NEW ISSUE - Book-Entry-Only **RATINGS: Moody's: "Aa2"**
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 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 2014A Certificates (the "Interest Portion"), 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 State of Colorado statutes, is exempt from Colorado income tax. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

$110,485,000
STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION
LEASE PURCHASE FINANCING PROGRAM
CERTIFICATES OF PARTICIPATION, SERIES 2014A

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

The Series 2014A Certificates are being executed and delivered as fully registered certificates in denominations of $5,000 and integral multiples thereof. When delivered, the Series 2014A Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC initially will act as securities depository for the Series 2014A 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 2014A 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 2014A Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in **Appendix B-1** to this Official Statement.*

The Series 2014A Certificates will be executed and delivered pursuant to and secured by a Master Trust Indenture dated as of November 6, 2008 (the "**Master Indenture**"), as amended and supplemented by a Series 2008 Supplemental Trust Indenture dated as of November 6, 2008 (the "**2008 Supplemental Indenture**"), a Series 2009 Supplemental Trust Indenture dated as of December 17, 2009 (the "**2009 Supplemental Indenture**"), an HB 12-1357 Additional Projects Supplemental Trust Indenture dated as of November 21, 2012 (the "**HB 12-1357 Supplemental Indenture**") and a Series 2014A Supplemental Trust Indenture dated as of the date of delivery of the Series 2014A Certificates (the "**2014 Supplemental Indenture**") by Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2008 Supplemental Indenture, the 2009 Supplemental Indenture, the HB 12-1357 Supplemental Indenture and the 2014 Supplemental Indenture, and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2014A Certificates, certain outstanding certificates described herein and additional series of certificates executed and delivered pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity and will evidence undivided interests in the right to receive certain revenues payable by the State under the annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008, as amended by the 2009 Amendment to 2008 Lease Purchase Agreement dated as of December 17, 2009 and the 2014 Amendment to the 2008 Lease Purchase Agreement dated as of the date of delivery of the Series 2014A Certificates, and as it may be further amended from time to time in accordance with its terms (collectively, the "**2008 Lease**"), and other annually renewable lease-purchase agreements to be entered into in the future by and between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (Collectively, the 2008 Lease and such other annually renewable lease-purchase agreements 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.

Certain proceeds of the Series 2014A Certificates will be used to (i) advance refund, pay, and defease certain outstanding State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the "**Series 2008 Certificates**"), (ii) pay the costs of execution and delivery of the Series 2014A Certificates, and (iii) make deposits to funds and accounts held by the Trustee under the Master Indenture. Proceeds of the Series 2008 Certificates have been used to pay the costs of certain projects for state-supported institutions of higher education (the "**Participating Institutions**") that were approved by Joint Resolution HJR 08-1042 of, and by House Bill 12-1357 enacted by, the Colorado General Assembly.

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 the 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 the 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 2014A Certificates will be payable to DTC, or its nominee, as owner of the Series 2014A Certificates, by the Trustee. Interest on the Series 2014A Certificates is payable on May 1 and November 1 of each year, commencing May 1, 2015, as more fully described herein. Principal of the Series 2014A Certificates is payable in the amounts and on the dates shown on the inside front cover. Interest on the Series 2014A Certificates is payable at the per annum rates shown on the inside front cover.

Maturity Schedule on Inside Front Cover

The Series 2014A Certificates are subject to extraordinary redemption as more fully described herein, but are not subject to optional redemption prior to maturity.

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 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 2014A 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 Lovells US 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 by the office of the Attorney General of the State, as counsel to the State, and for the Underwriters by Dinsmore & Shohl LLP, Denver, Colorado. North Slope Capital Advisors has acted as a municipal advisor to the State in connection with the offering and execution and delivery of the Series 2014A Certificates. It is expected that the Series 2014A Certificates will be executed and available for delivery through the facilities of DTC, on or about November 6, 2014.

