.0% | 114,615 | 0.1% | 115,045 | 0.1% | 113,237 | 0.1% |
| $10,001 to $15,000 | 129,339 | 0.4% | 132,540 | 0.5% | 134,152 | 0.5% | 131,411 | 0.5% |
| $15,001 to $20,000 | 134,988 | 1.0% | 137,195 | 1.1% | 139,267 | 1.2% | 139,013 | 1.2% |
| $20,001 to $25,000 | 131,424 | 1.6% | 133,960 | 1.8% | 136,897 | 1.9% | 136,429 | 1.9% |
| $25,001 to $30,000 | 236,162 | 4.7% | 239,657 | 5.3% | 243,253 | 5.6% | 244,586 | 5.5% |
| $30,001 to $50,000 | 266,625 | 8.6% | 268,253 | 9.6% | 271,283 | 9.9% | 269,802 | 9.3% |
| $50,001 to $75,000 | 289,548 | 15.1% | 286,609 | 16.5% | 291,227 | 17.1% | 290,662 | 15.9% |
| $75,001 to $100,000 | 171,170 | 14.0% | 163,572 | 14.7% | 161,047 | 14.7% | 159,483 | 13.5% |
| $100,000 and Over | 227,936 | 54.6% | 202,886 | 50.4% | 196,065 | 49.0% | 203,312 | 52.1% |
| TOTAL | 1,798,467 | 100.0% | 1,778,773 | 100.0% | 1,784,427 | 100.0% | 1,780,184 | 100.0% |

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.
[2] – Data is not available for calendar year 1998.

Source: Colorado Department of Revenue

## SALES TAX RETURNS BY INDUSTRY CLASS 2003 to 2006[1]

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

| | 2006 | | 2005 | | 2004 | | 2003 | |
|---|---|---|---|---|---|---|---|---|
| | # of Tax Returns | % of Sales Tax | # of Tax Returns | % of Sales Tax | # of Tax Returns | % of Sales Tax | # of Tax Returns | % of Sales Tax |
| INDUSTRY CLASS | | | | | | | | |
| Agriculture, Forestry, & Fisheries | 3,808 | 0.1% | 3,529 | 0.1% | 3,268 | 0.1% | 2,756 | 0.1% |
| Mining | 3,775 | 1.4% | 3,617 | 1.0% | 2,673 | 0.8% | 2,481 | 0.6% |
| Public Utilities | 7,904 | 3.1% | 7,419 | 2.8% | 6,210 | 2.6% | 6,497 | 2.4% |
| Construction Trades | 32,291 | 1.6% | 30,741 | 1.6% | 29,916 | 1.4% | 28,342 | 1.6% |
| Manufacturing | 85,822 | 4.8% | 75,927 | 4.4% | 73,996 | 4.1% | 68,682 | 3.8% |
| Wholesale Trade | 78,156 | 6.8% | 78,351 | 6.6% | 77,908 | 6.0% | 66,412 | 5.7% |
| Retail Trade | 409,029 | 52.3% | 392,892 | 53.5% | 388,011 | 54.4% | 371,658 | 54.7% |
| Transportation & Warehousing | 5,346 | 0.4% | 5,583 | 0.3% | 4,878 | 0.3% | 4,125 | 0.2% |
| Information Producers/Distributors | 163,953 | 5.8% | 149,711 | 5.9% | 144,908 | 6.3% | 127,785 | 6.5% |
| Finance & Insurance | 37,478 | 1.0% | 35,960 | 1.0% | 33,723 | 1.0% | 33,680 | 1.1% |
| Real Estate, Rental, & Leasing Services | 72,110 | 3.7% | 71,331 | 3.6% | 70,647 | 3.7% | 64,212 | 3.6% |
| Professional, Scientific, & Technical Services | 71,590 | 1.8% | 74,471 | 2.0% | 89,310 | 2.4% | 105,807 | 2.9% |
| Bus. Admin., Support, Waste/Remediation Services | 23,497 | 0.6% | 21,979 | 0.7% | 20,707 | 0.6% | 19,070 | 0.6% |
| Educational Services | 5,136 | 0.2% | 4,767 | 0.2% | 4,263 | 0.2% | 3,747 | 0.1% |
| Health Care & Social Assistance Services | 12,290 | 0.2% | 11,142 | 0.2% | 10,092 | 0.2% | 8,685 | 0.1% |
| Arts, Entertainment, & Recreation Services | 16,957 | 0.6% | 14,965 | 0.6% | 13,440 | 0.6% | 11,587 | 0.6% |
| Hotel & Other Accommodation Services | 20,717 | 3.3% | 20,176 | 3.1% | 19,959 | 3.1% | 20,087 | 3.2% |
| Food & Drinking Services | 121,234 | 10.0% | 116,291 | 10.0% | 110,799 | 9.9% | 105,168 | 9.8% |
| Other Personal Services | 85,499 | 2.1% | 83,498 | 2.2% | 79,398 | 2.1% | 72,999 | 2.2% |
| Government Services | 10,479 | 0.3% | 9,938 | 0.2% | 7,967 | 0.2% | 8,390 | 0.2% |
| TOTAL | 1,267,071 | 100% | 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

| 2000 | | 1999 | | 1998[2] | 1997 | | 1996 | | 1995 | |
|---|---|---|---|---|---|---|---|---|---|---|
| # 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 |
| 13,946 | 0.0% | 13,043 | 0.0% | N/A | 14,433 | 0.0% | 17,282 | 0.0% | 17,608 | 0.0% |
| 73,929 | 0.0% | 75,022 | 0.1% | N/A | 106,941 | 0.0% | 111,845 | 0.0% | 113,571 | 0.0% |
| 116,422 | 0.1% | 122,123 | 0.2% | N/A | 138,612 | 0.2% | 145,503 | 0.2% | 151,318 | 0.3% |
| 134,898 | 0.5% | 142,185 | 0.8% | N/A | 153,626 | 1.1% | 155,657 | 1.3% | 161,243 | 1.5% |
| 144,220 | 1.2% | 151,091 | 1.4% | N/A | 150,479 | 2.2% | 147,985 | 2.5% | 150,080 | 2.9% |
| 140,010 | 1.9% | 143,324 | 2.1% | N/A | 134,014 | 3.1% | 128,846 | 3.5% | 127,584 | 3.8% |
| 243,715 | 5.2% | 239,847 | 5.6% | N/A | 211,119 | 7.6% | 200,512 | 8.2% | 196,081 | 8.8% |
| 263,657 | 8.7% | 255,652 | 9.4% | N/A | 219,857 | 12.4% | 210,920 | 13.2% | 207,837 | 14.3% |
| 283,693 | 14.9% | 270,042 | 16.2% | N/A | 219,788 | 19.1% | 203,686 | 19.9% | 193,500 | 20.7% |
| 150,626 | 12.2% | 135,419 | 12.6% | N/A | 98,073 | 12.7% | 86,358 | 12.5% | 76,902 | 12.7% |
| 203,040 | 55.3% | 170,546 | 51.6% | N/A | 112,812 | 41.6% | 94,500 | 38.7% | 79,983 | 35.0% |
| 1,768,156 | 100.0% | 1,718,294 | 100.0% | N/A | 1,559,754 | 100.0% | 1,503,094 | 100.0% | 1,475,707 | 100.0% |

## COLORADO TAX RATES[1]
## 1998 to 2007

| Calendar Year | Income Tax Rate | Sales Tax Rate |
|---|---|---|
| 2007 | 4.63% | 2.90% |
| 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% |

[1] – Tax rates can be lowered by the General Assembly but cannot be raised without a vote of the people.

Source: Colorado Department of Revenue

## DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]
## BY FUNCTIONS/PROGRAMS
## Last Ten Years[2]

| | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Govenernment | | | | |
| Funds | 515 | 492 | 484 | 465 |
| Employees | 59,873 | 58,468 | 58,046 | 57,643 |
| Balance in Treasury Pool (in millions) | $5,250.7 | $4,615.3 | $3,951.1 | $3,174.6 |
| Business, Community, and Consumer Affairs | | | | |
| Active Licenses at Regulatory Agencies[3] | 575,124 | 576,982 | 517,597 | * |
| Unemployment Rate (Percent)[4] | * | 4.3 | 5.1 | 5.6 |
| Employment Level[4] | * | 2,537,037 | 2,436,795 | 2,384,562 |
| Education | | | | |
| Public Schools | 1,771 | 1,731 | 1,667 | 1,728 |
| Primary School Students | 794,026 | 780,708 | 766,657 | 757,021 |
| Health and Rehabilitation | | | | |
| Average Daily Population of Mental Health Institutes[3] | 528 | 539 | 539 | 570 |
| Average Daily Population of Regional Centers[3] | 403 | 403 | 403 | 411 |
| Justice | | | | |
| District Court Cases Filed[3] | 189,884 | 187,498 | * | * |
| County Court Cases Filed[3] | 552,592 | 547,143 | * | * |
| Inmate Admissions | * | 10,168 | 9,433 | 8,165 |
| Inmate Releases | * | 8,954 | 8,249 | 7,504 |
| Average Daily Inmate Population | 22,424 | 21,438 | 20,228 | 19,478 |
| Citations Issued by the State Patrol | * | * | * | * |
| Crashes Covered by the State Patrol[3] | * | 33,921 | 34,478 | 35,712 |
| Natural Resources | | | | |
| Active Oil and Gas Wells[3] | 34,000 | 30,000 | 25,300 | 24,000 |
| Oil and Gas Drilling Permits[3] | 4,200 | 3,800 | 2,200 | * |
| Annual State Park Visitors[3] | 11,475,000 | 11,869,897 | 11,190,201 | 11,565,810 |
| Water Loans | 242 | 242 | 229 | 213 |
| Social Assistance | | | | |
| Medicaid Recipients[3] | 429,233 | 446,341 | 375,410 | 362,654 |
| Average # of Cash Assistance Payments per Month[3] | 66,728 | 68,822 | 68,150 | 85,339 |
| Transportation | | | | |
| Lane Miles | * | 23,105,769 | 23,029,858 | 23,138,578 |
| Bridges | * | 3,757 | 3,754 | 3,714 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Higher-Education | | | | |
| Resident Students[3] | 136,108 | 140,601 | 141,692 | 135,392 |
| Nonresident Students[3] | 20,670 | 21,380 | 22,729 | 22,809 |
| Unemployment Insurance | | | | |
| Individuals Served - Employment and Training[3] | 270,000 | 270,000 | 240,000 | 200,000 |
| Initial Unemployment Claims[3] | 120,290 | 132,337 | 176,270 | 156,594 |
| CollegeInvest | | | | |
| Loans Issued or Purchased | 218,518 | 200,332 | 189,522 | 174,724 |
| Average Balance per Loan | $6,057 | $5,546 | $5,098 | $4,871 |
| Lottery | | | | |
| Scratch Tickets Sold | 99,199,686 | 111,883,645 | 119,441,166 | 114,543,013 |
| Lotto Tickets Sold | 39,835,761 | 38,332,996 | 38,266,176 | 40,818,461 |
| Powerball Tickets Sold | 101,570,695 | 119,757,642 | 80,912,792 | 85,041,776 |
| Other Lottery Tickets Sold | 17,407,163 | 16,858,542 | 15,052,291 | 14,508,537 |
| Wildlife | | | | |
| Hunting & Fishing Licenses Sold[3] | 1,399,978 | 1,409,064 | 1,450,000 | 1,235,551 |
| College Assist | | | | |
| Guaranteed Loans - In State | 146,616 | * | * | * |
| Guaranteed Loans - Out of State | 5,080 | * | * | * |

* – Data is not available.
[1] – All amounts are counts except where dollars or percentages are indicated.

