NEW ISSUE - Book-Entry-Only

RATINGS: Moody's: "Aa3"
S&P: "AA-"
See "RATINGS"

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 by the State, the 2008 Participating Institutions and the Trustee with certain covenants, the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates (including any original issue discount properly allocable to certain of the Series 2008 Certificates) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and, under existing Colorado statutes, to the extent the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excludable from gross income for federal income tax purposes, such portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. See "TAX MATTERS" herein.

$230,845,000
STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION LEASE PURCHASE FINANCING PROGRAM CERTIFICATES OF PARTICIPATION, SERIES 2008

Dated: Date of Delivery | Due: As shown on inside cover

The Series 2008 Certificates are being executed and delivered as fully registered certificates in denominations of $5,000 and integral multiples thereof. When delivered, the Series 2008 Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York. DTC initially will act as securities depository for the Series 2008 Certificates. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers of the Series 2008 Certificates will not receive physical delivery of bond certificates, all as more fully described herein. Upon receipt of principal and interest, DTC is required to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Series 2008 Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Glossary attached as* ***Appendix B-1*** *to this Official Statement.*

The Series 2008 Certificates will be executed and delivered pursuant to and secured by a Master Trust Indenture (the "**Master Indenture**") and a Series 2008 Supplemental Trust Indenture (the "**2008 Supplemental Indenture**"), each dated as of November 6, 2008 by Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2008 Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2008 Certificates are the initial Series of Certificates to be executed and delivered pursuant to the Indenture. The Series 2008 Certificates and additional series of certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "**2008 Lease**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (The 2008 Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases.**") Pursuant to applicable statutes enacted in the 2008 session of the Colorado General Assembly, the State will pay Rent under the Leases, subject to the terms of the Leases, from moneys in the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Institutions Lease Purchase Cash Fund. In accordance with such statutes, the Higher Education Federal Mineral Lease Revenues Fund will be funded from revenues received by the State from the leasing of minerals on federal lands and, if the amount in the Higher Education Federal Mineral Lease Revenues Fund is insufficient to pay the full amount of the payments due to be made under the Leases, moneys that the Colorado General Assembly transfers to the Higher Education Federal Mineral Lease Revenues Fund from any other sources. The Higher Education Institutions Lease Purchase Cash Fund will be funded from amounts paid to the State by certain state-supported institutions of higher education for which Projects are financed.

The net proceeds of the Certificates will be used to pay the costs of Projects for state-supported institutions of higher education (the "**Participating Institutions**") that are approved by joint resolution of the Colorado General Assembly (a "**Joint Resolution**"), to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Master Indenture. The Colorado General Assembly, in its 2008 session, adopted a Joint Resolution, HJR 08-1042, approving projects for certain participating institutions. The net proceeds of the Series 2008 Certificates will be used to pay the costs of certain Projects (the "**2008 Projects**") for the Participating Institutions as further described herein (the "**2008 Participating Institutions**"), to pay the costs of issuance of the Series 2008 Certificates and to make a deposit to the State Expense Fund.

Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased from the Trustee pursuant to the Leases, subject to the terms of the Leases and the Indenture. The Leased Property will consist of the land and the buildings, structures and improvements now or hereafter located on such land that Participating Institutions have deeded or leased to the Trustee pursuant to a Deed or Site Lease, the Trustee has leased to the State pursuant to a Lease and the State has subleased the same to such Participating Institutions pursuant to Subleases. The Leased Property subject to the 2008 Lease is referred to as the "**2008 Leased Property**" and is further described herein.

Principal of and interest on the Series 2008 Certificates will be payable to DTC, or its nominee, as owner of the Series 2008 Certificates, by the Trustee. Interest on the Series 2008 Certificates is payable on May 1 and November 1 of each year, commencing May 1, 2009, as more fully described herein. Principal of the Series 2008 Certificates is payable on the dates, and interest is payable at the rates, shown on the inside cover.

Maturity Schedule on Inside Cover

The Series 2008 Certificates are subject to redemption, including mandatory sinking fund redemption for certain Series 2008 Certificates, as more fully described herein.

Payment of Rent and all other payments by the State under the Leases shall constitute currently appropriated expenditures of the State and shall be paid solely from the Higher Education Federal Mineral Lease Revenues Fund and any moneys in the Higher Education Institutions Lease Purchase Cash Fund. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Participation Agreement, any Deed, any Site Lease or any other document or instrument shall 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 Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI or Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) 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 Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

This cover page contains certain information for quick reference only. It is not a summary of the transaction. Each prospective investor should read this Official Statement in its entirety to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

The Series 2008 Certificates are offered when, as and if delivered, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Hogan & Hartson LLP has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State and the 2008 Participating Institutions by the office of the Attorney General of the State, as counsel to the State and to the 2008 Participating Institutions, and for the Underwriters by Kamlet Shepherd & Reichert, LLP, Denver, Colorado. North Slope Capital Advisors, LLC and BD Advisors LLC have acted as financial advisors to the State in connection with the offering and execution and delivery of the Series 2008 Certificates. It is expected that the Series 2008 Certificates will be executed and available for delivery through the facilities of DTC, on or about November 6, 2008.

Citi

RBC Capital Markets Corporation | **Stifel, Nicolaus and Company, Incorporated**

Dated: October 23, 2008

MATURITY SCHEDULE

Series 2008 Certificates
(CUSIP six digit issuer No. 196734†)

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP†
05/01/2009	$ 5,660,000	3.00%	2.55%	AA5
11/01/2009	510,000	3.00	2.65	AB3
11/01/2009	6,840,000	5.00	2.65	AC1
11/01/2010	560,000	3.00	3.23	AD9
11/01/2010	7,155,000	5.00	3.23	AE7
11/01/2011	510,000	3.50	3.62	AF4
11/01/2011	7,585,000	5.00	3.62	AG2
11/01/2012	4,555,000	4.00	4.00	AH0
11/01/2012	3,935,000	5.00	4.00	AJ6
11/01/2013	4,045,000	4.00	4.18	AK3
11/01/2013	4,830,000	5.00	4.18	AL1
11/01/2014	3,235,000	4.25	4.37	AM9
11/01/2014	6,070,000	5.00	4.37	AN7
11/01/2015	9,745,000	4.50	4.56	AP2
11/01/2016	10,215,000	5.00	4.76	AQ0
11/01/2017	10,735,000	5.00	4.96	AR8
11/01/2018	11,225,000	5.50	5.16	AS6
11/01/2019	11,865,000	5.50	5.31	AT4

$54,265,000 of 5.25% Series 2008 Term Certificates due November 1, 2023 – Price: 98.471% CUSIP: AU1†

$67,305,000 of 5.50% Series 2008 Term Certificates due November 1, 2027 – Price: 98.839% CUSIP: AV9†

† The State takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2008 Certificates.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2008 Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2008 Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State of Colorado or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, from the 2008 Participating Institutions, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the State. In accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2008 Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the State or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2008 Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Series 2008 Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2008 Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the State, the Series 2008 Certificates and the terms of the offering, including the merits and risks involved. The Series 2008 Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE SERIES 2008 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2008 CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2008 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$230,845,000

STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION LEASE PURCHASE FINANCING PROGRAM CERTIFICATES OF PARTICIPATION, SERIES 2008

INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the "**Series 2008 Certificates**"). The Series 2008 Certificates are being delivered pursuant to a Master Trust Indenture (the "**Master Indenture**") and a Series 2008 Supplemental Trust Indenture (the "**2008 Supplemental Indenture**"), each dated as of November 6, 2008 by Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2008 Supplemental Indenture and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**"). The Series 2008 Certificates are the initial Series of Certificates to be executed and delivered pursuant to the Indenture. The Series 2008 Certificates and additional Series of Certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "**2008 Lease**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (The 2008 Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**.") Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached as **Appendix B-1** hereto.

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 2008 Certificates to potential investors is made only by means of the entire Official Statement.

Authority for Delivery

The Series 2008 Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including certain statutes enacted in the 2008 session of the Colorado General Assembly as further described herein. Pursuant to Senate Bill 08-233 (codified in part by Sections 23-1-106.3, 23-19.9-102 and 34-63-102, Colorado Revised Statutes, as amended) (the "**Lease Purchase Act**"), the General Assembly has authorized the execution by the State Treasurer of lease-purchase agreements and related instruments in order to fund the costs of certain capital construction projects that are approved by joint resolution of the Colorado General Assembly (the "**Approved Projects**") at state-supported institutions of higher education in the State (the "**Approved Participating Institutions**"), to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Master Indenture. The Higher Education Institutions Lease Purchase Cash Fund was established by the Lease Purchase Act. Pursuant to Senate Bill 08-218 (codified at Sections 23-19.9-101 et seq. and 34-63-102, Colorado Revised Statutes, as amended) (the "**Mineral Revenues Act**" and, together with the Lease Purchase Act, the "**Acts**"), the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Maintenance and Reserve Fund have been established. By a Joint Resolution, HJR 08-1042 (the "**2008 Joint Resolution**" and, together with the Acts, the "**Authorizing Legislation**"), certain projects for certain participating institutions were approved as Approved Projects for funding through lease purchase financing within the limitations of the Acts. The 2008 Lease is being entered by the State in order to fund certain Approved Projects as described in "The 2008 Projects" under this caption for the 2008 Participating Institutions in accordance with the Authorizing Legislation. See "The Program" and "The 2008 Participating Institutions" under this caption. See also "PLAN OF FINANCING – The Program" for further information about the Authorizing Legislation.

The State of Colorado

The Series 2008 Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly to make payments under the 2008 Lease, as described in "Sources of Payment for the Series 2008 Certificates" under this caption. The Acts require that, to the extent appropriated, such payments by the State be made from the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Institutions Lease Purchase Cash Fund. In accordance with the Lease Purchase Act, Base Rent paid to the State by the 2008 Participating Institutions under the 2008 Subleases will be deposited in the Higher Education Institutions Lease Purchase Cash Fund, and moneys in the Higher Education Institutions Lease Purchase Cash Fund will be used to make payments under the 2008 Lease. In accordance with the Mineral Revenues Act, the Higher Education Federal Mineral Lease Revenues Fund will be funded from revenues received by the State from the leasing of federal lands for the development or production of certain minerals and, pursuant to the Lease Purchase Act if the amount in the Higher Education Federal Mineral Lease Revenues Fund is insufficient to pay the full amount due to be made under the Leases, moneys that the Colorado General Assembly transfers from any other sources, including (i) the principal of the Higher Education Maintenance and Reserve Fund, (ii) the State Public School Fund established by Section 22-54-114, Colorado Revised Statutes, as amended, to support public K-12 education in the State, and (iii) the State General Fund. The Higher Education Institutions Lease Purchase Cash Fund will be funded from amounts paid to the State by Participating Institutions. **Investors should closely review the financial and other information included in this Official Statement regarding the State, including the Higher Education Federal Mineral Lease Revenues Fund and the State General Fund, to evaluate any risks of nonappropriation by the Colorado General Assembly. See "STATE FINANCIAL INFORMATION" and Appendices A, E, F and G hereto.**

The Program

The State Treasurer has established the Higher Education Capital Construction Lease Purchase Financing Program (the "**Program**") in order to implement the Authorizing Legislation. The 2008 Lease is the initial lease-purchase agreement being entered into by the State in order to fund certain Approved Projects as further described in "The 2008 Projects" under this caption (the "**2008 Projects**"). The Master Indenture permits the execution of other Leases or an amendment to the 2008 Lease and the execution and delivery of additional Series of Certificates under the Master Indenture, in order to fund additional Approved Projects under the Program. See "THE SERIES 2008 CERTIFICATES – Additional Series of Certificates." The execution by the State of future Leases for additional Approved Projects would require authorization by the Colorado General Assembly for any Projects not approved in the 2008 Joint Resolution and, in any case, if the Rent payable under the 2008 Lease and the additional Leases or an amendment to the 2008 Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payments permitted by the Lease Purchase Act. For a description of the Program, see "PLAN OF FINANCING – The Program."

Purposes of the Series 2008 Certificates

Proceeds from the sale of the Series 2008 Certificates will be used to finance the Costs of the 2008 Projects for the 2008 Participating Institutions, as more fully described in "The 2008 Participating Institutions" under this caption and "PLAN OF FINANCING – The 2008 Projects and 2008 Participating Institutions." Proceeds of the Series 2008 Certificates will also be used to pay the costs of execution and delivery associated with the Series 2008 Certificates and to make a deposit to the State Expense Fund. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2008 Certificates.

The 2008 Participating Institutions

Proceeds of the Series 2008 Certificates are expected to be used to fund the 2008 Projects for the benefit of the following State-supported institutions of higher education in Colorado (collectively, the "**2008 Participating Institutions**"): University of Northern Colorado; Colorado Northwestern Community College; Colorado State University at Pueblo; Colorado School of Mines; Colorado State University; Auraria Higher Education Center; Western State College; Mesa State College; University of Colorado at Colorado Springs; Morgan Community College; Front Range Community College – Larimer Campus; and Fort Lewis College. See "PLAN OF FINANCING – The 2008 Projects and 2008 Participating Institutions."

The 2008 Projects

The 2008 Projects involve various capital projects at the 2008 Participating Institutions. The 2008 Projects have been approved in the 2008 Joint Resolution, at certain funding levels and, in many cases, subject to the funding by the 2008 Participating Institutions of an Institution Share. In accordance with the terms of the 2008 Subleases between the State and each of the 2008 Participating Institutions other than Fort Lewis College which is entering a Participation Agreement with the State (the "**2008 Participation Agreement**") or the terms of such 2008 Participation Agreement, each of the Participating Institutions agrees to pay its Institution Share required by the 2008 Joint Resolution (which, in certain instances, is being paid from the proceeds of the Series 2008 Certificates) and to use proceeds of the Series 2008 Certificates received from the State to construct the respective facilities. See "PLAN OF FINANCING – The 2008 Projects and 2008 Participating Institutions" for further information about the 2008 Projects. Approved Projects other than the 2008 Projects may be funded by the issuance of additional Series of Certificates issued under the Master Indenture relating to a separate Lease or an amendment to the 2008 Lease but will require further authorization by the Colorado General Assembly for any Projects not approved in the 2008 Joint Resolution and, in any case, if the Base Rent payable under the 2008 Lease and the additional Lease or an amendment to the 2008 Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payment permitted by the Lease Purchase Act. See "Terms of the Series 2008 Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

The 2008 Leased Property

Each of the 2008 Participating Institutions (other than Fort Lewis College) is entering into a Site Lease with the Trustee dated as of November 6, 2008 (the "**2008 Site Leases**") pursuant to which, in each case, certain land owned by the respective 2008 Participating Institution and the buildings, structures and improvements now or hereafter located on such land (collectively, the "**2008 Leased Property**") will be leased to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property." The 2008 Leased Property collectively with the additional Leased Property which may in the future be leased under additional Leases or amendments to the 2008 Lease is referred to herein as the "**Leased Property**." The 2008 Leased Property is being leased by the Trustee to the State, pursuant to the 2008 Lease, and the State is subleasing the 2008 Leased Property to the respective 2008 Participating Institutions (other than Fort Lewis College) under certain Subleases dated as of November 6, 2008 (the "**2008 Subleases**"). Any additional Leased Property which the State chooses to lease under additional Leases or amendments to the 2008 Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2008 Certificates. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of 2008 Leased Property." **Upon any decision of the State not to appropriate and thereby terminate the 2008 Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2008 Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the 2008 Participating Institutions which are Sublessees will have the option to purchase a portion of the 2008 Leased Property under the respective 2008 Subleases upon certain conditions as further described herein. See "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property – Sublessee's Purchase Option."**

Terms of the Series 2008 Certificates

Payments

The Series 2008 Certificates will be dated the date of delivery and bear interest from such date to maturity, payable semiannually on May 1 and November 1 of each year, commencing May 1, 2009. Interest on the Series 2008 Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The Series 2008 Certificates will mature as shown, and shall bear interest at the per annum rates set forth, on the inside cover of this Official Statement. See "THE SERIES 2008 CERTIFICATES – Generally."

Denominations

The Series 2008 Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof, provided that no Series 2008 Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Series 2008 Certificate may be executed and delivered for more than one maturity.

Redemption

The Series 2008 Certificates are subject to redemption, and certain Series 2008 Certificates are also subject to mandatory sinking fund redemption, prior to maturity. See "THE SERIES 2008 CERTIFICATES – Redemption."

Book-Entry System

The Series 2008 Certificates are deliverable only in book entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York, acting as securities depository of the Series 2008 Certificates and principal of, premium, if any and interest on the Series 2008 Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Series 2008 Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Series 2008 Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Series 2008 Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Series 2008 Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Series 2008 Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso described at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Series 2008 Certificates are reregistered. For a more complete description of the book entry system, see "THE SERIES 2008 CERTIFICATES – Book-Entry System."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2008 Certificates secured by the Trust Estate on parity with the Series 2008 Certificates, without notice to or approval of the owners of the Outstanding Series 2008 Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. For a description of these conditions, see "THE SERIES 2008 CERTIFICATES – Additional Series of Certificates." If any Certificates in addition to the Series 2008 Certificates are executed and delivered, the 2008 Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates.

For a more complete description of the Series 2008 Certificates, the 2008 Lease, the 2008 Site Leases, the 2008 Subleases, the 2008 Participation Agreement and the Indenture pursuant to which such Series 2008 Certificates are being executed and delivered, see "THE SERIES 2008 CERTIFICATES" and "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE" in Appendix B-2 hereto.

Sources of Payment for the Series 2008 Certificates

The principal of, premium, if any and interest on the Series 2008 Certificates are payable solely from annually appropriated Base Rent, other Lease Revenues received by the Trustee pursuant to the Leases and other moneys in the Trust Estate in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT." The 2008 Lease provides that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term shall, subject only to the other terms of the Lease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term. The 2008 Lease provides that an Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure described below:

(i) On June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or

(ii) on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if:

(A) a Property Damage, Defect or Title Event has occurred,

(B) the Net Proceeds received as a consequence of such event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with the 2008 Lease, and

(C) the Colorado General Assembly has not appropriated amounts sufficient to proceed under the 2008 Lease or the State has not substituted property pursuant to the 2008 Lease by June 30 of the Fiscal Year in which such Property Damage, Defect or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent.

Notwithstanding the description of an Event of Nonappropriation in the preceding paragraph, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation as described in the above paragraph and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Lease – Remedies on Default" in **Appendix B-2**, including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of certain Participating Institutions under the respective Subleases. Each such Participating Institution that is a Sublessee has the right under the respective Sublease to purchase all of the Leased Property subject to such Sublease following the occurrence of an Event of Default or Event of Nonappropriation under the Leases, by paying an amount equal to the principal amount of the Attributable Certificates and interest thereon through the closing date for the purchase of such Leased Property. The net proceeds from the exercise of such remedies will be applied toward the payment of the Certificates under the Master Indenture, including the Series 2008 Certificates as described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – Indenture – Use of Moneys Received from Exercise of Remedies" in **Appendix B-2**. **There can be no assurance that such proceeds will be sufficient to pay all of the principal and interest due on the Series 2008 Certificates.**

The State has the option to terminate the Leases (including the 2008 Lease) and release the Leased Property from the Indenture (including the 2008 Leased Property) by paying the State's Purchase Option Price described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES AND THE INDENTURE – 2008 Lease – State's Option to Purchase all Leased Property" in **Appendix B-2**. The State also has the option to purchase a portion of the Leased Property affected by a Property Damage, Defect or Title Event and release that portion of the Lease Property from the Indenture by paying the State's Purchase Option Price with respect to such portion of the Leased

Property as described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES AND THE INDENTURE – 2008 Lease – State's Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event" in **Appendix B-2**. The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property – Substitution of 2008 Leased Property."

Payment of Rent and all other payments by the State under the Leases shall constitute currently appropriated expenditures of the State and shall be paid solely from the Higher Education Federal Mineral Lease Revenues Fund and any moneys in the Higher Education Institutions Lease Purchase Cash Fund. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

Certain Risks to Owners of the Series 2008 Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2008 Lease) and could affect the market price of the Series 2008 Certificates to an extent that cannot be determined at this time. *Each prospective investor should read the Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."*

Availability of Continuing Information

Upon delivery of the Series 2008 Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2008 Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" a form of which is attached hereto as **Appendix C**.

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated October 20, 2008. Purchasers of the Series 2008 Certificates should read this Official Statement in its entirety.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statues, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Authorizing Legislation) may be obtained during the offering period, upon request to the Underwriters at Citigroup Global Markets Inc., as Representative of the Underwriters, 390 Greenwich Street, 2nd Floor, New York, New York 10013, Attention: Public Finance Department, number: (214) 720-5036.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the 2008 Participating Institutions and the purchasers or holders of any of the Series 2008 Certificates.

PLAN OF FINANCING

The Program

The Series 2008 Certificates are being delivered pursuant to the Indenture and under authority granted by the Authorizing Legislation. The Mineral Revenues Act created the Higher Education Federal Mineral Lease Revenues Fund to provide funding for Approved Projects for Approved Participating Institutions. The Lease Purchase Act authorized the State Treasurer to enter into Leases for Approved Projects approved by a Joint Resolution, provided that the anticipated annual State-funded payments (which, for this purpose, does not include the Base Rent payable by certain of the 2008 Participating Institutions under the 2008 Subleases) for the principal and interest components of the amounts payable under such Leases (the "**Maximum Aggregate Annual Lease Payment**") shall not exceed an average of $16,200,000 for the first ten years of payments and an average of $16,800,000 per year during the second ten years of payments. The Colorado General Assembly, in its 2008 legislative session, adopted the 2008 Joint Resolution, approving certain projects for certain participating institutions as Approved Projects for funding under the Authorizing Legislation. Certain of these Approved Projects are being funded as the 2008 Projects. According to the 2008 Joint Resolution, the Approved Projects on the 2008 prioritized list which are not the subject to the 2008 Lease shall be the prioritized Projects for lease-purchase agreements to entered into during the State fiscal year commencing July 1, 2009, to the extent that the Treasurer determines that there is sufficient money in the Higher Education Federal Mineral Lease Revenues Fund to enter into such additional Leases. However, the anticipated annual Base Rent funded by the State under any such additional Leases or amendment to the 2008 Lease entered in connection with such Projects or any other projects prioritized by the Colorado General Assembly, together with the anticipated annual Base Rent funded by the State under the 2008 Lease, will be limited to the Maximum Aggregate Annual Lease Payment unless the General Assembly amends the Acts to increase such Maximum Aggregate Annual Lease Payment.

The State Treasurer has established the Higher Education Capital Construction Lease Purchase Financing Program (the "**Program**") in order to implement the Authorizing Legislation. The 2008 Lease is the initial lease-purchase agreement being entered by the State in order to finance the 2008 Projects. The Master Indenture permits the execution of other Leases and the execution and delivery of additional Series of Certificates issued under the Master Indenture, in order to fund additional Approved Projects under the Program. See "THE SERIES 2008 CERTIFICATES – Additional Series of Certificates." The execution by the State of future Leases or an amendment to the 2008 Lease for additional Projects, including the Approved Projects on the 2008 prioritized list in the 2008 Joint Resolution, would require authorization by the General Assembly to the extent that Base Rent under the 2008 Lease and such additional Leases would exceed the Maximum Aggregate Annual Lease Payment.

Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2008 Certificates are set forth in the following table.

	Estimated Amount
SOURCES OF FUNDS:	
Par amount of Series 2008 Certificates	$230,845,000.00
Original issue premium (1)	1,883,845.25
Original issue discount (1)	(1,702,905.60)
TOTAL SOURCES OF FUNDS	$231,025,939.65
USES OF FUNDS:	
Deposit to 2008 Project Accounts of Capital Construction Fund (2)	$228,912,575.00
Deposit to State Expense Fund (3)	100,000.00
For costs of issuance, including Underwriters' discount (4)	2,013,364.65
TOTAL USES OF FUNDS	$231,025,939.65

(1) See "TAX MATTERS."

(2) This amount will be used for the 2008 Projects, and investment earnings on amounts in the Capital Construction Fund will be allocated to each 2008 Project subject to the limits of the State Share set forth in Authorizing Legislation. This amount includes the Institution Share and other Project amounts which are being financed in some cases, as described in "The 2008 Projects and 2008 Participating Institutions" under this caption.

(3) This amount may be used as directed by the State to pay certain costs and expenses of the State, pay Base Rent or Additional Rent under the Leases, make a deposit to any account or subaccount or certain Funds or pay the Costs of any Approved Project. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE" in **Appendix B-2** hereto.

(4) Such amount (other than the Underwriters' discount) shall be deposited to the Costs of Issuance Account of the Capital Construction Fund and shall be used to pay costs of issuance including legal fees, rating agency fees, printing costs and financial advisors' fees. For information concerning the Underwriters' discount, see "UNDERWRITING."

The 2008 Projects and 2008 Participating Institutions

The following chart describes the 2008 Participating Institutions and Approved Projects expected to be funded as the 2008 Projects using proceeds of the Series 2008 Certificates and certain investment earnings on such proceeds allocated to each 2008 Project and, in many cases, funds from other sources, as further described herein.

2008 Projects and 2008 Participating Institutions

2008 Participating Institution	2008 Project Description	Institution Share and Other Amounts (1)(2)	State Share(3)(2)
University of Northern Colorado	Butler Hancock Interior Renovation	$0	$11,591,235
Colorado Northwestern Community College	Academic Building, Craig Campus	$2,142,038 (1)	$21,324,383
Colorado State University – Pueblo	Academic Resources Center Remodel	$2,797,436 (4)	$22,005,202
Colorado School of Mines	Brown Hall Addition	$0	$6,748,298
Colorado State University	Clark Building Revitalization (Capital Renewal Project)	$0	$2,000,000
Auraria Higher Education Center	Science Building Addition and Renovation	$22,227,526 (1)(5)	$63,619,180
Western State College	Taylor Hall Renovation and Addition	$0	$21,065,116
Mesa State College	Wubben Hall Expansion and Renovation	$3,652,294 (1)(5)	$14,775,183
University of Colorado at Colorado Springs	Science Building Renovation	$0	$17,085,472
Morgan Community College	Nursing, Health, Technology and Science Building Addition and Renovation	$168,000 (1)	$4,684,093
Front Range Community College – Larimer Campus	Science Classroom Addition and Renovation	$591,011 (1)	$14,184,265
Fort Lewis College	Berndt Hall Reconstruction	$0	$3,247,000

(1) Under the Authorizing Legislation, the respective amounts shown on this chart as Institution Shares are required to be funded by the related 2008 Participating Institution and, under the 2008 Subleases, such amounts must be on deposit with the State Treasurer prior to any disbursement to the related 2008 Participating Institution for payment of Project costs. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Subleases – Costs of Sublessee's Project" in **Appendix B-2** hereto.

(2) In many cases, the 2008 Participating Institutions will be obtaining funds from sources other than the State Share, the Institution Share and the other Project amounts indicated on this table in order to finance the 2008 Projects.

(3) This is the maximum amount permitted under the Authorizing Legislation to fund each 2008 Project using proceeds of the Series 2008 Certificates and investment earnings on such proceeds except in the case of Series 2008 Certificates for which a 2008 Participating Institution is agreeing to pay Base Rent to the State under its 2008 Sublease.

(4) This amount is being financed for Colorado State University – Pueblo using proceeds of the Series 2008 Certificates, but is not an Institution Share required by the Authorizing Legislation. Colorado State University – Pueblo will pay Base Rent under its Sublease with respect to such amount. Any default by Colorado State University – Pueblo in connection with the payment of Base Rent under its 2008 Sublease will not affect the State's obligations and rights under the 2008 Lease to pay Rent.

(5) In the case of $20,133,418 of the Institution Share for Auraria Higher Education Center and $3,652,294 for Mesa State College, the State has agreed to use proceeds of the Series 2008 Certificates to fund these amounts of the respective Institution Share, and each of such 2008 Participating Institutions will agree in its Sublease to pay Base Rent to the State. Any default by any of such 2008 Participating Institutions in the payment of Base Rent in connection with the Series 2008 Certificates will not affect the State's obligations and rights under the 2008 Lease to pay Rent.

Under the 2008 Subleases and, in the case of Fort Lewis College, the 2008 Participation Agreement, the 2008 Participating Institutions will agree to construct and use the respective 2008 Projects in a manner which satisfies the restrictions of the Internal Revenue Code and the Authorizing Legislation. See "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property – The 2008 Subleases; Participation Agreement" and "CERTAIN RISK FACTORS – Actions under the 2008 Subleases and 2008 Participation Agreement."

THE SERIES 2008 CERTIFICATES

Generally

General information describing the Series 2008 Certificates appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the 2008 Site Leases, the 2008 Lease, the 2008 Subleases, the Master Indenture, the 2008 Supplemental Indenture and the form of Series 2008 Certificates included in the 2008 Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE" in **Appendix B-2** hereto.

The Series 2008 Certificates will bear interest from the date of delivery, or from the last interest payment date to which interest has been paid, at the rates, and will mature in the amounts and on the dates, set forth on the inside cover page of this Official Statement. The Series 2008 Certificates will be executed and delivered as fully registered certificates in the denomination of $5,000 or any integral multiple thereof. Principal of the Series 2008 Certificates will be payable to the registered owner (initially, Cede & Co.) upon presentation and surrender of the Series 2008 Certificates to the Trustee in Denver, Colorado. Interest on the Series 2008 Certificates will be payable by check or draft mailed by the Trustee on or before each interest payment date to the registered owner (initially, Cede & Co.) as of the Record Date. The "Record Date" for the Series 2008 Certificates will be the April 15 or October 15 (whether or not a Business Day) immediately prior to each interest payment date. For so long as Cede & Co., nominee of DTC, is the registered owners of the Series 2008 Certificates, payments of principal, premium, if any, and interest will be made as described in "Book-Entry System" under this caption.

Book-Entry System

DTC will act as securities depository for the Series 2008 Certificates. The Series 2008 Certificates will be executed and delivered 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 certificate will be executed and delivered for each maturity of the Series 2008 Certificates bearing interest at the same rate, each in the aggregate principal amount of such maturity, 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2008 Certificate ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Certificates 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 Series 2008 Certificates, except in the event that use of the book-entry system for the Series 2008 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2008 Certificates 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 2008 Certificates 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 2008 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2008 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust or the Lessee 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 Series 2008 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption proceeds on the Series 2008 Certificates 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 2008 Participating Institutions or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, nor the Trustee, the State or the 2008 Participating Institutions, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2008 Certificates at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008 Certificates are required to be printed and delivered as described in the Indenture.