RBC CAPITAL MARKETS

J.P. MORGAN **STIFEL, NICOLAUS & COMPANY, INCORPORATED**

Dated: October 2, 2014

MATURITY SCHEDULE

$110,485,000

STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION
LEASE PURCHASE FINANCING PROGRAM
CERTIFICATES OF PARTICIPATION, SERIES 2014A

(CUSIP (six digit) No. 196734†)

Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP†
05/1/2015	$ 475,000	2.00%	0.18%	100.883	CE5
11/1/2019	11,520,000	4.00	1.37	112.633	BW6
11/1/2020	12,050,000	5.00	1.67	118.894	BX4
11/1/2021	12,665,000	5.00	1.94	119.901	BY2
11/1/2022	13,315,000	5.00	2.19	120.485	BZ9
11/1/2023	14,000,000	5.00	2.32	121.625	CA3
11/1/2024	14,720,000	5.00	2.41	122.865	CB1
11/1/2025	15,470,000	5.00	2.52	123.669	CC9
11/1/2026	16,270,000	5.00	2.65	123.997	CD7

† Neither the Underwriters nor the State take any responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2014A 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 2014A 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 2014A 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 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 2014A 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 2014A 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 2014A Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2014A 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 2014A Certificates and the terms of the offering, including the merits and risks involved. The Series 2014A 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 2014A 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 2014A CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2014A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING

PROJECTIONS, ESTIMATES AND OTHER

FORWARD-LOOKING STATEMENTS IN

THIS OFFICIAL STATEMENT

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE" and in Appendices E, F, G, H and I, 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. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

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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 2014A (the "**Series 2014A Certificates**"). The Series 2014A Certificates are being executed and delivered pursuant to a Master Trust Indenture dated as of November 6, 2008 (the "**Master Indenture**"), as amended and supplemented by the Series 2008 Supplemental Trust Indenture dated as of November 6, 2008 (the "**2008 Supplemental Indenture**"), the Series 2009 Supplemental Trust Indenture dated as of December 17, 2009 (the "**2009 Supplemental Indenture**") and the HB 12-1357 Additional Projects Supplemental Trust Indenture dated as of November 21, 2012 (the "**HB 12-1357 Supplemental Indenture**"), and as further supplemented by a Series 2014A Supplemental Trust Indenture dated as of the date of delivery of the Series 2014A Certificates (the "**2014 Supplemental Indenture**") by Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "**Trustee**"). The Master Indenture, as supplemented by the 2008 Supplemental Indenture, the 2009 Supplemental Indenture, the HB 12-1357 Supplemental Indenture and the 2014 Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "**Indenture**".

The Series 2014A Certificates, the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2009 (the "**Series 2009 Certificates**"), the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the "**Series 2008 Certificates**") which remain outstanding under the Indenture following the execution and delivery of the Series 2014A Certificates (the "**Unrefunded Series 2008 Certificates**") and additional Series of Certificates executed and delivered pursuant to the Indenture as further described herein (collectively, the "**Certificates**"), will be paid and secured on a parity and will evidence undivided interests in the rights to receive certain revenues payable by the State under the annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008, as amended by the 2009 Amendment to 2008 Lease Purchase Agreement dated as of December 17, 2009 and the 2014 Amendment to the 2008 Lease Purchase Agreement dated as of the date of delivery of the Series 2014A Certificates, and as it may be further amended from time to time in accordance with its terms (collectively, 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. (Collectively, the 2008 Lease and such other annually renewable lease-purchase agreements are referred to as the "**Leases**.") Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the documents summarized in **Appendices B-1** and **B-2** 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 2014A Certificates to potential investors is made only by means of the entire Official Statement*

Authority for Delivery

The Series 2014A 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, as amended by House Bill 12-1357 (codified in part by Sections 23-1-106.3, 23-19.9-102 and 34-63-102, Colorado Revised Statutes, as amended) (collectively, the "**Lease Purchase Act**"), the General Assembly 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 or a law enacted by the Colorado General Assembly (the "**2008 Projects**") at state-supported institutions of higher education in the State (the "**2008 Participating Institutions**"), to pay the costs of execution and delivery 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 Joint Resolution HJR 08-1042 (the "**2008 Joint Resolution**"), House Bill 12-1357 and the September 6, 2012 letter from the State General Assembly's Capital Development Committee to the State Treasurer (collectively, the "**2012 Authorization**" and, together with the 2008 Joint Resolution and the Acts, the "**Authorizing Legislation**"), certain projects for certain participating institutions were approved as Approved Projects for funding through lease purchase financing, including with proceeds of the Series 2008 Certificates, within the limitations of the Acts. The 2008 Lease has been entered into by the State in order to fund such approved projects for the Participating Institutions in accordance with the Authorizing Legislation. See "The Program" and "The 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 2014A 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 2014A 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, any 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. Amounts in the Higher Education Federal Mineral Lease Revenues Fund from the leasing of federal lands for the development and production of certain minerals have been insufficient to make payments due under the 2008 Lease to date. As a result, the Colorado General Assembly has transferred moneys from the General Fund through the Capital Construction Fund, in accordance with the Lease Purchase Act, to the Higher Education Federal Mineral Lease Revenues Fund to make payments due under the 2008 Lease. **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, G, H and I hereto.**