Source: JBC Budget in Brief and various state departments .

| 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| 444 | 434 | 415 | 385 | 372 | 372 |
| 58,239 | 57,974 | 56,639 | 54,385 | 52,921 | 51,615 |
| $2,241.4 | $2,068.5 | $3,080.6 | $3,013.2 | $3,035.6 | $2,929.3 |
| * | * | 229,903 | 227,604 | 219,897 | 204,838 |
| 6.1 | 5.7 | 3.8 | 2.7 | 2.9 | 3.8 |
| 2,323,554 | 2,304,109 | 2,303,494 | 2,300,192 | 2,198,147 | 2,155,740 |
| 1,613 | 1,658 | 1,656 | * | * | * |
| 751,862 | 742,145 | 724,508 | * | * | * |
| 688 | 699 | 697 | 720 | 727 | 734 |
| 400 | 397 | 413 | 443 | 472 | 502 |
| 165,467 | 160,245 | 168,325 | 167,749 | 349,937 | 311,220 |
| 461,847 | 457,246 | 460,149 | 465,118 | 779,150 | 792,176 |
| 7,799 | 7,802 | 6,952 | 6,853 | 6,602 | 6,192 |
| 6,977 | 6,554 | 6,114 | 5,532 | 5,521 | 5,087 |
| 18,636 | 17,367 | 16,605 | 15,441 | 14,139 | 13,242 |
| 186,297 | 169,635 | 158,417 | 165,067 | 155,507 | 155,898 |
| 36,800 | * | * | * | * | * |
| 23,423 | * | * | * | * | * |
| * | * | * | * | * | * |
| 11,170,000 | 11,400,000 | 10,755,581 | 12,518,476 | 13,683,100 | 14,505,600 |
| 212 | 206 | * | * | * | * |
| 326,058 | 304,508 | 281,430 | 263,321 | 276,926 | 286,392 |
| * | * | 67,100 | 66,975 | 65,981 | 66,835 |
| 23,061,021 | 22,851,000 | 22,814,000 | 22,699,000 | 22,896,000 | 22,757,000 |
| 3,698 | 3,698 | | | | |
| 127,632 | 123,383 | * | * | * | * |
| 22,824 | 22,152 | * | * | * | * |
| 194,000 | * | * | * | * | * |
| 132,657 | * | * | * | * | * |
| 168,453 | * | * | * | * | * |
| $4,486 | * | * | * | * | * |
| 111,793,347 | 129,775,201 | 143,418,930 | 153,595,323 | 158,485,043 | 170,952,219 |
| 48,272,866 | 57,651,698 | 88,945,211 | 125,475,804 | 120,368,415 | 127,563,747 |
| 75,705,463 | 79,893,821 | 0 | 0 | 0 | 0 |
| 13,245,564 | 13,222,846 | 12,482,380 | 11,482,648 | 14,743,446 | 21,901,862 |
| 1,525,679 | 1,423,377 | 1,478,617 | 1,487,052 | 1,489,195 | 1,455,699 |
| * | * | * | * | * | * |
| * | * | * | * | * | * |

[2] – Data is presented by either fiscal year or calendar year based on availability of information.
[3] – Data represents estimates from budgetary documents and is not adjusted to actual.
[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

## NUMBER OF FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION, AND AVERAGE MONTHLY SALARY
### Last Ten Fiscal Years

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---|---|---|---|
| General Government | 2,322 | 2,255 | 2,219 | 2,180 |
| Business, Community, and Consumer Affairs | 2,335 | 2,342 | 2,367 | 2,343 |
| Education | 33,464 | 32,680 | 32,664 | 32,595 |
| Health and Rehabilitation | 3,774 | 3,729 | 3,681 | 3,717 |
| Justice | 11,791 | 11,372 | 11,083 | 10,767 |
| Natural Resources | 1,522 | 1,485 | 1,472 | 1,446 |
| Social Assistance | 1,593 | 1,520 | 1,462 | 1,482 |
| Transportation | 3,072 | 3,085 | 3,098 | 3,113 |
| TOTAL FTE | 59,873 | 58,468 | 58,046 | 57,643 |
| | | | | |
| TOTAL CLASSIFIED FTE | 31,075 | 30,677 | 30,967 | 30,770 |
| AVERAGE MONTHLY SALARY | $ 4,108 | $ 4,036 | $ 3,955 | $ 3,867 |
| | | | | |
| TOTAL NON-CLASSIFIED FTE | 28,798 | 27,791 | 27,079 | 26,873 |
| AVERAGE MONTHLY SALARY | $ 5,214 | $ 5,066 | $ 4,926 | $ 4,759 |

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.

| 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|
| 2,300 | 2,422 | 2,409 | 2,422 | 2,411 | 2,375 |
| 2,344 | 2,334 | 2,284 | 2,290 | 2,311 | 2,337 |
| 32,435 | 31,887 | 31,165 | 29,463 | 28,774 | 28,203 |
| 3,803 | 3,766 | 3,668 | 3,726 | 3,784 | 3,797 |
| 11,257 | 11,437 | 11,100 | 10,542 | 9,730 | 9,020 |
| 1,453 | 1,453 | 1,395 | 1,397 | 1,372 | 1,351 |
| 1,567 | 1,610 | 1,570 | 1,530 | 1,514 | 1,479 |
| 3,080 | 3,065 | 3,048 | 3,015 | 3,025 | 3,053 |
| 58,239 | 57,974 | 56,639 | 54,385 | 52,921 | 51,615 |
| 31,857 | 32,092 | 31,510 | 30,866 | 30,157 | 29,470 |
| $ 3,913 | $ 3,700 | $ 3,491 | $ 3,364 | $ 3,232 | $ 3,091 |
| 26,382 | 25,882 | 25,129 | 23,519 | 22,764 | 22,145 |
| $ 4,788 | $ 4,563 | $ 4,352 | $ 4,387 | $ 4,216 | $ 4,100 |

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]
## 1998 to 2007

(DOLLARS IN THOUSANDS)

| Fiscal Year | Gross Revenue | Direct Operating Expense | Net Revenue Available For Debt Service | Debt Service Requirements Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|
| ***Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)*** | | | | | | | |
| 2006-07 | $167,982 | $ - | $167,982 | $ 97,490 | $ 70,492 | $167,982 | 1.00 |
| 2005-06 | 167,991 | | 167,991 | 92,835 | 75,156 | 167,991 | 1.00 |
| 2004-05 | 84,787 | - | 84,787 | 5,870 | 78,917 | 84,787 | 1.00 |
| 2003-04 | 72,875 | - | 72,875 | 3,250 | 69,625 | 72,875 | 1.00 |
| 2002-03 | 71,141 | - | 71,141 | 10,005 | 61,136 | 71,141 | 1.00 |
| 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*** | | | | | | | |
| 2006-07 | $402,013 | $101,632 | $300,381 | $ 16,155 | $ 76,077 | $ 92,232 | 3.26 |
| 2005-06 | 106,230 | 79,489 | 26,741 | 39,747 | 53,783 | 93,530 | 0.29 |
| 2004-05 | 71,365 | 55,119 | 16,246 | 44,077 | 33,182 | 77,259 | 0.21 |
| 2003-04 | 221,271 | 39,812 | 181,459 | 39,012 | 14,924 | 53,936 | 3.36 |
| 2002-03 | 204,866 | 42,252 | 162,614 | 29,142 | 15,564 | 44,706 | 3.64 |
| 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*** | | | | | | | |
| 2006-07 | $687,200 | $391,433 | $295,767 | $ 34,145 | $ 48,073 | $ 82,218 | 3.60 |
| 2005-06 | 649,238 | 376,431 | 272,807 | 29,365 | 45,699 | 75,064 | 3.63 |
| 2004-05 | 623,247 | 354,669 | 268,578 | 28,375 | 30,028 | 58,403 | 4.60 |
| 2003-04 | 555,602 | 329,204 | 226,398 | 24,390 | 29,533 | 53,923 | 4.20 |
| 2002-03 | 522,448 | 332,697 | 189,751 | 20,665 | 24,550 | 45,215 | 4.20 |
| 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 |

[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.

## COLORADO STATE HIGHWAY SYSTEM
## CENTERLINE AND LANE MILES
## 1997 to 2006

| Mileage Type | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| CenterLine Miles[1] | | | | | | | | | | |
| Urban | 1,419 | 1,411 | 1,421 | 1,421 | 1,038 | 1,033 | 1,035 | 1,049 | 840 | 1,050 |
| Rural | 7,742 | 7,737 | 7,736 | 7,736 | 8,105 | 8,104 | 8,051 | 8,110 | 8,287 | 8,113 |
| TOTAL CENTERLINE MILES | 9,161 | 9,148 | 9,157 | 9,157 | 9,143 | 9,137 | 9,086 | 9,159 | 9,127 | 9,163 |
| Percent Change | 0.1% | -0.1% | 0.0% | 0.2% | 0.1% | 0.6% | -0.8% | 0.4% | -0.4% | N/A |
| Lane Miles[2] | | | | | | | | | | |
| Urban | 5,322 | 5,247 | 5,262 | 5,236 | 4,058 | 4,031 | 4,041 | 4,090 | 3,991 | 4,087 |
| Rural | 17,784 | 17,784 | 17,875 | 17,825 | 18,792 | 18,782 | 18,659 | 18,807 | 18,767 | 18,804 |
| TOTAL LANE MILES | 23,106 | 23,031 | 23,137 | 23,061 | 22,850 | 22,813 | 22,700 | 22,897 | 22,758 | 22,891 |
| Percent Change | 0.3% | -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 2006[3]

| Functional Classification | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Principal Arterial[1] | 1,678 | 1,680 | 1,676 | 1,949 | 1,945 |
| Other Principal Arterial[2] | 884 | 943 | 894 | 321 | 322 |
| Minor Arterial | 798 | 787 | 798 | 818 | 817 |
| Collector | 368 | 319 | 326 | 403 | 405 |
| Local | 29 | 25 | 20 | 207 | 209 |
| TOTAL BRIDGES | 3,757 | 3,754 | 3,714 | 3,698 | 3,698 |
| Percent Change | 0.1% | 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 1998 to 2007