The Trust, at the direction of the Lessee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2008 Certificates will be printed and delivered as described in the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008 Certificates, payment of principal, interest, and other payments on the Series 2008 Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2008 Certificates, and other related transactions by and between DTC, the Direct Participants, the Indirect Participants, and the Beneficial Owners is based solely on information provided by DTC. Such information has been obtained from sources that the State and the 2008 Participating Institutions believe to be reliable, but the State and the 2008 Participating Institutions take no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Additional Series of Certificates

So long as the Lease Term remains in effect and no Event of Nonappropriation or Event of Default has occurred and is continuing, one or more Series of Certificates may be executed and delivered as directed by the State, without the consent of owners of outstanding Certificates, upon the terms and conditions as provided in the Master Indenture. Additional Series of Certificates may be executed and delivered only upon satisfaction of each of the following conditions:

(i) The Trustee has received a form of Supplemental Indenture that specifies the following: (a) the Series designation, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity dates, the interest rates, the redemption provisions, if any, the form and any variations from the terms set forth in this Master Indenture with respect to such Series of Certificates; (b) any amendment, supplement or restatement of the Glossary required or deemed by State to be advisable or desirable in connection with such Supplemental Indenture; and (c) any other provisions deemed by the State to be advisable or desirable and that do not violate and are not in conflict with the Master Indenture or any previous Supplemental Indenture.

(ii) The Trustee has received forms of a new Deed or Site Lease and Lease or amendments to an existing Deed or Site Lease and Lease adding any new Leased Property and/or amendments to an existing Deed or Site Lease and Lease removing or modifying any Leased Property that is to be removed or modified.

(iii) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by the Master Indenture.

(iv) The State has certified to the Trustee that**:** (a) the Fair Market Value of the Leased Property after the execution and delivery of such Series of Certificates is at least equal to the principal amount of the Certificates that will be Outstanding after the execution and delivery of such Series of Certificates; and (b) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (a) may be given based and in reliance upon certifications by the Sublessees that deeded or leased the Leased Property to the Trustee pursuant to Deeds or Site Leases.

(v) The Trustee has received a standard leasehold title insurance policy, an amendment or supplement to a previously issued standard leasehold title insurance policy or a commitment to issue such a policy, amendment or supplement, which, when considered together with policies or amendments or supplements to policies received by the Trustee in connection with the execution and delivery of other Certificates, insure(s) the Trustee's interest in the real estate included in the Leased Property, and if all or any portion of the Trustee's title to the real estate included in the Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of the principal amount of the Certificates that will be Outstanding after the execution and delivery of such Series of Certificates or the insurable value of the real property included in the Leased Property after the execution and delivery of such Series of Certificates.

(vi) The Trustee has received evidence that the execution and delivery of the Series of Certificates will not result in a reduction of the then current rating by any Rating Agency of any Outstanding Certificates, which evidence may take the form of a letter from a Rating Agency, a certificate of a financial advisor to the State or a certificate of an underwriter of Certificates.

(vii) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Participating Institution, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the amount to be deposited into the defeasance escrow account established pursuant to the Master Indenture.

(viii) The Trustee has received a written opinion of Bond Counsel to the effect that (a) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Lease Purchase Act, the Master Indenture and the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Certificate, and (b) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform nor cause any violation of the covenants set forth in the Master Indenture.

Each Certificate executed and delivered pursuant to the Master Indenture will evidence an undivided interest in the right to receive Lease Revenues and shall be payable solely from the Trust Estate without preference, priority or distinction of any Certificate over any other Certificate.

Redemption

Redemption in Whole Upon Occurrence of Event of Nonappropriation or Event of Default

The Series 2008 Certificates shall be called for redemption in whole, at a redemption price determined pursuant to the 2008 Supplemental Indenture, on any date, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease. The redemption price for any redemption as described in this paragraph shall be the lesser of (i) the principal amount of the Series 2008 Certificates, plus accrued interest to the redemption date (without any premium); or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2008 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2008 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate. **The payment of the redemption price of any Certificate pursuant to the 2008 Supplemental Indenture and any similar provision of any other Supplemental Indenture shall be deemed to be the payment in full of such Certificate, and no Owner of any Certificate redeemed pursuant to the 2008 Supplemental Indenture or any similar provision of any other Supplemental Indenture shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2008 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in the 2008 Supplemental Indenture or any other Supplemental Indenture. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in the 2008 Supplemental Indenture, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in the 2008 Supplemental Indenture, the Trustee shall (A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases, and (B) subject to the applicable provisions of the Indenture, immediately begin to exercise and shall diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default. The remainder of the redemption price, if any, shall be paid to the Owners of the Certificates subject to redemption if and when funds become available to the Trustee from the exercise of such remedies.

Redemption of Series 2008 Certificates in Whole From Money Not Derived From a Financing

The Series 2008 Certificates shall be called for redemption, in whole, at a redemption price equal to the principal amount of the Series 2008 Certificates, plus accrued interest to the redemption date (without any premium), on any date in the event of, and to the extent that, moneys are received by the Trustee for such purpose from money that is not (a) borrowed by the State or (b) made available to the State from a lease-purchase financing or refinancing.

Redemption of Series 2008 Certificates in Whole From Money Derived From a Financing

The Series 2008 Certificates shall be called for redemption, in whole, at a redemption price equal to 100% of the principal amount of the Series 2008 Certificates, plus accrued interest to the redemption date (without any premium), on any date on and after November 1, 2018, in the event of, and to the extent that, moneys are received by the Trustee for such purpose from money that is (a) borrowed by the State or (b) made available to the State from a lease-purchase financing or refinancing.

Redemption of Series 2008 Certificates in Part From Proceeds of Refunding Certificates

The Series 2008 Certificates shall be called for redemption in part, in Authorized Denominations and from such maturities as the State shall determine and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2008 Certificates to be redeemed, plus accrued interest to the redemption date (without any premium), on any date on and after November 1, 2018, in the event of, and to the extent that, moneys are actually received by the Trustee from proceeds of Certificates that are executed and delivered for such purpose, provided that the Base Rent payable under the Leases following such redemption in part corresponds to the principal and interest payable on the Certificates Outstanding following such redemption in part.

Redemption of Series 2008 Certificates in Whole or in Part Upon Payment of Purchase Option Price Following a Property Damage, Defect or Title Event From Money Not Derived From a Financing

The Series 2008 Certificates shall be called for redemption, in whole or in part, and if in part in Authorized Denominations and from Series 2008 Certificates with the same maturity date and interest rate as the State shall determine and by lot from Series 2008 Certificates with the same maturity date and interest rate, at a redemption price equal to the principal amount of the Series 2008 Certificates, plus accrued interest to the redemption date (without any premium), on any date, in the event of, and from moneys received by the Trustee from, the exercise by the State of its option pursuant to the 2008 Lease to purchase the portion of the 2008 Leased Property that is affected by a Property Damage, Defect or Title Event when the costs of the repair, restoration, modification, improvement or replacement of such portion of the 2008 Leased Property are more than the Net Proceeds if all the redemption price paid is paid from money that is not (a) borrowed by the State or (b) made available to the State from a lease-purchase financing or refinancing. See "State's Purchase Option Price" under this caption.

Redemption of Series 2008 Certificates in Whole or in Part Upon Payment of Purchase Option Price Following a Property Damage, Defect or Title Event From Money from Money Derived From a Financing

The Series 2008 Certificates shall be called for redemption, in whole or in part, and if in part in Authorized Denominations and from such maturities as the State shall determine and by lot within a maturity, at a redemption price equal to 100% of the principal amount of the Series 2008 Certificates to be redeemed set forth below, plus accrued interest to the redemption date (without any premium), on any date on and after November 1, 2018, in the event of, and from moneys received by the Trustee from, the exercise by the State of its option pursuant to the 2008 Lease to purchase the portion of the 2008 Leased Property that is affected by a Property Damage, Defect or Title Event when the costs of the repair, restoration, modification, improvement or replacement of such portion of the 2008 Leased Property are more than the Net Proceeds if all the redemption price paid is paid from money that is (a) borrowed by the State or (b) made available to the State from a lease-purchase financing or refinancing. See "State's Purchase Option Price" under this caption.

Mandatory Sinking Fund Redemption

The Series 2008 Certificates maturing on November 1, 2023, are subject to mandatory sinking fund redemption by lot in such manner as the Trustee may determine (giving proportionate weight to Series 2008 Certificates in denominations larger than $5,000), on November 1 in years 2020 through 2022 in the designated amount of principal and in the designated years as if such installment of principal then matured, at a price equal to 100% of the principal amount (with no premium) of each Series 2008 Certificate or portion thereof so redeemed and accrued interest to the redemption date, as follows:

Series 2008 Certificates Maturing on November 1, 2023

Redemption Date (November 1)	Principal to be Redeemed
2020	$12,520,000
2021	13,190,000
2022	13,900,000
2023*	14,655,000

* Final Maturity

The Series 2008 Certificates maturing on November 1, 2027, are subject to mandatory sinking fund redemption by lot in such manner as the Trustee may determine (giving proportionate weight to Series 2008 Certificates in denominations larger than $5,000), on November 1 in years 2024 through 2026 in the designated amount of principal and in the designated years as if such installment of principal then matured, at a price equal to 100% of the principal amount (with no premium) of each Series 2008 Certificate or portion thereof so redeemed and accrued interest to the redemption date, as follows:

Series 2008 Certificates Maturing on November 1, 2027

Redemption Date (November 1)	Principal to be Redeemed
2024	$15,465,000
2025	16,335,000
2026	17,265,000
2027*	18,240,000

* Final Maturity

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the State may (i) purchase and cancel any Series 2008 Certificates with the same maturity date as the Series 2008 Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any Series 2008 Certificates with the same maturity date as the Series 2008 Certificates subject to such sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against any sinking fund redemption obligation. Each Series 2008 Certificate so purchased and cancelled or previously redeemed shall be credited at the principal amount thereof to the obligation of the State on such sinking fund redemption date, and the principal amount of Series 2008 Certificates to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2008 Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States certified or registered first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Series 2008 Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2008 Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2008 Certificates called for redemption, which moneys are or will be available for redemption of Series 2008 Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Redemption Payments

On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Series 2008 Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Series 2008 Certificates and accrued interest thereon to the redemption date), interest on the Series 2008 Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption. The Trustee shall pay to the Owners of Series 2008 Certificates so redeemed the amounts due on their respective Series 2008 Certificates, at the operations center of the Trustee upon presentation and surrender of the Series 2008 Certificates.

State's Purchase Option Price

State's Option to Purchase all Leased Property

The State has been granted in the 2008 Lease the option to purchase all, but not less than all, of the 2008 Leased Property by paying to the Trustee the "State's Purchase Option Price," provided that the State simultaneously purchases all other Leased Property subject to all other Leases, if any, pursuant to the terms of such other Leases. For purposes of a purchase of all the 2008 Leased Property as described in this paragraph, the "**State's Purchase Option Price**" is an amount sufficient (i) to pay all the Outstanding Series 2008 Certificates, to redeem all the Outstanding Series 2008 Certificates in accordance with the applicable redemption provisions of the Indenture (which may be different or may not be permitted depending on the source of money used to pay the redemption price of such Certificates) or to defease all the Series 2008 Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the 2008 Leased Property is conveyed to the State or its designee pursuant to the Indenture, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the 2008 Leased Property and the payment, redemption or defeasance of the Outstanding Series 2008 Certificates; provided, however, that if any portion of the Series 2008 Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying the provisions of the 2008 Lease described in this paragraph, Outstanding Certificates or the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2008 Certificates shall be substituted for the Series 2008 Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

In order to exercise its option to purchase the 2008 Leased Property as described in the previous paragraph, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the 2008 Leased Property as described in the previous paragraph, (B) identifying the source of funds it will use to pay the State's Purchase Option Price (which source may affect the amount of the State's Purchase Option Price described above), and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

State's Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event

The State has been granted in the 2008 Lease the option to purchase any portion of the 2008 Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, restoration, modification, improvement or replacement are more than the Net Proceeds, by electing to pay to the Trustee the "State's Purchase Option Price," which, for purposes of a purchase of the affected portion of the 2008 Leased Property as described in this paragraph, is an amount sufficient (i) to pay all the Attributable Certificates (defined below in the following paragraph), to redeem all the Attributable Certificates in accordance with the applicable redemption provisions of the Indenture (which may be different depending on the source of money used to pay the redemption price of such Certificates) or to defease all the Attributable Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date of conveyance of such portion of the 2008 Leased Property to the State or its designee as described in this paragraph, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of such portion of the 2008 Leased Property and the payment, redemption or defeasance of the Attributable Certificates. See "Redemption" under this caption.

As used in the discussion under this caption, the term "**Attributable Certificates**" means, subject to the next sentence, (i) a principal amount of the Outstanding Series 2008 Certificates determined by multiplying the principal amount of all the Outstanding Series 2008 Certificates by a fraction, the numerator of which is the Fair Market Value of the portion of the 2008 Leased Property to be purchased before the occurrence of the Damage, Defect or Title Event and the denominator of which is the Fair Market Value of all the 2008 Leased Property; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2008 Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2008 Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2008 Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2008 Certificates shall be substituted for the Series 2008 Certificates that were paid, redeemed or defeased. The rounding pursuant to clause (ii) of the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates as described in the immediately preceding sentence shall be accomplished in any reasonable manner selected by the State in its sole discretion.

In order to exercise its option to purchase the affected portion of the 2008 Leased Property as described under this caption, the State must: (i) give written notice to the Trustee prior to the end of the Scheduled Lease Term (A) stating that the State intends to purchase the affected portion of the 2008 Leased Property as described herein; (B) identifying the affected portion of the 2008 Leased Property that will be purchased; (C) identifying the source of funds it will use to pay the portion of the State's Purchase

Option Price in excess of the Net Proceeds (which source may affect the amount of the State's Purchase Option Price described above); (D) specifying a closing date for such purchase; and (ii) pay the portion of the State's Purchase Option Price in excess of the Net Proceeds to the Trustee in immediately available funds on the closing date.

BASE RENT

The following table sets forth the Lessee's combined Base Rent obligations after execution and delivery of the Series 2008 Certificates scheduled under the 2008 Lease with respect to the 2008 Leased Property (assuming that the Lessee chooses not to terminate the 2008 Lease during the Lease Term, which it has an annual option to do).

Fiscal Year (ended June 30)(1)	Base Rent Principal Component	Base Rent Interest Component	Total Fiscal Year Base Rent (2) (3)
2009	$ 5,660,000	$ 5,750,038.19	$11,410,038.19
2010	7,350,000	11,480,200.00	18,830,200.00
2011	7,715,000	11,114,275.00	18,829,275.00
2012	8,095,000	10,728,450.00	18,823,450.00
2013	8,490,000	10,340,425.00	18,830,425.00
2014	8,875,000	9,949,300.00	18,824,300.00
2015	9,305,000	9,527,156.25	18,832,156.25
2016	9,745,000	9,087,400.00	18,832,400.00
2017	10,215,000	8,612,762.50	18,827,762.50
2018	10,735,000	8,089,012.50	18,824,012.50
2019	11,225,000	7,511,950.00	18,736,950.00
2020	11,865,000	6,876,975.00	18,741,975.00
2021 (4)	12,520,000	6,222,037.50	18,742,037.50
2022 (4)	13,190,000	5,547,150.00	18,737,150.00
2023 (4)	13,900,000	4,836,037.50	18,736,037.50
2024	14,655,000	4,086,468.75	18,741,468.75
2025 (4)	15,465,000	3,276,487.50	18,741,487.50
2026 (4)	16,335,000	2,401,987.50	18,736,987.50
2027 (4)	17,265,000	1,477,987.50	18,742,987.50
2028	18,240,000	501,600.00	18,741,600.00

(1) Payments will be made by the Lessee to the Trustee on April 28 for the May 1 Payment Date and on October 29 for the November 1 Payment Date.

(2) There will be credited against the amount of Base Rent otherwise payable under the 2008 Lease the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates, including any Rent received by the State and delivered to the Trustee with directions to deposit it in the Certificate Fund.

(3) Amount is shown for Fiscal Year ending June 30 of the year indicated. These annual Base Rental amounts are permitted to exceed the Maximum Aggregate Annual Lease Payment amount to the extent of payments to be funded by the Sublessee rather than State-funded payments.

(4) Payable subject to the mandatory redemption provisions of the Indenture described in "THE SERIES 2008 CERTIFICATES – Redemption – Mandatory Sinking Fund Redemption."

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2008 Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Leases, including: (i) the Base Rent, (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease), (iii) any portion of the proceeds of Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates, (iv) earnings on moneys on deposit in any fund, account or subaccount and all other revenues from the Leases, to the extent such earnings or revenues are deposited into a fund, account or subaccount that is part of the Trust Estate, and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the Series 2008 Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current fiscal year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Leases are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing Leases or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

As more fully described under the captions "CERTAIN RISK FACTORS" and "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE" in **Appendix B-2**, following an Event of Nonappropriation, the Lease Term of the 2008 Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Lease Purchase Act, Base Rent and Additional Rent must be paid from the amounts on deposit in (i) the Higher Education Federal Mineral Lease Revenues Fund or (ii) the Higher Education Institutions Lease Purchase Cash Fund. In accordance with the Lease Purchase Act, Base Rent paid to the State by any 2008 Participating Institutions under the 2008 Subleases will be deposited in the Higher Education Institutions Lease Purchase Cash Fund, and moneys in the Higher Education Institutions Lease Purchase Cash Fund will be used to make payments under the 2008 Lease. The Mineral Revenues Act establishes the Higher Education Federal Mineral Lease Revenues Fund and provides for the deposit to such Fund of certain revenues as described in "HIGHER EDUCATION FEDERAL MINERAL LEASE REVENUES FUND" in **Appendix F**. However, the Authorizing Legislation also permits the General Assembly to transfer moneys to the Higher Education Federal Mineral Lease Revenues Fund from other sources, including the principal of the Higher Education Maintenance and Reserve Fund, the State Public School Fund created under Section 22-54-114, Colorado Revised Statutes, as amended (which should not be confused with the Public School Fund established under the State Constitution and Section 22-4-101, Colorado Revised Statutes, as amended) or any other source, including the State General Fund, if the amounts in the Higher Education Federal Mineral Lease Revenues Fund are at any time insufficient to pay Base Rent under the 2008 Lease and any other Lease entered in connection with any additional Series of Certificates issued to fund the Program. Any such amounts in the Higher Education Federal Mineral Lease Revenues Fund or the Higher Education Institutions Lease Purchase Cash Fund may only be used to pay Base Rent and Additional Rent if specifically appropriated by the Colorado General Assembly for that purpose. There is no obligation of the State to appropriate such Higher Education Federal Mineral Lease Revenues Fund or Higher

Education Institutions Lease Purchase Cash Fund revenues, or to appropriate any other State moneys to be transferred to the Higher Education Federal Mineral Lease Revenue Fund, for purposes of paying Base Rent or Additional Rent under the Leases. See "STATE FINANCIAL INFORMATION" and **Appendices E** and **F** hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS BY THE STATE SHALL CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE HIGHER EDUCATION FEDERAL MINERAL LEASE REVENUES FUND AND IN THE HIGHER EDUCATION INSTITUTIONS LEASE PURCHASE CASH FUND. ALL OBLIGATIONS OF THE STATE UNDER THE LEASES SHALL BE SUBJECT TO THE ACTION OF THE COLORADO GENERAL ASSEMBLY IN ANNUALLY MAKING MONEYS AVAILABLE FOR PAYMENTS HEREUNDER. THE OBLIGATIONS OF THE STATE TO PAY RENT AND ALL OTHER OBLIGATIONS OF THE STATE UNDER THE LEASES ARE SUBJECT TO APPROPRIATION BY THE COLORADO GENERAL ASSEMBLY IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE WITHIN THE MEANING OF ANY PROVISION OF THE STATE CONSTITUTION OR THE LAWS OF THE STATE CONCERNING OR LIMITING THE CREATION OF INDEBTEDNESS OF THE STATE AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE WITHIN THE MEANING OF SECTION 3 OF ARTICLE XI OR SECTION 20(4) OF ARTICLE X OF THE STATE CONSTITUTION OR ANY OTHER LIMITATION OR PROVISION OF THE STATE CONSTITUTION, STATE STATUTES OR OTHER STATE LAW. IN THE EVENT THE STATE DOES NOT RENEW ANY LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASES, SHALL BE THE LEASED PROPERTY. THE STATE'S OBLIGATIONS UNDER THE LEASES SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASES UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

Lease Term

The Lease Term of each Lease is comprised of the Initial Term commencing on the date the Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of any Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with the Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property by the State pursuant to the Lease; or (d) termination of the Lease following an Event of Default in accordance the Lease.

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES,

THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Lease – Remedies on Default" in **Appendix B-2** hereto.

Nonrenewal of the Lease Term

The State is not permitted to renew the Leases or any of them (including the 2008 Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property (including the 2008 Leased Property). However, the Indenture and the 2008 Lease permit the State to purchase the Leased Property and thereby redeem or defease the Series 2008 Certificates, as described in "THE SERIES 2008 CERTIFICATES – State's Purchase Option Price" and " – Redemption." The 2008 Participating Institutions which are Sublessees also have the right to purchase their respective portion of the Leased Property upon an Event of Nonappropriation or Event of Default under a 2008 Lease as described in "The 2008 Leased Property **-** The 2008 Sublessee's Purchase Option" under this caption and to substitute different property for certain of the 2008 Leased Property as described in "The 2008 Leased Property – The 2008 Subleases; Participation Agreement" under this caption.

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the Leased Property, or any 2008 Participating Institution has not exercised the purchase option of its portion of the 2008 Leased Property, the State and such 2008 Participating Institutions not exercising the purchase option are required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2008 Certificates) and may exercise any other remedies available upon default as provided in the Leases, including the sale of an assignment of the Trustee's interest under the Site Leases. See "CERTAIN RISK FACTORS," and "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE –Indenture – Remedies on Default" in **Appendix B-2**.

The 2008 Lease places certain limitations on the availability of money damages against the State or the 2008 Participating Institution as a remedy. For example, the 2008 Lease provides that a judgment requiring a payment of money may be entered against the State or the 2008 Participating Institutions by reason of an Event of Nonappropriation only to the extent the State fails to vacate the 2008 Leased Property as required by the 2008 Lease and only as to certain liabilities as described in the 2008 Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the 2008 Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the 2008 Lease and the Indenture), are required to be used to redeem the Series 2008 Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," and "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – Indenture – Remedies on Default" in **Appendix B-2**.

The 2008 Leased Property

Generally

The 2008 Leased Property upon issuance of the Series 2008 Certificates is described generally below. The valuation methods used in the following table are described in more detail in "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease." The State is not permitted to renew any Lease (including the 2008 Lease) with respect to less than all of the Leased Property (including the 2008 Leased Property) and a decision not to renew any Lease would mean a loss of all of the Leased Property (including the 2008 Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State, and for any Participating Institution which has not exercised its purchase option with respect to a portion of the 2008 Leased Property under the respective 2008 Sublease. See "THE SERIES 2008 CERTIFICATES – State's Purchase Option Price." The State may make substitutions, or may consent to substitutions by the 2008 Participating Institutions, of 2008 Leased Property in accordance with the terms of the 2008 Leases and the respective 2008 Subleases as described in "Substitution of 2008 Leased Property" under this caption. Owners of the Series 2008 Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Series 2008 Certificates) plus accrued interest thereon. See "CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease" for a description of some of the factors that may impact the value of the Leased Property.

The following table describes the 2008 Leased Property subject to 2008 Site Leases between the Trustee and the respective 2008 Participating Institutions as indicated on the table:

2008 Leased Property(1)

Description of 2008 Leased Property	2008 Participating Institutions	Current Replacement Value(2)
Parsons Hall (Office/Shop/Motor pool)	University of Northern Colorado	$13,707,267
Main Campus Building (Westminster campus)	Colorado Northwestern Community College Morgan Community College Front Range Community College Larimer Campus	$45,742,192
Chemistry Building Life Science Building (office/classrooms)	Colorado State University – Pueblo	$18,415,921
Stratton Hall McBride Honors Building (office/classrooms)	Colorado School of Mines	$6,426,928
Howes Street Business Center (office)	Colorado State University	$3,205,000
King Center Library and Media Center	Auraria Higher Education Center	$75,869,327
Hurst Hall Crawford Hall	Western State College	$20,487,653
Fine Arts Building Tomlinson Library	Mesa State College	$18,594,142
Columbine Hall (offices/class rooms)	University of Colorado at Colorado Springs	$17,205,120
	Total CRV:	$219,653,550
	Percentage of Total Principal Amount of Series 2008 Certificates:	95.15%

(1) The 2008 Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of 2008 Leased Property" under this caption.

(2) Valuation of the 2008 Leased Property as shown on this table is solely based on a determination by the State Department of Personnel, Division of Risk Management and has not been determined or confirmed by any third party evaluation.

State's Purchase Option

The State has the right to purchase all of the Leased Property, or any portion of the Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, modification, improvement or replacement are more than the Net Proceeds, as described in "THE SERIES 2008 CERTIFICATES – State's Purchase Option Price."

The 2008 Subleases; Participation Agreement

In connection with the execution and delivery of the Series 2008 Certificates, the State and each of the 2008 Participating Institutions (other than Fort Lewis College) are entering into a 2008 Sublease pursuant to which each of such 2008 Participating Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2008 Leased Property, to pay to the State (subject to their right not to appropriate) all Additional Rent due under the 2008 Lease with respect to such portion of the 2008 Leased Property and the Series 2008 Certificates. In the case of certain 2008 Participating Institutions which have requested the State to fund the Institution Share or other costs for its respective 2008 Project using proceeds of the Series 2008 Certificates, each of such 2008 Participating Institutions is also agreeing in its respective 2008 Sublease to pay Base Rent relating to such proceeds. Fort Lewis College is entering into the 2008 Participation Agreement with the State pursuant to which it will agree to pay to the State (subject to its right not to appropriate) all Additional Rent due under the 2008 Lease with respect to its proportionate share of the Series 2008 Certificates. The respective 2008 Participating Institution's obligations to pay such amounts under the 2008 Sublease are subject to annual budgeting by such 2008 Participating Institution. Pursuant to the 2008 Subleases, each of the 2008 Participating Institutions has agreed to maintain the respective 2008 Leased Property and to provide all insurance for such 2008 Leased Property as required by the 2008 Lease.

Sublessee's Purchase Option

Each Sublessee has the option to purchase all, but not less than all, of the 2008 Leased Property subject to its 2008 Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2008 Lease as described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES AND THE INDENTURE – 2008 Subleases – Sublessee's Purchase Option" in **Appendix B-2**. In the 2008 Lease, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any 2008 Lease.

Substitution of 2008 Leased Property

The Sublessees are permitted by the respective 2008 Subleases to substitute other property for the respective 2008 Leased Property with the consent of the State and upon delivery of certain items, including a certification that the Fair Market Value of the substituted property is equal to or greater than the Initial Value of the 2008 Leased Property for which it is being substituted, a title insurance policy and a certificate regarding the useful life and essentiality of the substituted property. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Subleases – Substitution of the Property for Leased Property" in **Appendix B-2**. Furthermore, the State is permitted under the 2008 Lease to substitute other property for certain 2008 Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Initial Value of the 2008 Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to the principal amount of all Outstanding Certificates. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees. **It is likely that certain Sublessees will seek to substitute property for a portion of the 2008 Leased Property in compliance with the terms of the 2008 Subleases, and the State expects to approve such substitution to the extent the requirements of the 2008 Lease are satisfied**.

Insurance

The 2008 Leased Property is required to be insured by the State as described in "CERTAIN RISK FACTORS – Insurance of the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Lease – Damage, Destruction and Condemnation" in **Appendix B-2**. Pursuant to the 2008 Subleases, the 2008 Participating Institutions which are Sublessees will undertake to provide such insurance with respect to the respective 2008 Leased Property as required by the 2008 Lease. See "The 2008 Subleases; Participation Agreement" under this caption.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2008 CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2008 CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, GIVING PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2008 CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2008 CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

Option to Renew the Leases Annually

The obligation of the State, as Lessee, to make payments under the Leases (including the 2008 Lease) does not constitute an obligation of the State to apply its general resources beyond the current fiscal year. **The State is not obligated to pay Base Rent or Additional Rent under the Leases unless funds are appropriated by the Colorado General Assembly each year, notwithstanding the fact that sufficient funds may or may not be on deposit in the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Institutions Lease Purchase Cash Fund or otherwise may be available for transfer from any other source.** If, on or before June 30 of each Fiscal Year, the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an "Event of Nonappropriation" will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Leases (including the 2008 Lease), the 2008 Lease Term will be terminated. Under the terms of the 2008 Lease, in addition to other circumstances, an Event of Nonappropriation may be declared by the State if the Colorado General Assembly fails to appropriate sufficient funds to repair and replace the 2008 Leased Property or to pay the State's Purchase Option Price following a Property Damage, Defect or Title Event or condemnation of the 2008 Leased Property or any portion thereof. Notwithstanding the foregoing, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE – 2008 Lease – Event of Nonappropriation" in **Appendix B-2**.

There is no assurance that the State will renew the Leases from fiscal year to fiscal year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under a 2008 Sublease has been exercised, the 2008 Participating Institutions) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases (including the 2008 Lease). Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State or the 2008 Participating Institutions for the Leased Property (including the 2008 Leased Property). In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the 2008 Lease) is dependent upon several factors outside the State's control, such as the economy and federal funding. Restrictions imposed under the State Constitution on the State's revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rent and Additional Rent each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION" and **Appendices E** and **F** hereto.

Payment of the principal of and interest on the Certificates (including the Series 2008 Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. See "Effect of a Nonrenewal of the Leases" under this caption.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2008 Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the 2008 Participating Institutions which is a Sublessee has the right to exercise a purchase option under its respective 2008 Sublease in order to purchase and retain the right to use its portion of the 2008 Leased Property in the event that the State chooses to nonappropriate and thereby terminate the Leases (including the 2008 Lease). See "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it make any payment on the Series 2008 Certificates or otherwise pursuant to the 2008 Lease except to the extent of amounts in the Trust Estate under the Indenture.