The Program and the Outstanding Certificates

The General Assembly established the Higher Education Capital Construction Lease Purchase Financing Program (the "**Program**") in 2008 and designated the State Treasurer to implement the 2008 Joint Resolution. The 2008 Lease was originally entered into by the State in order to fund the 2008 Projects with proceeds of the Series 2008 Certificates. In December 2009, the Series 2009 Certificates were issued in the aggregate principal amount of $35,905,000 and proceeds were used to refund $34,050,000 aggregate principal amount of the Series 2008 Certificates. As of September 1, 2014, the Series 2008 Certificates and the Series 2009 Certificates were outstanding in the aggregate principal amount of $195,485,000. In 2012, the 2012 Authorization observed that the 2008 Projects had been completed and directed that unspent proceeds of the Series 2008 Certificates be used to finance certain additional approved projects for the 2008 Participating Institutions and certain other institutions as further described herein (the "**12-1357 Projects**"). See "The Participating Institutions" under this caption. Certain of such unspent proceeds were also used to pay debt service on the Series 2008 Certificates. No additional collateral was added as Leased Property in connection with such 12-1357 Projects. See "SECURITY AND SOURCES OF PAYMENT."

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 or to refund outstanding Certificates under the Master Indenture. See "THE SERIES 2014A 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 Authorizing Legislation 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 average annual lease payments permitted by the Lease Purchase Act.

The Base Rent which will be payable under the 2008 Lease in connection with the Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates may not exceed such maximum average annual lease payment limit. For a description of the Program, see "PLAN OF FINANCING – The Program."

Purposes of the Series 2014A Certificates

Proceeds from the sale of the Series 2014A Certificates are expected to be used to (i) advance refund, pay and defease certain of the outstanding Series 2008 Certificates, (ii) pay the costs of execution and delivery of the Series 2014A Certificates, and (iii) make deposits to funds and accounts held by the Trustee under the Master Indenture. Following the execution and delivery of the Series 2014A Certificates, it is expected that Certificates will be outstanding under the Indenture in the aggregate principal amount of $180,040,000. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2014A Certificates.

The Participating Institutions

Proceeds of the Series 2008 Certificates were 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 – Pueblo; Colorado School of Mines; Colorado State University; Auraria Higher Education Center; Western State College, n/k/a Western State Colorado University; Mesa State College, n/k/a Colorado Mesa University; University of Colorado at Colorado Springs; Morgan Community College; Front Range Community College – Larimer Campus; and Fort Lewis College. The 2008 Participating Institutions have entered into subleases as described in "The 2008 Leased Property" under this caption. Unspent proceeds of the Series 2008 Certificates remaining after completion of the 2008 Projects have been used to fund the 12-1357 Projects for the benefit of the following State-supported institutions of higher education in Colorado (collectively, the "**12-1357 Participating Institutions**" and, together with the 2008 Participating Institutions, the "**Participating Institutions**"): Auraria Higher Education Center; University of Colorado at Boulder; Colorado Mesa University; Colorado State University – Pueblo; Trinidad State Junior College; Morgan Community College; Pueblo Community College; Lamar Community College; Colorado Community College System at Lowry; and Pikes Peak Community College. Fort Lewis College and each of the 12-1357 Participating Institutions has entered into an agreement with the State (the "**Participation Agreements**") under which such Participating Institutions have agreed to requisition and spend moneys available for the respective 2008 Project and 12-1357 Projects and to pay Additional Rent that does not specifically relate to any Leased Property, as the State determines shall be paid by such Participants. However, such Participants have not entered into subleases relating to such 12-1357 Projects. See "SECURITY AND SOURCES OF PAYMENT – Participation Agreements."