(AMOUNTS IN MILLIONS)

| Year | Residential | Non-Residential | Non-Building | Total |
|---|---|---|---|---|
| 2007 est | $ 8,557 | $ 4,525 | $ 1,850 | $ 14,932 |
| 2006 est | 8,020 | 4,115 | 1,650 | 13,785 |
| 2005 | 8,803 | 3,676 | 1,758 | 14,237 |
| 2004 | 8,050 | 3,291 | 1,754 | 13,095 |
| 2003 | 6,258 | 2,720 | 1,732 | 10,710 |
| 2002 | 6,357 | 2,787 | 2,162 | 11,306 |
| 2001 | 6,593 | 3,500 | 1,687 | 11,780 |
| 2000 | 7,029 | 3,476 | 1,835 | 12,340 |
| 1999 | 6,229 | 3,783 | 1,590 | 11,602 |
| 1998 | 5,486 | 2,880 | 1,491 | 9,857 |

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

## COLORADO SALES AND GROSS FARMING REVENUES 1998 to 2007

(AMOUNTS IN BILLIONS)

| Year | Retail Sales | Gross Farm Revenues |
|---|---|---|
| 2007 est | $ 65.1 | $ 6.50 |
| 2006 est | 62.3 | 6.71 |
| 2005 | 58.7 | 6.73 |
| 2004 | 55.8 | 6.50 |
| 2003 | 52.8 | 5.87 |
| 2002 | 52.9 | 5.43 |
| 2001 | 52.9 | 5.64 |
| 2000 | 52.2 | 5.47 |
| 1999 | 47.4 | 5.31 |
| 1998 | 43.1 | 5.20 |

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
## 1998 to 2007

| Year | Population (000) | Percentage Share of U.S. Population | Total Personal Income (Billions) | Per Capita Personal Income (Dollars) | % of U.S. Per Capita Income | Employ-ment (000) | Unemploy-ment % |
|---|---|---|---|---|---|---|---|
| 2007 est | 4,890 | 1.62% | $196.9 | $40,749 | 109.1% | 2,576 | 4.8% |
| 2006 est | 4,795 | 1.60 | 185.8 | 39,107 | 108.8 | 2,513 | 4.5 |
| 2005 | 4,723 | 1.59 | 174.8 | 37,459 | 117.0 | 2,419 | 3.8 |
| 2004 | 4,653 | 1.57 | 164.6 | 35,766 | 114.6 | 2,371 | 5.6 |
| 2003 | 4,587 | 1.58 | 154.9 | 34,056 | 109.8 | 2,312 | 6.1 |
| 2002 | 4,522 | 1.57 | 153.1 | 34,027 | 110.5 | 2,293 | 5.7 |
| 2001 | 4,447 | 1.56 | 152.7 | 34,493 | 112.8 | 2,304 | 3.8 |
| 2000 | 4,326 | 1.54 | 144.4 | 33,371 | 111.8 | 2,300 | 2.7 |
| 1999 | 4,216 | 1.51 | 128.9 | 30,492 | 109.2 | 2,198 | 2.9 |
| 1998 | 4,103 | 1.49 | 118.5 | 28,784 | 107.1 | 2,156 | 3.8 |

Source: Colorado Department of Labor and Employment, U.S. Bureau of Economic Analysis, and the Colorado Business Economic Outlook Committee.

## COLORADO EMPLOYMENT BY INDUSTRY
## 1998 to 2007
(AMOUNTS IN THOUSANDS)

| Industry | 2007 est | 2006 est | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| Natural Resources and Mining | 23.0 | 20.7 | 17.1 | 14.4 | 13.2 | 12.9 | 12.9 | 12.2 | 12.3 | 13.4 |
| Construction | 170.3 | 167.3 | 160.1 | 151.3 | 149.9 | 160.4 | 167.7 | 163.6 | 148.5 | 134.6 |
| Manufacturing | 150.2 | 150.3 | 150.6 | 151.8 | 153.9 | 163.8 | 179.5 | 188.9 | 187.4 | 191.4 |
| Transportation, Trade, and Utilities | 428.2 | 422.4 | 413.5 | 406.6 | 404.5 | 412.1 | 423.0 | 418.9 | 404.9 | 392.4 |
| Information | 76.0 | 75.7 | 77.3 | 81.2 | 84.6 | 92.9 | 107.3 | 108.4 | 97.0 | 86.4 |
| Financial Activities | 163.8 | 161.5 | 158.1 | 154.6 | 154.1 | 149.5 | 148.3 | 147.0 | 147.4 | 142.8 |
| Professional and Business Services | 345.1 | 331.2 | 316.2 | 304.1 | 292.0 | 296.2 | 312.3 | 318.8 | 302.4 | 283.1 |
| Educational and Health Services | 233.5 | 229.0 | 224.5 | 218.5 | 213.0 | 208.5 | 200.8 | 192.8 | 186.9 | 182.9 |
| Leisure and Hospitality | 267.7 | 263.1 | 257.3 | 251.3 | 245.6 | 247.0 | 247.2 | 246.0 | 238.5 | 231.0 |
| Other Services | 90.7 | 89.5 | 88.6 | 87.4 | 85.9 | 85.6 | 83.8 | 80.2 | 79.0 | 77.3 |
| Government | 372.5 | 368.0 | 363.0 | 358.5 | 356.2 | 355.4 | 344.1 | 337.0 | 328.4 | 322.3 |
| Total | 2,321.0 | 2,278.7 | 2,226.3 | 2,179.7 | 2,152.9 | 2,184.3 | 2,226.9 | 2,213.8 | 2,132.7 | 2,057.6 |

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 of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38$^{th}$ state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy's permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

**Geography**

Area: 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 – 6,800 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

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, which 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.

**Population Estimates**

| | Colorado | | United States | |
|---|---|---|---|---|
| Year[1] | Population (Millions) | % Change | Population (Millions) | % 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 |
| 2007 | 4.86 | 13.0 | 301.62 | 7.2 |

[1] 1960-2000 figures are census counts as of April 1 of the given year. The 2007 figure is an estimate as of July 1, 2007.

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 1, 2006, the latest date for which such statistics are available.

**Age Distribution**

| Age | Colorado Population (Thousands) | Share of Colorado Population | U.S. Population (Thousands) | Share of U.S. Population |
|---|---|---|---|---|
| 0 to 17 | 1,192.7 | 24.5% | 73,901.7 | 24.5% |
| 18 to 24 | 459.9 | 9.5 | 29,492.4 | 9.8 |
| 25 to 39 | 1,099.6 | 22.6 | 61,767.4 | 20.5 |
| 40 to 54 | 1,094.0 | 22.5 | 65,859.6 | 21.8 |
| 55 to 64 | 522.6 | 10.8 | 32,712.1 | 10.8 |
| 65 and over | 492.7 | 10.1 | 37,888.0 | 12.6 |
| Total | 4,861.5 | 100.0 | 301,621.2 | 100.0 |

Source: United States 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**

| | Colorado | | Rocky Mountain Region[1] | | United States | |
|---|---|---|---|---|---|---|
| Year | Income | % Change | Income | % Change | Income | % Change |
| 2003 | $33,989 | 0.1% | $29,833 | 1.0% | $31,504 | 2.2% |
| 2004 | 35,523 | 4.5 | 31,328 | 5.0 | 33,123 | 5.1 |
| 2005 | 37,600 | 5.8 | 33,087 | 5.6 | 34,757 | 4.9 |
| 2006 | 39,491 | 5.0 | 34,849 | 5.3 | 36,714 | 5.6 |
| 2007 | 41,042 | 3.9 | 36,474 | 4.7 | 38,611 | 5.2 |

[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)[1] | % Change | % Unemployed |
|---|---|---|---|
| 2003 | 2,152.8 | (1.4)% | 6.1% |
| 2004 | 2,179.6 | 1.2 | 5.6 |
| 2005 | 2,226.0 | 2.1 | 5.1 |
| 2006 | 2,279.1 | 2.4 | 4.3 |
| 2007 | 2,330.2 | 2.2 | 3.8 |

[1] Reflects revised population controls and model re-estimation for 2003-2007.

Source: U.S. Department of Commerce, Bureau of Labor Statistics

The following table sets forth the number of individuals employed within selected industries in the State for the period 2003 through 2007 based on the North American Industrial Classification System ("NAICS") codes.

**Average Number of Employees Within Selected Industries in the State of Colorado Subject to State Unemployment Laws – NAICS Classifications**

| Industry | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing, Hunting | 14,092 | 14,547 | 14,963 | 14,834 | 14,592 |
| Mining | 13,109 | 14,374 | 17,007 | 20,682 | 25,033 |
| Utilities | 7,871 | 7,927 | 7,949 | 8,101 | 7,949 |
| Construction | 149,923 | 151,430 | 160,102 | 167,623 | 167,697 |
| Manufacturing | 156,048 | 154,548 | 150,586 | 148,848 | 146,744 |
| Wholesale Trade | 92,352 | 92,229 | 93,781 | 96,343 | 99,389 |
| Retail Trade | 239,820 | 241,410 | 246,048 | 248,443 | 253,591 |
| Transportation and Warehousing | 60,611 | 61,025 | 61,103 | 62,089 | 64,064 |
| Information | 84,857 | 81,243 | 77,438 | 75,614 | 76,132 |
| Finance and Insurance | 103,665 | 104,415 | 106,823 | 109,057 | 108,021 |
| Real Estate, Rental and Leasing | 45,802 | 46,005 | 46,854 | 47,690 | 47,865 |
| Professional and Technical Services | 139,336 | 144,793 | 155,997 | 162,988 | 170,573 |
| Management of Companies and Enterprises | 20,206 | 22,437 | 24,900 | 26,992 | 28,418 |
| Administrative and Waste Services | 127,619 | 131,697 | 135,276 | 141,856 | 149,122 |
| Educational Services | 22,452 | 23,485 | 24,823 | 25,754 | 26,969 |
| Health Care and Social Assistance | 188,101 | 192,430 | 197,134 | 202,378 | 210,524 |
| Arts, Entertainment and Recreation | 39,978 | 42,144 | 43,212 | 44,226 | 44,261 |
| Accommodation and Food Services | 205,036 | 209,187 | 214,191 | 220,745 | 225,799 |
| Other Services | 65,693 | 65,315 | 65,132 | 65,656 | 67,048 |
| Nonclassifiable | 150 | 196 | 263 | 268 | 510 |
| Government | 341,050 | 341,707 | 345,972 | 351,372 | 358,032 |
| Total | 2,117,770 | 2,142,544 | 2,189,554 | 2,241,559 | 2,292,693 |

Source: Colorado Department of Labor and Employment

Set forth in the following table are the top private sector employers in Colorado in 2007. 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.