Effect of a Nonrenewal of a Lease

General

In the event of nonrenewal of the State's obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, the State is required to vacate the Leased Property under the Leases and the 2008 Participating Institutions which are Sublessees are required to vacate the respective 2008 Leased Property being used under the 2008 Subleases (unless the purchase option under any 2008 Sublease has been exercised by any 2008 Participating Institution) within 90 days. The 2008 Subleases will automatically terminate upon any nonrenewal of any Lease by the State. Subject to the right of the respective 2008 Sublessees to purchase the 2008 Leased Property under the 2008 Subleases, the Trustee may proceed to sell or lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The 2008 Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the 2008 Lease provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the 2008

Lease and only as to certain liabilities as described in the 2008 Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE 2008 PARTICIPATION AGREEMENT AND THE INDENTURE - 2008 Lease - Events of Default" and "– Remedies on Default" in **Appendix B-2** and "THE SERIES 2008 CERTIFICATES – Redemption – Extraordinary Redemption."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of any Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2008 Certificate) will have any further claims for payment upon the State, the Trustee, or the Participating Institutions.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2008 Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The valuation of the 2008 Leased Property has been determined by the State and has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." The value of the Leased Property could be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements or other land use regulations may also restrict use of the Leased Property. The Sublessees and the State may also substitute other property for certain 2008 Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property – Substitution of 2008 Leased Property." **Upon termination of any Lease, there is no assurance of any payment of the principal of or interest on Series 2008 Certificates by the State, the 2008 Participating Institutions or the Trustee.**

Enforceability of Remedies

Under the 2008 Lease, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the 2008 Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under the 2008 Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the 2008 Participating Institutions. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the 2008 Lease and the Indenture or to redeem or pay the Series 2008 Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2008 Certificates of a Nonrenewal Event

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the 2008 Lease under certain circumstances as provided in the 2008 Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2008 Certificates subsequent to such termination. See "TAX MATTERS." If the 2008 Lease is terminated and the subject property is re-let to a lessee that is not a governmental entity, the excludability of interest on the Certificates from gross income for federal income tax purposes may be adversely affected. There is no assurance that any amounts representing interest received by the Owners after termination of the 2008 Lease as a consequence of an Event of Nonappropriation or Event of Default will be excluded from gross income under federal or State laws or that the Series 2008 Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the term of the 2008 Lease.

Insurance of the Leased Property

The 2008 Lease requires that the State shall provide casualty and property damage insurance with respect to the 2008 Leased Property in an amount equal to the lesser of: (A) the principal amount of all Outstanding Series 2008 Certificates or (B) the full replacement value of the 2008 Leased Property. The 2008 Lease also requires that the State shall provide public liability insurance with respect to the activities to be undertaken by the State and the 2008 Participating Institutions in connection with the 2008 Leased Property and the 2008 Lease: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Series 2008 Participating Institutions may be liable to third parties thereunder and (2) for all other activities, in an amount not less than $1,000,000 per occurrence. The 2008 Lease permits the State, in its discretion, to provide the required insurance coverage under blanket insurance policies or through a self-insurance program provided through the State's risk management program or an independent risk management program provided by a Sublessee. See "LITIGATION AND SOVEREIGN IMMUNITY – Self Insurance." There is no assurance that, in the event the 2008 Lease is terminated as a result of damage to or destruction or condemnation of the 2008 Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2008 Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See "THE SERIES 2008 CERTIFICATES – Redemption."

Actions under the 2008 Subleases and 2008 Participation Agreement

Although the State's payment of Rent under the 2008 Lease will not depend or be conditioned upon payment of Rent, if any, under the 2008 Subleases or the 2008 Participation Agreement, certain actions by the 2008 Participating Institutions in respect of the related 2008 Leased Property or 2008 Project could have an adverse affect on the interests of the owners of the Series 2008 Certificates. For example, failure to operate or maintain the 2008 Leased Property under a 2008 Sublease in accordance with the terms thereof could diminish the value of that 2008 Leased Property; if, for whatever reason, the 2008 Lease terminates or the Trustee exercises re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee's ability to recoup rentals or obtain a sale price sufficient to pay Series 2008 Certificate principal and interest or to redeem the full Series 2008 Certificate principal and interest, as the case may be. Violations of environmental laws similarly could diminish the re-letting or sale value of the subject Leased Property, and could lead to statutory remedies under applicable federal and state laws. Failure by a 2008 Participating Institution to obtain the casualty and property insurance policies required by the applicable 2008 Sublease could limit the principal amount of Series 2008 Certificates redeemed upon the damage or destruction of the subject 2008 Leased Property under certain circumstances. In addition, while the State expects that Series 2008 Certificate principal and interest will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the 2008 Leased Property will be used by 2008 Participating Institutions, which are governmental units, use of the 2008 Projects financed with Series 2008 Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the excludability of Series 2008 Certificate interest from gross income for federal income tax purposes.

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 OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2007" and **Appendix G –** "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State constitution empowers the 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

It is important for prospective purchasers to analyze the financial and overall status of the State, including the Higher Education Federal Mineral Lease Revenues Fund and the State General Fund, in *order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also **Appendix E** – "THE STATE GENERAL FUND," **Appendix F** – "HIGHER EDUCATION FEDERAL MINERAL LEASE REVENUES FUND" and **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." The information in these sections and Appendices has been provided by the State.*

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 E** – "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

TABOR (defined below) 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 (unaudited), respectively. See **Appendix E** – "THE STATE GENERAL FUND – 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 2008 Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2008 Certificates because the State's obligations under the Leases are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year, and, therefore, such obligations are not a "multiple fiscal year direct or indirect . . . debt or other financial obligation." The revenue and spending limits of TABOR are not expected to affect the ability of the State to make payments required under the Leases.

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. See **Appendix E**. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes.

Budget Process and Other Considerations

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 Office of State Planning and Budgeting

("**OSPB**"), a part of the Governor's office, for review and analysis. The OSPB advises the Governor on department 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 Appropriation Bill (the "**Long Bill**") which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the Joint Budget Committee 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 supplementary 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 to exceed annual General Fund appropriations by 4%. This Unappropriated Reserve is available for possible deficiencies in revenues. See **Appendix E** – "THE STATE GENERAL FUND."

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 of the Colorado Revised Statutes, as amended, 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 that is approved by a two-thirds majority vote of the members of both houses of the General Assembly and that is 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" under this caption 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

Through TABOR, the State Constitution imposes restrictions on increases in fiscal year spending without voter approval and requires the State to maintain a TABOR Reserve. See "Taxpayer's Bill of Rights" under this caption for a discussion of the effects of the State Constitution on the State's financial operations.

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel 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 as **Appendix A**.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The Fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State. 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 composed 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 as **Appendix A**. 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. 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.**

Investment and Deposit of State Funds

The Treasurer is empowered by Articles 36 and 75 of Title 24, Colorado Revised Statutes, 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 as **Appendix A**.

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 2008 Certificates 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 the 2008 Lease) were estimated to be approximately $11.76 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 as **Appendix A**.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes, and, at June 30, 2007, CDOT had such Notes outstanding in the aggregate principal amount of $1.169 billion. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion, and certain other moneys. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

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 as **Appendix A**.

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 as **Appendix A**. 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 Heath Care Trust Fund and the State's retirees. See Note 20 to the audited financial statements of the State appended to this Official Statement as **Appendix A**.

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 Colorado 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 1984-1985, the State has issued tax and revenue anticipation notes 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. The State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION" and in **Appendices E** and **F,** contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimates," "intends," "expects," "believes," "anticipates," "plans," 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.

LITIGATION AND SOVEREIGN IMMUNITY

No Litigation Affecting the Series 2008 Certificates

There is no litigation pending, or to the knowledge of the State or the 2008 Participating Institutions threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2008 Certificates or questioning or affecting the validity of the Series 2008 Certificates or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge or the knowledge of the 2008 Participating Institutions threatened, that in any manner questions the right of the Treasurer to enter the 2008 Lease and the Subleases in the manner provided in the Authorizing Legislation.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes ("**Immunity Act**") provides that public entities and their employees acting within the course and scope of their employment shall be immune from liability for tort claims under Colorado 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 an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or the Institutions, or State or Regent 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, the Institutions, or State or Regent 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 as **Appendix A** 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

The State

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 as **Appendix A**. 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 "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." 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. The ultimate outcome of the case cannot presently be determined.

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 as **Appendix A** 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 2008 Certificates. 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 2008 Certificates.

The 2008 Participating Institutions

In its respective 2008 Sublease, each of the 2008 Participating Institutions has represented to the State that it is unaware of any material actions initiated that will result in a material adverse effect with regard to the respective 2008 Leased Property which has been subleased by such 2008 Participating Institution to the Lessor.

TAX MATTERS

Generally

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest (including any original issue discount properly allocable to certain of the Series 2008 Certificates), as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State, the 2008 Participating Institutions and the Trustee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2008 Certificates. Failure to comply with such requirements could cause interest on the Series 2008 Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008 Certificates. The State has covenanted in the 2008

Lease and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Series 2008 Certificates, the 2008 Participating Institutions have covenanted in their respective 2008 Subleases and the Trustee has covenanted in the Indenture to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2008 Certificates, and has expressed no opinion as to the effect of any termination of the State's obligations under the 2008 Lease, under certain circumstances as provided in the 2008 Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2008 Certificates subsequent to such termination.

Notwithstanding Bond Counsel's opinion that the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, 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 their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

In addition, the accrual or receipt of such interest may otherwise affect the federal income tax liability of the owners of the Series 2008 Certificates. 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 2008 Certificates, 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 2008 Certificates.

In the opinion of Bond Counsel, under existing Colorado statutes, to the extent the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excluded from gross income for federal income tax purposes, such portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2008 Certificates under the laws of the State or any other state or jurisdiction, and has expressed no opinion as to the effect of any termination of the State's obligations under the 2008 Lease, under certain circumstances as provided in the 2008 Lease, upon the treatment for State income tax purposes of any moneys received by the Owners of the Series 2008 Certificates subsequent to such termination.

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 2008 Certificates 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 Owner of a Series 2008 Certificate 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 2008 Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

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

Original Issue Premium

Certain of the Series 2008 Certificates as shown on the inside cover of this Official Statement (collectively, the "**Premium Certificates**") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. An initial purchaser of a Premium Certificate must amortize any premium over such Premium Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Original Issue Discount

Certain of the Series 2008 Certificates as shown on the inside cover of this Official Statement (collectively, the "**Discount Certificates**") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Certificates and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Certificate is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Certificate (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Certificate which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Certificate, on days which are determined by reference to the maturity date of such Discount Certificate. The amount treated as original issue discount on such Discount Certificate for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Certificate (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Certificate at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Certificate during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Certificate the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Certificate is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to State and local tax consequences of owning a Discount Certificate.

UNDERWRITING

The Series 2008 Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $230,160,270.90 (representing the principal amount of the Series 2008 Certificates less an underwriting discount of $865,668.75, plus a net original issue premium of $180,939.65). The Underwriters have agreed to accept delivery of and pay for all the Series 2008 Certificate if any are delivered, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2008 Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2008 Certificates, a form of which is attached hereto as **Appendix D**.

Hogan & Hartson L.L.P. will pass upon certain legal matters relating to the Series 2008 Certificates as Disclosure Counsel to the State. Hogan & Hartson L.L.P. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State or the 2008 Participating Institutions contained in this Official Statement. Certain legal matters will be passed upon for the State and the 2008 Participating Institutions by the office of the Attorney General of the State, as counsel to the State and the 2008 Participating Institutions, and for the Underwriters by Kamlet Shepherd & Reichert, LLP, Denver, Colorado. Payment of legal fees to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Series 2008 Certificates.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2008 Certificates a rating of "AA-" and Moody's Investors Service has assigned the Series 2008 Certificates a rating of "Aa3." A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State and the 2008 Participating Institutions have furnished to the rating agencies certain information and materials relating to the Series 2008 Certificates and the 2008 Leased Property, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2008 Certificates. Neither the State, the Financial Advisors (hereinafter defined) nor any Underwriter has undertaken responsibility to oppose any such revision or withdrawal.

FINANCIAL ADVISORS

The State has retained North Slope Capital Advisors, LLC and BD Advisors LLC, Denver, Colorado, as financial advisor (together, the "**Financial Advisors**") in connection with the Series 2008 Certificates and with respect to the authorization, execution and delivery of the Series 2008 Certificates. *The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Financial Advisors will act as independent advisory firms and will not be engaged in underwriting or distributing the Series 2008 Certificates.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2008 Certificates, the State will execute a Continuing Disclosure Undertaking (the "**Disclosure Certificate**"), a form of which is attached hereto as **Appendix C**, wherein it will agree for the benefit of the owners of the Series 2008 Certificates to provide certain Annual Financial Information relating to the State by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2009, to provide the Audited Financial Statements when available but not later than 210 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events, if material. The State of Colorado Comprehensive Annual Financial Report for the Year ended June 30, 2008 is expected to be released to the public by the State and be available on or about December 31, 2008. The State is in compliance in all material respects with its obligations under any outstanding continuing disclosure undertakings of the State.

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 2008 Certificates, copies of the Authorizing Legislation and certain other documents referred to herein may be obtained from the Underwriters at Citigroup Global Markets Inc., as Representative of the Underwriters, 390 Greenwich Street, 2nd Floor, New York, New York 10013, Attention: Public Finance Department, telephone number (214) 720-5036. 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.

STATE OF COLORADO, acting by and through the State Treasurer

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

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APPENDIX A

State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2007

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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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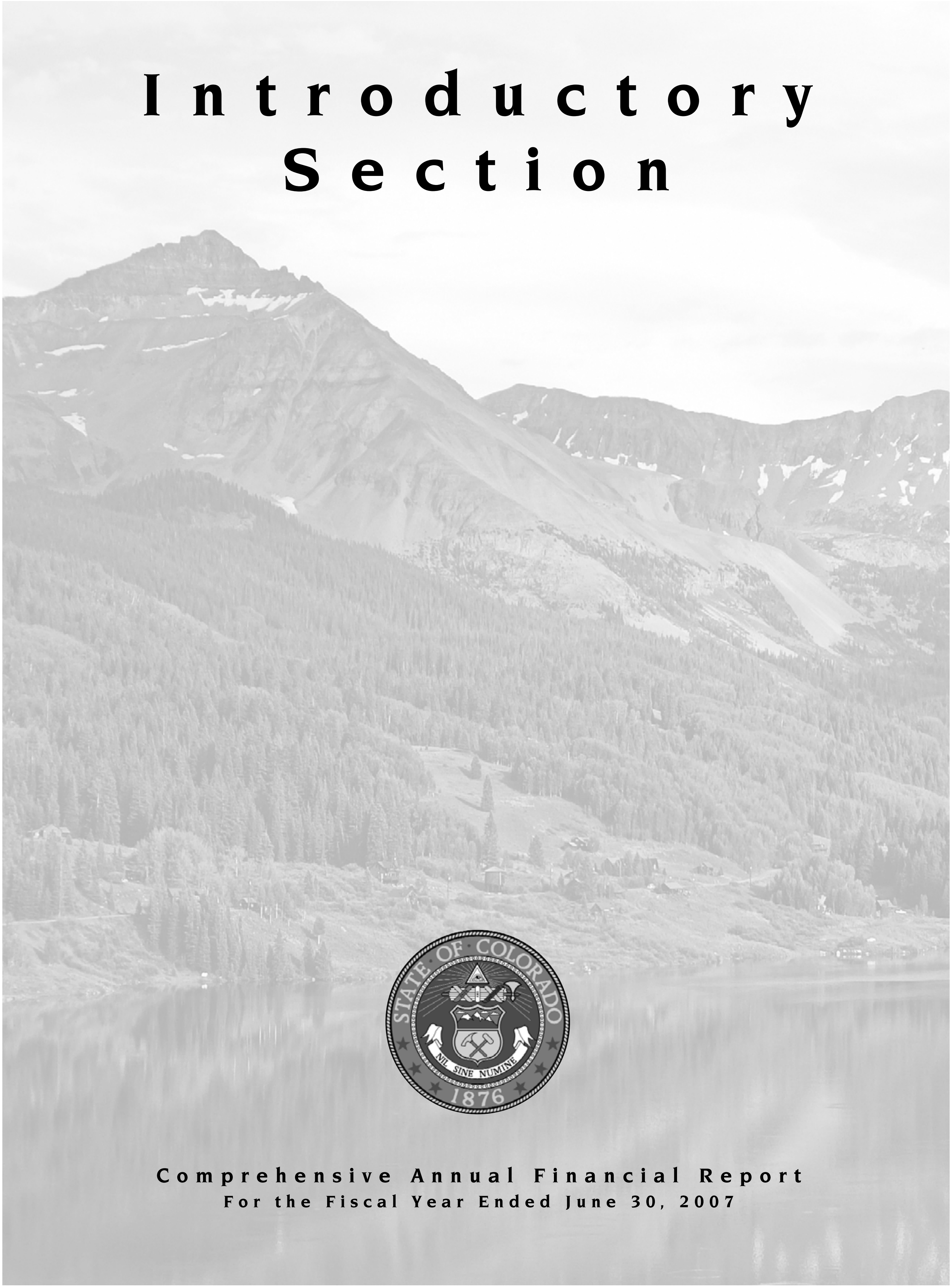

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

State of Colorado

Bill Ritter, Jr.
Governor

Rich Gonzales
Executive Director

Jennifer Okes
Deputy Executive Director

Leslie M. Shenefelt
State Controller

DPA
Department of Personnel & Administration

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Phone (303) 866-6200
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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.

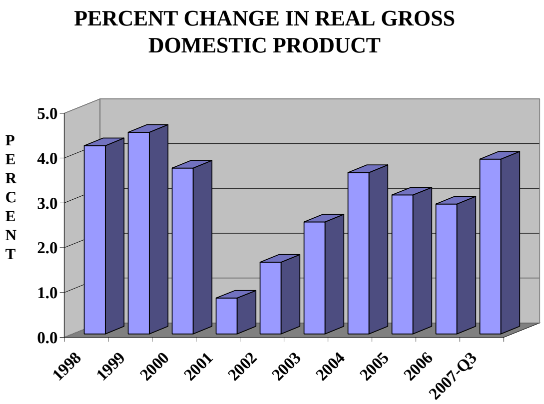
The state maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the state report directly to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

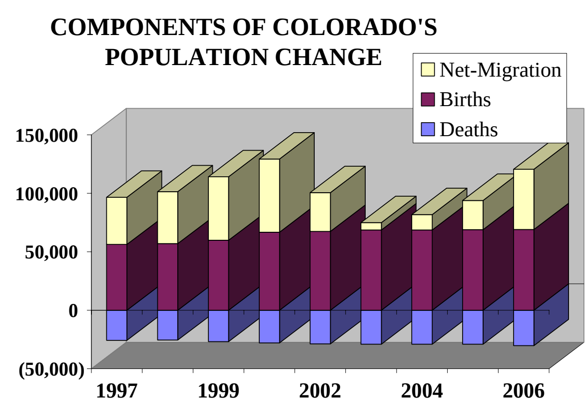
ECONOMIC CONDITION AND OUTLOOK

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

Leslie M. Shenefelt
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

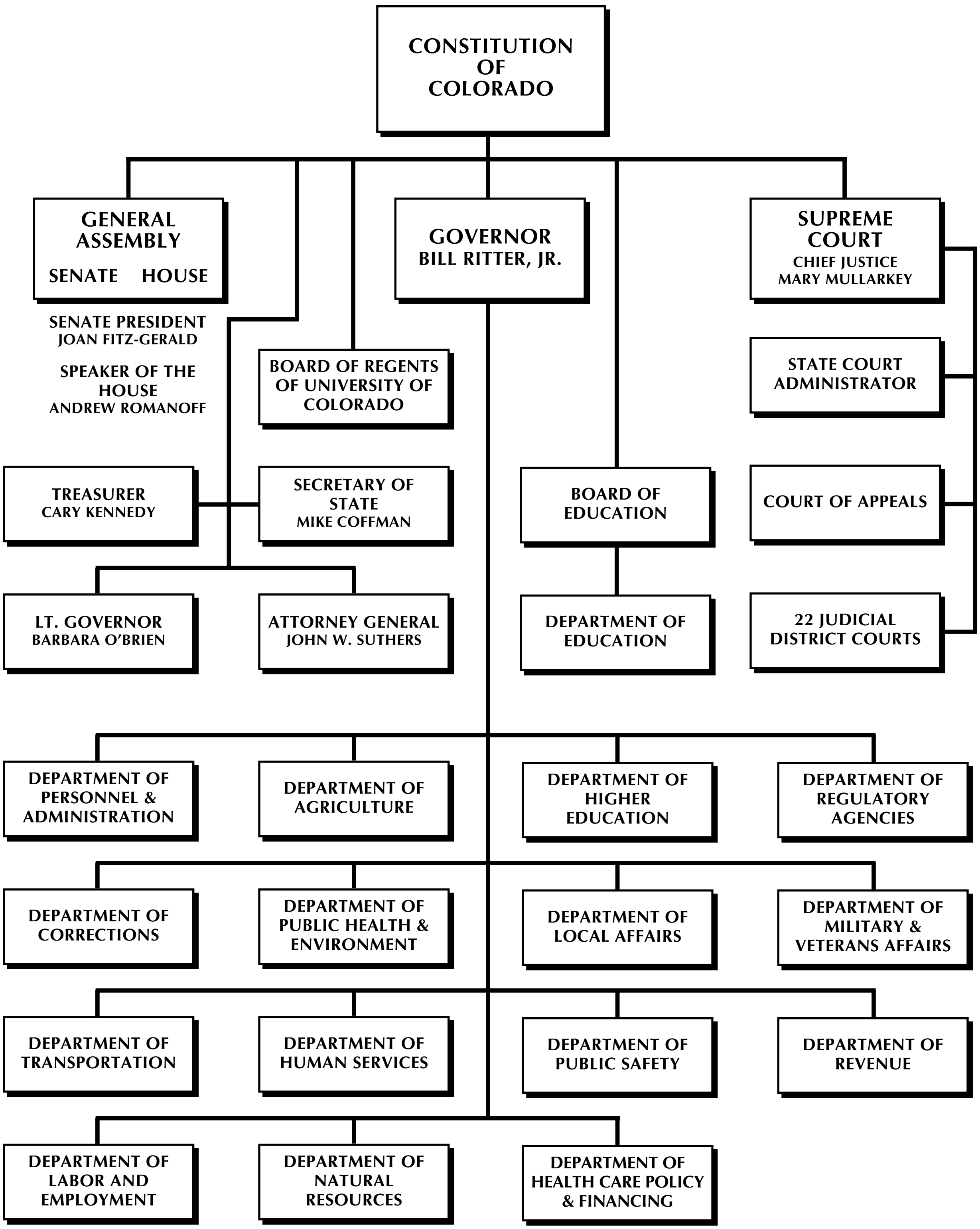
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.

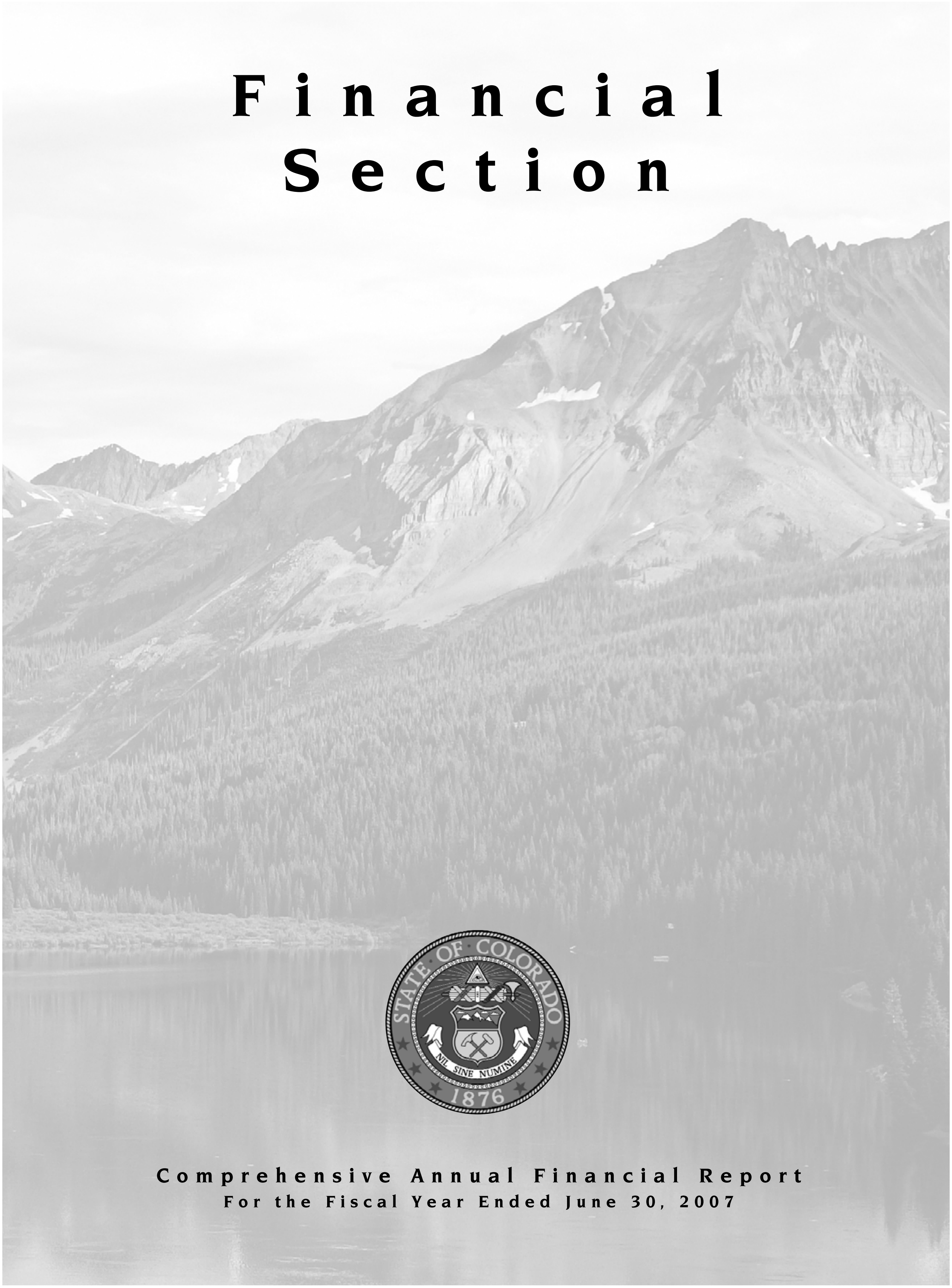
President

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.

Sally Symanski

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the state's financial condition, the attached financial statements and notes should be reviewed in their entirety. To avoid duplication of the analysis, the 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.

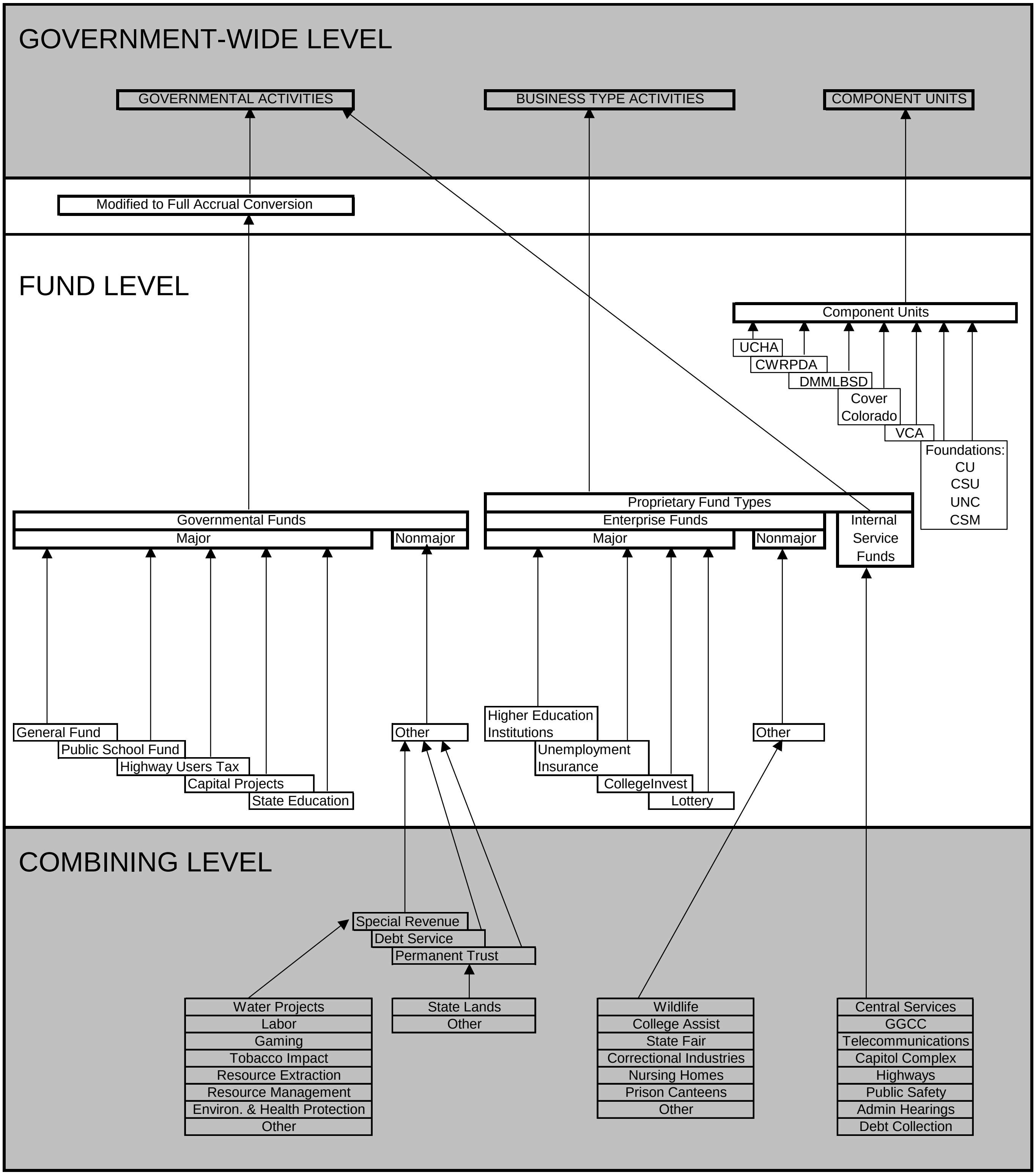
Notes to Basic Financial Statements

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
Enterprise Funds
Internal Service Funds
Major
Nonmajor
Major
Nonmajor
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.