The 2008 Leased Property

Each of the 2008 Participating Institutions (other than Fort Lewis College) entered 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 then or thereafter located on such land (collectively, the "**2008 Leased Property**") have been 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 2014A Certificates, the Series 2009 Certificates and any Unrefunded 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 2008 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 2014A Certificates

Payments

The Series 2014A 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, 2015. Interest on the Series 2014A Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The Series 2014A Certificates will mature in the amounts and on the dates as shown on the inside cover of this Official Statement. See "THE SERIES 2014A CERTIFICATES – Generally." The Series 2014A Certificates will bear interest at the per annum rates shown on the inside cover of this Official Statement.

Denominations

The Series 2014A Certificates are deliverable in authorized denominations of $5,000 and integral multiples thereof, provided that no Series 2014A Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Series 2014A Certificate may be executed and delivered for more than one maturity.

Redemption

The Series 2014A Certificates are subject to extraordinary redemption, but are not subject to optional redemption prior to maturity, as described in "THE SERIES 2014A CERTIFICATES – Redemption of the Series 2014A Certificates."

Book-Entry System

The Series 2014A 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 2014A Certificates and principal of, premium, if any and interest on the Series 2014A 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 2014A Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Series 2014A Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Series 2014A 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 2014A Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Series 2014A 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 2014A Certificates are reregistered. For a more complete description of the book entry system, see "THE SERIES 2014A CERTIFICATES – Book-Entry System."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates secured by the

Trust Estate on parity with the Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates, without notice to or approval of the owners of the Outstanding 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 2014A CERTIFICATES – Additional Series of Certificates." If any Certificates in addition to the Series 2014A Certificates, Series 2009 Certificates and Unrefunded 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 2014A Certificates, the 2008 Lease, the 2008 Site Leases, the 2008 Subleases, the Participation Agreements and the Indenture pursuant to which such Series 2014A Certificates are being executed and delivered, see "THE SERIES 2014A CERTIFICATES" and "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS AND THE INDENTURE" in Appendix B-2 hereto.

Sources of Payment for the Series 2014A Certificates

The principal of, premium, if any and interest on the Series 2014A 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 2008 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 PARTICIPATION AGREEMENTS 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 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS 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 2014A Certificates, Series 2009 Certificates and Unrefunded 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. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS AND THE INDENTURE – 2008 Lease – State's Option to Purchase all 2008 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 Leased Property from the Indenture by paying the State's Purchase Option Price with respect to such portion of the Leased Property. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS 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 2014A 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 2014A 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

In connection with its execution and delivery of the Series 2014A 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 2014A 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, 2014, to provide the Audited Financial Statements when available but not later than 270 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events.

Except as described below and in the section herein entitled "CONTINUING DISCLOSURE", during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertakings entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. The State Treasurer failed to file a notice of material event when Moody's Investors Service, Inc., as a result of their Global Scale Rating Recalibration changed the State's credit rating on certain outstanding issuances of certificates of participation from Aa3 to Aa2 on April 10, 2010. The State Treasurer has also determined that it and certain other State departments or agencies have not complied with certain continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing on a timely basis to file with the Municipal Securities Rulemaking Board ("**MSRB**") certain "Annual information" and/or "Audited Financial information" required by those continuing disclosure undertakings during the immediately preceding five (5) years.

Pursuant to legislation enacted by the Colorado General Assembly in 2012, the State Treasurer now has statutory authority over post-issuance compliance with continuing disclosure undertakings entered into by the State and certain State departments and agencies that utilize the State's credit (the "**Included Entities**"). In early 2013, the State Treasurer retained Digital Assurance Certification, L.L.C. ("**DAC BOND**") as its Disclosure Dissemination Agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities and will implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

The State Treasurer's office is conducting a further review of compliance with the continuing disclosure undertakings entered into by the Included Entities and the State Treasurer for the purpose of determining whether there are other instances, in addition to those noted above and in the section entitled "CONTINUING DISCLOSURE," of material non-compliance with such continuing disclosure undertakings or instances of material inaccuracies in disclosure documents prepared by the Included Entities and the State Treasurer relating to the descriptions of compliance by the State with its continuing disclosure undertakings during the immediately preceding five (5) years. To the extent that the State Treasurer has discovered any other such instances of material non-compliance or material inaccuracies have occurred, the State Treasurer's office either directly has made or has directed DAC Bond to make the appropriate corrective filings. If and to the extent it is determined by the State Treasurer going forward that any such instance of material non-compliance or material inaccuracies have occurred, the State Treasurer's office intends to take the appropriate remedial actions, either directly or through DAC Bond. See "CONTINUING DISCLOSURE."