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**Top Private Sector Employers in Colorado – 2007**

| Employer | Type of Business | Estimated Employees[1] |
|---|---|---|
| Wal-Mart | Discount Stores | 24,686 |
| King Soopers Inc./Division of Dillon Co. Inc. | Supermarkets | 17,118 |
| Safeway Inc. | Supermarkets | 12,075 |
| Centura Health | Health Care | 12,000 |
| Qwest Communications International | Telecommunications | 9,200 |
| HCA-HealthOne LLC | Health Care | 8,500 |
| Target Stores | Discount Retailer | 7,503 |
| Exempla Healthcare | Hospital | 7,191 |
| Wells Fargo Bank N.A | Banking/Financial Services | 6,000 |
| UAL Corp (United Airlines) | Air Transportation | 5,273 |
| University of Denver | Private university | 5,126 |
| IBM Corporation | Computers | 5,000 |
| EchoStar Communications Corp. | Satellite Television | 5,000 |
| Molson Coors Brewing Company | Brewery | 5,000 |
| Alpine Access | Call Center | 5,000 |
| United Parcel Service | Delivery Services | 4,900 |
| Kaiser Permanente | Health Maintenance Organization | 4,800 |
| Lockheed Martin Space Systems Co. | Aerospace and defense | 4,800 |
| Comcast Corp. | Cable Service Provider | 4,500 |
| Ball Corporation | Containers, Aerospace | 3,813 |
| Xcel Energy | Utility | 3,595 |
| University of Colorado Hospital | Hospital; Education, University | 3,430 |
| The Children's Hospital | Hospital | 3,098 |
| Albertson's, LLC. | Supermarkets | 2,800 |
| Regis University | Private University | 2,554 |

[1] Figures include full-time and part-time employees. Companies ranked by number of Colorado employees. In case of ties, companies are ranked by total number of employees.

Sources: *The Denver Business Journal* Book of Lists "Denver-Area Private-Sector Employers," December 21-27, 2007.

## 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)**

| Calendar | Gross Sales | | Retail Sales | |
|---|---|---|---|---|
| Year | Amount | % Change | Amount | % Change |
| 2003 | $138.894 | 2.8% | $105.420 | 1.6% |
| 2004 | 152.571 | 9.8 | 114.281 | 8.4 |
| 2005 | 165.538 | 8.1 | 122.907 | 7.5 |
| 2006 | 184.677 | 11.6 | 133.531 | 8.0 |
| 2007 | 202.097 | 8.4 | 148.671 | 9.9 |

Source: Colorado Department of Revenue

The following table sets forth retail sales figures for the State by industry.

**Retail Sales by Industry[1]**
**(Calendar Years)**

| | 2003 | | 2004 | | 2005 | | 2006 | | 2007[2] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Retail Sales (Millions) | % Change | Retail Sales (Millions) | % Change | Retail Sales (Millions) | % Change | Retail Sales (Millions) | % Change | Retail Sales (Millions) | % Change |
| Agriculture, Forestry and Fisheries | $ 142.6 | (1.2)% | $ 164.8 | 15.6% | $ 173.3 | 5.2% | $ 301 | 7.37% | 341.1 | 13.3% |
| Mining | 669.2 | 3.2 | 990.5 | 48.0 | 1,399.7 | 41.3 | 2,237.8 | 59.9 | 2,843.7 | 27.1 |
| Contract Construction | 2,403.6 | (2.2) | 2,548.1 | 6.0 | 2,679.4 | 5.2 | 3,263.2 | 21.8 | 3,674.8 | 12.6 |
| Manufacturing | 6,394.6 | 8.4 | 7,356.0 | 15.0 | 8,383.1 | 14.0 | 10,057.2 | 20.0 | 11,351.3 | 12.9 |
| Transportation, Communications, Electric, Gas and Sanitation Services | 4,576.2 | 15.7 | 5,382.1 | 17.6 | 6,629.8 | 23.1 | 6,342.2 | (3.9) | 7,129.5 | 12.4 |
| Wholesale Trade | 7,925.6 | 1.7 | 9,487.8 | 19.7 | 11,110.7 | 17.1 | 12,454.8 | 12.1 | 14,552.6 | 16.8 |
| Building Materials and Farm Equipment | 4,312.4 | (3.1) | 4,961.7 | 15.1 | 5,582.4 | 12.5 | 5,824.0 | 4.3 | 5,786.2 | (0.7) |
| General Merchandise | 8,523.2 | 4.0 | 9,125.9 | 7.1 | 9,803.5 | 7.4 | 10,300.3 | 5.1 | 10,992.3 | 6.7 |
| Food Stores | 9,612.7 | 2.0 | 9,835.8 | 2.3 | 10,428.7 | 6.0 | 11,064.9 | 6.1 | 12,090.8 | 9.3 |
| Auto Dealers and Service Stations | 16,753.8 | (0.1) | 17,556.5 | 4.8 | 17,920.4 | 2.1 | 18,177.2 | 1.4 | 19,345.5 | 6.4 |
| Apparel and Accessory Stores | 2,431.9 | 3.3 | 2,600.9 | 6.9 | 2,587.6 | (0.5) | 2,875.0 | 11.1 | 3,189.8 | 11.0 |
| Furniture and Home Furnishings Stores | 3,892.3 | 2.8 | 4,203.0 | 8.0 | 4,292.4 | 2.1 | 4,563.1 | 6.3 | 4,883.8 | 7.0 |
| Eating and Drinking Places | 5,926.6 | (0.4) | 6,470.3 | 9.2 | 6,745.6 | 4.3 | 7,447.3 | 10.4 | 8,052.3 | 8.1 |
| Miscellaneous Stores | 7,248.3 | (6.4) | 7,593.9 | 4.8 | 8,040.6 | 5.9 | 10,101.8 | 25.6 | 11,002.2 | 8.9 |
| Finance, Insurance and Real Estate | 3,799.0 | (0.2) | 3,836.5 | 1.0 | 4,396.4 | 14.6 | 5,514.9 | 25.4 | 5,940.2 | 7.7 |
| Hotels and Other Lodging Places | 2,026.1 | (1.3) | 2,103.5 | 3.8 | 2,271.5 | 8.0 | 2,604.5 | 14.7 | 2,905.3 | 11.6 |
| Services Other Than Hotels and Lodging | 13,229.5 | 3.3 | 14,624.1 | 10.5 | 14,416.8 | (1.4) | 16,050.8 | 11.3 | 18,041.0 | 12.4 |
| Government Facilities | 252.0 | (29.4) | 273.5 | 8.5 | 354.4 | 29.3 | 327.6 | (7.6) | 313.5 | (4.3) |
| | $105,419.8 | 1.6% | $114,094.1 | 8.2% | $123,642.0 | 7.7% | $135,307 | 9.4% | $148,671.4 | 9.9% |

[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.

[2] 2007 figures are preliminary.

Source: State of 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 |
| 2003 | 5.69 | 8.6% | 26 | (16.1)% | 112.0 | (7.0)% | $166.9 | 11.7% | 11.61 | 4.3% |
| 2004 | 5.48 | (3.7) | 30 | 15.4 | 125.2 | 11.7 | 181.6 | 8.8 | 11.25 | (3.1) |
| 2005 | 5.46 | (0.4) | 40 | 33.3 | 164.1 | 31.1 | 305.7 | 68.3 | 11.82 | 5.0 |
| 2006 | 5.90 | 8.1 | 55 | 37.5 | 197.0 | 20.1 | 358.9 | 17.4 | 12.53 | 6.1 |
| 2007 | 6.18 | 4.7 | 75 | 36.4 | 226.0 | 14.7 | 429.1 | 19.5 | 12.57 | 0.3 |

[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: Colorado Office of Economic Development & International Trade, Colorado Tourism Office, National Parks Service and Denver Metropolitan Convention & Visitors Bureau

## 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 |
|---|---|---|
| 2003 | 39,569 | (17.3)% |
| 2004 | 46,499 | 17.5 |
| 2005 | 45,891 | (1.1) |
| 2006 | 38,343 | (16.4) |
| 2007 | 29,454 | (23.2) |

Source: U.S. Department of Commerce, Bureau of the Census

* * *

## 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 State Resolution requires that if on June 26, 2009, the amount credited to the Principal Subaccount of the Series 2008 Notes Repayment Account is less than the principal amount of the Series 2008B Notes and any Parity Lien Notes, the Treasurer is to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the Treasurer and eligible for investment in the District Notes. The Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The ability of the Treasurer to use Current General Fund Revenues that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2008 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 2008-09, including, without limitation, the State Series 2008A General Fund Notes. See "THE SERIES 2008B NOTES – Security and Sources of Payment – *The Series 2008 Notes Repayment Account*" and "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS."

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 2006-07, preliminary information for Fiscal Year 2007-08 and the forecast for Fiscal Year 2007-08 and Fiscal Year 2008-09 from the most recent OSPB Revenue Forecast of November 1, 2008.

The table assumes current law for General Fund appropriations, transfers to the General Fund and rebates and expenditures. It also reflects legislation passed by the 2008 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. Since the State uses an accrual system of accounting, some of the Fiscal Year 2003-04 decline in income tax receipts was counted against Fiscal Year 2002-03 revenues.

The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process." See also "FORWARD LOOKING STATEMENTS."