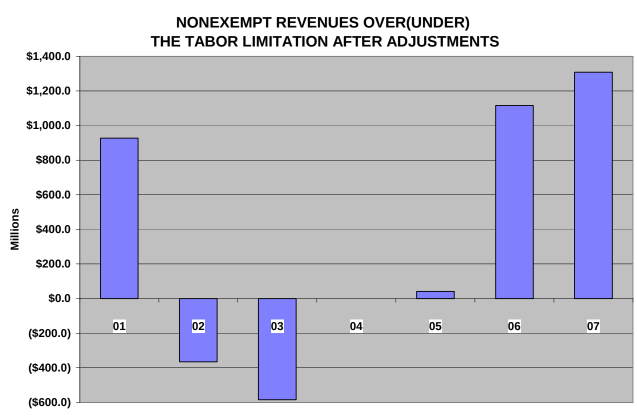
Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, that was referred to the ballot by the Legislature. Referendum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

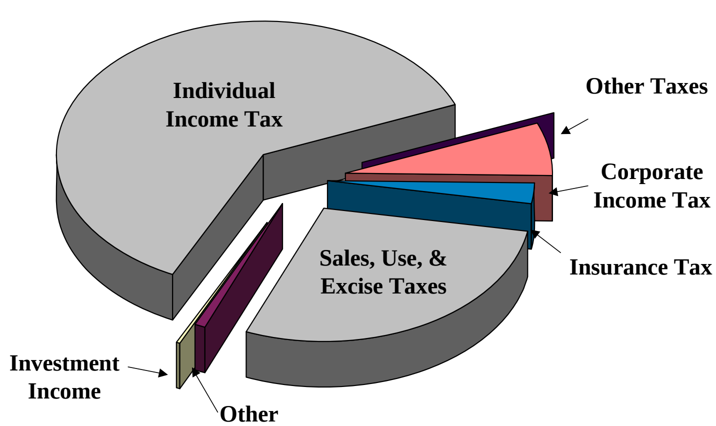
INDIVIDUAL FUND ANALYSIS

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.

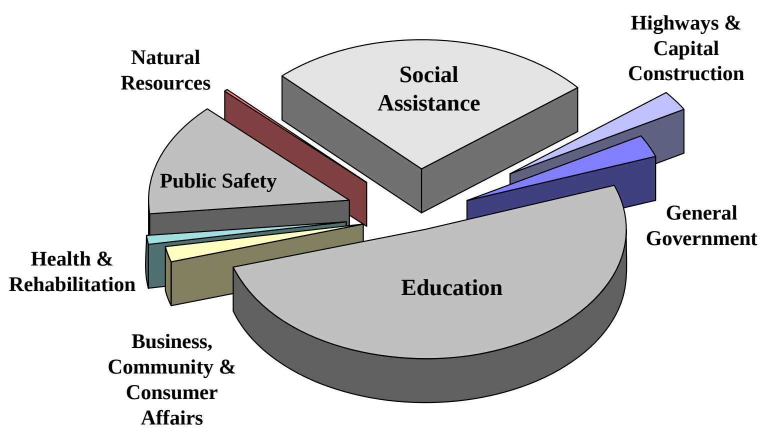
GENERAL-PURPOSE REVENUES BY SOURCE



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.

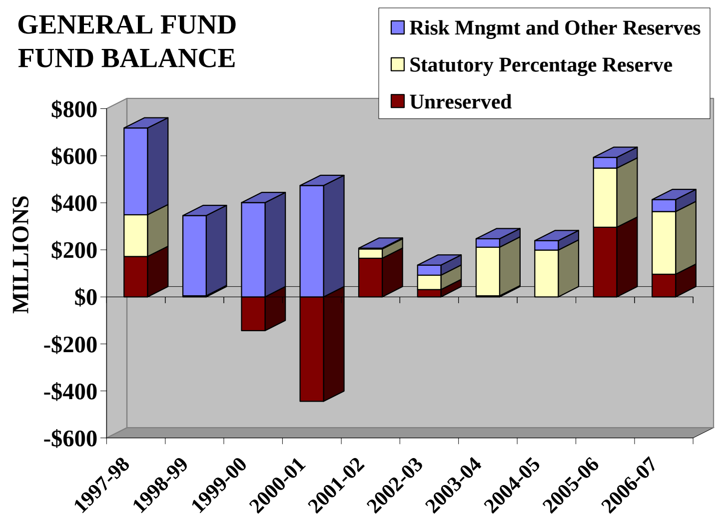
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



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

	Expenses		Program Revenues		
(DOLLARS IN THOUSANDS) 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.

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

<u>Restricted for Highway Construction and Maintenance</u> – 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.

<u>Restricted for State Education</u> – 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.

<u>Restricted for Unemployment Insurance</u> – 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 on-going operations – leasing the ballpark and related activities. Nonoperating revenues include revenue from other than exchange or exchange-like transactions, such as taxes, interest, and other income.

NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – LEGAL COMPLIANCE

A. OVEREXPENDITURES

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

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

- <u>High Risk Pregnant Women Program</u> – 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.
- <u>Services for Children and Families</u> – 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 <u>Services for Children and Families – Medicaid Funding</u> line item at the Department of Health Care Policy and Financing.
- <u>Medicaid Mental Health Capitation Payments</u> – 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.
- <u>Medical Services Premiums</u> – 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

<u>PERA 401k Plan</u>

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.

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

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)

Governmental Activities

Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	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)

Business-Type Activities

Fiscal	Revenue Bonds		Notes Payable		Mortgages Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	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	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

		UNIVERSITY OF COLORADO	COLORADO SCHOOL OF MINES		AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY PHYSICIANS INCORPORATED	AUXILIARY HOUSING	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	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. ♦ 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. ♦ 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. ♦ 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

	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
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)

	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
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)

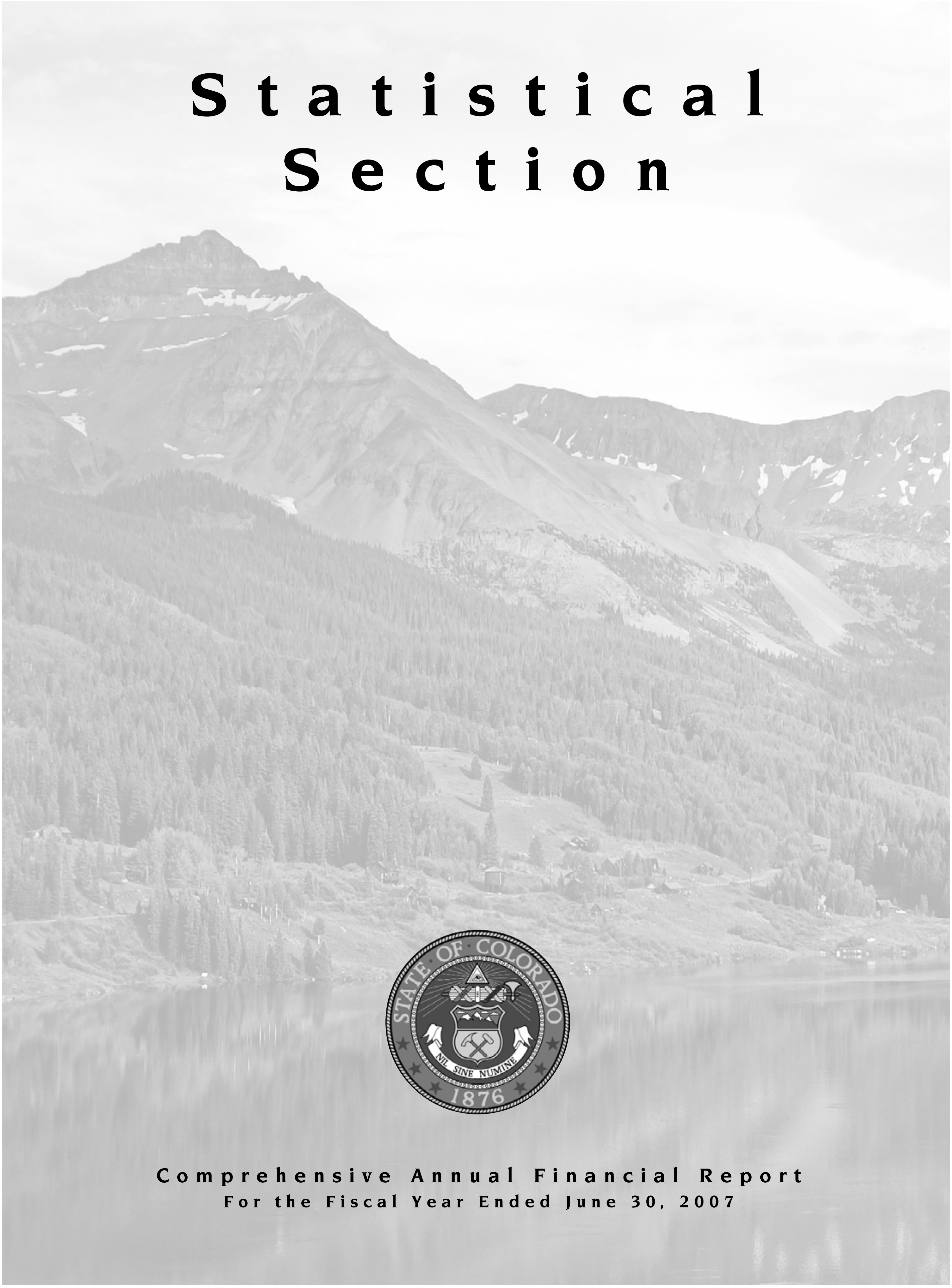
FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Real Estate Proceeds	28-3-106	2,560	3	2,557
Texaco Oil Overcharge Fund	None	2,396	217	2,179
Patient Benefit Fund	NONE	2,069	11	2,058
Stripper Well Settlement	NONE	1,870	-	1,870
Judicial Stabilization Cash Fund	Restricted	1,686	-	1,686
Inspection & 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 38th state. John L. Routt is elected the first governor.

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

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

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

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

1992 TABOR amendment 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-1

Glossary

This Glossary is a summary of the Glossary attached to the Master Indenture and is qualified in all respects by the Glossary attached to the Master Indenture, which may vary in certain respects from this summary. A copy of the Master Indenture, which includes the attached Glossary, is available as described in the body of this Official Statement under the caption "INTRODUCTION—Other Information."

"*Acts*" means the Lease Purchase Act and the Mineral Revenues Act, collectively.

"*Additional Rent*" means (a) when used with respect to amounts payable by the State pursuant to the 2008 Lease, the costs and expenses incurred by the State in performing its obligations under the 2008 Lease other than its obligations with respect to Base Rent and the State's Purchase Option Price; (b) when used with respect to amounts payable by the State pursuant to any other Lease, similar costs and expenses; and (c) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the costs and expenses incurred by the Sublessee in performing its obligations under such Sublease other than its obligations with respect to Base Rent, if any, and the Sublessee's Purchase Option Price under such Sublease.

"*Allocated Investment Earnings*" means, when used with respect to any Project Account, the dollar amount, if any, designated by the State at the time such account is created of investment earnings from the Project Accounts that is to be deposited over time into such Project Account pursuant to Section 3.02(b)(ii) of the Master Indenture.

"*Approved Institution*" means a Colorado public institution of higher education for which an Approved Project has been approved in a Joint Resolution.

"*Approved Project*" means a project approved by a Joint Resolution adopted pursuant to the Lease Purchase Act.

"*Authorized Denominations*" means $5,000 and any integral multiple thereof, provided that no Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Certificate may be executed and delivered for more than one maturity.

"*Authorizing Legislation*" means the Acts, the 2008 Joint Resolution and any other Joint Resolution adopted by the Colorado General Assembly pursuant to the Lease Purchase Act.

"*Base Rent*" means (a) when used with respect to amounts payable by the State pursuant to the 2008 Lease, the payments by the State pursuant to the 2008 Lease for and in consideration of the right to use the Leased Property during the Lease Term of the 2008 Lease that are designated as Base Rent in the 2008 Lease; (b) when used with respect to amounts payable by the State pursuant to any other Lease, similar payments pursuant to such Lease for and in consideration of the right to use the Leased Property during the Lease Term of such Lease that that are designated as Base Rent in such Lease; and (c) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the payments, if any, by the Sublessee pursuant to such Sublease for and in consideration of the right to use the Leased Property subleased pursuant to such Sublease during the Sublease Term of such Sublease that are designated as Base Rent in such Sublease.

"*Base Rent Payment Date*" means, when used with respect to Base Rent payable pursuant to a Lease or Sublease, one of the dates in the "Base Rent Payment Date" column in the Exhibit to such Lease or Sublease that includes the schedule for payment of Base Rent payable pursuant to such Lease or Sublease.

"*Bond Counsel*" means (a) as of the date of execution and delivery of the Series 2008 Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

"*Capital Construction Fund*" means the special fund created by Section 3.02 of the Master Indenture.

"*Certificate Fund*" means the special fund created by Section 3.01 of the Master Indenture.

"*Certificates*" means all the certificates executed and delivered pursuant to the Master Indenture.

"*Code*" means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

"*Completion Certificate*" means a written certification by the State stating that the Completion Date for a Project has occurred and that no further moneys in the Project Account established for such Project are required to pay, or reimburse the State for the payment of, Costs of such Project.

"*Completion Date*" means the date a Project is completed based on the policies and procedures of the Office of the State Architect.

"*Costs*" or "*Costs of a Project*" means, with respect to each Project, the costs or construction materials, supplies, contractor and professional services billings and personal services, and other costs directly related to the Project that are incurred prior to the Completion Date for such Project.

"*Costs of Issuance*" means costs incurred in connection with the preparation, negotiation, execution and delivery of any Deed, Site Lease, Lease, Sublease or Participation Agreement, the Indenture, the Certificates or any other document related thereto and due diligence, title and other non-construction costs incurred with respect to the Leased Property and the Projects prior to the last Completion Date for a Project that are financed with the proceeds of such Certificates, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants' fees and recording and filing fees.

"*Costs of Issuance Account*" means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

"*Deed*" means a deed pursuant to which a Participating Institution has deeded Leased Property to the Trustee. When the term is preceded by a possessive, it means the Deed pursuant to which the particular Participating Institution has deeded Leased Property to the Trustee.

"*Deed Grantor*" means a Participating Institution that has deeded Leased Property to the Trustee pursuant to a Deed in its capacity as grantor under such Deed.

"*Defeasance Securities*" means Permitted Investments which are:

(a) cash;

(b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series ("SLGs");

(c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, including CATS, TIGRS and similar securities;

(d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;

(f) the following obligations issued by the following agencies which are backed by the full faith and credit of the United States are pledged for the payment of principal and interest:

(i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;

(iii) Federal Financing Bank;

(iv) General Services Administration participation certificates;

(v) U.S. Maritime Administration Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD):

(A) Project Notes;

(B) Local Authority Bonds;

(C) New Communities Debentures—U.S. government guaranteed debentures; and

(D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

"*Event of Default*" means (a) when the term is used in the 2008 Lease or is used to refer to an event occurring under the 2008 Lease, an event described in Section 11.01 of the 2008 Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2008 Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 11.01 of such Sublease; (c) when the term is used in a Site Lease with respect to Leased Property subject to the 2008 Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 11.01 of such Site Lease; (d) when the term is used in any other Lease, Sublease or Site Lease or is used to refer to an event occurring under any other Lease or Sublease or the Site Lease, any event similar to an event described in clause (a), (b) or (c) of this definition; and (e) when the term is used in the Indenture, an Event of Default under the 2008 Lease or any other Lease.

"*Event of Nonappropriation*" means (a) when the term is used in the 2008 Lease or is used to refer to an event occurring under the 2008 Lease, an event described in Section 5.04(b) of the 2008 Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2008 Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 5.04(b) of such Sublease; (c) when the term is used in any other Lease or Sublease or is used to refer to an event occurring under any other Lease or Sublease, any similar event; and (d) when the term is used in the Indenture, an Event of Nonappropriation under the 2008 Lease or any other Lease.

"*Failure to Perform*" is defined in Section 7.03 of the Master Indenture.

"*Fair Market Value*" means the price at which a willing seller would sell and a willing buyer would buy property in an arm's length transaction. For purposes of certifications, representations and agreements under a Lease or a Sublease, the State or a Sublessee may assume that the certified replacement value of real property determined by the State Department of Personnel, Division of Risk Management, is the Fair Market Value of such real property.

"*Fiscal Year*" means the State's fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

"*Force Majeure*" means any event that is not within the control of the State, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

"*Glossary*" means this Glossary as it may be amended, supplemented or restated from time to time.

"*Governing Body*" means, (a) when used with respect to the Auraria Higher Education Center, the Board of Directors of the Auraria Higher Education Center; (b) when used with respect to Front Range community College, Colorado Northwestern Community College or Morgan Community College, the State Board for community Colleges and Occupational Education; (c) when used with respect to the University of Colorado, Colorado Springs, the Regents of the University of Colorado; (d) when used with respect to Colorado State University or Colorado State University – Pueblo, the Board of Governors of the Colorado State University System; (e) when used with respect to the University of Northern Colorado, the Board of Trustees of the University of Northern Colorado; (f) when used with respect to Fort Lewis College, the Board of Trustees for Fort Lewis College; (g) when used with respect to Mesa State College, the Trustees of Mesa State College; (h) when used with respect to the Colorado School of Mines, the Board of Trustees of the Colorado School of Mines; (i) when used with respect to the Western State

College of Colorado, the Board of Trustees of Western State College of Colorado; and (j) when used with respect to any other Participating Institution, the legislative body of such Participating Institution.

"*Higher Education Federal Mineral Lease Revenues Fund*" means the fund established pursuant to C.R.S. § 23-19.9-102(1), which fund is held by the State.

"*Higher Education Institutions Lease Purchase Cash Fund*" means the fund established in C.R.S. § 23.1.106.3(4), which is held by the State.

"*Indenture*" means the Master Indenture and all Supplemental Indentures, collectively.

"*Initial Purchaser*" means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

"*Initial Term*" means, with respect to each Lease and Sublease, the period commencing on the date the Lease or Sublease is executed and delivered (unless a different commencement date is specifically set forth in such Lease or Sublease) and ending on the following June 30.

"*Initial Value*" means (a) with respect to a Sublessee's Leased Property that is subject to the 2008 Lease, the amount shown as the Initial Value of Leased Property for the Sublessee's Leased Property in Exhibit B to the 2008 Lease; and (b) with respect to a Sublessee's Leased Property that is subject to another Lease, the amount identified in such Lease or any exhibit thereto as the Initial Value of such Lease Property on the date such Lease is executed and delivered.

"*Institution Share*" means the Costs of the Project of a Participating Institution in an amount equal to the amount described as the "Institution Share" for such project in the Joint Resolution that approves such project.

"*Interest Payment Date*" means (a) with respect to the Series 2008 Certificates, each May 1 and November of each year, commencing on May 1, 2009; and (b) with respect to other Certificates, unless this definition is amended prior to the execution and delivery of such other Certificates, the same dates but commencing on the first May 1 or November 1 that is at least 75 days after the original dated date of such Certificates.

"*Joint Resolution*" means a joint resolution of the Colorado General Assembly adopted pursuant to the Lease Purchase Act.

"*Land*" means (a) with respect to the land included in the Leased Property subject to the 2008 Lease, the land described in Exhibit A to the 2008 Lease, subject to the terms of the 2008 Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a Sublessee's Leased Property subject to the 2008 Lease, the land described in Exhibit C to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) with respect to the land included in a Site Lessor's Leased Property subject to the 2008 Lease, the land described in Exhibit A to such Site Lease, subject to the terms of such Site Lease relating to modifications and substitutions of Leased Property; and (d) with respect to the land included in the Leased Property subject to any other Lease, Sublease or Site Lease, the land described in the such Lease, Sublease or Site Lease on the date such Lease, Sublease or Site Lease is executed and delivered, subject to the terms of such Lease, Sublease or Site Lease relating to modifications and substitutions of Leased Property.

"*Lease*" means (a) when the term is used in a particular State Higher Education Lease Purchase Agreement to refer to "this Lease," the particular State Higher Education Lease Purchase Agreement in which the term is used; (b) when the term is used in the Indenture or another document other than a State Higher Education Lease Purchase Agreement and is not preceded by the Series designation of the Lease, any of the 2008 Lease or any other State Higher Education Lease Purchase Agreement revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates; and (c) when the terms is preceded by the Series designation of the Lease, the State Higher Education Lease Purchase Agreement with that Series designation.

"*Lease Purchase Act*" means Senate Bill 08-233, 2008 Colo. Sess. Laws 712, portions of which are codified as C.R.S. § 23-1-106.3, as it may be amended.

"*Lease Revenues*" means, (a) with respect to the 2008 Lease: (i) the Base Rent, (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease), (iii) any portion of the proceeds of Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates, (iv) earnings on moneys on deposit in any fund, account or subaccount and all other revenues from the 2008 Lease, to the extent such earnings or revenues are deposited into a fund, account or subaccount that is part of the Trust Estate, and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto.

"*Lease Term*" means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of the 2008 Lease and any similar provision of any other Lease.

"*Leased Property*" means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular Sublease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are subleased to the Sublessee pursuant to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Site Lessor to the Trustee pursuant to such Site Lease; (d) when the term is used together with a possessive reference to a particular Sublessee or Site Lessor, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased to such Sublessee under a Sublease or leased by such Site Lessor under a Site Lease; and (e) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

"*Master Indenture*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Master Trust Indenture dated as of November 6, 2008 by the Trustee, as it may be supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

"*Mineral Revenues Act*" means Senate Bill 08-218, 2008 Colo. Sess. Laws 3179.

"*Moody's*" means Moody's Investor Service and its successors and assigns.

"*Net Proceeds*" means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event *minus* any expenses incurred in connection with the collection of such gross proceeds.

"*Opinion of Counsel*" means a written opinion of legal counsel, who may be counsel to the Trustee.

"*Outstanding*" means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;

(c) Certificates which have been redeemed as provided in Article IV of the Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);

(d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.05 of the Master Indenture;

(e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and

(f) Certificates held by the State.

"*Owner*" of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

"*Participant*" means a Participating Institution in its capacity as a party to a Participation Agreement.

"*Participating Institution*" means an Approved Institution the Project of which is being financed, in whole or in part, from proceeds of a Series of Certificates. All Sublessees are also Participating Institutions but a Participating Institution need not be a Sublessee.

"*Participating Institution Representative*" means a Person identified as such in the Participating Institution's Sublease or Participation Agreement.

"*Participation Agreement*" means a Participation Agreement between the State and a Participating Institution that is not a Sublessee.

"*Participation Agreement Term*" means the Period of time during which a Participation Agreement is in force and effect as set forth in Section 3.01 of the Participation Agreement with respect to the Projects financed with proceeds of the Series 2008 Certificates and any similar provisions of any other Participation Agreement.

"*Permitted Encumbrances*" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 7.02(b) of the 2008 Lease or any similar provision of any other Lease; (b) the Leases, the Indenture, the Subleases, the Deeds and the

Site Leases; (c) easements, licenses, rights-of-way, rights and privileges, restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 7.03 of the 2008 Lease or any similar provision of any other Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, the Subleases, the Deeds or the Site Leases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; and (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, as certified by the Sublessee that deeded or leased the Leased Property to the Trustee, materially impair title to the Leased Property.

"*Permitted Investments*" means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under C.R.S. § 24-75-601.1 or any successor thereto.

"*Person*" means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

"*Project*" means (a) when the term is used to refer to a Project financed with the proceeds of a Series of Certificates, an Approved Project that is financed with the proceeds of such Series of Certificates; (b) when the term is used in a particular Lease, an Approved Project that is financed with proceeds of Certificates with the same Series designation as the Lease; (c) when the term is used is used together with a possessive reference to a Participating Institution, the Approved Project that is identified as the Project of such Participating Institution in a Joint Resolution, a Lease, a Sublease, a Participation Agreement, a Site Lease, the Indenture or other document; and (d) when the term is used in other contexts, all the Approved Projects financed with proceeds of Certificates.

"*Project Account*" means an account of the Capital Construction Fund that is to be used to fund a particular Project.

"*Property Damage, Defect or Title Event*" means an event of the following events (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty; (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority; (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent; or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

"*Proportionate Share*" means (a) when the term is used to refer to a Participating Institution's share of an amount payable (or another amount to be allocated among Participating Institutions) pursuant to a particular Lease, the share determined by multiplying the total amount by a fraction, the numerator of which is the costs of the Participating Institution's Project financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease and the denominator of which is sum of the costs all Participating Institutions' Projects financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease; and (b) when the term is used to refer to a Participating Institution's share of the sum of all amounts payable (or all other amounts to be allocated among Participating Institutions) pursuant to all the Leases for a particular category of cost or expense (or for a particular purpose), the share determined by multiplying the sum of all such amounts by a fraction, the numerator of which is the costs of the Participating Institution's Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all Participating Institutions' Projects financed with the proceeds of all Certificates and Allocated Investment Earnings.

"*Qualified Surety Bond*" means a surety bond issued by an insurance company rated in the highest rating category by S&P and Moody's.

"*Rating Agency*" means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody's, but only if Moody's then maintains a rating on any Outstanding Certificates at the request of the State.

"*Rebate Fund*" means the special fund created by Section 3.04 of the Master Indenture.

"*Record Date*" means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

"*Renewal Term*" means, with respect to each Lease and Sublease, each twelve-month period, commencing on July 1 of each year and ending on June 30 of such year, for which the State renews a Lease Term or a Sublessee renews a Sublease after the Initial Term of such Lease or Sublease.

"*Rent*" means Base Rent and Additional Rent, collectively.

"*Requirement of Law*" means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

"*S&P*" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"*Scheduled Lease Term*" means the period that begins on the first day of the Initial Term of a Lease and ends on (a) in the case of the 2008 Lease, the date described in Section 3.01(b)(i) of the 2008 Lease; and (b) in the case of any other Lease, the date described in any similar provisions of that Lease.

"*Scheduled Site Lease Term*" means the period that begins on the first day of the Site Lease Term of a Site Lease and ends on (a) in the case of a Site Lease pursuant to which Leased Property is leased to the Trustee that is leased by the State pursuant to the 2008 Lease, the date described in Section 3.01(a)(i) of such Site Lease; and (b) in the case of any other Site Lease, the date described in any similar provision of that Site Lease.

"*Scheduled Sublease Term*" means the period that begins on the first day of the Initial Term of a Sublease and ends on (a) in the case of Subleases with respect to the Leased Property subject to the 2008 Lease, the date described in Section 3.01(b)(i) of such Sublease; and (b) with respect to any other Sublease, the date described in any similar provisions of that Sublease.

"*Series*" means, when used to refer to Certificates, the Series 2008 Certificates or any series of Certificates authorized by and identified as such in any Supplemental Indenture; when used to refer to a Lease, the 2008 Lease or any other Lease identified by a series designation.

"*Series 2008 Supplemental Indenture*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2008 Supplemental Trust Indenture dated as of November 6, 2008 by the Trustee.

"*Site Lease*" means a lease pursuant to which a Sublessee has leased Leased Property to the Trustee. When the term is preceded by a possessive, it means the Site Lease pursuant to which the particular Participating Institution has leased Leased Property to the Trustee.

"*Site Lease Term*" means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of each of the Site Leases with respect to the Leased Property that is subject to the 2008 Lease and any similar provision of any other Site Lease.

"*Site Lessor*" means a Participating Institution that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

"*Special Record Date*" means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

"*State*" means (a) when used with respect to a party to a Lease, a Sublease or a related document, the State of Colorado, acting by and through the State Treasurer; and (b) when used in any other context, the State of Colorado.

"*State Expense Fund*" means the special fund created by Section 3.03 of the Master Indenture.

"*State Higher Education Lease Purchase Agreement*" means a lease purchase agreement entered into by the State as lessee pursuant to the Lease Purchase Act.

"*State Representative*" means the (a) the State Treasurer; (b) the Deputy State Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, the Subleases, the Participation Agreements, the Deeds and the Site Leases.

"*State Share*" means the Costs of the Project of a Participating Institution in an amount equal to the amount described as the "State Share" for such project in the Joint Resolution that approves such project.

"*State's Purchase Option Price*" means (a) when the term is used to refer to the State's Purchase Option Price under the 2008 Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the 2008 Lease pursuant to Section 8.01 of the 2008 Lease or a portion of the Leased Property subject to the Series 2008 lease pursuant to Section 8.02 of the 2008 Lease; and (b) when the term is used to refer to the State's Purchase Option Price under any other Lease, the amount that the State must pay to purchase the interest of the Trustee all the Leased Property subject to such Lease or a portion of the Leased Property subject to such Lease, as applicable, pursuant to any similar provision(s) of that Lease.

"*Sublease*" means a sublease pursuant to which a Sublessee subleases its Leased Property from the State.

"*Sublease Term*" means the period of time during which a Sublease is in force and effect as set forth in Section 3.01 of each of the Subleases with respect to the Leased Property that is subject to the 2008 Lease and any similar provision of any other Sublease.

"*Sublessee*" means (a) when the term is used in a particular Lease, a Sublessee that has deeded or leased Leased Property to the Trustee in connection with the execution and delivery of Certificates with the same Series designation as the Lease; (b) when the term is used in a particular Sublease, the Sublessee that is subleasing the Leased Property subject to the Sublease from the State pursuant to the Sublease; and (c) when the term is used in the Indenture or another document, any Sublessee that has deeded or leased Leased Property to the Trustee in connection with the execution and delivery of Certificates.

"*Sublessee's Purchase Option Price*" means (a) when the term is used to refer to the Sublessee's Purchase Option Price under any Sublease with respect to Leased Property subject to the 2008 Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under the 2008 Lease pursuant to Section 8.01 of such Sublessee's Sublease; and (b) when the term is used to refer to the Sublessee's Purchase Option Price under any Sublease with respect to Leased Property subject to any other Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under such Lease pursuant to any similar provision of that Sublease.

"*Supplemental Indenture*" means any indenture supplementing or amending the Indenture that is adopted pursuant to Article IX of the Master Indenture.

"*Trust Bank*" means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

"*Trust Estate*" means the property placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture. The Trust Estate does not include the Rebate Fund or any defeasance escrow account established pursuant to Section 9.01 of the Master Indenture.

"*Trustee*" means Wells Fargo Bank, National Association, acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"*Trustee Representative*" means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Leases, the Indenture, the Subleases, the Participation Agreements, the Deeds and the Site Leases by a written certificate furnished to the State Treasurer containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State Treasurer.

"*2008 Joint Resolution*" means House Joint Resolution 08-1042, 2008 Colo. Sess. Laws 3179.

"*2008 Lease*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2008 Lease Purchase Agreement dated as of November 6, 2008 between the Trustee and the State.

"*2008 Leased Property*" means the Leased Property subject to the 2008 Lease.

"*2008 Participating Institutions*" means the Participating Institutions for which Projects are financed with proceeds of the Series 2008 Certificates.

"*2008 Participation Agreement*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Participation Agreement of Fort Lewis College between the State and the Board of Trustees for Fort Lewis College.

"*2008 Project Accounts*" means the Project Accounts into which proceeds of the Series 2008 Certificates are deposited.

"*2008 Projects*" means the Projects financed with proceeds of the Series 2008 Certificates.

"*2008 Site Leases*" means the Site Leases between the Trustee and the 2008 Participating Institutions as Site Lessors.

"*2008 Subleases*" means the Subleases between the State and the 2008 Participating Institutions as Sublessees.

APPENDIX B-2

Summary of Certain Provisions of the 2008 Site Leases, the 2008 Lease, the 2008 Subleases, the 2008 Participation Agreement and the Indenture

This Appendix summarizes certain provisions of the 2008 Site Leases, the 2008 Lease, the 2008 Subleases and the Indenture. Certain provisions of the 2008 Site Leases, the 2008 Lease, the 2008 Subleases and the Indenture are described in the body of this Official Statement under the captions "INTRODUCTION – Terms of the Series 2008 Certificates," "THE SERIES 2008 CERTIFICATES" and "SECURITY AND SOURCES OF PAYMENT" and are not summarized in this Appendix. The summary of the 2008 Site Leases, 2008 Lease, 2008 Subleases and the Indenture set forth below should be read in conjunction with the material in the body of this Official Statement under the captions "INTRODUCTION – Terms of the Series 2008 Certificates," "THE SERIES 2008 CERTIFICATES" and "SECURITY AND SOURCES OF PAYMENT." This summary is qualified in all respects by reference to the 2008 Site Leases, the 2008 Lease, the 2008 Subleases and the Indenture, which may vary in certain respects from the summary and such description. Copies of the 2008 Site Leases, the 2008 Lease, the 2008 Subleases and the Indenture are available from the Underwriters as described in "MISCELLANEOUS."

The section references in parentheses are references to the Sections of the summarized document in which the material summarized is contained.

2008 Site Leases

Demising Clause (Section 2.01)

Pursuant to the Site Lease, the Site Lessor leases the land described in Exhibit A to the Site Lease (the "Land" for purposes of the Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of the Site Lease) to the Trustee in accordance with the terms of the Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Enjoyment of Leased Property (Section 2.02)

So long as no Event of Default has occurred under the Site Lease, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by the Site Lease.

Site Lease Term (Section 3.01)

The Site Lease Term shall expire upon the earliest of any of the following events: (i) November 1, 2048; (ii) the purchase of all the Leased Property subject to the 2008 Lease by the State pursuant to the 2008 Lease; (iii) the conveyance of the Leased Property to the Site Lessor as Sublessee pursuant to the Site Lessor's Sublease (which pursuant to Section 8.03 of the Site Lessor's Sublease and Section 8.04 of the 2008 Lease, will occur when all amounts payable to the Owners of the Certificates and all Additional Rent payable under the Site Lessor's Sublease and the 2008 Lease have been paid); or (iv) termination of the Site Lease following an Event of Default.

Effect of Termination of Site Lease Term (Section 3.02)

Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee thereunder shall terminate, but all obligations of the Trustee that have accrued thereunder prior to such termination shall continue until they are discharged in full.

Site Lessor is Third Party Beneficiary of Certain Covenants of State in 2008 Lease (Article IV)

The Site Lessor and its successors and assigns are intended third party beneficiaries of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 and of the Trustee in Section 9.03(b) of the 2008 Lease (the "Site Lessor Protection Provisions"). If the 2008 Lease is terminated for any reason, the Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in the Site Lease, as a condition to such lease, sublease or assignment, the lessee, sublessee or assignee must execute an instrument, in form and substance reasonably satisfactory to the Site Lessor, that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third party beneficiaries of such covenants. Any provision of the Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under the Site Lease.

Rent (Article V)

The Trustee is not obligated to pay any rent under the Site Lease. The consideration to the Site Lessor for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2008 Certificates into the Site Lessor's Project Account held by the Trustee under the Indenture to finance the Site Lessor's Project. The provisions of Article IV of the Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the 2008 Lease or an amount equal to the Additional Rent that would have been paid under the 2008 Lease under another instrument executed and delivered pursuant to Article IV of the Site Lease.

Title to Leased Property (Section 7.01)

Title to the Leased Property shall be held in the name of the Site Lessor, subject to the Site Lease, the 2008 Lease and the Site Lessor's Sublease.

Limitations on Disposition of and Encumbrances on Leased Property (Section 7.02)

Except as otherwise permitted in the Article VII, VIII or XI of Site Lease and except for Permitted Encumbrances, the Site Lessor shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

Granting of Easements (Section 7.03)

The Site Lessor shall, at the request of the Trustee or the State consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 7.03 of the 2008 Lease.

Subleasing and Other Grants of Use (Section 7.04)

The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the 2008 Lease and the State is expressly authorized to sublease the Leased Property to the Site Lessor as Sublessee pursuant to the Site Lessor's Sublease.

Substitution of Other Property for Leased Property (Section 7.06)

If the State substitutes other real property under the 2008 Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2008 Lease may also be substituted for Leased Property under the Site Lease in any manner and on any terms determined by the State in its sole discretion.

Property Damage, Defect or Title Event (Section 7.07)

If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the 2008 Lease.

Condemnation by State or Site Lessor (Section 7.08)

In the event the State brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property and the 2008 Lease has not terminated, the terms of Section 7.08 of the 2008 Lease shall apply. In the event the Site Lessor bring an eminent domain or condemnation proceeding with respect to a portion of the Leased Property and the Site Lessor's Sublease has not terminated, the terms of Section 7.08 of the Site Lessor's Sublease shall apply. If (a) the 2008 Lease or the Site Lessor's Sublease are terminated for any reason, (b) the Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property, or assigns an interest in the Site Lease, then the applicable terms of the 2008 Lease, the Site Lessor's Sublease and the lease, sublease or assignment shall apply to an eminent domain or condemnation proceeding, excluding, however, the terms of any terminated lease or sublease.

Personal Property of Trustee, State and Others (Section 7.09)

The Trustee, the State and any other Person who has the right to use the Leased Property under the Site Lease, the 2008 Lease or the Site Lessor's Sublease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

Access Licenses (Section 8.01)

The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Access Area") for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee's use of the Leased Property.

Appurtenant Staging Areas Licenses (Section 8.02)

The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Appurtenant Staging Area") for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

Offsite Parking Licenses (Section 8.03)

The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the Site Lessor but not included in the Leased Property (the "Offsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Site Lessor reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the "Onsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area similar to those implemented and enforced by the Site Lessor with respect to the Offsite Parking Area.

Shared Utilities (Section 8.04)

The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by Site Lessor to the Leased Property on a continuous basis except for periods of repair. The Site Lessor shall be entitled to reimbursement for its actual and reasonable costs incurred in providing such utilities, determined in a fair and reasonable manner based on the use of such utilities by the Leased Property or portions thereof, the operational, maintenance and repair costs of such utilities elements and any costs to acquire or relocate any easements or lines relating to or used in connection with the operation of such utilities. Pursuant to the 2008 Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2008 Lease. Pursuant to the Site Lessor's Sublease, the Site Lessor, as Sublessee, has agreed to reimburse the State for such costs during the Sublease Term of the Site Lessor's Sublease. If, (a) the 2008 Lease is terminated for any reason, (b) the Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in the Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

Further Assurances and Corrective Instruments (Section 9.01)

So long as the Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided in the Site Lease and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased under the Site Lease, or for otherwise carrying out the intention of or facilitating the performance of the Site Lease.

Compliance with Requirements of Law (Section 9.02)

On and after the date of the Site Lease, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms of the Site Lease or is contrary to the provisions of any Requirement of Law.

Participation in Legal Actions (Section 9.03)

At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action in which the Trustee or a State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under the Site Lease or the State's execution, delivery and performance of its obligations under a the 2008 Lease.

Disclaimer of Warranties (Section 10.01)

The Site Lessor makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Leased Property or any other representation or warranty with respect to the Leased Property. In no event shall the Site Lessor be liable for any incidental, special or consequential damage in connection with or arising out of the Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for in the Site Lease.

Financial Obligations of Trustee Limited to Trust Estate (Section 10.02)

Notwithstanding any other provision of the Site Lease, all financial obligations of the Trustee under the Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

Event of Default Defined (Section 11.01)

An "Event of Default" under the Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that: (a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and (b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part contained in the Site Lease, the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

Remedies on Default (Section 11.02)

Whenever any Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps: (a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property; (b) sell or lease its interest in all or any portion of the Leased Property, subject to the Site Lessor's purchase option in its capacity as Sublessee under its Sublease; (c) enforce any provision of the Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Site Lease by specific performance, writ of mandamus or other injunctive relief; and (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 10.02 of the Site Lease.

No Remedy Exclusive (Section 11.03)

Subject to Section 10.02 of the Site Lease, no remedy conferred in the Site Lease upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Site Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Site Lessor to exercise any remedy reserved in Article XII of the Site Lease, it shall not be necessary to give any notice, other than such notice as may be required in Article XII of the Site Lease.

Waivers (Section 11.04)

The Site Lessor may waive any Event of Default under the Site Lease and its consequences. In the event that any agreement contained in the Site Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Site Lease.

Assignment by Site Lessor (Section 12.01)

The Site Lessor shall not, except as otherwise provided elsewhere in the Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under the Site Lease.

Transfer of the Trustee's Interest in Lease and Leased Property Prohibited (Section 12.02)

Except as otherwise permitted by Section 7.04 of the Site Lease with respect to subleasing or grants of use of the Leased Property and Section 7.06 of the Site Lease with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

Binding Effect (Section 13.01)

The Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the 2008 Lease and the Site Lessor in its capacity as Sublessee under its Sublease, subject, however, to the limitations set forth in Article XII of the Site Lease. The Site Lease and the covenants set forth in the Site Lease are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under the Site Lease.

Interpretation and Construction (Section 13.02)

The Site Lease and all terms and provisions of the Site Lease shall be liberally construed to effectuate the purposes set forth in the Site Lease to sustain the validity of the Site Lease. For purposes of the Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in the Site Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of the Site Lease

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined in the Site Lease have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held under the Site Lease.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Acknowledgement of 2008 Lease and Site Lessor's Sublease (Section 13.03)

The Trustee acknowledges it has received a copy of, and acknowledges the terms of, the 2008 Lease and the Site Lessor's Sublease.

Trustee, State and Participating Institution Representatives (Section 13.04)

Whenever under the provisions of the Site Lease the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Site Lessor by the Participating Institution Representative identified in the Site Lessor's Sublease and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request.

No Individual Liability (Section 13.06)

All covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, contained in the Site Lease shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the Site Lease, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing the Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Amendments, Changes and Modifications (Section 13.07)

Except as otherwise provided in the Site Lease or in the Indenture, the Site Lease may only be amended, changed, modified or altered by a written instrument executed by the Site Lessor and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to the Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Events Occurring on Days that are not Business Days (Section 13.08)

If the date for making any payment or the last day for performance of any act or the exercising of any right under the Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Site Lease.

Merger (Section 13.10)

The Site Lessor and the Trustee intend that the legal doctrine of merger shall have no application to the Site Lease, the 2008 Lease or the Sublessee's Sublease and that none of the execution and delivery of the Site Lease by the Site Lessor and the Trustee, the 2008 Lease by the Trustee and the State or the Site Lessor's Sublease by the State and the Site Lessor as Sublessor or the exercise of any remedies by any party under the Site Lease, the 2008 Lease or the Site Lessor's Sublease shall operate to terminate or extinguish the Site Lease, the 2008 Lease or the Site Lessor's Sublease.

Severability (Section 13.11)

In the event that any provision of the Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Site Lease.

Applicable Law (Section 13.13)

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Site Lease. Any provision of the Site Lease, whether or not incorporated in the Site Lease by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision of the Site Lease or incorporated in the Site Lease by reference which purports to negate this section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the Site Lease to the extent that the Site Lease is capable of execution. At all times during the performance of the Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

2008 Lease

Demising Clause (Section 2.01)

Pursuant to the 2008 Lease, the Trustee leases the land described in Exhibit A to the 2008 Lease (the "Land" for purposes of the 2008 Lease) and the buildings, structures and improvements now and hereafter located on the Land (the "Leased Property" for purposes of the 2008 Lease) to the State in accordance with the terms of the 2008 Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term..

Enjoyment of Leased Property (Section 2.02)

During the Lease Term and so long as no Event of Default thereunder has occurred, the State shall peaceably and quietly have, hold and enjoy the 2009 Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by the 2008 Lease.

Effect of Termination of Lease Term (Section 3.02)

Upon termination of the Lease Term: (a) all unaccrued obligations of the State under the 2008 Lease shall terminate, but all obligations of the State that have accrued under the 2008 Lease prior to such termination shall continue until they are discharged in full; and (b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property under the 2008 Lease shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

Costs of the Projects (Article IV)

The Trustee shall disburse money in the Projects Accounts of the Capital Construction Fund to the State to pay, or reimburse the State for the payment of, Costs of the Projects in accordance with the terms of the Indenture.

Base Rent (Section 5.01)

The State shall, subject only to the other Sections of Article V of the 2008 Lease, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in the 2008 Lease, as it may be modified from time to time; provided, however, that there shall be credited against the amount of Base Rent payable on any Base Rent Payment Date the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates. Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts that will be credited against the Base Rent due on such date. If further amounts that are to be credited against Base Rent accrue during such 30-day period, such amounts shall be carried over to be applied as a reduction of the Base Rent payable on the next succeeding Base Rent Payment Date.

A portion of each payment of Base Rent is paid as, and represents payment of, interest, as from time to time amended and supplemented, sets forth the interest component of each payment of Base Rent. Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of each Base Rent payment in the following manner and order: (a) FIRST. the amount of such payment of Base Rent designated and paid as interest, plus the amount of any past due interest on the Series 2008 Certificates, shall be deposited in the Interest Account of the Certificate Fund and (b) SECOND. the remaining portion of such payment of Base Rent shall be deposited in the Principal Account of the Certificate Fund.

Additional Rent (Section 5.02)

The State shall, subject only to Sections 6.01(b) and 7.02(b) of the 2008 Lease and the other sections of Article V of the 2008 Lease, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Unconditional Obligations (Section 5.03)

The obligation of the State to pay Base Rent during the Lease Term shall and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) of the 2008 Lease, the other Sections of Article V of the 2008 Lease, including, without limitation, Sections 5.04 and 5.05 of the 2008 Lease and Section 13.16 of the 2008 Lease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Event of Nonappropriation (Section 5.04)

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is directed under the 2008 Lease (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (ii) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate the 2008 Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) Pursuant to subsection (c) of this section, an Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure, if: (i) On June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or (ii) on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if: (A) a Property Damage, Defect or Title Event has occurred; (B) the Net Proceeds received as a consequence of such event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with Section 7.07 of the 2008 Lease, (C) the Colorado General Assembly has not appropriated amounts sufficient to proceed under clause (i)(A) or clause (i)(C) of Section 7.07(c) of the 2008 Lease or the State has not substituted property pursuant to clause (i)(A) or clause (i)(C) of Section 7.07(c) of the 2008 Lease by June 30 of the Fiscal Year in which such Property Damage, Defect or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent;

(c) Notwithstanding subsection (b) of this section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation under subsection (b) of this section; and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

(d) If the State shall determine to exercise its annual right to terminate the 2008 Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating the 2008 Lease, or (iii) result in any liability on the part of the State.

The State shall furnish the Trustee with copies of all appropriation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating the 2008 Lease, or (iii) result in any liability on the part of the State.

Limitations on Obligations of the State (Section 5.05)

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Higher Education Federal Mineral Lease Revenues Fund and in the Higher Education Institutions Lease Purchase Cash Fund. All obligations of the State under the 2008 Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments under the 2008 Lease. The obligations of the State to pay Rent and all other obligations of the State under the 2008 Lease are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew the 2008 Lease, the sole security available to the Trustee, as lessor under the 2008 Lease, shall be the Leased Property.

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate the 2008 Lease upon the occurrence of an Event of Nonappropriation.

(c) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Deed, any Site Lease or any other document or instrument shall 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 Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) 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 Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII of the 2008 Lease.

(e) No provision of the 2008 Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, nor shall any provision of the 2008 Lease restrict the future issuance of any obligations of the State, payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

Taxes, Utilities and Insurance (Section 6.01)

(a) The State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property: (i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due; (ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property; (iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of: (A) the principal amount of all Outstanding Certificates or (B) the full replacement value of the Leased Property; (iv) public liability insurance with respect to the activities to be undertaken by the State and the 2008 Participating Institutions in connection with the Leased Property and the 2008 Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Participating Institutions may be liable to third parties thereunder and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 10 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the State's discretion, the insurance required by the 2008 Lease may be provided by the State or the Sublessee and may be provided under blanket insurance policies which insure not only the risks required to be insured under the 2008 Lease but also other similar risks or through a self-insurance program described in the 2008 Lease. The self-insurance program for Leased Property that was deeded or leased to the Trustee by a Sublessee that is covered by the State's risk management program under C.R.S. § 24-30-1501 et seq. shall be the State's risk management program. The self-insurance program for Leased Property that was deeded or leased to the Trustee by a Sublessee that is not covered by the State's risk management program shall be the Sublessee's independent risk management program.

Maintenance and Operation of Leased Property (Section 6.02)

The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 of the 2008 Lease.

Title to Leased Property (Section 7.01)

Title to the Leased Property shall be held in the name of the Trustee, subject to 2008 Lease, until the Leased Property is conveyed or otherwise disposed of as provided in the 2008 Lease, and the State shall have no right, title or interest in the Leased Property except as expressly set forth in the 2008 Lease.

Limitations on Disposition of and Encumbrances on Leased Property (Section 7.02)

(a) Except as otherwise permitted in Article or Article VIII or XI of the 2008 Lease and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property; and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

Granting of Easements (Section 7.03)

As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee: (a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from the 2008 Lease, the Indenture and the Subleases and any security interest or other encumbrance created thereunder; (b) consent to the release of existing easements, licenses, rights-of-way and other rights and privileges with respect to the Leased Property, free from the 2008 Lease, the Indenture and the Subleases and any security interest or other encumbrance created thereunder, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under subsection (a) or (b) of this section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Participating Institution Representative of the Sublessee requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Subleasing and Other Grants of Use (Section 7.04)

The State may sublease each Sublessee's Leased Property to such Sublessee pursuant to a Sublease and such Sublessee may further sublease or otherwise grant the right to use such Leased Property to another Person, but only if: (a) the Sublease includes a covenant by the Sublessee that is substantially similar to the covenant of the State in Section 9.04 of the 2008 Lease; (b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and (c) the obligations of the State under the 2008 Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

Modification of Leased Property (Section 7.05)

The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; and (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, the 2008 Lease.

Substitution of Other Property for Leased Property (Section 7.06)

The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are: (a) a certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Initial Value of the property for which it is substituted; or (ii) Fair Market Value of the Leased Property will be at least equal to the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Sublessees that deeded or leased the Leased Property to the Trustee pursuant to Deeds or Site Leases; (b) a title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would comply with Section 2.09(e) of the Master Indenture if a Series of Certificates was being executed and delivered on the date the substitution occurs; (c) a certificate by the Sublessee certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as the 2008 Lease and (ii) the substituted property is at least as essential to the Sublessee as the property for which it was substituted; and (d) an opinion of Bond Counsel to the effect that such substitution is permitted by the 2008 Lease and will not cause the State to violate its covenant set forth in Section 9.04 of the 2008 Lease.

Property Damage, Defect or Title Event (Section 7.07)

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then: (i) the State shall elect one of the following alternatives: (A) promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the State shall, subject to Article V of the 2008 Lease, pay the remainder of such costs as Additional Rent; (B) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 of the 2008 Lease, in which case the Net Proceeds shall be delivered to the State; or (C) to purchase the affected portion of the Leased Property pursuant to Section 8.02 of the 2008 Lease, in which case the Net Proceeds shall be used to pay the State's Purchase Option Price pursuant thereto. (ii) If, by June 30 of the Fiscal Year in which a Property Damage, Defect or Title Event occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent), the State has not appropriated amounts sufficient to proceed under clause (i)(A) or (i)(C) of the paragraph above or has not substituted property pursuant to clause (i)(B) of the paragraph above, an Event of Nonappropriation shall be deemed to have occurred.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent under the 2008 Lease except to the extent Certificates are paid, redeemed or defeased pursuant to Section 8.02 of the 2008 Lease.

Condemnation by State (Section 7.08)

The State agrees that, to the extent permitted by law, (a) in the event it brings an eminent domain or condemnation proceeding with respect to all the Leased Property, the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 of the 2008 Lease; and (b) in the event it brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property, the value of such portion of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price for such portion of the Leased Property determined pursuant to Section 8.02 of the 2008 Lease.

Personal Property of Sublessee (Section 7.09)

The Sublessee, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

Conveyance of Leased Property or Affected Portion of Leased Property (Section 8.03)

At the closing of any purchase of Leased Property pursuant to Section 8.01 or 8.02 the 2008 Lease, the Trustee shall execute and deliver to the State or its designee all necessary documents assigning, transferring and conveying to the State or its designee the same ownership in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than the 2008 Lease, the Indenture, the Subleases and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by the 2008 Lease, the Indenture and Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by the 2008 Lease, the Indenture and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee; (iii) any lien or encumbrance created or suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to Article VIII of the 2008 Lease was subject when acquired by the Trustee.

Conveyance of Leased Property to State at End of Scheduled Lease Term (Section 8.04)

If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this section shall have been paid, all Certificates with the same designation of the 2008 Lease have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and the 2008 Lease have been paid, the Leased Property that remains subject to the 2008 Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 of the 2008 Lease without any additional payment by the State.

Sublessees' Purchase Options (Section 8.05)

Upon the occurrence of an Event of Default or Event of Nonappropriation under the 2008 Lease, each Sublessee has the option to purchase the Leased Property that is subject to its Sublease as provided in Article VIII of such Sublease. The Trustee agrees to notify each Sublessee upon the occurrence of an Event of Default or Event of Nonappropriation under the 2008 Lease and to comply with the provisions of Article VIII of each Sublease.

Further Assurances and Corrective Instruments (Section 9.01)

So long as the 2008 Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided in the 2008 Lease and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the 2008 Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased under the 2008 Lease, or for otherwise carrying out the intention of or facilitating the performance of the 2008 Lease.

Compliance with Requirements of Law (Section 9.02)

On and after the date of the 2008 Lease, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms of the 2008 Lease or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive

Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Participation in Legal Actions (Section 9.03)

(a) At the request of and at the cost of the State (payable as Additional Rent under the 2008 Lease), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under the 2008 Lease or such Sublessee's execution, delivery and performance of its obligations under a Deed, Site Lease or Sublease.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent under the 2008 Lease), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible under the 2008 Lease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of the 2008 Lease, the Indenture, the Deeds, the Site Leases by the Trustee or the performance of its obligations thereunder.

Tax Covenant of the State (Section 9.04)

The State will not use the Projects, and will require each Sublessee to covenant that such Sublessee will not use its Project, in a manner that would cause interest on the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book income" for the purpose of computing the alternative minimum tax imposed on such corporations).

Reimbursement (Section 9.05)

To the extent proceeds of Certificates are used to reimburse the State for Costs of the Projects incurred by or on behalf of the State prior to the date such Certificates are issued (which costs are referred to in this section as the "reimbursed costs"), the State covenants that: (a) at the time the reimbursed costs were incurred by the State, the State intended to seek reimbursement for such costs from the proceeds of the Certificates or another financing source; (b) the reimbursed costs either (i) were incurred no more than 60 days prior to May 12, 2008, the date the 2008 Joint Resolution was signed by the Governor following adoption by the Colorado General Assembly, or (ii) were for "preliminary expenditures," which include architectural, engineering, surveying, soil testing or reimbursement of Certificate issuance and similar costs that were incurred prior to commencement of acquisition, construction or rehabilitation of the Projects in an amount not in excess of 20% of the aggregate issue price of the Certificates; (c) the reimbursed costs are for items that would have to be capitalized for federal income tax purposes (determined without regard to any election to treat such costs in another manner) if the State were subject to federal income taxation; (d) none of the amounts paid to the State to reimburse it for the reimbursed costs is reasonably expected to be used to pay any amounts payable by the State under the 2008 Lease; and (e) none of the amounts paid to the State for the reimbursed costs will be used to pay the principal, premium or interest on any obligation the interest on which is excluded from gross income for federal income tax purposes.

Payment of Fees and Expenses of the Trustee (Section 9.06)

The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with all the Leased Property, all the Projects, all the Leases, the Indenture, the Certificates, all the Deeds, all the Site Leases, all the Subleases, all the Participation Agreements or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached as Exhibit D to the 2008 Lease. The State shall not, however, pay any fees and expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission, that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

Payments to Rebate Fund; Rebate Calculations (Section 9.07)

The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Investment of Funds (Section 9.08)

By authorizing the execution and delivery of the 2008 Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase of the 2008 Lease to the maturity date is in excess of five years.

Disclaimer of Warranties (Section 10.01)

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Leased Property or any other representation or warranty with respect to the Leased Property. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of the 2008 Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for in the 2008 Lease.

Financial Obligations of Trustee Limited to Trust Estate (Section 10.02)

Notwithstanding any other provision in the 2008 Lease, all financial obligations of the Trustee under the 2008 Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

Events of Default Defined (Section 11.01)

Any of the following shall constitute an "Event of Default" under the 2008 Lease: (a) failure by the State to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee within five days following such Base Rent Payment Date; (b) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property; (c) failure by the State to vacate the Leased Property within 90 days following an Event of Nonappropriation in accordance with Section 3.02(b) of the 2008 Lease; (d) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of the 2008 Lease or the Leased Property in violation of Section 12.02(a) of the 2008 Lease or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) of the 2008 Lease; (e) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or (f) the occurrence of an Event of Default under any other Lease (as the term "Event of Default" is defined in such other Lease). The State shall be obligated to pay Rent only during the Lease Term and if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part contained in the 2008 Lease, other than its obligation to pay Rent under the 2008 Lease, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

Remedies on Default (Section 11.02)

Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps: (a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) of the 2008 Lease; (b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases; (c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this section: (i) the portion of Rent payable pursuant to Section 3.02(b)(ii) of the 2008 Lease; (ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and (iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property; (d) enforce any provision of the 2008 Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the 2008 Lease by specific performance, writ of mandamus or other injunctive relief; and (e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the 2008 Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 of the 2008 Lease

Limitations on Remedies (Section 11.03)

A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) of the 2008 Lease. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) of the 2008 Lease.

No Remedy Exclusive (Section 11.04)

Subject to Section 11.03 of the 2008 Lease, no remedy in the 2008 Lease conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the 2008 Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in Article XI of the 2008 Lease, it shall not be necessary to give any notice, other than such notice as may be required in Article XI of the 2008 Lease.

Waivers (Section 11.05)

The Trustee may waive any Event of Default under the 2008 Lease and its consequences. In the event that any agreement contained in the 2008 Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the 2008 Lease. In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) of the 2008 Lease, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee (Section 12.01)

The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under the 2008 Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under the 2008 Lease. The Trustee shall not, except as provided in this section or as otherwise provided elsewhere in the 2008 Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under the 2008 Lease.

Transfer of the State's Interest in 2008 Lease and Leased Property Prohibited (Section 12.02)

(a) Except as otherwise permitted by Section 7.04 of the 2008 Lease with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased

Property and subsection (b) of this section with respect to transfers of the Leased Property following termination of the 2008 Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the 2008 Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this section, the State may transfer its interest in the Leased Property after, and only after, the 2008 Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII of the 2008 Lease.

Binding Effect (Section 13.01)

The 2008 Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII of the 2008 Lease. The Participating Institution that leased or deeded the Leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 of the 2008 Lease and of the Trustee in Section 9.03(b) of the 2008 Lease. The 2008 Lease and the covenants set forth in the 2008 Lease are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under the 2008 Lease.

Interpretation and Construction (Section 13.02)

The 2008 Lease and all terms and provisions of the 2008 Lease shall be liberally construed to effectuate the purposes set forth in the 2008 Lease to sustain the validity of the 2008 Lease. For purposes of the 2008 Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in the 2008 Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of the 2008 Lease.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined in the 2008 Lease have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held under the 2008 Lease.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Acknowledgement of Indenture (Section 13.03)

The State has received a copy of, and acknowledges the terms of, the Indenture.

Trustee, State and Participating Institution Representatives (Section 13.04)

Whenever under the provisions of the 2008 Lease the approval of the Trustee, the State or a Participating Institution is required, or the Trustee, the State or a Participating Institution is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Participating Institution by the Participating Institution Representative identified in the Participating Institution's Sublease and the Trustee, the State and the Participating Institutions shall be authorized to act on any such approval or request.

No Individual Liability (Section 13.06)

All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the 2008 Lease shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the 2008 Lease, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing the 2008 Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Amendments, Changes and Modifications (Section 13.07)

Except as otherwise provided in the 2008 Lease or in the Indenture, the 2008 Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to the 2008 Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Events Occurring on Days that are not Business Days (Section 13.08)

If the date for making any payment or the last day for performance of any act or the exercising of any right under the 2008 Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the 2008 Lease.