## State of Colorado
## General Fund Overview

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

| | Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | Actual (Unaudited) [1] | | | | | OSPB Forecast | |
| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 [16] | 2008-09 |
| **RESOURCES:** | | | | | | | |
| Beginning Reserve | $ 138.5 | $ 216.6 | $ 224.0 | $ 237.4 | $ 251.7 | $ 267.0 | $ 283.5 |
| Gross General Fund Revenues per OSPB Revenue Forecasts [2]: | 5,665.4 | 6,045.2 | 6,474.8 | 6,964.6 | 7,539.8 | 7,742.7 | 7,910.9 |
| *General Fund* | -- | -- | -- | *5,848.5* | *6,231.6* | *6,571.2* | *6,715.1* |
| *General Fund Exempt* [3] | -- | -- | -- | *1,116.1* | *1,308.2* | *1,171.5* | *1,195.8* |
| Deposit to the State Education Fund [2] | -- | -- | -- | 357.2 | 395.1 | 407.9 | 459.0 |
| Gross General Fund Revenues plus Deposit to the State Education Fund [2] | 5,665.4 | 6045.2 | 6474.8 | 7,321.8 | 7,934.9 | 8,150.6 | 8,653.4 |
| SB 97-1 Diversion to the Highway Users Tax Fund [4] | -- | -- | -- | (220.4) | (228.6) | (238.1) | (62.3) |
| Diversion to the Older Coloradans Program [5] | (3.0) | (2.3) | (1.5) | (2.8) | -- | (5.0) | (8.0) |
| Transfer to the State Education Fund (net) [2] | (188.4) | (278.7) | (313.9) | -- | -- | -- | -- |
| Transfers to the General Fund [6] | 525.3 | 54.4 | 65.7 | 157.9 | -- | (0.8) | (3.7) |
| **TOTAL FUNDS AVAILABLE** | 6,137.8 | 6,035.2 | 6,449.0 | 7,139.5 | 7,562.9 | 7,765.9 | 8,579.4 |
| **EXPENDITURES:** | | | | | | | |
| General Fund Appropriations Subject to the 6% Limit (Long Bill and Supplemental Bills) | 5,414.5 | 5,600.2 | 5,935.2 | 6,292.7 | 6,675.6 | 7,087.8 | 7,546.9 |
| Exceptions to the 6% Limit [7] | -- | -- | 1.3 | 5.0 | 11.1 | 31.9 | 0.2 |
| Appropriations Change | (238.5) | 185.8 | 337.2 | 361.2 | 382.9 | 412.3 | 459.0 |
| Percent Change | (4.2)% | 3.4% | 6.0% | 6.1% | 6.1% | 6.2% | 6.4% |
| Spending Outside the 6% Limit: | | | | | | | |
| K-12 Capital Construction [8] | -- | -- | -- | -- | -- | -- | -- |
| Capital Construction Freeze (SB 03-179) | (30.5) | -- | -- | -- | -- | -- | -- |
| Federal Medical Assistance Enhancement for Medicaid | (15.0) | (71.4) | -- | -- | -- | -- | -- |
| TABOR Refund | -- | – | 41.1 | -- | -- | -- | -- |
| Rebates and Expenditures [9] | 134.7 | 112.8 | 110.7 | 153.4 | 164.6 | 173.8 | 159.5 |
| Senior Homestead Exemption [10] | 62.6 | -- | -- | -- | 74.2 | 79.8 | 86.1 |
| Transfers to Capital Construction [11, 15] | 10.6 | 9.5 | 0.2 | 10.1 | 145.9 | 93.7 | 25.9 |
| Transfer to Controlled Maintenance Trust Fund [12] | -- | -- | 55.0 | -- | -- | -- | -- |
| General Fund Payback [13] | 349.6 | 56.2 | -- | -- | -- | -- | -- |
| Reversions and Accounting Adjustments | (5.8) | (18.5) | (30.6) | (10.1) | (24.7) | (26.5) | -- |
| | 506.2 | 88.6 | 176.4 | 153.4 | 360.0 | 320.8 | 271.5 |
| **TOTAL OBLIGATIONS** | 5,920.7 | 5,688.8 | 6,112.9 | 6,451.1 | 7,046.6 | 7,440.5 | 7,818.4 |
| **RESERVES** | | | | | | | |
| Year-End Reserve | 224.9 | 346.3 | 335.4 | 688.4 | 516.3 | 325.4 | 301.9 |
| Year-End Reserve as a Percent of Appropriations | 4.2% | 6.2% | 5.6% | 10.9% | 7.7% | 4.6% | 4.0% |
| Statutory Reserve: 4% of General Fund Appropriations [14] | 131.3 | 224.0 | 237.4 | 251.7 | 267.0 | 283.5 | 301.9 |
| Moneys in Excess of Reserve: | 93.7 | 121.8 | 98.0 | 436.7 | 249.3 | 41.9 | -- |
| *Reserved for Transportation* [14, 15] | *5.6* | *81.2* | *65.3* | *291.1* | *166.2* | *27.9* | -- |
| *Reserved for Capital Construction* [14, 15] | *2.8* | *40.6* | *32.7* | *145.6* | *83.1* | *14.0* | -- |

[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's Comprehensive Annual Financial Reports which are audited for the applicable fiscal years.

[2] Amendment 23 mandates that, effective January 1, 2001, an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited to the State Education Fund. For Fiscal Years 2002-03 through 2004-05, for purposes of the OSPB revenue forecasts, the amount deposited to the State Education Fund was included in gross General Fund revenues and then deducted to arrive at total funds available. Beginning with Fiscal Year 2005-06, such deposit is no longer included in gross General Fund revenues but rather is shown in the OSPB revenue forecasts as an addendum for informational purposes. For comparative purposes, for Fiscal Years 2005-06 and thereafter gross General Fund revenues are shown both as reported in the OSPB revenue forecasts and together with the amount deposited to the State Education Fund.

[3] Under Referendum C, a "General Fund Exempt Account" is created in the General Fund, which consists of moneys collected in excess of the TABOR limit in accordance with Referendum C. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Colorado Economic Recovery Act.*"

[4] When General Fund appropriations grow by 6.0%, 10.36% of sales and use taxes are diverted to the Highway Users Tax Fund per SB 97-1 and HB 00-1259.

[Footnotes continued on next page]

[5] Per HB 02-1209, $2.0 million per year was appropriated to the Older Coloradans Cash Fund in each of Fiscal Years 2002-03 through 2005-06. For Fiscal Year 2007-08, per Section 39-26-123, C.R.S., $5.0 million will be diverted to the Older Coloradans Cash Fund. Beginning in Fiscal Year 2008-09, this amount will increase to $8.0 million per HB 08-1108.

[6] 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 04-1417, HB 04-1421, HB 05-1262, SB 05-210 and SB 05-211, as well as transfers and diversions from the General Fund under the Older Coloradans Act. In Fiscal Year 2005-06, paybacks to cash funds totaling $67.1 million are also included. For Fiscal Year 2007-08, this amount represents the statutory obligation of $750,000 transferred to the Supplemental Old Age Pension Health and Medical Care Fund. For Fiscal Year 2008-09, this amount includes continuation of the $750,000 for FY 2007-08, plus an additional $2,9 million per HB 08-1078 to repay the Colorado State Veterans Trust Fund.

[7] In Fiscal Year 2005-06, $5.0 million was appropriated to the Department of Education as a result of a requirement of a final state court order. In Fiscal Years 2006-07 and 2007-08, a total of $11.1 million and $31.9 million, respectively, is not subject to the 6% limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but is used as the base for calculation of next year's appropriation limit. For Fiscal Year 2008-09, $0.2 million is currently projected to be exempt from the 6% limit.

[8] 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 Fiscal Year 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.

[9] This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions. 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 beyond.

[10] SB 03-265 eliminated the senior Homestead Exemption property tax credit in Fiscal Years 2003-04 through 2005-06. Such credit is again available effective with Fiscal Year 2006-07.

[11] 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..

[12] 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.

[13] 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.

[14] 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 million 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.

[15] Per SB 02-1310, two-thirds 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 one-third of such excess is to be credited to the Capital Construction Fund.

[16] Although Fiscal Year 2007-08 is closed as of this date, figures reported in this column are considered preliminary as they have not yet been audited.

Sources: State Treasurer's Office and OSPB November 1, 2008 Revenue Forecast

## Recent General Fund Financial Results

*The following is a discussion of General Fund revenues for the past six 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. See also "General Fund Revenue Sources" below.*

***Fiscal Year 2007-08.*** General Fund revenues increased by 2.7% in Fiscal Year 2007-08 compared to an increase of 8.3% in Fiscal Year 2006-07. Overall excise tax revenue increased by 4.7% in Fiscal Year 2007-08 when compared to Fiscal Year 2006-07 excise tax collection growth of 4.0%. Corporate and individual income tax collections increased at 2.1% in Fiscal Year 2007-08 compared to income tax collection growth in Fiscal Year 2006-07 of 11.3%. Other revenues declined by 1.9% in Fiscal Year 2007-08, or $4.9 million, from Fiscal Year 2006-07 collections. Total available funds

(excluding the amount deposited into the State Education Fund) were $7,765.9 million; total obligations were $7,440.5 million; and the year-end reserve of $325.4 million was allocated as follows: $283.5 million for the 4% statutory General Fund reserve and $41.9 million for HB 02-1310 transfers ($27.9 million to the Highway Users Tax Fund and $14.0 million to the Capital Construction Trust Fund). Per Amendment 23, $407.9 million was credited to the State Education Fund.

***Fiscal Year 2006-07***. General Fund revenues increased by 8.3% in Fiscal Year 2006-07 compared to an increase of 13.1% in Fiscal Year 2005-06. In Fiscal Year 2006-07, sales and use tax revenues increased by 4.1% compared to an increase of 5.7% in Fiscal Year 2005-06. Other Taxes decreased by $6.0 million or 88.5% due to the nearly complete phase out of federal estate taxes and related credit claimed by the State against those taxes. Total available funds for Fiscal Year 2006-07 (which excludes the amount deposited to the State Education Fund) were $7,562.9 million and total obligations were $7,046.6 million. In accordance with Amendment 23, $395.1 million was transferred to the State Education Fund, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($166.2 million) was transferred for transportation construction and one-third of such excess ($83.1 million) was transferred to capital construction. Additionally, per SB 97-001, $228.6 million was transferred to the Highway Users Tax Fund. See also Management's Discussion and Analysis in "APPENDIX A – STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007," as well as "OSPB Revenue and Economic Forecasts" below.

***Fiscal Year 2005-06***. General Fund revenues (including deposits to the State Education Fund per Amendment 23) grew 13.1% in Fiscal Year 2005-06, compared to an increase of 7.1% in Fiscal Year 2004-05. Sales and use tax revenues increased 5.7% in Fiscal Year 2005-06 compared to an increase of 5.2% in Fiscal Year 2004-05. Individual income tax revenues increased 17.9%, compared to an increase of 7.6% in Fiscal Year 2004-05. Total available funds for Fiscal Year 2005-06 (which excludes the amount deposited to the State Education Fund) 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, compared to an increase of 6.7% in Fiscal Year 2003-04. Sales and use tax revenues increased 5.2% compared to 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 $6,449.0 million and total obligations were $6,112.9 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 one-third 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 to 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 to a decline of 6.7% in Fiscal Year 2002-03. Total available funds for Fiscal Year 2003-04 were $6,035.2 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, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($81.2 million) was transferred for transportation construction and one-third of such excess ($40.6 million) was transferred for capital construction.

***Fiscal Year 2002-03***. In Fiscal Year 2002-03, General Fund revenues declined by 3.1%. Excise taxes declined 2.5% and total income taxes declined 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 $188.4 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, two-thirds 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 one-third 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 $5,920.7 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.

**General Fund 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 2007-08, individual and corporate income taxes comprised approximately 67% of total General Fund revenues, and general sales and use taxes contributed approximately 28% of total General Fund revenues (General Fund revenues described above are before State Education Fund diversion adjustments).

***Individual Income Tax.*** The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenue comprised 61.0% of total General Fund revenues in Fiscal Year 2007-08 and 61.4% of total General Fund revenues in Fiscal Year 2006-07 (General Fund revenues equal total receipts before State Education Fund diversions). Individual income tax revenues declined 6.7% in Fiscal Year 2002-03, followed by increases of 10.5% in Fiscal Year 2003-04, 7.6% in Fiscal Year 2004-05, 17.9% in Fiscal Year 2005-06, 11.3% in Fiscal Year 2006-07 and 2.1% in Fiscal Year 2007-08. 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 forecast assumes Fiscal Year 2008-09 individual income tax revenue to increase by 4.5% over Fiscal Year 2007-08. This projected increase reflects roughly a 60% reduction in capital gains and greater declines in wage and salary income taxes due to increased unemployment in calendar year 2008. Capital gains comprise roughly 6% of total taxable income for individuals in Colorado.

***Corporate Income Tax Revenue.*** Corporate income tax revenues accounted for 6.2% of total General Fund revenues in Fiscal Year 2007-08 and 6.3% of total General Fund revenues in Fiscal Year 2006-07 (General Fund revenues described above are before State Education Fund diversion adjustments). Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax revenues increased 26.4% in Fiscal Year 2002-03 and 4.5% in Fiscal Year 2003-04.

In Fiscal Years 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 several years, coupled with productivity increases, have improved corporate profitability and minimized losses. In Fiscal Year 2005-06, corporate income tax receipts increased 42.0% 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"). In Fiscal Year 2006-07, corporate income tax receipts increased 11.3% and 2.0% in Fiscal year 2007-08. The OSPB estimates that corporate tax receipts will remain level in Fiscal Year 2008-09 when compared to Fiscal Year 2007-08. See "General Fund Overview" above.

***Sales and Use Taxes.*** Sales and use tax receipts accounted for 28.4% of General Fund revenue in Fiscal Year 2007-08 and 27.8% in Fiscal Year 2006-07 (General Fund revenues described above are before State Education Fund diversion adjustments). Sales and use tax revenues decreased 3.0% in Fiscal Year 2002-03, followed by increases of 3.7% in Fiscal Year 2003-04, 5.2% in Fiscal Year 2004-05, 5.7% in Fiscal Year 2005-06, 4.1% in Fiscal Year 2006-07, and 4.9% in Fiscal Year 2007-08. Sales and use tax revenues are expected to decline by 2.2% in Fiscal Year 2008-09 due to the fears of a global recession and reduced consumer confidence.

***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. These other excise tax receipts accounted for 1.1% of General Fund revenue in Fiscal Year 2007-08 and 1.2% of General Fund revenue in Fiscal Year 2006-07 (General Fund revenues described above are before State Education Fund diversion adjustments). Other excise tax revenues decreased 0.6% in Fiscal Year 2002-03, followed by increases of 2.3% in Fiscal Year 2003-04 and 0.2% in Fiscal Year 2004-05, and decreased 4.9% in Fiscal Year 2005-06. The OSPB forecasts that other excise tax receipts will remain level with prior fiscal year collections in Fiscal Year 2008-09.

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. This has contributed to the decline in other excise tax revenues in Fiscal Year 2005-06 and the decline in tobacco and cigarette tax revenues in Fiscal Year 2006-07 as sales of cigarettes and other tobacco products have declined as the result of Amendment 35. The additional revenues generated by the tax are TABOR exempt. Therefore, while cash collections increased as a result of the additional tax, General Fund revenues declined as the number of cigarette and other tobacco products purchased decreased due to increased product costs. 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.

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***Other Revenues.*** This category of tax receipts, which contributed 3.2% of total General Fund revenues in Fiscal Year 2007-08 and 3.3% of total General Fund revenues in Fiscal Year 2006-07, includes a diverse group of revenues such as estate taxes, insurance taxes, pari-mutuel taxes, interest income, court receipts, gaming taxes, Medicaid revenues and other income (General Fund revenues are prior to State Education Fund diversion adjustments). Combined, these revenue sources are relatively volatile. As a whole, revenues in this category increased 12.6% in Fiscal Year 2002-03 followed by decreases of 12.1% in Fiscal Year 2003-04, 3.6% in Fiscal Year 2004-05, 17.3% in Fiscal Year 2005-06, 7.2% in Fiscal Year 2006-07 and 1.9% in Fiscal Year 2007-08. The large increase in Fiscal Year 2002-03 was due primarily to one-time interest revenues, and the large decrease in Fiscal Year 2005-06 was a result of HB 06-1201, which redirected approximately $24.0 million of Limited Gaming cash fund revenue that was previously transferred to the General Fund to the Colorado Travel and Tourism Promotion Fund ($18.0 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 ($3.0 million). SB 07-246 transferred $7.0 million from the Limited Gaming Cash Fund revenues to the Clean Energy Fund, and the remainder of $6.5 million remained in the General Fund. In Fiscal Year 2007-08 and thereafter, all moneys from the Limited Gaming Cash Fund that would have been transferred to the General Fund are transferred to the Clean Energy Fund. The OSPB forecasts that other revenues will increase 3.8% in Fiscal Year 2008-09.

***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 preliminary receipts for Fiscal Year 2007-08 and OSPB estimates for Fiscal Year 2008-09. See also "FORWARD LOOKING STATEMENTS."

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**State of Colorado**
**Receipts from Major Taxes**
**(Dollar amounts expressed in millions)**

| | Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | Actual | | | | | OSPB Estimate [1] | |
| | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** |
| Individual Income Tax | $3,122.3 | $3,450.0 | $3,712.7 | $4,376.1 | $4,870.9 | $4,973.7 | $5,199.7 |
| Change from Prior Year | (6.7)% | 10.5% | 7.6% | 17.9% | 11.3% | 2.1% | 4.5% |
| Corporate Income Tax [2] | $225.1 | $235.2 | $315.0 | $447.4 | $497.9 | $507.9 | $507.9 |
| Change from Prior Year | 26.5% | 4.5% | 33.9% | 42.0% | 11.3% | 2.0% | 0.0% |
| Sales and Use Tax [3] | $1,839.8 | $1,908.3 | $2,008.0 | $2,123.2 | $2,209.5 | $2,318.2 | $2,268.3 |
| Change from Prior Year | (3.0)% | 3.7% | 5.2% | 5.7% | 4.1% | 4.9% | (2.2)% |
| Other Excise Taxes | $94.4 | $96.7 | $96.9 | $92.2 | $94.0 | $93.3 | $93.8 |
| Change from Prior Year | (0.6%) | 2.3% | 0.2% | (4.9)% | 2.0% | (0.7)% | 0.5% |
| Other Revenues | $403.7 | $355.0 | $342.2 | $282.9 | $262.5 | $257.6 | $265.4 |
| Change from Prior Year | 12.6% | (12.1)% | (3.6)% | (17.3)% | (7.2)% | (1.9)% | 3.0% |

[1] OSPB November 1, 2008 Revenue Forecast. Fiscal Year 2007-08 figures are preliminary, based on unaudited collections at fiscal-year end.

[2] 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.

[3] Per HB 00-1259, 10.36% of sales and use taxes are diverted to the Highway Users Tax Fund 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.

Source: Office of State Planning and Budgeting

## 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 and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow. The OSPB developed an interim forecast on November 1, 2008, to address changes in the economic environment since its last submission on September 19, 2008. The projections included in this Official Statement reflect updated projections in the November 1, 2008, update.

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 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.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and 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 revenue 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.

***Revenue Shortfalls.*** The State's Fiscal Year budgets are prepared and surplus revenues determined using the modified accrual basis 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 one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures. See "Recent General Fund Financial Results – *Fiscal Year 2002-03*" above.

**OSPB Revenue and Economic Forecasts**

The OSPB prepares quarterly revenue estimates covering a four year period. Currently, the OSPB is forecasting for Fiscal Year 2008-09 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 on November 1, 2008, and is summarized below. See also "FORWARD LOOKING STATEMENTS."

Net General Fund revenues are forecast to increase 2.2% in Fiscal Year 2008-09. While Colorado continues to fare better than the nation as a whole, recent national and global financial failures are beginning to have an impact on Colorado's economy. Sales tax revenue has declined in recent months as individuals fear a global recession. While overall spending still remains high, Colorado consumers have shied away from bigger purchases, such as automobiles, which create sizable sales tax revenue for the State. In addition, due to recent declines in the stock market, capital gains are anticipated to be much lower than in previous years, resulting in lower individual income tax collections. Despite these impacts, the OSPB projects that there will be enough General Fund revenue to grow up to the six percent General Fund appropriation limit.

With Referendum C in place and TABOR refunds temporarily suspended, statutory thresholds for the General Fund were met, including 6% growth in spending and maintaining a reserve equal to 4%. Once the thresholds are met, 10.355% of sales and use tax revenue is diverted from the General Fund to the Highway Users Tax Fund. This diversion amounted to $228.6 million in Fiscal Year 2006-07 and has amounted to $238.1 million in Fiscal Year 2007-08. Fiscal Year 2008-09 diversions are currently projected to be $62.3 million. There was a $41.9 million surplus above the mandatory 4% reserve for Fiscal Year 2007-08 that will be distributed to the Highway Users Tax Fund and the Capital Construction Fund in the ratio of two-thirds ($27.9 million) to one-third ($14.0 million), respectively, once Fiscal Year 2007-08 has been audited. The OSPB does not project surplus revenue above the mandatory 4% General Fund reserve requirement for Fiscal Year 2008-09. See also "APPENDIX A – STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

During the 2007 and 2008 legislative sessions, several bills were enacted that directly affected moneys available for the Fiscal Year 2008-09 Budget. SB 07-246 required the Treasurer to transfer gaming tax revenue that would have flowed to the General Fund (approximately $10 million) to the newly-created Clean Energy Fund. Also, SB 07-222 transferred approximately $20 million of General Fund revenue to the Capital Construction Fund, primarily for construction projects at Colorado's higher education institutions. Bills enacted in the 2008 legislative session have an estimated negative impact of $0.3 million in General Fund revenues and do not have a significant impact on overall Fiscal Year 2008-09 collections. See also "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights."

During the 2008 legislative session, several bills were also enacted that directly affect moneys available for the Fiscal year 2009-10 Budget. HB 08-1078 repaid the Colorado State Veteran's Trust Fund $2.9 million. HB 08-1108 increased the funds for the Older Coloradoans Cash Funds by $3 million annually. SB 08-131 increased funding for the Old Age Pension Fund by $2.1 million annually. Not all bills created a negative impact on the General Fund. For example, SB 08-082 allows for Sunday liquor sales and is anticipated to create nearly $6 million in additional sales tax revenue annually. In total, enacted legislation from the 2008 session increased anticipated General Fund revenues by $2.7 million.

***Economic Forecast***. The November 1, 2008 OSPB Revenue Forecast indicates Colorado's economy continues to outperform the national economy in most major benchmarks, such as income growth, employment growth, the unemployment rate and inflation. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the Colorado economy grew 2.0% in 2007 (in inflation-adjusted terms) to $198.4 billion, or 20$^{th}$ among the 50 states. In per capita terms, Colorado has the 10$^{th}$ largest economy of the 50 states.