Merger (Section 13.10)

The Trustee and the State intend that the legal doctrine of merger shall have no application to the 2008 Lease, any Site Lease pursuant to which the Leased Property was leased to the Trustee or any Sublease and that none of the execution and delivery of the 2008 Lease by the Trustee and the State, any such Site Lease by a Participating Institution and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under the 2008 Lease, any Site Lease or any Sublease shall operate to terminate or extinguish the 2008 Lease, any Site Lease or any Sublease.

Severability (Section 13.11)

In the event that any provision of the 2008 Lease, other than the obligation of the State to pay Rent under the 2008 Lease and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII of the 2008 Lease, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the 2008 Lease.

Applicable Law (Section 13.13)

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the 2008 Lease. Any provision of the 2008 Lease, whether or not incorporated in the 2008 Lease by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision of the 2008 Lease or incorporated in the 2008 Lease by reference which purports to negate this section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the 2008 Lease to the extent that the 2008 Lease is capable of execution. At all times during the performance of the 2008 Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Non Discrimination (Section 13.15)

The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Vendor Offset (Section 13.16)

Pursuant to C.R.S. §§ 24 30 202(1) and 24 30 202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39 21 101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39 21 101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

2008 Subleases

Demising Clause (Section 2.01)

Pursuant to the Sublease, the State leases its leasehold estate under the 2008 Lease in the land described in Exhibit C of the Sublease (the "Land" for purposes of the Sublease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of the Sublease) to the Sublessee in accordance with the terms of the Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

Enjoyment of Leased Property (Section 2.02)

The State covenants that, during the Sublease Term and so long as no Event of Default under the 2008 Lease shall have occurred, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by the Sublease.

Sublease Term (Section 3.01)

The Sublease Term shall be comprised of the Initial Term and successive one-year Renewal Terms. The Sublease Term shall expire upon the earliest of any of the following events: (a) termination of the 2008

Lease in accordance with its terms; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under the Sublease has occurred; or (c) termination of the Sublease following an Event of Default under Section 11.02(a) the Sublease in accordance with the Sublease.

Effect of Termination of Sublease Term (Section 3.02)

Upon termination of the Sublease Term: (a) all unaccrued obligations of the Sublessee under the Sublease shall terminate, but all obligations of the Sublessee that have accrued under the Sublease prior to such termination shall continue until they are discharged in full; and (b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default under the Sublease or because of the termination of the 2008 Lease as a result of an Event of Nonappropriation or an Event of Default under the 2008 Lease, the Sublessee's right to possession of the Leased Property under the Sublease shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Rent payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

No Institution Share or All of Institution Share Financed with Series 2008 Certificates (Section 4.01)

If (i) the Sublessee's Project does not include an Institution Share, or (ii) the Sublessee's Project does include an Institution Share and the State has directed the Trustee pursuant to the Indenture to deposit into such Sublessee's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings an amount that is at least equal to the sum of the State Share and the Institution Share for the Sublessee's Project:

(a) the Sublessee may, subject to Section 4.04 of the Sublease, withdraw available money from the Higher Education Institutions Lease Purchase Cash Fund to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project in an amount up to the sum of (i) the dollar amount of proceeds of the Series 2008 Certificates deposited into the Sublessee's Project Account pursuant to the Indenture, and (ii) the dollar amount of Allocated Investment Earnings, if any, that have been deposited into the Sublessee's Project Account pursuant to the Indenture. Moneys withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to this subsection shall be withdrawn from the categories listed in clauses (i) and (ii) of the preceding sentence in the order in which listed.

(b) The State shall withdraw money from the Sublessee's Project Account in an amount equal to the amount withdrawn by the Sublessee from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsection (a) of this section and deposit the amount withdrawn into the Higher Education Institutions Lease Purchase Cash Fund.

(c) The Sublessee shall pay all Costs of the Sublessee's Project that exceed the amount that it withdraws from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsection (a) of this section from sources other than money withdrawn from the Higher Education Institutions Lease Purchase Cash Fund.

Cash Funded Institution Share (Section 4.02)

If the Sublessee's Project includes an Institution Share and the State has not directed the Trustee pursuant to the Indenture to deposit into such Sublessee's Project Account from proceeds of the Series 2008

Certificates or Allocated Investment Earnings an amount that is at least equal to the sum of the Institution Share and the State Share for the Sublessee's Project:

(a) The Sublessee shall deliver to the State money in an amount equal to the difference between (i) the sum of the State Share and the Institution Shares for the Sublessee's Project and (ii) the amount the State has directed the Trustee pursuant to the Indenture to deposit in such Sublessee's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings (for purpose of this section, the difference between (i) and (ii) is referred to as the "*Cash Funded Institution Share*"). The State shall deposit the Cash Funded Institution Share into the Higher Education Institutions Lease Purchase Cash Fund. The Sublessee shall not withdraw any portion of the Cash Funded Institution Share from the Higher Education Institutions Lease Purchase Cash Fund except in accordance with this section.

(b) After the Sublessee has delivered the Cash Funded Institution Share to the State pursuant to subsection (a) of this section, the Sublessee may, subject to Section 4.04 of the Sublease, withdraw available money from the Higher Education Institutions Lease Purchase Cash Fund to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project in an amount up to the sum of (i) the dollar amount of proceeds of the Series 2008 Certificates deposited into the Sublessee's Project Account pursuant to the Indenture, (ii) the dollar amount of Allocated Investment Earnings, if any, that have been deposited into the Sublessee's Project Account pursuant to the Indenture, and (iii) the Sublessee's Cash Funded Institution Share. Moneys withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to this subsection shall be withdrawn from the categories listed in clauses (i), (ii) and (iii) of the preceding sentence in the order in which listed.

(c) The State shall withdraw money from the Sublessee's Project Account in an amount equal to the amount withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to clauses (i) and (ii) of subsection (b) of this section and deposit the amount withdrawn into the Higher Education Institutions Lease Purchase Cash Fund.

(d) Earnings from the investment of the Sublessee's Cash Funded Institution Share on deposit in the Higher Education Institutions Lease Purchase Cash Fund shall be accounted for separately by the State and shall be retained in such fund until withdrawn by the Sublessee. The Sublessee may withdraw such earnings at any time for any purpose.

(e) If the Completion Date of a Sublessee's Project has occurred and less than all of the Sublessee's Cash Funded Institution Share and earnings from the investment thereof have been withdrawn pursuant to subsections (b) and (c) of this section, the State, shall, subject to Section 4.04 of the Sublease, from available moneys in the Higher Education Institutions Lease Purchase Cash Fund: (i) pay to the Sublessee or credit to an account held by the State for the benefit of the Sublessee an amount equal to the earnings from the investment of the Sublessee's Cash Funded Institution Share that have not been withdrawn pursuant to subsection (d) of this section, and (ii) deposit the difference between the Sublessee's Cash Funded Institution Share and the amount withdrawn pursuant to subsection (b) of this section into the State Expense Fund.

(f) The Sublessee shall pay all Costs of the Sublessee's Project regardless of the amount that it withdraws from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsections (b) and (d) of this section from sources other than money withdrawn from the Higher Education Institutions Lease Purchase Cast Fund.

Additional Financed Costs (Section 4.03)

If the State has directed the Trustee pursuant to the Indenture to deposit into the Sublessee's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings an amount that is greater than the sum of the State Share and the Institution Share, if any, for the Sublessee's Project in order to finance Costs of the Sublessee's Project that exceed the sum of the State Share and the Institution Share, if any, for the Sublessee's Project (for purposes of this section, "*Additional Financed Costs*"), the amount that the Sublessee may withdraw from the Higher Education Institutions Lease Purchase Cash Fund pursuant to Section 4.01(a)(i) and (ii) or Section 4.02(b)(i) and (ii) of the Sublease, as appropriate, and the amount that the State shall withdraw from the Sublessee's Project Account pursuant to Section 4.01(b) or Section 4.02(c) of the Sublease, as appropriate, shall include the Additional Financed Costs.

Event of Default or Event of Nonappropriation under 2008 Lease or the Sublease (Section 4.04)

Notwithstanding any other provision of the Sublease or the Indenture, no money may be withdrawn by the Sublessee or distributed to the Sublessee by the State from the Higher Education Institutions Lease Purchase Cash Fund pursuant to Section 4.01, 4.02 or 4.03 of the Sublease if an Event of Default or Event of Nonappropriation has occurred and is continuing under the 2008 Lease or the Sublease.

More than one Project of Sublessee Financed with Proceeds of the Series 2008 Certificates (Section 4.05)

If more than one Project of the Sublessee is financed with proceeds of the Series 2008 Certificates, Sections 4.01, 4.02, 4.03 and 4.04 of the Sublease shall be applied to each such Project separately.

Base Rent (Section 5.01)

The Sublessee shall, subject only to the other sections of Article V of the Sublease, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit B attached to the Sublease, as it may be modified from time-to-time. Notwithstanding any other provision of the Sublease, if Exhibit B attached to the Sublease states that no Base Rent is payable pursuant to the Sublease, no Base Rent shall be payable pursuant to or under the Sublease and all references in the Sublease to Base Rent payable pursuant to or under the Sublease shall be null and void.

The State shall deposit Base Rent received by it into the Higher Education Institutions Lease Purchase Cash Fund.

Additional Rent (Section 5.02)

The Sublessee shall, subject only to Sections 6.01(b) and 7.02(b) of the Sublease and the other sections of Article V of the Sublease, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Additional Rent payable pursuant to Article VI and Section 7.02(a)(ii) of the Sublease and all other Additional Rent that specifically relates to the Leased Property subject to the Sublease directly to the Persons to which it is owed. The Sublessee shall pay its Proportionate Share of any Additional Rent that does not specifically relate to the Leased Property subject to the Sublease that the State, in its sole discretion, determines should be paid by the Sublessees and/or other Participating Institutions, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether any Additional Rent is specifically related to the Leased Property subject to the Sublease and as to whether any Additional Rent not specifically related to the Leased

Property subject to the Sublease should be paid by the Sublessees and/or other Participating Institutions, shall be binding on and shall not be subject to dispute or negotiation by the Sublessee.

Unconditional Obligations (Section 5.03)

The obligation of the Sublessee to pay Base Rent during the Sublease Term shall, subject only to the other sections of Article V of the Sublease, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to Sections 6.01(b) and 7.02(b) of the Sublease and the other sections of Article V of the Sublease, including, without limitation, Sections 5.04 and 5.05 of the Sublease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Rent when due; the Sublessee shall not withhold any Rent payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the Sublessee of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Rent during the Sublease Term.

Event of Nonappropriation (Section 5.04)

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Rent is directed under the Sublease (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Sublessee during the Sublease Term, and (ii) to include in each annual budget proposal submitted to the Governing Body of the Sublessee during the Sublease Term the entire amount of Base Rent scheduled to be paid and Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Sublessee that any decision to continue or to terminate the Sublease shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any other department, agency or official of the Sublessee.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to subsection (c) of this section: (i) On June 30 of any Fiscal Year if the Governing Body of the Sublessee has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or (ii) On June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if: (A) a Property Damage, Defect or Title Event has occurred; (B) the Net Proceeds received as a consequence of such Property Damage, Defect or Title Event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with Section 7.07 of the Sublease, and (C) the Governing Body of the Sublessee has not appropriated amounts sufficient to proceed under clause (i)(A) of Section 7.07(c) of the Sublease or the Sublessee has not substituted property pursuant to clause (i)(B) of Section 7.07(c) of the Sublease by June 30 of the Fiscal Year in which such Property Damage, Defect or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent.

(c) Notwithstanding subsection (b) of this section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Sublessee has appropriated amounts sufficient, or the Sublessee has substituted property in the manner required, to avoid an Event of Nonappropriation under subsection (b) of this section; and (ii) the Sublessee has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating the Sublease, or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Governing Body of the Sublessee, but not later than 20 days following the adoption thereof by the Governing Body of the Sublessee; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating the Sublease, or (iii) result in any liability on the part of the Sublessee.

Limitations on Obligations of the Sublessee (Section 5.05)

Payment of Rent and all other payments by the Sublessee shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under the Sublease shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments under the Sublease. The obligations of the Sublessee to pay Rent and all other obligations of the Sublessee under the Sublease are subject to appropriation by the Governing Body of the Sublessee in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease, the sole security available to the State, as sublessor under the Sublease, shall be the Leased Property.

The Sublessee's obligations under the Lease shall be subject to the Sublessee's annual right to terminate the Sublease upon the occurrence of an Event of Nonappropriation.

The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII of the Sublease.

No Right to Compel Payment of Rent by State or Another Participating Institution (Section 5.06)

The Sublessee shall have no right to compel the State or any other Sublessee or Participating Institution to pay any Rent under the 2008 Lease or Rent under any Sublease or Participation Agreement and neither the State nor any such other Sublessee or Participating Institution shall have any liability to the Sublessee for a failure by the State or any such other Sublessee or Participating Institution to pay Rent payable under the 2008 Lease or to pay Rent payable under any such other Sublease or Participation Agreement for any reason.

Taxes, Utilities and Insurance (Section 6.01)

(a) The Sublessee shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property: (i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due; (ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property (including but not limited to, amounts paid to a Site Lessor for utilities provided by such Site Lessor pursuant to a Site Lease); (iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of: (A) the Sublessee's Proportionate Share of the principal amount of all Outstanding Certificates or (B) the full replacement value of the Leased Property; (iv) public liability insurance with respect to the activities to be undertaken by the Sublessee in connection with the Leased Property, the Sublessee's Project and the Sublease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the Sublessee may be liable to third parties thereunder and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee or the State shall notify the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the Sublessee, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 10 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the Sublessee's discretion, the insurance required by this section be provided under blanket insurance policies which insure not only the risks required to be insured under the Sublease but also other similar risks or through a self-insurance program described in this subsection. If the Sublessee is covered by the State's risk management program under C.R.S. § 24-30-1501 et seq., the self-insurance program shall be the State's risk management program. If the Sublessee is not covered by the State's risk management program, the self-insurance program shall be the Sublessee's independent risk management program.

(e) At the request of the State or the Trustee, the Sublessee shall cause one or more insurance consultants to annually review the self-insurance program through which insurance is provided pursuant to this section and confirm that it is maintained on an actuarially sound basis.

Maintenance and Operation of Leased Property (Section 6.02)

The Sublessee shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 of the Sublease.

Title to Leased Property (Section 7.01)

Title to the Leased Property shall be held in the name of the Trustee, subject to the 2008 Lease and the Sublease, until the Leased Property is conveyed or otherwise disposed of as provided in the Indenture, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth in the Sublease.

Limitations on Disposition of and Encumbrances on Leased Property (Section 7.02)

(a) Except as otherwise permitted in Article VII, VIII or XI of the Sublease and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property; and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this section, if the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee or the State has notified the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the Sublessee, by failing to discharge or satisfy such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the Sublessee of the right to continue to contest such item. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

Granting of Easements (Section 7.03)

As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee: (a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from the Sublease and the 2008 Lease and any security interest or other encumbrance created under the Sublease or thereunder; (b) consent to the release of existing easements, licenses, rights-of-way and other rights and privileges with respect to the Leased Property, free from the Sublease or the 2008 Lease and any security interest or other encumbrance created under the Sublease or thereunder, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under subsection (a) or (b) of this section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Participating Institution Representative of the

Sublessee requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Subleasing and Other Grants of Use (Section 7.04)

The Sublessee may sublease or otherwise grant the right to use such Leased Property to another Person, but only if: (a) the sublease or grant of use by the Sublessee complies with the covenant in Section 9.04 of the Sublease; and (b) the obligations of the Sublessee under the Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

Modification of Leased Property (Section 7.05)

The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, its portion of the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the cost of all remodeling, substitutions, additions, modifications and additions shall not exceed 10% of the Initial Value of the Leased Property without the written approval of the State; and (d) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, the Sublease.

Substitution of Other Property for Leased Property (Section 7.06)

The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property be substituted for the Leased Property subject to the Sublease under both the 2008 Lease and the Sublease. Any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution and the Sublessee pays the costs of the substitution, the State shall, and shall cooperate with the Sublessee to cause the Trustee to, execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution. The items are: (a) a certificate by the Sublessee certifying that, following such substitution, the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Initial Value of the property for which it is to be substituted; (b) a title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would comply with Section 2.09(e) of the Master Indenture if a Series of Certificates was being executed and delivered on the date the substitution occurs; (c) a certificate by the Sublessee certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Series 2008 Certificates and (ii) the substituted property is at least as essential to the Sublessee as the property for which it was substituted; (d) an agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution, including but not limited to, the costs of the title insurance required by clause (b) of this section, the Trustee's fees and expenses, the State's third party costs and reasonable charges for the time of State employees and allocable overhead; (e) An opinion of Bond Counsel to the effect that such substitution is permitted by Section 7.06 of the 2008 Lease, will not cause the Sublessee to violate its covenant set forth in Section 9.04 of the Sublease and will not cause the State to violate its covenant set forth in Section 9.04 of the 2008 Lease.

Property Damage, Defect or Title Event (Section 7.07)

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the Sublessee.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then:

(i) the Sublessee shall elect one of the following alternatives:

(A) to promptly to repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article V of the Sublease, pay the remainder of such costs as Additional Rent; or

(B) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 of the Sublease, in which case the Net Proceeds shall be delivered to the Sublessee;

(ii) if, by June 30 of the Fiscal Year in which a Property Damage, Defect or Title Event occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent), the Sublessee has not appropriated amounts sufficient to proceed under clause (i)(A) of this subsection or has not substituted property pursuant to clause (i)(B) of this subsection, an Event of Nonappropriation shall be deemed to have occurred.

(iii) the Sublessee shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the State and the Trustee.

(d) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Rent under the Sublease.

Condemnation by Sublessee (Section 7.08)

The Sublessee agrees that, to the extent permitted by law, (a) in the event it brings an eminent domain or condemnation proceeding with respect to all the Leased Property, the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price; and (b) in the event it brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property, the value of such portion of the Leased Property for purposes of such proceeding shall be not less than a percentage of the Sublessee's Purchase Option Price determined by dividing the Fair Market Value of the condemned portion of the Leased Property by the Fair Market Value of all the Leased Property.

Personal Property of State or Sublessee (Section 7.09)

The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

Sublessee's Purchase Option (Section 8.01)

(a) The Sublessee pursuant to the Sublease is granted the option to purchase all, but not less than all, of the Leased Property subject to the Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2008 Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to the principal amount of the Attributable Certificates (defined below in this subsection) and interest thereon through the closing date for the purchase of the Leased Property, and (b) to pay all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Attributable Certificates.

As used in this subsection, the term "*Attributable Certificates*" means, subject to the next sentence, (i) a principal amount of the Outstanding Series 2008 Certificates determined by multiplying the principal amount of all the Outstanding Series 2008 Certificates by a fraction, the numerator of which is the Initial Value of the Sublessee's Leased Property subject to the 2008 Lease and the denominator of which is the Initial Value of all the Leased Property subject to the 2008 Lease; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2008 Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2008 Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2008 Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2008 Certificates shall be substituted for the Series 2008 Certificates that were paid, redeemed or defeased. The rounding pursuant to clause (ii) of the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates pursuant to the immediately preceding sentence shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to Section 8.01 of the Sublease, the Sublessee must: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that an Event of Default or an Event of Nonappropriation under the 2008 Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this section, (B) identifying the source of funds it will use to pay Sublessee's Purchase Option Price and (C) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee's Purchase Option Price to the Trustee in immediately available funds on the closing date.

Conveyance of Leased Property (Section 8.02)

At the closing of any purchase of the Leased Property pursuant to Section 8.01 of the Sublease, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee or its designee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership in the Leased Property that was conveyed by the Sublessee to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than the Sublease, the 2008 Lease, the Indenture and the Site Lease pursuant to which the Leased Property was leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by the 2008 Lease or the Sublease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by the Sublease, the 2008 Lease, the Indenture and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee the 2008 Lease; (iii) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (iv) those liens and encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee and the State.

Conveyance to Sublessee Upon Conveyance to State (Section 8.03)

If the Sublessee has complied with and performed all of its obligations under the Sublease, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the 2008 Lease, the State shall, or shall cause the Trustee to, assign, transfer and convey the Leased Property to the Sublessee in the manner described in, and subject to the provisions of, Section 8.02 of the Sublease without any additional payment by the Sublessee.

Further Assurances and Corrective Instruments (Section 9.01)

So long as the Sublease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided in the Sublease and the Sublessee and the State, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Sublease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased under the Sublease, or for otherwise carrying out the intention of or facilitating the performance of the Sublease.

Compliance with Requirements of Law (Section 9.02)

On and after the date of the Sublease, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms of the Sublease or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Participation in Legal Actions (Section 9.03)

(a) At the request of and at the cost of the Sublessee (payable as Additional Rent under the Sublease), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action in which the Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under the Sublease or the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Additional Rent under the Sublease), join and cooperate fully in any legal action in which the State or the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee or the State is responsible under the 2008 Lease or the Sublease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of the Sublease, the 2008 Lease, the Indenture, the Deeds, the Site Leases by the State or the Trustee or the performance of the obligations of the State or the Trustee under the Sublease or thereunder.

Tax Covenant of Sublessee (Section 9.04)

The Sublessee will not use or permit others to use its Project in a manner that would cause interest on the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book income" for the purpose of computing the alternative minimum tax imposed on such corporations).

Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations (Section 9.05)

The Additional Rent that may be payable by the Sublessee in accordance with Section 5.02 of the Sublease shall include the Sublessee's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2008 Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Deeds, the Subleases, the Participation Agreements or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.07 of the 2008 Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

Investment of Funds (Section 9.06)

By authorizing the execution and delivery of the Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

Disclaimer of Warranties (Section 10.01)

The State makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Leased Property or any other representation or warranty with respect to the Leased Property. In no event shall the State be liable for any incidental, special or consequential damage in connection with or arising out of the Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for in the Sublease.

Financial Obligations of State Limited to Trust Estate(Section 10.02)

Notwithstanding any other provision of the Sublease, all financial obligations of the State under the Sublease are limited to the Trust Estate.

Events of Default Defined (Section 11.01)

(a) Any of the following shall constitute an "Event of Default" under the Sublease:

(i) failure by the Sublessee to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the Sublessee to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the State within five days following such Base Rent Payment Date;

(ii) failure by the Sublessee to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, any of the Leased Property or the interest of the State in any of the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following an Event of Nonappropriation or Event of Default under the Sublease or a termination of the 2008 Lease as a result of an Event of Nonappropriation or Event of Default under the 2008 Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of the Sublease or the Leased Property in violation of Section 12.01(a) of the Sublease or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 12.01(b) of the Sublease; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this section are subject to the following limitations: (i) the Sublessee shall be obligated to pay Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) of the Sublease; and (ii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part contained in the Sublease, other than its obligation to pay Rent under the Sublease, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee.

Remedies on Default (Section 11.02)

Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps: (a) terminate the Sublease Term and give notice to the Sublessee to immediately vacate the Leased Property in the manner provided in Section 3.02(b) of the Sublease; (b) sell or lease its interest in all or any portion of the Leased Property; (c) recover any of the following from the Sublessee that is not recovered under the Sublease: (i) the portion of Rent payable pursuant to Section 3.02(b)(ii) of the Sublease; and (ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Governing Body of the Sublessee, regardless of when the Sublessee vacates the Leased Property; and (d) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, but only to the extent such Additional Rent is payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property; (e) enforce any provision of the Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Sublease by specific performance, writ of mandamus or other injunctive relief; and (f) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Sublease, subject, however, to the limitations on the obligations of the Sublessee set forth in Sections 5.05 and 11.03 of the Sublease.

Limitations on Remedies (Section 11.03)

A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 11.02(c) of the Sublease. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) of the Sublease.

No Remedy Exclusive (Section 11.04)

Subject to Section 11.03 of the Sublease, no remedy in the Sublease conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Sublease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Sublessee to exercise any remedy reserved in the Sublease, it shall not be necessary to give any notice, other than such notice as may be required in of the Sublease.

Waivers (Section 11.05)

The State, with the consent of the Trustee, may waive any Event of Default under the Sublease and its consequences. In the event that any agreement contained in the Sublease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Sublease.

Transfer of the Sublessee's Interest in Sublease Lease and Leased Property Prohibited (Section 12.01)

(a) Except as otherwise permitted by Section 7.04 of the Sublease with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this section with respect to transfers of the Leased Property following termination of the Sublease or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this section, the Sublessee may transfer its interest in the Leased Property after, and only after, the Sublease has terminated and the Leased Property has been conveyed to the Sublessee pursuant to Article VIII of the Sublease.

Binding Effect (Section 13.01)

The Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII of the Sublease. The Sublease and the covenants set forth in the Sublease are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under the Sublease.

Interpretation and Construction (Section 13.02)

The Sublease and all terms and provisions of the Sublease shall be liberally construed to effectuate the purposes set forth in the Sublease to sustain the validity of the Sublease. For purposes of the Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in the Sublease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of the Sublease. '

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined in the Sublease have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held under the Sublease.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Acknowledgement of and Subordination to 2008 Lease and Indenture (Section 13.03)

The Sublessee has received copies of, and acknowledges the terms of, the 2008 Lease and the Indenture and agrees that its rights under the Sublease are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2008 Lease and the Indenture.

Trustee, State and Sublessee's Participating Institution Representatives (Section 13.04)

Whenever under the provisions of the Sublease the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee by the Sublessee's Participating Institution Representative and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request.

No Individual Liability (Section 13.06)

All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained in the Sublease shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the Sublease, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing the Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Amendments, Changes and Modifications (Section 13.07)

Except as otherwise provided in the Sublease, the Sublease may only be amended, changed, modified or altered by a written instrument executed by the State and the Sublessee.

State May Rely on Certifications, Representations and Agreements of Sublessee (Section 13.08)

The State may rely on the certifications, representations and agreements of the Sublessee in the Sublease (including any Exhibit to the Sublease) and may assume that the Sublessee will perform all of its obligations under the Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the 2008 Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Projects, the Leases, the Site Leases, the Certificates, the Indenture or any matter related thereto.

Events Occurring on Days that are not Business Days (Section 13.09)

If the date for making any payment or the last day for performance of any act or the exercising of any right under the Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Sublease.

Merger (Section 13.11)

The Trustee and the Sublessee intend that the legal doctrine of merger shall have no application to the Sublease, the 2008 Lease or any Site Lease pursuant to which the Leased Property was leased to the Trustee and that none of the execution and delivery of the Sublease by the State and the Sublessee, the 2008 Lease by the Trustee and the State or any such Site Lease by the Sublessee and the Trustee or the exercise of any remedies by any party under the Sublease, the 2008 Lease or any Site Lease shall operate to terminate or extinguish the Sublease, the 2008 Lease or any Site Lease.

Severability (Section 13.12)

In the event that any provision of the Sublease, other than the obligation of the Sublessee to pay Rent under the Sublease and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Sublease.

Applicable Law (Section 13.14)

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Sublease. Any provision of the Sublease, whether or not incorporated in the Sublease by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision of the Sublease or incorporated in the Sublease by reference which purports to negate this section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the Sublease to the extent that the Sublease is capable of execution. At all times during the performance of the Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Non-Discrimination (Section 13.17)

The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Vendor Offset (Section 13.18)

Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

2008 Participation Agreement

Participation Agreement Term (Section 3.01)

The Participation Agreement Term will be comprised of the Initial Term and successive one-year Renewal Terms. The Participation Agreement Term will expire upon the earliest of any of the following events: (a) termination of the 2008 Lease in accordance with its terms; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under the Participation Agreement has occurred; or (c) termination of the Participation Agreement following an Event of Default under Section 11.02(a) the Participation Agreement in accordance with the Participation Agreement.

Effect of Termination of Participation Agreement Term (Section 3.02)

Upon termination of the Participation Agreement Term all unaccrued obligations of the Participant under the Participation Agreement will terminate, but all obligations of the Participant that have accrued under the Participation Agreement prior to such termination will continue until they are discharged in full.

No Institution Share or All of Institution Share Financed with Series 2008 Certificates (Section 4.01)

If (i) the Participant's Project does not include an Institution Share, or (ii) the Participant's Project does include an Institution Share and the State has directed the Trustee pursuant to the Indenture to deposit into such Participant's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings an amount that is at least equal to the sum of the State Share and the Institution Share for the Participant's Project:

(a) the Participant may, subject to Section 4.04 of the Participation Agreement, withdraw available money from the Higher Education Institutions Lease Purchase Cash Fund to pay, or reimburse the Participant for the payment by Participant of, Costs of the Participant's Project in an amount up to the sum of (i) the dollar amount of proceeds of the Series 2008 Certificates deposited into the Participant's Project Account pursuant to the Indenture, and (ii) the dollar amount of Allocated Investment Earnings, if any, that have been deposited into the Participant's Project Account pursuant to the Indenture. Moneys withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to this subsection is to be withdrawn from the categories listed in clauses (i) and (ii) of the preceding sentence in the order in which listed.

(b) The State is to withdraw money from the Participant's Project Account in an amount equal to the amount withdrawn by the Participant from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsection (a) of this section and deposit the amount withdrawn into the Higher Education Institutions Lease Purchase Cash Fund.

(c) The Participant is to pay all Costs of the Participant's Project that exceed the amount that it withdraws from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsection (a) of this section from sources other than money withdrawn from the Higher Education Institutions Lease Purchase Cash Fund.

Cash Funded Institution Share (Section 4.02)

If the Participant's Project includes an Institution Share and the State has not directed the Trustee pursuant to the Indenture to deposit into such Participant's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings an amount that is at least equal to the sum of the Institution Share and the State Share for the Participant's Project:

(a) The Participant is to deliver to the State money in an amount equal to the Institution Share of the Participant's Project (for purpose of this section, the "*Cash Funded Institution Share*"). The State is to deposit the Cash Funded Institution Share into the Higher Education Institutions Lease Purchase Cash Fund. The Participant is to not withdraw any portion of the Cash Funded Institution Share from the Higher Education Institutions Lease Purchase Cash Fund except in accordance with this section.

(b) After the Participant has delivered the Cash Funded Institution Share to the State pursuant to subsection (a) of this section, the Participant may, subject to Section 4.04 of the Participation Agreement, withdraw available money from the Higher Education Institutions Lease Purchase Cash Fund to pay, or reimburse the Participant for the payment by Participant of, Costs of the Participant's Project in an amount up to the sum of (i) the dollar amount of proceeds of the Series 2008 Certificates deposited into the Participant's Project Account pursuant to the Indenture, (ii) the dollar amount of Allocated Investment Earnings, if any, that have been deposited into the Participant's Project Account pursuant to the Indenture, and (iii) the Participant's Cash Funded Institution Share. Moneys withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to this subsection is to be withdrawn from the categories listed in clauses (i), (ii) and (iii) of the preceding sentence in the order in which listed.

(c) The State is to withdraw money from the Participant's Project Account in an amount equal to the amount withdrawn from the Higher Education Institutions Lease Purchase Cash Fund pursuant to clauses (i) and (ii) of subsection (b) of this section and deposit the amount withdrawn into the Higher Education Institutions Lease Purchase Cash Fund.

(d) Earnings from the investment of the Participant's Cash Funded Institution Share on deposit in the Higher Education Institutions Lease Purchase Cash Fund is to be accounted for separately by the State and is to be retained in such fund until withdrawn by the Participant. The Participant may withdraw such earnings at any time for any purpose.

(e) If the Completion Date of a Participant's Project has occurred and less than all of the Participant's Cash Funded Institution Share and earnings from the investment thereof have been withdrawn pursuant to subsections (b) and (c) of this section, the State, is to, subject to Section 4.04 of the Participation Agreement, from available moneys in the Higher Education Institutions Lease Purchase Cash Fund: (i) pay to the Participant or credit to an account held by the State for the benefit of the Participant an amount equal to the earnings from the investment of the Participant's Cash Funded Institution Share that have not been withdrawn pursuant to subsection (d) of this section, and (ii) deposit the difference between the Participant's Cash Funded Institution Share and the amount withdrawn pursuant to subsection (b) of this section into the State Expense Fund.

(f) The Participant is to pay all Costs of the Participant's Project regardless of the amount that it withdraws from the Higher Education Institutions Lease Purchase Cash Fund pursuant to subsections (b) and (d) of this section from sources other than money withdrawn from the Higher Education Institutions Lease Purchase Cast Fund.

Additional Financed Costs (Section 4.03)

If the State has directed the Trustee pursuant to the Indenture to deposit into the Participant's Project Account from proceeds of the Series 2008 Certificates or Allocated Investment Earnings an amount that is greater than the sum of the State Share and the Institution Share, if any, for the Participant's Project in order to finance Costs of the Participant's Project that exceed the sum of the State Share and the Institution Share, if any, for the Participant's Project (for purposes of this section, "*Additional Financed Costs*"), the amount that the Participant may withdraw from the Higher Education Institutions Lease Purchase Cash Fund pursuant to Section 4.01(a)(i) and (ii) or Section 4.02(b)(i) and (ii) of the Participation Agreement, as appropriate, and the amount that the State is to withdraw from the Participant's Project Account pursuant to Section 4.01(b) or Section 4.02(c) of the Participation Agreement, as appropriate, is to include the Additional Financed Costs.

Event of Default or Event of Nonappropriation under 2008 Lease or the Participation Agreement (Section 4.04)

Notwithstanding any other provision of the Participation Agreement or the Indenture, no money may be withdrawn by the Participant or distributed to the Participant by the State from the Higher Education Institutions Lease Purchase Cash Fund pursuant to Section 4.01, 4.02 or 4.03 of the Participation Agreement if an Event of Default or Event of Nonappropriation has occurred and is continuing under the 2008 Lease or the Participation Agreement.

More than One Project of Participant Financed with Proceeds of Series 2008 Certificates. (Section 4.05)

If more than one Project of the Participant is financed with proceeds of the Series 2008 Certificates, Sections 4.01, 4.02, 4.03 and 4.04 of the Participation Agreement will be applied to each such Project separately.

Additional Rent (Section 5.02)

The Participant is to, subject only to the other sections of Article V of the Participation Agreement, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Additional Rent payable under the Participation Agreement will include the Participant's Proportionate Share of the Additional Rent that does not specifically relate to any Leased Property that the State, in its sole discretion, determines should be paid by the Participant, the Sublessees and/or other Participating Institutions, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether Additional Rent is specifically related to any Leased Property and as to whether such Additional Rent should be paid by the Participant, the Sublessees and/or other Participating Institutions will be binding on and will not be subject to dispute or negotiation by the Participant.

Unconditional Obligations (Section 5.03)

The obligation of the Participant to pay Additional Rent during the Participation Agreement Term will, subject only the other sections of Article V of the Participation Agreement, including, without limitation, Sections 5.03 and 5.04 of the Participation Agreement, be absolute and unconditional. Notwithstanding any dispute between the Participant and the State, the Participant is to, during the Participation Agreement Term, pay all Additional Rent when due; the Participant is to not withhold any Additional Rent payable during the Participation Agreement Term pending final resolution of such dispute and will not assert any right of set-off or counter-claim against its obligation to pay Additional Rent, provided, however, that the payment of any Additional Rent will not constitute a waiver by the Participant of any rights, claims or defenses which the Participant may assert; and no action or inaction on the part of the State will affect the Participant's obligation to pay Additional Rent during the Participation Agreement Term.

Event of Nonappropriation (Section 5.04)

(a) The officer of the Participant who is responsible for formulating budget proposals with respect to payment of Additional Rent is directed under the Participation Agreement (i) to estimate Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Participant during the Participation Agreement Term and (ii) to include in each annual budget proposal submitted to the Governing Body of the Participant during the Participation Agreement Term the entire amount of Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Participant that any decision to continue or to terminate the Participation Agreement will be made solely by the Governing Body of the Participant, in its sole discretion, and not by any other department, agency or official of the Participant.

(b) An Event of Nonappropriation will be deemed to have occurred, subject to the Participant's right to cure pursuant to subsection (c) of this section if, on June 30 of any Fiscal Year if the Governing Body of the Participant has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or

(c) Notwithstanding subsection (b) of this section, an Event of Nonappropriation will not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Participant has appropriated amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this section and (ii) the Participant has paid all Additional Rent due, if any, during the period from June 30 through the date of such appropriation or substitution.

(d) If the Participant is to determine to exercise its annual right to terminate the Participation Agreement effective on June 30 of any Fiscal Year, the Participant is to give written notice to such effect to the State not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice will (i) constitute an Event of Default, (ii) prevent the Participant from terminating the Participation Agreement or (iii) result in any liability on the part of the Participant.

(e) The Participant is to furnish the State with copies of all appropriation measures relating to Additional Rent promptly upon the adoption thereof by the Governing Body of the Participant, but not later than 20 days following the adoption thereof by the Governing Body of the Participant; provided however, that a failure to furnish copies of such measures will not (i) constitute an Event of Default, (ii) prevent the Participant from terminating the Participation Agreement or (iii) result in any liability on the part of the Participant.

Limitations on Obligations of the Participant (Section 5.05)

Payment of Additional Rent and all other payments by the Participant will constitute currently appropriated expenditures of the Participant. All obligations of the Participant under the Participation Agreement will be subject to the action of the Governing Body of the Participant in annually making moneys available for payments under the Participation Agreement. The obligations of the Participant to pay Additional Rent and all other obligations of the Participant under the Participation Agreement are subject to appropriation by the Governing Body of the Participant in its sole discretion, and will not be deemed or construed as creating an indebtedness of the Participant within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Participant and will not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Participant within the meaning Section 20(4) of Article X of the State Constitution.

No Right to Compel Payment of Additional Rent by State or Another Participating Institution (Section 5.06)

The Participant will have no right to compel the State or any Sublessee or Participating Institution to pay Rent under the 2008 Lease or Rent under any Sublease or Participation Agreement and neither the State nor any such Sublessee or other Participating Institution will have any liability to the Participant for a failure by the State or any such Sublessee or other Participating Institution to pay Rent payable under the 2008 Lease or to pay Rent payable under any such Sublease or Participation Agreement for any reason.

Further Assurances and Corrective Instruments (Section 9.01)

So long as the Participation Agreement is in full force and effect and no Event of Nonappropriation or Event of Default will have occurred, the State and the Participant will have full power to carry out the acts and agreements provided in the Participation Agreement and the Participant and the State, at the written request of the other, will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Participation Agreement and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of the Participation Agreement.

Tax Covenant of Participant (Section 9.04)

The Participant will not use or permit others to use its Project in a manner that would cause interest on the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book income" for the purpose of computing the alternative minimum tax imposed on such corporations).

Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations (Section 9.05)

The Additional Rent that may be payable by the Participant in accordance with Section 5.02 of the Participation Agreement will include the Participant's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2008 Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Deeds, the Participation Agreements, the Subleases or any matter related to the Participation Agreement, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.07 of the 2008 Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

Investment of Funds (Section 9.06)

By authorizing the execution and delivery of the Participation Agreement, the Participant specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

Disclaimer of Warranties (Section 10.01)

In no event is the State to be liable for any incidental, special or consequential damage in connection with or arising out of the Participation Agreement or the existence, furnishing, functioning or use by the Participant of any item, product or service provided for in the Participation Agreement.

Financial Obligations of State Limited to Trust Estate (Section 10.02)

Notwithstanding any other provision of the Participation Agreement, all financial obligations of the State under the Participation Agreement are limited to the Trust Estate.

Events of Default Defined (Section 11.01)

(a) Any of the following will constitute an "Event of Default" under the Participation Agreement:

(i) failure by the Participant to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates;

(ii) failure by the Participant to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied will be given to the Participant by the State, unless the State consents in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State will not withhold its consent to an extension of such time if corrective action will be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this section are subject to the following limitations:

(i) the Participant will be obligated to pay Additional Rent only during the Participation Agreement Term; and

(ii) if, by reason of Force Majeure, the Participant is unable in whole or in part to carry out any agreement on its part in the Participation Agreement contained, other than its obligation to pay Additional Rent under the Participation Agreement, the Participant will not be deemed in default during the continuance of such inability; provided, however, that the Participant is to, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Participant from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances will be solely within the discretion of the Participant.

Remedies on Default (Section 11.02)

Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps:

(a) terminate the Participation Agreement Term;

(b) recover from the Participant the portion of Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Participant's Governing Body, but only to the extent such Additional Rent is payable prior to the date;

(c) enforce any provision of the Participation Agreement by equitable remedy; and

Limitations on Remedies (Section 11.03)

A judgment requiring a payment of money may be entered against the Participant by reason of an Event of Default only as to the Participant's liabilities described in Section 11.02(c) of the Participation Agreement.

No Remedy Exclusive (Section 11.04)

Subject to Section 11.03 of the Participation Agreement, no remedy in the Participation Agreement conferred upon or reserved to the State is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given under the Participation Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Participant to exercise any remedy reserved in the Participation Agreement, it will not be necessary to give any notice, other than such notice as may be required in of the Participation Agreement.

Waivers (Section 11.05)

The State, with the consent of the Trustee, may waive any Event of Default under the Participation Agreement and its consequences. In the event that any agreement contained in the Participation Agreement should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under the Participation Agreement.

Binding Effect (Section 13.01)

The Participation Agreement will inure to the benefit of and will be binding upon the Participant and the State and their respective successors and assigns.

Interpretation and Construction (Section 13.02)

The Participation Agreement and all terms and provisions of the Participation Agreement will be liberally construed to effectuate the purposes set forth in the Participation Agreement to sustain the validity of the Participation Agreement. For purposes of the Participation Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in the Participation Agreement to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of the Participation Agreement. '

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined in the Participation Agreement have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held under the Participation Agreement.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Acknowledgement of and Subordination to 2008 Lease and Indenture (Section 13.03)

The Participant has received copies of, and acknowledges the terms of, the 2008 Lease and the Indenture and agrees that its rights under the Participation Agreement are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2008 Lease and the Indenture.

Trustee, State and Participant's Participating Institution Representatives (Section 13.04)

Whenever under the provisions of the Participation Agreement the approval of the Trustee, the State or the Participant is required, or the Trustee, State or the Participant is required to take some action at the request of the other, unless otherwise provided, such approval or such request will be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Participant by the Participant's Participating Institution Representative and the Trustee, the State and the Participant will be authorized to act on any such approval or request.

No Individual Liability (Section 13.06)

All covenants, stipulations, promises, agreements and obligations of the State or the Participant, as the case may be, contained in the Participation Agreement will be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Participant, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Participant in his or her individual capacity, and no recourse will be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the Participation Agreement, against any member, director, officer, employee, servant or other agent of the State or the Participant or any natural person executing the Participation Agreement or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Amendments, Changes and Modifications (Section 13.07)

Except as otherwise provided in the Participation Agreement, the Participation Agreement may only be amended, changed, modified or altered by a written instrument executed by the State and the Participant.

State May Rely on Certifications, Representations and Agreements of Participant (Section 13.08)

The State may rely on the certifications, representations and agreements of the Participant in the Participation Agreement (including any Exhibit to the Participation Agreement) and may assume that the Participant will perform all of its obligations under the Participation Agreement for purposes of making certifications, representations and agreements to and with the Trustee in the 2008 Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates, the Projects, the Leases, the Site Leases, the Certificates, the Indenture or any matter related thereto.

Events Occurring on Days that are not Business Days (Section 13.09)

If the date for making any payment or the last day for performance of any act or the exercising of any right under the Participation Agreement is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Participation Agreement.

Severability (Section 13.12)

In the event that any provision of the Participation Agreement, other than the obligation of the Participant to pay Rent under the Participation Agreement, will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of the Participation Agreement.

Applicable Law (Section 13.14)

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, will be applied in the interpretation, execution and enforcement of the Participation Agreement. Any provision of the Participation Agreement, whether or not incorporated in the Participation Agreement by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations will be considered null and void. Nothing contained in any provision of the Participation Agreement or incorporated in the Participation Agreement by reference which purports to negate this section in whole or in part will be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the Participation Agreement to the extent that the Participation Agreement is capable of execution. At all times during the performance of the Participation Agreement, the Participant will strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Non-Discrimination (Section 13.17)

The Participant agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Vendor Offset (Section 13.18)

Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Indenture

Trust Estate (Section 1.01)

The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are acknowledged under the Master Indenture, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered the Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth in the Indenture all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents: (a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of each Lease including, but not limited to, the terms of such Lease permitting the existence of Permitted Encumbrances; (b) all rights, title and interest of the Trustee in, to and under each Lease (other than the Trustee's rights to payment of its fees and expenses under such Lease and the rights of third parties to Additional Rent payable to them under such Lease); (c) all Base Rent payable pursuant to each Lease; (d) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price); (e) all money and securities from time to time held by the Trustee under the Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (f) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Indenture, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms of the Indenture.

Discharge of Indenture (Section 1.02)

If the Master Indenture is discharged in accordance with Section 9.01 of the Master Indenture, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise the Master Indenture is to be and remain in full force and effect.

Certificates Secured on a Parity Unless Otherwise Provided (Section 1.03)

The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

Limited Obligations (Section 1.04)

(a) Payment of Rent and all other payments by the State under the Leases shall constitute currently appropriated expenditures of the State and shall be paid solely from the Higher Education Federal Mineral Lease Revenues Fund and any moneys in the Higher Education Institutions Lease Purchase Cash Fund. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

(b) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Participation Agreement, any Deed, any Site Lease or any other document or instrument shall 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 Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) 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 Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this section are expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this section.

Certificates Constitute a Contract (Section 1.05)

The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

Authorization, Name and Amount (Section 2.01)

No Certificates may be executed and delivered under the Master Indenture except in accordance with this Article. The Certificates shall be named State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, followed by a Series designation selected by the

State. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

Purpose, Payment, Authorized Denominations and Numbering (Section 2.02)

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 of the Master Indenture, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

Form of Certificates (Section 2.03)

The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with the Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

Execution and Authentication of Certificates (Section 2.04)

The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered under the Master Indenture. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Mutilated, Lost, Stolen or Destroyed Certificates (Section 2.05)

In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as it and the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates (Section 2.06)

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is appointed the registrar for the Certificates under the Indenture. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise provided in the Indenture with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise provided in the Indenture with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as provided in the Indenture. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

Cancellation of Certificates (Section 2.07)

Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to the Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 of the Master Indenture, such Certificate shall be promptly cancelled by the Trustee.

Negotiability (Section 2.08)

Subject to the registration provisions of the Indenture, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

Execution and Delivery of Supplemental Indenture, Deed or Site Lease, Lease, Amendment to Deed, Site Lease or Lease and Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds (Section 2.10)

If the conditions set forth in Section 2.09 of the Master Indenture have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Deed or Site Lease, any Lease, any amendment to any existing Deed, Site Lease or Lease and any defeasance escrow agreement provided to it pursuant to Section 2.09 of the Master Indenture in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

Certificate Fund (Section 3.01)

(a) *Creation of Certificate Fund.* A special fund is created and established with the Trustee designated the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation Certificate Fund (the "Certificate Fund"), which shall be used to pay the principal of, premium, if any, and interest on the Certificates. Within the Certificate Fund there are created under the Master Indenture an Interest Account and a Principal Account which are to be used as set forth in subsection (d) of this section**.**

(b) *Deposits into Interest Account of Certificate Fund*. There shall be deposited into the Interest Account of the Certificate Fund (i) all accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (ii) that portion of each payment of Base Rent by the State which is designated and paid as the interest component thereof under the applicable Lease; (iii) any moneys transferred to the Interest Account of the Certificate Fund from the State Expense Fund pursuant to Section 3.03(c) of the Master Indenture; and (iv) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account of the Certificate Fund.

(c) *Deposits into Principal Account of Certificate Fund*. There shall be deposited into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rent by the State which is designated and paid as the principal component thereof under the applicable Lease; (ii) any moneys transferred to the Principal Account of the Certificate Fund from the State Expense Fund pursuant to Section 3.03(c) of the Master Indenture; and (iii) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account of the Certificate Fund.

(d) *Use of Moneys in Certificate Fund*. Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of interest on the Certificates and moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of and premium, if any, due on the Certificates; provided that (i) in the event that there are any remaining moneys in the Interest Account upon payment of the interest due on the Certificates, such moneys may be used for the payment of principal of and premium, if any, due on the Certificates; (ii) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any series of Certificates shall be used solely to pay the first interest due on such Certificates; (iii) the State's Purchase Option Price and any other moneys transferred to the Certificate Fund with specific instructions that such moneys be used to pay the principal of or interest on, the redemption price of or the costs of defeasing particular Certificates shall be used solely for such purpose; and (iv) all moneys in the Certificate Fund shall be available to pay the redemption price of Certificates in connection with a redemption of all the Certificates and to pay the principal of, premium, if any, and interest on any Certificates following an Event of Default or Event of Nonappropriation.

Capital Construction Fund (Section 3.02)

(a) *Creation of Capital Construction Fund*. A special fund is created and established under the Master Indenture with the Trustee designated the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed for each Participating Institution with proceeds of each Series of Certificates. The names of the Project Accounts for the Projects to be financed with proceeds of each Series of Certificates shall include the Series designation of such Series of Certificates. The Trustee may establish such additional accounts within the Capital Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) *Deposits into Accounts of Capital Construction Fund.*

(i) Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates. When the State designates the amount of proceeds from the sale of a Series of Certificates to be deposited into a Project Account, it shall also designate the Allocated Investment Earnings, if any, for such Project Account.

(ii) Earnings from the investment of moneys in all the Project Accounts when received shall be aggregated and allocated among the Project Accounts in proportion to the ratio of (A) the Allocated Investment Earnings for each Project Account that have not previously been deposited into such Project Account pursuant to this paragraph to (B) the Allocated Investment Earnings for all Project Accounts that have not previously been deposited into the Project Accounts pursuant to this paragraph. The amount of investment earnings so allocated to a Project Account shall be deposited into such Project Account until the amount so deposited equals the Allocated Investment Earnings for such Project Account. After the amount of investment earnings allocated to a Project Account exceeds the Allocated Investment Earnings for such Project Account, the excess shall be deposited into the State Expense Fund.

(iii) There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(iv) Notwithstanding any other provision in the Master Indenture, the State may, at any time, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account.

(c) *Use of Moneys in Costs of Issuance Account*. Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the Project Accounts or the State Expense Fund as directed by the State.

(d) *Use of Moneys in Project Accounts.*

(i) Moneys held in each Project Account shall be disbursed to the State to pay, or reimburse the State for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached as Appendix A to the Master Indenture, signed by the State Representative and certifying that: (A) no Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease; (B) all conditions set forth in the Sublease or Participation Agreement of the Participating Institution for which the Project Account was established for the withdrawal of available money from the Higher Education Institutions Lease Purchase Cash Fund to pay, or reimburse the State for the payment of, the particular Costs of the Project to which such requisition relates have been satisfied; and (C) if the moneys to be disbursed pursuant to the requisition are to be used to pay, or reimburse the State for the payment of, Costs of the Project incurred in connection with the acquisition of any real estate included in or to be added to the Leased Property: (I) the Trustee owns such real estate free and clear of encumbrances other than Permitted Encumbrances and (II) the Fair Market Value of such real estate is at least equal to the amount to be disbursed from the Project Account. The certifications by the State pursuant to clause (C) may be made based and in reliance upon certification from the Sublessee that deeded or leased the Leased Property to the Trustee pursuant to a Deed or Site Lease.

(ii) If an Event of Default or Event of Nonappropriation shall have occurred, the Trustee, as it deems appropriate in the best interests of the Owners, shall either disburse moneys held in the Project Accounts as provided in paragraph (i) above or apply such moneys as provided in Article VII of the Master Indenture.

(iii) Upon the receipt by the Trustee of a Completion Certificate, the remaining moneys held in such Project Account shall be transferred by the Trustee to the State Expense Fund.

State Expense Fund (Section 3.03)

(a) *Creation of State Expense Fund.* A special fund is created and established with the Trustee under the Master Indenture designated as the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation State Expense Fund (the "State Expense Fund")

(b) *Deposits into State Expense Fund*. There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates, proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) earnings from the investment of moneys in the Project Accounts allocated to such Project Account pursuant to Section 3.02(b)(ii) the Master Indenture, to the extent the earnings so allocated exceed the Allocated Investment Earnings for such Project Account; (iii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital

Construction Fund pursuant to Section 3.02(c) the Master Indenture; (iv) any moneys transferred to the State Expense Fund from a Project Account pursuant to Section 3.02(d)(iii) the Master Indenture; (v) any moneys deposited in the State Expense Fund from moneys that the State withdraws from the Higher Education Institutions Lease Purchase Cash Fund pursuant to a Sublease or Participation Agreement; and (vi) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) *Use of Money in the State Expense Fund*. Moneys held in the State Expense Fund shall be applied by the Trustee as directed in writing by the State to: (i) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Deeds, the Subleases, the Participation Agreements or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (ii) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; (iii) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such Fund; and (iv) pay the Costs of any Approved Project, including, but not limited to, any Approved Project for a Participating Institution that is not a Sublessee.

Rebate Fund (Section 3.04)

(a) *Creation of Rebate Fund*. A special fund is created and established under the Master Indenture with the Trustee designated the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Capital Construction Fund Rebate Fund (the "Rebate Fund"). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) *Deposits into Rebate Fund*. There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) the Master Indenture; (ii) all amounts paid by the State pursuant to this section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) *Use of Moneys in Rebate Fund*. Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State reserves the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) *Administration of Rebate Fund.* The State, in the Leases, will agree make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to Subsection (b) of this section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause the interest on the related Series of Certificates to be includible in the gross income of the recipients thereof for purposes of federal income taxation. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund. Records of the determinations required by this section with respect to each Series of Certificates and the related account of the Rebate Fund that are delivered to the Trustee and the investment instructions must be retained by the Trustee until six years after the final retirement of the related Series of Certificates.

(e) *Payment by State*. The State will agree in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

Nonpresentment of Certificates (Section 3.05)

In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

Moneys to be Held in Trust (Section 3.06)

The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 the Master Indenture and the accounts and subaccounts thereof, any other fund or account created under the Indenture shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms the Indenture and the Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) the Master Indenture. Any escrow account established pursuant to Section 9.01 the Master Indenture shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Repayment to the State from Trustee (Section 3.07)

After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid under the Indenture, any remaining amounts held by the Trustee under the Indenture shall be paid to the State.

Redemption Provisions Set Forth in Supplemental Indentures (Section 4.01)

The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

Notice of Redemption (Section 4.03)

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States certified or registered first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Redemption Payments (Section 4.03)

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

Cancellation (Section 4.04)

All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 of the Master Indenture.

Delivery of New Certificates Upon Partial Redemption of Certificates. Section 4.05. Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

Investment of Moneys (Section 5.01)

All moneys held as part of any fund, account or subaccount created under the Indenture shall, subject to Sections 5.02 and 6.04 the Master Indenture, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment under the Indenture, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation under the Master Indenture.

Except as otherwise provided below or by Article III the Master Indenture, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence: (i) Earnings from investments of moneys held in the Project Accounts shall be deposited as provided in Section 3.02(b)(ii) the Master Indenture; (ii) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 the Master Indenture; and (iii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 the Master Indenture shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose under the Indenture, investments shall be valued at their Fair Market Value.

Tax Certification (Section 5.02)

The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under the Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be knowingly deposited or invested in a manner which will be a violation of Section 6.04 the Master Indenture.

Duties of the Trustee (Section 6.02)

The Trustee accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care applicable to trustees of tax exempt bond issues under State law.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust of the Indenture and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts of the Indenture. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital in the Indenture or any Certificate, Supplemental Indenture, Lease, Sublease or Participation Agreement or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered under the Indenture or intended to be secured thereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms of the Indenture required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision of the Indenture, the Trustee shall not be required to advance any of its own funds in the performance of its obligations under the Indenture unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision of the Indenture, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

Maintenance of Existence; Performance of Obligations (Section 6.03)

The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases, the Site Leases or the Deeds, and any other instrument or other arrangement to which it is a party.

Tax Covenant (Section 6.04)

The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property if the State has informed the Trustee in writing that such action or omission would cause interest on any of the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met. The covenants set forth in this section shall not, however, apply to any Series of Certificates if, at the time of execution and delivery, the interest on such series of Certificates is intended to be subject to federal income tax.

Sale or Encumbrance of Leased Property (Section 6.05)

As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

Rights of Trustee under Leases, Deeds and Site Leases (Section 6.06)

The Trustee covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases, the Deeds and the Site Leases. Wherever in any Lease, Deed or Site Lease it is stated that the Trustee shall be notified or wherever any Lease, Deed or Site Lease gives the Trustee some right or privilege, such part of such Lease, Deed or Site Lease shall be as if it were set forth in full in the Indenture.

Defense of Trust Estate (Section 6.07)

The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under the Indenture against all claims and demands of all Persons whomsoever.

Compensation of Trustee (Section 6.08)

During the Lease Term for each Lease, the Trustee shall be entitled to compensation in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee under the Master Indenture. The rights of the Trustee to payments pursuant to this section shall be superior to the rights of the Owners with respect to the Trust Estate.

Resignation or Replacement of Trustee (Section 6.09)

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations under the Indenture or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act under the Indenture, having a capital and surplus of not less than $50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee under the Indenture, lessor under the Leases, lessee under the Site Leases and grantee under the Deeds, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate; and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases, the Site Leases and the Deeds, with like effect as if originally named as Trustee in the Indenture and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee; (B) an instrument in which the previous trustee resigns as trustee under the Indenture, as lessor under the Leases, as lessee under the Site Leases and as grantee under the Deeds; and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts expressed in the Indenture, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases, the Site Leases and the Deeds in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Indenture, together with all other instruments provided for in this section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease, the Site Leases and/or the Deeds shall have been filed and/or recorded.

Conversion, Consolidation or Merger of Trustee (Section 6.10)

Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties to the Master Indenture or thereto, anything in the Master Indenture or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Intervention by Trustee (Section 6.11)

In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding.

Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation (Section 7.01)

Upon the occurrence of an Event of Default or Event of Nonappropriation, subject to the terms of the Subleases granting each Sublessee the option to purchase the Leased Property subject to its Sublease: (a) the Trustee shall be entitled to apply any moneys in any of the funds or accounts created under the Indenture (except the Rebate Fund and any defeasance escrow accounts established pursuant to Section 9.01 the Master Indenture) to the payment of the principal of, premium, if any, and interest on the Certificates when due; (b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues in similar circumstances); and (c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

Remedies of Trustee Upon Material Breach by Sublessee of Site Lease or Deed (Section 7.02)

Upon a material breach by the Sublessee of a Site Lease or Deed, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado tax exempt bond issues in similar circumstances).

Failure to Perform by Trustee (Section 7.03)

Any of the following shall constitute a Failure to Perform: (a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation; (b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 the Master Indenture; and (c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance.

Remedies of Owners Upon a Failure to Perform (Section 7.04)

Subject to the other provisions of the Indenture, upon the occurrence of any Failure to Perform, the Owner of any Certificate may: commence proceedings in any court of competent jurisdiction to enforce the provisions of the Indenture against the Trustee; subject to Section 6.09 the Master Indenture, cause the Trustee to be removed and replaced by a successor trustee; and subject to Section 7.05 the Master Indenture, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

Limitations Upon Rights and Remedies of Owners (Section 7.05)

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Leases, the Site Leases or the Deeds, unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease or Deed has occurred of which the Trustee has been notified as provided in Section 6.02(g) the Master Indenture, or of which by Section 6.02(g) the Master Indenture it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues in similar circumstances; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

Majority of Owners May Control Proceedings (Section 7.06)

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Leases, the Site Leases, the Deeds or the Indenture, or for the appointment of a receiver, and any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the Indenture.

Trustee to File Proofs of Claim in Receivership, Etc (Section 7.07)

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under the Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Trustee May Enforce Remedies Without Certificates (Section 7.08)

The Trustee may enforce its rights and remedies under the Leases, the Site Leases, the Deeds and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions of the Master Indenture.

No Remedy Exclusive (Section 7.09)

No right or remedy available under Article VII of the Master Indenture or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute.

Waivers (Section 7.10)

The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed and its consequences, and, notwithstanding anything else to the contrary contained in the Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Owners and the State shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed or impair any right consequent thereon.

Delay or Omission No Waiver (Section 7.11)

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No Waiver of Default or Breach to Affect Another (Section 7.12)

No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform or shall impair any rights or remedies consequent thereon.