Employment in the State rose 2.2% in 2007, a net increase of 51,100 new jobs. This followed an increase in employment of 2.4%, or a net increase of 52,800 new jobs, in 2006. Employment growth continues to be positive, but not at a rate sufficient to reduce the number of Coloradans actively searching for a job. The OSPB forecasts that employment growth will moderate to 1.0% in 2008 and 0.9% in 2009. The State's unemployment rate declined to 3.8% in 2007, the lowest unemployment rate since 2000. The

OSPB forecasts that the State's unemployment rate will increase to 5.1% in 2008, 5.0% in 2009 and then gradually decline to 3.8% by 2012.

During 2007, consumer prices in the Denver-Boulder-Greeley area increased 2.2%, which followed a 3.6% increase in 2006. The OSPB forecasts that local inflation will be 3.9% in 2008 and 2.4% in 2009, due in large part to continued increases since 2007 in the three largest components of CPI, fuel, retail goods and residential rentable space.

Personal income in the State grew 6.0% in 2007, following a 7.0% increase in 2006. However, after adjusting for inflation and population growth, real per capita income growth in 2007 was only 1.7%. The OSPB forecasts that personal income will grow 4.6% in 2008 and 3.9% in 2009, although after adjusting for inflation and population growth, real per capita growth is forecast to decline 1.3% and 0.5% in 2008 and 2009, respectively. Colorado wage and salary income rose 6.3% through 2007 and 6.9% in 2006, reflecting a relatively strong labor market, growth in the labor force and inflation. The OSPB forecasts wage and salary income to increase 4.2% in 2008 and 3.3% in 2009.

Net in-migration to Colorado was 51,800 in 2007 and 51,400 in 2006, which contributed to total population growth of 2.0% for both years. The OSPB forecasts that net in-migration will continue at this level, resulting in net in-migration of 60,300 in 2008 and 61,000 in 2009.

Residential single-family permits declined 22.6% in 2007, the third consecutive annual decline. The OSPB forecast assumes that this reduction to new housing permits will continue due to significantly squeezed lending practices as a result of the financial crisis, and will result in further permit declines of 22.4% in 2008 and 0.1% in 2009 before leveling off.

The total value of nonresidential construction permits statewide grew 10.4% in 2007 after declining 2.2% in 2006. However, the growth in 2007 is not anticipated to be sustainable in the current economy. The OSPB forecasts that nonresidential permits will decline by 0.8% in 2008 and then grow 0.3% in 2009.

Retail trade sales in Colorado rose 7.0% in 2007 and 7.6% in 2006. The OSPB forecasts that retail sales will continue to grow in 2008 and 2009, but at a slower rate of 2.6% and 2.1%, respectively.

See also "APPENDIX B – SELECTED STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

***Risks to OSPB Forecasts***. Colorado's economy cannot be totally insulated from broader economic issues. With the recent events in the financial industry and credit markets, there is concern that regardless of Colorado's focus on emerging industries, there will not be enough access to capital for these businesses to succeed. While the OSPB November 1, 2008 economic forecast adjusts for recent stock market declines and anticipations of reduced sales tax and personal income tax revenues, the future of the global economy and the extent to which it will affect Colorado cannot be fully known.

**Investment of the State Pool**

***General.*** The investment of public funds by the Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." 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.

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 and 2008-09 Investments of the State Pool***. The following tables set forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2007-08 and Fiscal Year 2008-09 for which information is available.

**State of Colorado**
**State Pool Portfolio Mix**
**Fiscal Year 2007-08**
**(Amounts expressed in millions)** [1]

| | Jul-07 | Aug-07 | Sept-07 | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agency CMOs | $ 158.1 | $ 156.7 | $ 206.6 | $ 204.9 | $ 203.2 | $ 201.4 | $ 200.0 | $ 218.4 | $ 221.0 | $ 237.8 | $ 234.3 | $ 261.8 |
| Commercial Paper | 1,418.8 | 1,498.9 | 1,374.8 | 1,562.0 | 1,510.4 | 1,174.1 | 1,193.0 | 1,024.3 | 1,132.6 | 1,013.1 | 745.1 | 1,025.6 |
| U.S. Treasury Notes | 555.2 | 515.9 | 515.7 | 510.3 | 515.5 | 525.0 | 525.0 | 525.1 | 525.1 | 525.3 | 510.6 | 515.6 |
| Federal Agencies | 1,966.3 | 1,639.1 | 1,672.8 | 1,414.9 | 1,386.0 | 1,893.3 | 2,169.1 | 2,030.1 | 2,027.8 | 2,701.2 | 3,102.3 | 2,605.0 |
| Asset-Backed Securities | 874.6 | 855.6 | 857.4 | 843.3 | 844.8 | 844.8 | 830.6 | 858.3 | 858.2 | 897.3 | 893.2 | 877.8 |
| Money Market | 140.0 | 185.0 | 355.0 | 355.0 | 380.0 | 400.0 | 435.0 | 445.0 | 490.0 | 460.0 | 430.0 | 385.0 |
| Corporates | 528.7 | 520.7 | 517.5 | 522.2 | 516.2 | 511.2 | 511.2 | 511.2 | 486.4 | 491.4 | 483.5 | 481.5 |
| Certificates of Deposit | 51.9 | 61.5 | 61.5 | 62.0 | 67.5 | 69.0 | 75.3 | 75.4 | 74.9 | 72.9 | 70.8 | 73.3 |
| Totals | $5,693.6 | $5,433.4 | $5,561.3 | $5,474.6 | $5,423.6 | $5,618.8 | $5,939.2 | $5,687.8 | $5,816.0 | $6,399.0 | $6,469.8 | $6,225.6 |

[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

**State of Colorado**
**State Pool Portfolio Mix**
**Fiscal Year 2008-09**
**(Amounts expressed in millions)** [1]

| | Jul-08 | Aug-08 | Sept-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | May-09 | Jun-09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agency CMOs | $ 291.8 | $ 297.3 | $ 293.0 | $ 314.2 | $ 340.9 | -- | -- | -- | -- | -- | -- | -- |
| Commercial Paper | 724.0 | 409.5 | 403.4 | -- | 79.7 | -- | -- | -- | -- | -- | -- | -- |
| U.S. Treasury Notes | 520.5 | 519.6 | 485.5 | 490.9 | 581.3 | -- | -- | -- | -- | -- | -- | -- |
| Federal Agencies | 3,183.0 | 3,011.3 | 3,145.5 | 3,319.6 | 3,061.9 | -- | -- | -- | -- | -- | -- | -- |
| Asset-Backed Securities | 878.6 | 850.1 | 819.6 | 786.9 | 765.6 | -- | -- | -- | -- | -- | -- | -- |
| Money Market | 370.0 | 320.0 | 265.0 | 235.0 | 365.0 | -- | -- | -- | -- | -- | -- | -- |
| Corporates | 478.5 | 451.1 | 449.1 | 447.8 | 455.8 | -- | -- | -- | -- | -- | -- | -- |
| Certificates of Deposit | 76.3 | 79.2 | 76.2 | 73.7 | 72.4 | -- | -- | -- | -- | -- | -- | -- |
| Totals | $6,522.7 | $5,929.1 | $5,937.3 | $5,668.1 | $5,722.6 | -- | -- | -- | -- | -- | -- | -- |

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

Source: State Treasurer's Office

**General Fund Cash Flow**

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The 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 tables present on a cash basis the actual and estimated cash flows of the General Fund for Fiscal Year 2007-08, and the estimated cash flows for the General Fund for Fiscal Year 2008-09, by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the Treasurer to arrive at a cash basis presentation. The tables 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 2008-09 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the November 1, 2008 economic and revenue forecast of the OSPB discussed in "OSPB Revenue and Economic Forecasts" above. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of cash flow estimated for Fiscal Year 2008-09. Additionally, the timing of transactions from month to month may vary from the forecasts. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. See also "FORWARD LOOKING STATEMENTS."

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# State of Colorado
# General Fund Cash Flow
# Fiscal Year 2007-08
# Current Law

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

| | 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 | $ 250.8 | | | | | | | | | | | | $ 250.8 |
| Revenues: | | | | | | | | | | | | | |
| General Fund Revenue: | | | | | | | | | | | | | |
| Sales and Use Tax | 184.2 | $ 184.9 | $ 182.2 | $ 173.8 | $ 170.8 | $ 158.4 | $ 202.3 | $ 160.2 | $ 157.8 | $ 166.1 | $ 163.6 | $175.7 | 2,080.0 |
| Individual Income Tax | 286.9 | 300.9 | 438.4 | 338.5 | 317.0 | 362.9 | 549.9 | 150.1 | 218.8 | 832.7 | 304.8 | 500.3 | 4,601.2 |
| Corporate Income Tax | 10.2 | 8.4 | 96.4 | 16.5 | 6.5 | 82.8 | 3.9 | (2.8) | 44.8 | 97.0 | 13.3 | 96.6 | 473.6 |
| Other | 54.9 | 20.1 | 14.2 | 45.0 | 18.2 | 11.7 | 14.9 | 55.0 | 29.2 | 47.1 | 19.0 | 20.5 | 349.8 |
| Total General Fund Revenue | 536.2 | 514.3 | 731.2 | 573.8 | 512.5 | 615.8 | 771.0 | 362.5 | 450.6 | 1,142.9 | 500.7 | 793.1 | 7,504.6 |
| Federal Revenue | 193.4 | 375.0 | 275.8 | 352.6 | 342.6 | 418.7 | 313.3 | 390.6 | 356.5 | 374.4 | 324.3 | 652.1 | 4,369.3 |
| Total Revenues | 729.6 | 889.3 | 1,007.0 | 926.4 | 855.1 | 1,034.5 | 1,084.3 | 753.1 | 807.1 | 1,517.3 | 825.0 | 1,445.2 | 11,873.9 |
| Expenditures: | | | | | | | | | | | | | |
| Payroll | 111.6 | 129.5 | 110.6 | 110.4 | 110.6 | 111.1 | 112.9 | 114.6 | 110.7 | 112.7 | 112.7 | 115.7 | 1,363.1 |
| Medical Assistance | 243.3 | 279.4 | 179.9 | 274.9 | 255.4 | 269.4 | 228.8 | 275.0 | 266.8 | 257.1 | 240.1 | 324.7 | 3,094.8 |
| Public School Distribution | 731.9 | 21.8 | 820.2 | 68.8 | 26.7 | 785.9 | 40.2 | 50.5 | 725.6 | 41.6 | 14.8 | 66.5 | 3,394.5 |
| Higher Education Distribution | 5.0 | 34.6 | 9.3 | 6.6 | 5.0 | 35.4 | 0.4 | 0.6 | 0.4 | 0.4 | 4.1 | 0.1 | 101.9 |
| Grants and Contracts | 39.1 | 166.2 | 163.8 | 164.5 | 149.7 | 177.3 | 173.8 | 159.0 | 158.6 | 301.7 | 142.2 | 287.9 | 2,083.8 |
| Other | (44.1) | 336.0 | 114.5 | 91.1 | 95.4 | 276.7 | 94.0 | 102.1 | 106.0 | 25.0 | 84.5 | 277.7 | 1,552.5 |
| Total Expenditures: | (1,086.8) | (967.5) | (1,398.3) | (716.3) | (642.8) | (1,655.8) | (650.1) | (701.8) | (1,368.1) | (738.5) | (598.4) | (1,072.6) | (11,590.6) |
| Total Revenues and Beginning Cash and Investments Minus Total Expenditures | (106.4) | (78.2) | (391.3) | 210.1 | 212.3 | (621.3) | 434.2 | (51.3) | (561.0) | 778.8 | 226.6 | 372.6 | 534.1 |
| Revenue Accrual Adjustment | (1,291.1) | 12.9 | (12.0) | 7.0 | 13.3 | (53.1) | 70.2 | (3.1) | (24.9) | 35.2 | 4.7 | (138.3) | (1,379.2) |
| Expenditure Accrual Adjustment | 1352.6 | 46.1 | (40.3) | 51.3 | (34.6) | 37.5 | 9.3 | (17.0) | 67.2 | 129.8 | (41.9) | 8.0 | 1,568.0 |
| Extraordinary Items Impacting Cash: | | | | | | | | | | | | | |
| TABOR Refund | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfer In Cash and Investments Per Statute | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Homestead Exemption | -- | -- | -- | -- | -- | -- | -- | -- | -- | (79.8) | -- | -- | (86.2) |
| Notes Issued and Outstanding | 500.0 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (525.0) | (25.0) |
| Capital Construction Transfer | (145.9) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (145.9) |
| General Fund Reserve Transfer to Highway Users Tax Fund | -- | -- | (149.6) | -- | -- | (16.6) | -- | -- | -- | -- | -- | -- | (166.2) |
| General Fund Reserve Transfer to Capital Construction | -- | -- | (74.8) | -- | -- | (8.3) | -- | -- | -- | -- | -- | -- | (83.1) |
| Actual/Projected Monthly Cash Change | 309.2 | (19.2) | (668.0) | 268.4 | 191.0 | (661.8) | 513.7 | 31.2 | (518.7) | 864.0 | 189.4 | (282.7) | 216.5 |
| **General Fund Cash Balance End of Month** | **$ 309.2** | **$ 290.0** | **$ (378.0)** | **$ (109.6)** | **$ 81.4** | **$ (580.4)** | **$ 66.7** | **$ (35.5)** | **$ (554.2)** | **$ 309.8** | **$ 499.2** | **$ 216.5** | |