Position of Parties Restored Upon Discontinuance of Proceedings (Section 7.13)

In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases, the Deeds or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price (Section 7.14)

Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the Sublessees' purchase options set forth in the Subleases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and the Indenture and the taking of all other courses of action permitted in the Indenture or therein.

Use of Moneys Received from Exercise of Remedies (Section 7.15)

(a) Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default or Event of Nonappropriation shall be applied in the following order of priority: (i) *First*, to pay Additional Rent due to third parties other than the Trustee; (ii) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.06 of the 2008 Lease and similar provisions of other Leases; (iii) *Third*, to make payments to the Owners of the Certificates in accordance with subsection (b) of this section; and (iv) *Fourth*, any remaining moneys shall be paid to the State.

(b) Moneys to be applied to make payment to the Owners of the Certificates pursuant to subsection (a)(iii) of this section shall be applied in the following amounts and in the following order of priority: (i) *First*, an amount equal to the interest component of Base Rent due under the Leases, plus interest on past due interest at the interest rate borne by the related Certificates, shall be paid to the Owners of the Certificates. If the amount available is not sufficient to pay all interest due to the Owners of the Certificates pursuant to the preceding sentence, the amount available shall be applied to pay such interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be paid to the Owners of the Certificates in proportion to the amount that would have been paid to them if the amount available had been sufficient; (ii) *Second*, an amount equal to the principal component of Base Rent due under the Leases shall be paid to the Owners of the Certificates. If the amount available is not sufficient to pay all principal due to the Owners of the Certificates pursuant to the preceding sentence, the amount available shall be applied to pay such principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all such principal due on a particular principal payment date, the amount available shall be paid to the Owners of the Certificates in proportion to the amount of principal due to them on such principal payment date. For purposes of this section, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal; and (iii) *Third*, an amount equal to the premium, if any, that would have been paid to the Owners of Certificates if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection shall be paid to the Owners of the Certificates on which a premium would have been paid had their Certificates been redeemed prior to maturity on such date. If the amount available is not sufficient to pay an amount equal to all such premiums, the amount available shall be paid to the Owners of the Certificates in proportion to the amount that would have been paid to them had the amount available been sufficient.

Supplemental Indentures Not Requiring Consent of Owners (Section 8.01)

The Trustee may, without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes: (a) to amend, modify or restate the Glossary attached to the Master Indenture in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions the Master Indenture, the Leases, the Deeds or the Site Leases; (b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee; (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable; (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases; (e) to subject to the Indenture additional revenues, properties or collateral; (f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates pursuant to Article III the Master Indenture; (g) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes interest on the Certificates; or (h) to effect any other changes in the Indenture which do not materially adversely affect the rights of the Owners.

Supplemental Indentures Requiring Consent of Owners (Section 8.02)

(a) Exclusive of Supplemental Indentures under Section 8.01 the Master Indenture, the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing in the Indenture shall permit, or be construed as permitting: (i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate; (ii) the deprivation as to the Owner of any Certificate Outstanding of the lien created by the Indenture (other than as originally permitted in the Master Indenture); (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted in the Indenture; or (iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in subsection (a) of this section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Execution of Supplemental Indenture (Section 8.03)

Any Supplemental Indenture executed and delivered in accordance with the provisions of Article VIII of the Master Indenture shall thereafter form a part of the Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of the Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease Purchase Act and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Certificates.

Amendments of Leases, Site Leases or Deeds Not Requiring Consent of Owners (Section 8.04)

The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease, Site Lease or Deed as, as determined by the State, may be required: by the provisions of the Leases, the Indenture, the Site Leases or the Deeds; for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture, the Site Leases or the Deeds; in order more precisely to identify the Leased Property; or to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases, the Site Leases or the Deeds; in connection with the execution and delivery of any Series of Certificates; in connection with the redemption of any Certificates; in connection with any Supplemental Indenture permitted by the Indenture; to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes of interest on the Certificates; to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III the Master Indenture, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates; to effect any change to any Project permitted by the Lease Purchase Act; to effect any other change in any Lease, Site Lease or Deed which does not materially adversely affect the rights of the Owners.

Amendments of Leases, Site Leases or Deeds Requiring Consent of Owners (Section 8.05)

Except for the amendments, changes or modifications permitted by Section 8.04 the Master Indenture, the Trustee shall not consent to any other amendment, change or modification of any Leases, Site Lease or Deed without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 the Master Indenture. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease, Site Lease or Deed, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 the Master Indenture. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

Execution of Amendment of Lease, Site Lease or Deed (Section 8.06)

As a condition to executing any amendment to any Lease, Site Lease or Deed of Trust, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease, Site Lease or Deed, as applicable, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Certificates.

Discharge of Indenture (Section 9.01)

(a) If, when the Certificates shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to the Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under the Indenture, except any escrow accounts theretofore established pursuant to this section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV the Master Indenture, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of the Indenture pursuant to this section or the defeasance of any Certificates pursuant to this section becoming effective, there shall have been delivered to the Trustee: (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not constitute a violation by the Trustee of its tax covenant in Section 6.04 of the Indenture.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

Further Assurances and Corrective Instruments (Section 9.02)

So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be requested by the State for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

Financial Obligations of Trustee Limited to Trust Estate (Section 9.03)

Notwithstanding any other provision of the Master Indenture, all financial obligations of the Trustee under the Indenture, except those resulting from its negligence or willful misconduct, are limited to the Trust Estate.

Evidence of Signature of Owners and Ownership of Certificates (Section 9.04)

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise in the Master Indenture expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Parties Interested In the Master Indenture (Section 9.05)

Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

Trustee Representative (Section 9.06)

Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

Titles, Headings, Etc (Section 9.07)

The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions of the Master Indenture.

Interpretation and Construction (Section 9.08)

The Master Indenture and all terms and provisions of the Master Indenture shall be liberally construed to effectuate the purposes set forth in the Master Indenture to sustain the validity of the Master Indenture. For purposes of the Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in the Master Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles,

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined in the Master Indenture have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held under the Master Indenture.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

No Individual Liability (Section 9.10)

All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the Master Indenture, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Events Occurring on Days that are not Business Days (Section 9.11)

If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

Severability (Section 9.13)

In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Master Indenture.

Applicable Law (Section 9.14)

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision of the Master Indenture or incorporated in the Indenture by reference which purports to negate this section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

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APPENDIX C

Form of Continuing Disclosure Undertaking

$230,845,000

STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION
LEASE PURCHASE FINANCING PROGRAM
CERTIFICATES OF PARTICIPATION, SERIES 2008

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by THE STATE OF COLORADO, acting by and through the State Treasurer (the "Lessee"), in connection with the issuance of $230,845,000 of the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the "Certificates") evidencing proportionate and undivided interests in the right to receive certain revenues payable under a Series 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "2008 Lease"), by and between the Lessee and Wells Fargo Bank, National Association, solely in its capacity as Trustee (the "Trustee") under the Master Trust Indenture and the Series 2008 Supplemental Trust Indenture, each dated as of November 6, 2008 (collectively, the "Indenture") by the Trustee, as Lessor.

The Lessee covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Lessee for the benefit of the owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the State of Colorado, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under **Appendix E –** "THE STATE GENERAL FUND," **Appendix F** – "HIGHER EDUCATION FEDERAL MINERAL LEASE REVENUES FUND," and **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

"Audited Financial Statements" means the annual financial statements for the State of Colorado, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants or the State Auditor.

"Events" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930.

"National Repository" means at the Lessee's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www. DisclosureUSA.org.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

"Owner of the Certificates" means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Repository" shall mean each National Repository and any State Repository.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of Colorado as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository for the State of Colorado.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2009, and annually while the Certificates remain outstanding, the Lessee shall provide to each Repository Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the Lessee not later than 270 days after the end of each Fiscal Year. The Audited Financial Statements will be provided when available but in no event later than 210 days after the end of each Fiscal Year; provided however that, in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided as soon as they are available.

(c) The Lessee may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to each Repository or filed with the Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Lessee shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Certificates:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on any credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates.

7. Modifications to the rights of the security holders.

8. Certificate calls (other than mandatory sinking fund redemption).

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities.

11. Rating changes.

(b) At any time when the Certificates are Outstanding and the Lessee obtains knowledge of the occurrence of an Event, the Lessee shall determine if such Event would constitute material information for owners of Certificates, *provided*, that any Event under subsection (a)(7), (8) or (11) will always be deemed to be material.

(c) If the Lessee determines that knowledge of the occurrence of an Event would be material, the Lessee shall provide, in a timely manner, a notice of such occurrence to the MSRB and each State Repository. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates pursuant to the Indenture.

(d) At any time the Certificates are outstanding, the Lessee shall provide, in a timely manner, to the MSRB and the State Repository, notice of any failure of the Lessee to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the Lessee shall no longer constitute an "obligated person" with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the Lessee, including by an opinion of any attorney or firm of attorneys experienced in federal securities laws selected by the Lessee. The Lessee shall file a notice of any such termination with the Repository and the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Lessee may amend this Disclosure Certificate, and any provision of this Disclosure

Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the Lessee to each Repository and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Lessee shall provide notice of any such amendment or waiver to each Repository.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Lessee from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Lessee shall not be required to do so. If the Lessee chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Lessee shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the Lessee fails to comply with any provision of this Disclosure Certificate, any owner of the Certificates may take action to seek specific performance by court order to compel the Lessee to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the Lessee to so comply shall first provide at least 30 days' prior written notice to the Lessee of the Lessee's failure (giving reasonable details of such failure), following which notice the Lessee shall have 30 days to comply and, provided further, that only the owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the Lessee in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State of Colorado. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Lessee, the Participating Underwriters and owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: November 6, 2008

STATE OF COLORADO, acting by and through the State Treasurer

By:______________________________________
Title: Treasurer of the State of Colorado

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APPENDIX D

Form of Bond Counsel Opinion

November 6, 2008

State of Colorado, acting by and through the State Treasurer

Wells Fargo Bank, National Association

Citigroup Global Markets Inc.

RBC Capital Markets Corporation

Stifel Nicolaus and Company, Incorporated

$230,845,000
State of Colorado
Higher Education Capital Construction
Lease Purchase Financing Program
Certificates of Participation Series 2008

We have been engaged by the State of Colorado (the "State"), acting by and through the State Treasurer, to act as bond counsel in connection with the execution and delivery of the captioned certificates (the "Series 2008 Certificates"). The Series 2008 Certificates are being executed and delivered pursuant to a State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Master Trust Indenture and a State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2008 Supplemental Trust Indenture, each dated as of November 6, 2008 (collectively, the "Indenture") by Wells Fargo Bank, National Association, as trustee thereunder (the "Trustee"), and evidence undivided interests in the right to certain payments by the State under a State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "2008 Lease") by and between the Trustee, as lessor, and the State, acting by and through the State Treasurer, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined the Constitution and the laws of the State; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 4 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the 2008 Lease, the Indenture and the Series 2008 Certificates by the Trustee and have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion, dated the date hereof, of the Attorney General of the State with respect to the authorization, execution and delivery of the 2008 Lease and other matters (other than the enforceability of the 2008 Lease).

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the 2008 Lease.

2. The 2008 Lease has been duly authorized, executed and delivered and is a legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.

3. The Series 2008 Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2008 Certificates and the Indenture, from Base Rent payable by the State under the 2008 Lease, which payments include portions designated and paid as interest and principal, as provided in the 2008 Lease.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates (including any original issue discount properly allocable to certain of the Series 2008 Certificates) is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume compliance by the State, the 2008 Participating Institutions and the Trustee with certain requirements of the Code that must be met subsequent to the delivery of the Series 2008 Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of delivery of the Series 2008 Certificates. The State has covenanted in the 2008 Lease and the Tax Compliance Certificate executed and delivered in connection with the delivery of the Series 2008 Certificates, the 2008 Participating Institutions to which the State has subleased the 2008 Leased Property subject to the 2008 Lease have covenanted in their respective 2008 Subleases and the Trustee has covenanted in the Indenture to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008 Certificates, and we express no opinion as to the effect of any termination of the State's obligations under the 2008 Lease, under certain circumstances as provided in the 2008 Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2008 Certificates subsequent to such termination. We note, however, that the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations.

5. Under existing State statutes, to the extent the portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excluded from gross income for federal income tax purposes, such portion of the Base Rent paid by the State which is designated and paid as interest, as provided in the 2008 Lease, and received by the Owners of the Series 2008 Certificates, is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. We express no opinion regarding other tax consequences arising with respect to the Series 2008 Certificates under the laws of the State or any other state or jurisdiction, and we express no opinion as to the effect of any termination of the State's obligations under the 2008 Lease, under certain circumstances as provided

in the 2008 Lease, upon the treatment for State income tax purposes of any moneys received by the Owners of the Series 2008 Certificates subsequent to such termination.

The rights of the Owners of the Series 2008 Certificates and the enforceability of the Series 2008 Certificates and the 2008 Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth above and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the 2008 Lease, the Indenture or the Series 2008 Certificates against the Trustee; legal title to the 2008 Leased Property; the creditworthiness or financial condition of the State or the Trustee; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2008 Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the 2008 Lease.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 4 above, the other items described in the second paragraph hereof and the assumptions set forth herein; and we have no obligation to update or supplement this opinion based on or with respect to changes in any of such items or based on or with respect to other events or circumstances that occur after the date hereof.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2008 Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

Respectfully submitted,

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APPENDIX E

The State General Fund

General Fund Overview

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund.

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2002-03 through Fiscal Year 2006-07, preliminary information for Fiscal Year 2007-08, and the forecast for Fiscal Year 2008-09 from the most recent OSPB Revenue Forecast of November 1, 2008. The information in the Preliminary Official Statement was presented based on the OSPB's Revenue Forecast of September 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)					OSPB Forecast	
	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08[15]**	**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 [1]:	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 [2]	--	--	--	*1,116.1*	*1,308.2*	*1,171.5*	*1,195.8*
Deposit to the State Education Fund [1]	--	--	--	357.2	395.1	407.9	459.0
Gross General Fund Revenues plus Deposit to the State Education Fund [1]	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 [3]	--	--	--	(220.4)	(228.6)	(238.1)	(62.3)
Diversion to the Older Coloradans Program [4]	(3.0)	(2.3)	(1.5)	(2.8)	--	(5.0)	(8.0)
Transfer to the State Education Fund (net) [1]	(188.4)	(278.7)	(313.9)	--	--	--	--
Transfers to the General Fund [5]	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 [6]	--	--	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 [7]	--	--	--	--	--	--	--
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 [8]	134.7	112.8	110.7	153.4	164.6	173.8	159.5
Senior Homestead Exemption [9]	62.6	--	--	--	74.2	79.8	86.1
Transfers to Capital Construction [10, 14]	10.6	9.5	0.2	10.1	145.9	93.7	25.9
Transfer to Controlled Maintenance Trust Fund [11]	--	--	55.0	--	--	--	--
General Fund Payback [12]	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 [13]	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 [13, 14]	*5.6*	*81.2*	*65.3*	*291.1*	*166.2*	*27.9*	--
Reserved for Capital Construction [13, 14]	*2.8*	*40.6*	*32.7*	*145.6*	*83.1*	*14.0*	--

[1] 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.

[2] 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.*"

[3] When General Fund appropriations grow by 6.0%, 10.355% of sales and use taxes are diverted to the Highway Users Tax Fund per SB 97-1 and HB 00-1259.

[4] 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 39-26-123, C.R.S., $5.0 million shall be diverted to the Older Coloradans Cash Fund. Beginning in Fiscal Year 2008-09, this amount shall increase to $8.0 million per HB 08-1108.

[Footnotes continued on next page]

[5] 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.

[6] 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.

[7] 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.

[8] 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 Year 2003-04 and beyond.

[9] 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.

[10] 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..

[11] 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.

[12] 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.

[13] 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.

[14] 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.

[15] Though 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 OF COLORADO 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 <u>before</u> 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.

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."

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. The OSPB economic forecast for Fiscal Year 2008-09 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 equal $216.4 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 OF COLORADO 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 20th among the 50 states. In per capita terms, Colorado has the 10th 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 F** – "CERTAIN 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 Investments of the State Pool. The following table sets forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2007-08 and Fiscal Year 2008-09 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2007-08 to Date
(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	June-08	Jul-08	Aug-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	$ 291.8	$ 297.3
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	724.0	409.5
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	520.5	510.6
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	3,183.0	3,011.3
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	878.6	850.1
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	370.0	320.0
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	478.5	451.1
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	76.3	79.2
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	$6,522.7	$5,929.1

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

Source: State Treasurer's Office

APPENDIX F

Higher Education Federal Mineral Lease Revenues Fund

Creation of Funds; Transfers

Under Colorado statutes, all moneys, including any interest and income derived therefrom, received by the State Treasurer pursuant to the provisions of the Federal Mineral Land Leasing Act of February 25, 1920, as amended, except oil shale lease revenues (collectively, the "**Federal Mineral Lease Revenues**"), were required to be deposited into a special fund known as the mineral leasing fund (the "**Mineral Leasing Fund**") for use by State agencies, public schools and political subdivisions of the State as described in Section 34-63-102, Colorado Revised Statutes. See "Federal Mineral Lease Revenues" under this caption. The Mineral Revenues Act adopted during the 2008 session of the Colorado General Assembly established the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Maintenance and Reserve Fund and directed a portion of these Federal Mineral Lease Revenues for deposit to the two funds.

The Mineral Revenues Act provided that, on and after July 1, 2008, certain amounts deposited to the Mineral Leasing Fund shall be reallocated to the Higher Education Federal Mineral Lease Revenues Fund and the Higher Education Maintenance and Reserve Fund, and the amounts so deposited shall be used as provided therein. The reallocation of Federal Mineral Lease Revenues under the Mineral Revenues Act significantly altered the way that such Federal Mineral Lease Revenues will be allocated in the future, as described in "Allocations under Mineral Revenues Act" under this caption.

Under the Lease Purchase Act, the State Treasurer may enter into Leases for which the State may decide annually to appropriate and Rent shall be paid only from the Higher Education Federal Mineral Lease Revenues Fund, or from the Higher Education Institutions Lease Purchase Cash Fund into which Participating Institutions will make payments from time to time. The Acts allow for a transfer of moneys from the Higher Education Maintenance and Reserve Fund or from the State Public School Fund if the amount on deposit in the Higher Education Mineral Lease Revenues Fund is at any time insufficient to pay Rent when due under the Leases. Under the Lease Purchase Act, the Colorado General Assembly is also authorized to transfer moneys to the Higher Education Federal Mineral Lease Revenues Fund from any other sources, including the State's General Fund, in the event of such insufficient funds. See **Appendix E –** "THE STATE GENERAL FUND."

Federal Mineral Lease Revenues

When individuals or companies lease federal lands for development and production of coal, oil, natural gas and other minerals, the U.S. Department of Interior collects revenue in connection with those federal mineral leases, which are partially shared with the states in which the mineral production has occurred.

Three forms of revenue are collected by the United States government – bonus payments, rent and royalties. Lease holders competitively bid and initially pay a "bonus" to lease the land. Bonus payments consist of fixed, up-front payments to the United States government in consideration for granting a federal mineral lease, regardless of the company's extent of use of that mineral interest. Bonus payments are fixed and certain in amount, and do not include any compensation that varies with production. However, the level of revenues from bonus payments varies depending on the number of new leases offered by the federal government in the state and the bonus amount an individual or company is willing to pay for such a new lease. The number of leases and the size of the bonus payment for such leases will vary depending on competition and availability of alternative lease opportunities, price of the minerals to be produced on the land and the regulatory environment for developing such minerals.

The United States government also collects payments which are not bonus payments under the leases. They collect rent from lease holders for the right to develop and produce minerals on the land subject to the lease. Rents per acre of leased land vary depending on the minerals covered by the lease. In addition, the Bureau of Land Management is required to offer lands for oil and gas development and for coal production by competitive leasing, and to enter into noncompetitive leases only if no competitive bids are received, in each case subject to minimum rentals. Furthermore, revenues collected by the United States government under federal mineral leases also include royalties, which represent a percentage of the revenues received by the lease holder from the sale of minerals produced on the leased land. The level of royalties relating to a particular lease will vary depending on the type of mineral, the quantity of mineral production as well as the sale price of such mineral when valued at the time of sale. All of these factors can vary significantly. Factors affecting price and production levels can include, but are not limited to, access to transportation of the mineral, the regulatory environment and competition from mineral production opportunities in other states. While all federal mineral leases require the payment of rentals and productions royalties to the United States, the terms and conditions of the leases vary.

The portion of bonus payments, rent and royalties received by states from the United States government for federal mineral leases granted on public land in the state varies. Under current federal law, the State of Colorado receives 49% of the Federal Mineral Lease Revenues on most federal lands in the State. The Mineral Revenues Act provides for different allocations in the case of bonus payments as opposed to rent and royalty revenues. See "Allocations under Mineral Revenues Act" under this caption.

Allocations under Mineral Revenues Act

The Mineral Revenues Act requires that Federal Mineral Lease Revenues resulting from bonus payments will be distributed quarterly, and divides them equally between the newly created Local Government Permanent Fund and Higher Education Maintenance and Reserve Fund. Under the Mineral Revenues Act, Federal Mineral Lease Revenues in the Mineral Leasing Fund that are not the result of bonus payments (but rather represent rent and royalty revenues) are to be distributed quarterly to the State Public School Fund,[*] the Colorado Water Conservation Board ("**CWCB**") Construction Fund, and the Local Government Mineral Impact Fund up to certain levels. Specifically, for FY 2008-09 through FY 2010-11, 48.3% of the non-bonus revenues (up to a cap of $65 million) are to be transferred to the State Public School Fund. Beginning in FY 2011-12, the cap on the amount transferred to this fund is allowed to grow by 4% annually. Similarly for FY 2008-09, 10% of the non-bonus revenues (up to a cap of $14 million) is to be transferred to the CWCB Construction Fund. The cap on the amount transferred is allowed to grow by 4% annually in succeeding years. Beginning in FY 2008-09, 1.7% of the non-bonus revenues (up to a cap of $3.3 million which is allowed to grow 4% annually in succeeding years) are to be credited to the Local Government Mineral Impact Fund and distributed to school districts and 40.0% of the non-bonus revenues (without a cap) are also to be transferred to the Local Government Mineral Impact Fund. This money is, in turn, divided equally between Department of Local Affairs ("**DOLA**") direct distributions to impacted counties and DOLA grants.

[*] This Fund was established under Section 22-54-114, Colorado Revised Statutes, as amended, and should be distinguished from the Public School Fund which is the permanent fund created and held under Article IX, Section 3 of the Colorado State Constitution and Section 22-41-101, Colorado Revised Statutes, as amended.

Non-bonus revenues equaling 60% of the total Federal Mineral Lease Revenues to the extent such amounts exceed the caps on transfers to the State Public School Fund, CWCB Construction Fund and Local Government Mineral Impact Fund, respectively, as described in the previous paragraph ("**spillover amounts**") are required to be transferred, first to the Higher Education Federal Mineral Lease Revenues Fund up to the first $50 million annually, and then the remainder of such spillover amounts to the Higher Education Maintenance and Reserve Fund. The Mineral Revenues Act specifies that money in the Higher Education Federal Mineral Lease Revenues Fund may be annually appropriated by the Colorado General Assembly to directly pay for or pay the costs of financing prioritized capital construction projects at state institutions of higher education per the provisions of the Lease Purchase Act, and to the Department of Education ("**CDE**") for distribution to area vocational schools. Priority is to be given to institutions and vocational schools in energy impacted areas, and only projects used for academic purposes are eligible.

The Higher Education Maintenance and Reserve Fund is to consist of half of the bonus payments and any spillover amounts in excess of the $50 million to be deposited to the Higher Education Federal Mineral Lease Revenues Fund from non-bonus revenues as described in the previous paragraph. The principal in this fund is required to remain in the fund provided that the Colorado General Assembly is authorized to annually appropriate income and interest from this fund for prioritized controlled maintenance projects included in the Colorado Commission on Higher Education's five-year capital improvements program and for transfer to the Higher Education Federal Mineral Lease Revenues Fund if there are insufficient amounts on deposit therein for payment of Rent as due under the Leases. Furthermore, if based on the Legislative Council's most recent forecast, projected General Fund revenue is insufficient to maintain the required 4% General Fund reserve, the Lease Purchase Act allows the General Assembly to make supplemental appropriations to offset reductions in General Fund appropriations for operating expenses of state institutions of higher education.

Historical Federal Mineral Lease Revenues

Federal mineral leases in Colorado involve the lease of land for development of coal, oil, natural gas and other minerals. The level of revenues has been greatest during recent years from leases for the development of natural gas, a substantial portion of which are in northwestern Colorado. The State believes that the regulatory environment applicable to federal mineral leases in Colorado is stable and conducive to continued leasing of federal lands for mineral development and production. The following table shows the Federal Mineral Lease Revenues that have been received by the State Treasurer pursuant to Section 34-63-102, Colorado Revised Statutes, as amended, and deposited to the Mineral Leasing Fund during the past five federal fiscal years.

Historical Federal Mineral Lease Revenues Received by the State
(Amounts expressed in millions)

Federal Year	Natural Gas and Oil	Coal	Other Production	Total Non-Bonus Amounts	Bonus Payments	Total State Receipts
2003	$26.63	$12.28	$4.41	$47.25	$6.70	$ 53.95
2004	44.14	19.37	8.35	75.85	4.69	80.53
2005	68.44	16.98	4.03	92.89	13.76	106.65
2006	104.88	22.83	0.58	131.65	15.55	147.19
2007	85.40	22.16	0.26	112.23	10.66	122.89

Source: http://www.mrm.mms.gov/MRMWebStats/Home.aspx

As shown in the federal fiscal year receipts table above, the Federal Mineral Lease Revenues received by Colorado have been increasing over the years with the increase in natural gas production on federal lands in the State. These revenues have also been cycling with the business cycle in the price of natural gas. In future years, the State believes that production of natural gas on federal leases will increase and that the market price of this natural gas will cycle widely with a general upward trend. However, there is no assurance that these expectations as to increased production or market price will materialize. Among other things, these expectations depend on some increase in the interstate pipeline capacity to carry Colorado gas to markets. They also depend on financial and regulatory facilitation of new natural gas drilling, processing and transportation development within the State. There is no certainty that Federal Mineral Lease Revenues available in future years will meet these expectations, or even meet current levels.

Pro Forma Deposits to Higher Education Federal Mineral Lease Revenues Fund

For Fiscal Year 2008-2009, the Mineral Revenues Act provides for an allocation of the non-bonus revenues based on the distributions described in "Allocations under Mineral Revenues Act" under this caption. Based on the level of Federal Mineral Lease Revenues received by the State during Fiscal Year 2007-2008 of $153.8 million (which includes bonus payments and non-bonus amounts) and certain assumptions including those described in this **Appendix F**, the State currently expects that such Federal Mineral Lease Revenues to be received during Fiscal Year 2008-2009 will be approximately $196 million (based on an estimated $400 million in federal mineral lease collections by the federal government for Fiscal Year 2008-2009 and a 49% payment rate to the State). The State estimates that $14 million of this amount will be revenues resulting from bonus payments and $182 million will be revenues resulting from non-bonus payments. Assuming that these estimates and assumptions as to the Federal Mineral Lease Revenues to be received by the State during Fiscal Year 2008-2009 are accurate, the Mineral Revenues Act would result in an allocation of the non-bonus revenues (estimated at $182 million) as follows:

Pro Forma Allocation
Based on Estimated Fiscal Year 2008-2009 Non-Bonus Revenues of $182 Million

	Statutory Percentage of Non-Bonus Revenues	Calculation based on Statutory Percentage(1)	Statutory Cap	Estimated Fund Deposit(1)	Estimated Spillover Amount Deposit(2)
Local Government Mineral Impact Fund	40.0%	$73 million	$ NA	$ 73 million	$ NA
Distribution Program Direct Distribution	1.7	3 million	3.3 million	3 million	NA
State Public School Fund	48.3	88 million	65 million	65 million	23 million
CWCB Construction Fund	10.0	18 million	14 million	14 million	4 million
	100.0%			$155 million	$27 million (1)(3)

(1) These calculations have been made by applying the statutory percentage to the estimated Fiscal Year 2008-2009 non-bonus revenues of $182 million, which may or may not be received by the State. See "FORWARD LOOKING STATEMENTS." Subject to change.

(2) Assuming Federal Mineral Lease Revenues estimated to be received by the State for Fiscal Year 2008-2009 are realized, this amount of $27 million would spill over for deposit to the Higher Education Mineral Lease Revenues Fund. The Fiscal Year 2008-2009 estimate for such Federal Mineral Lease Revenues is based on numerous assumptions which may not be met. Accordingly, there is no certainty that such Federal Mineral Lease Revenues will be received by the State in Fiscal Year 2008-2009 and that any spillover amount will be available for deposit during such Fiscal Year or in future years. Subject to change.

(3) Estimated deposit to the Higher Education Federal Mineral Lease Revenues Fund.

APPENDIX G

Certain 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 as of the dates indicated. The statistics have been obtained from the referenced sources and represent the most current information available from the sources indicated; 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 in many cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State, the Treasurer, the Financial Advisors 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

Year[1]	Colorado Population (Millions)	Colorado % Change	United States Population (Millions)	United States % Change
1960	1.75	--	179.32	--
1970	2.21	25.8%	203.21	13.3%
1980	2.89	30.9	226.55	11.5
1990	3.29	14.0	248.71	9.8
2000	4.30	30.6	281.42	13.2
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, 2007, 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

Year	Colorado Income	Colorado % Change	Rocky Mountain Region[1] Income	Rocky Mountain Region[1] % Change	United States Income	United States % 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, the likelihood that such employers will maintain their status as major employers in the State or changes in their estimated number of employees since compilation of data for the table. It is possible that there are other large employers in the State that are not included in the table.

Top Private Sector Employers in Colorado – 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 Retail Sales (Millions)	2003 % Change	2004 Retail Sales (Millions)	2004 % Change	2005 Retail Sales (Millions)	2005 % Change	2006 Retail Sales (Millions)	2006 % Change	2007[2] Retail Sales (Millions)	2007[2] % 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	(0.65)
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