Source: State Treasurer's Office

# State of Colorado
# Estimated General Fund Cash Flow
# Fiscal Year 2008-09[1]
# Current Law
**(Amounts expressed in millions; totals may not add due to rounding)**

| | Actual | | | | Estimated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jul-08** | **Aug-08** | **Sept-08** | **Oct-08** | **Nov-08** | **Dec-08** | **Jan-09** | **Feb-09** | **Mar-09** | **Apr-09** | **May-09** | **Jun-09** | **Total** |
| Beginning Cash and Investments Balance | $ 216.5 | | | | | | | | | | | | $ 216.3 |
| Revenues: | | | | | | | | | | | | | |
| General Fund Revenue: | | | | | | | | | | | | | |
| Sales and Use Tax | 184.2 | $ 171.4 | $ 179.7 | $ 171.9 | $ 148.9 | $ 115.3 | $ 208.5 | $ 211.0 | $ 159.4 | $ 182.6 | $ 163.3 | $ 192.6 | 2,088.9 |
| Individual Income Tax | 332.4 | 297.7 | 449.3 | 368.7 | 319.9 | 361.0 | 578.5 | 179.8 | 249.4 | 616.4 | 445.9 | 405.5 | 4,604.4 |
| Corporate Income Tax | 7.2 | (1.0) | 101.8 | 5.2 | 2.5 | 98.0 | (5.2) | (1.0) | 46.4 | 81.6 | 31.9 | 130.5 | 497.0 |
| Other | 52.6 | 18.1 | 14.1 | 49.5 | 80.3 | 52.6 | 62.8 | 48.2 | 78.3 | 47.5 | 42.1 | 112.1 | 658.2 |
| Total General Fund Revenue | 576.4 | 485.3 | 744.9 | 595.3 | 551.6 | 627.0 | 844.6 | 437.9 | 533.5 | 928.2 | 683.3 | 840.7 | 7,848.6 |
| Federal Revenue | 187.6 | 328.5 | 429.4 | 327.3 | 380.3 | 396.9 | 320.1 | 365.6 | 373.1 | 385.7 | 456.3 | 633.3 | 4,584.1 |
| Total Revenues | 764.0 | 813.8 | 1,174.3 | 922.6 | 932.0 | 1,023.9 | 1,164.7 | 803.5 | 906.6 | 1,313.8 | 1,139.6 | 1,474.0 | 12,432.7 |
| Expenditures: | | | | | | | | | | | | | |
| Payroll | 138.1 | 124.0 | 120.9 | 119.6 | 114.0 | 114.5 | 116.4 | 118.1 | 114.1 | 116.2 | 116.2 | 119.2 | 1,431.2 |
| Medical Assistance | 209.0 | 289.4 | 289.3 | 263.6 | 265.2 | 279.7 | 237.5 | 285.5 | 277.0 | 266.9 | 249.3 | 337.1 | 3,249.6 |
| Public School Distribution | 751.3 | 23.0 | (570.4) | 39.5 | 51.1 | 1,505.0 | 77.0 | 96.7 | 1,389.6 | 79.7 | 28.3 | 127.4 | 3,598.2 |
| Higher Education Distribution | 5.4 | 45.0 | 5.4 | 5.4 | 2.0 | 14.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.6 | 0.1 | 79.8 |
| Grants and Contracts | 49.0 | 175.0 | 165.9 | 149.6 | 159.2 | 188.5 | 184.8 | 169.1 | 168.7 | 320.8 | 151.2 | 306.1 | 2,188.0 |
| Other | 66.6 | 280.4 | 1,598.1 | 116.0 | 100.8 | (798.2) | (9.5) | 70.0 | (719.0) | (85.9) | 338.0 | 347.6 | 1,304.8 |
| Total Expenditures: | (1,219.4) | (936.8) | (1,609.2) | (693.7) | (692.3) | (1,303.7) | (606.4) | (739.6) | (1,230.5) | (697.8) | (884.6) | (1,237.5) | (11,851.5) |
| Total Revenues and Beginning Cash and Investments Minus Total Expenditures | (238.9) | (123.0) | (434.9) | 228.9 | 239.7 | (279.9) | 558.3 | 63.9 | (323.9) | 616.0 | 254.9 | 236.5 | 797.6 |
| Revenue Accrual Adjustment | (1,244.4) | (43.8) | (22.4) | 56.3 | 59.3 | (535.9) | 331.2 | (12.9) | (122.4) | 178.1 | 133.3 | (404.3) | (1,627.9) |
| Expenditure Accrual Adjustment | 1,298.0 | 14.8 | 111.9 | (136.7) | 1.1 | 133.2 | (80.5) | (7.0) | 39.0 | 13.4 | 77.2 | (184.0) | 1,280.3 |
| Extraordinary Items Impacting Cash: | | | | | | | | | | | | | |
| TABOR Refund | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfer In Cash and Investments Per Statute | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Homestead Exemption | -- | -- | -- | -- | -- | -- | -- | -- | -- | (79.8) | -- | -- | (79.8) |
| State Series 2008A General Fund Notes | 350.0 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (360.0) | (10.0) |
| Capital Construction Transfer | (93.7) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (93.7) |
| General Fund Reserve Transfer to Highway Users Tax Fund | -- | -- | (25.1) | -- | -- | (2.8) | -- | -- | -- | -- | -- | -- | (27.9) |
| General Fund Reserve Transfer to Capital Construction | -- | -- | (12.6) | -- | -- | (1.4) | -- | -- | -- | -- | -- | -- | (14.0) |
| Actual/Projected Monthly Cash Change | 71.0 | (152.0) | (383.1) | 148.5 | 300.1 | (686.8) | 809.0 | 44.0 | (407.3) | 727.7 | 465.4 | (711.9) | 224.7 |
| **General Fund Cash Balance End of Month** | **$ 71.0** | **$ (81.0)** | **$ (464.1)** | **$ (315.6)** | **$ (15.5)** | **$ (702.3)** | **$ 106.7** | **$ 150.7** | **$ (256.6)** | **$ 471.1** | **$ 936.6** | **$ 224.7** | |

[1] General Fund revenues are derived from the November 1, 2008 OSPB Revenue Forecast, and all other amounts for November 2008 and thereafter are estimates made by the Treasurer's office. No representation or guaranty is made herein that such forecasted amounts will be realized.

Source: State Treasurer's Office

STATE OF COLORADO
NIL SINE NUMINE
1876

## APPENDIX D

## DTC BOOK-ENTRY SYSTEM

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

*None of the State, the Treasurer, the Deputy Treasurer, the Chief Financial Officer of the Department of the Treasury, the Controller or the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2008B Notes under the Authorizing Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the Authorizing Resolution with respect to the Series 2008B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2008B Notes or (v) any other related matter.*

DTC will act as securities depository for the Series 2008B Notes. The Series 2008B 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 2008B Note certificate will be issued for the Series 2008B Notes, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P'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. The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2008B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008B 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 Bonds except in the event that use of the book-entry system for the Series 2008B Notes is discontinued.

To facilitate subsequent transfers, all Series 2008B 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 2008B Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008B Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008B Notes, such as redemptions, defaults and proposed amendments to the State Resolution. For example, Beneficial Owners of Series 2008B Notes may wish to ascertain that the nominee holding the Series 2008B Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2008B Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2008B Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2008B 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 Participants and not of DTC, the Paying Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Bonds to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008B Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2008B Note certificates are required to be printed and delivered as provided in the State Resolution.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2008B Notes. In that event, Series 2008B Note certificates will be printed and delivered to DTC.

* * *

**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

The Honorable Cary Kennedy
Treasurer of the State of Colorado

Citi Global Markets, Inc.

$300,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2008B

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 2008B," in the aggregate principal amount of $300,000,000 dated as of the date of their issuance (the "Notes").

The Notes mature, bear interest, are transferable and payable, as to principal and interest at the times, in the manner, and subject to the conditions and limitations, including but not limited to extraordinary mandatory redemption, provided in the resolution of the Treasurer, adopted and approved on December 12, 2008, 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 2008 Notes Repayment Account", to be established pursuant to the terms of the Resolution, and the Pledged Revenues, as defined in the Resolution, are irrevocably pledged to the payment of the principal of and interest on the Notes when due. The owners of the Notes are equally and ratably secured by a first lien, but not an exclusive first lien, on the Series 2008 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 Notes.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written consent.

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