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2014 by Development Research Partners for use by the State. See **Appendix H –** "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

Development Research Partners has consented to the inclusion of such information in this Official Statement. Neither the State nor the Underwriters intend to assume responsibility for the accuracy, completeness or fairness of the information contained in **Appendix H**. The information in **Appendix H** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" has been included in this Official Statement in reliance upon the authority of Development Research Partners as experts in the preparation of economic and demographic analyses. Potential investors should read **Appendix H** in its entirety for information with respect to the economic and demographic status of the State.

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 RBC Capital Markets LLC, 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: JJ Ament; Telephone: 303-595-1200.

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 Participating Institutions and the purchasers or holders of any of the Series 2014A Certificates.

PLAN OF FINANCING

The Program

The Series 2014A 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 Participating Institutions. The Lease Purchase Act authorizes the State Treasurer to enter into Leases for Approved Projects, 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 shall not exceed an average of $16,200,000 per Fiscal Year during the ten-year period commencing with Fiscal Year 2008-09 through and including Fiscal Year 2017-18 or an average of $16,800,000 during the ten-year period commencing with Fiscal Year 2018-19 through and including Fiscal Year 2027-28 (the "**Maximum Average Annual Base Rent**"). The Colorado General Assembly, in its 2008 legislative session, adopted the 2008 Joint Resolution, approving the 2008 Projects for the 2008 Participating Institutions as Approved Projects for funding under the Authorizing Legislation. Pursuant to the 2012 Authorization, the Colorado General Assembly approved the 12-1357 Projects for the 12-1357 Participating Institutions as Approved Projects for funding under the Authorizing Legislation. The General Assembly established the Higher Education Capital Construction Lease Purchase Financing Program (the "**Program**") and designated the State Treasurer to implement the Authorizing Legislation.

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 2014A CERTIFICATES – Additional Series of Certificates." The execution by the State of future Leases or an amendment to the 2008 Lease for additional Projects 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 Average Annual Base Rent. The Base Rent which will be payable in either of the two ten-year periods described above under the 2008 Lease in connection with the Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates may not exceed the Maximum Average Annual Base Rent for such ten-year period.

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Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2014A Certificates are set forth in the following table.

	Estimated Amount
SOURCES OF FUNDS:	
Par amount of Series 2014A Certificates	$110,485,000.00
Original issue premium (1)	22,943,416.45
TOTAL SOURCES OF FUNDS	$133,428,416.45
USES OF FUNDS:	
Deposit to 2014A Escrow Account (2)	$132,726,000.00
For costs of execution and delivery, including Underwriters' discount (3)	702,416.45
TOTAL USES OF FUNDS	$133,428,416.45

(1) See "TAX MATTERS."
(2) See "The Series 2014 Refunding Project" under this caption.
(3) 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 execution and delivery including legal fees, rating agency fees, printing costs and municipal advisor's fees. For information concerning the Underwriters' discount, see "UNDERWRITING."

The Series 2014 Refunding Project

Generally

In order to lower the amount of the Base Rent payable by the State under the 2008 Lease, proceeds of the Series 2014A Certificates are expected to be used to advance refund, pay and defease the Series 2008 Certificates maturing on November 1, 2019, 2023 and 2027 in an aggregate principal amount of $115,195,000. The Series 2008 Certificates to be refunded with proceeds of the Series 2014A Certificates are referred to herein as the "**Series 2008 Certificates Refunded in 2014**."

Such proceeds of the Series 2014A Certificates will be deposited into an escrow account (the "**2014A Escrow Account**") established pursuant to a Series 2014A Escrow Agreement among Wells Fargo Bank, National Association, as escrow agent, the State, and the Trustee, and will be used to purchase certain Defeasance Securities, the principal and interest on which (together with any uninvested amount) will be sufficient to pay the principal and interest due on the Series 2008 Certificates Refunded in 2014 to and including their redemption date on November 1, 2018. See "Sources and Uses of Funds" under this caption and "– Verification of Mathematical Calculations" below. Following the execution and delivery of the Series 2014A Certificates, Unrefunded Series 2008 Certificates and Series 2009 Certificates are expected to be outstanding under the Indenture in the aggregate principal amount of $69,555,000.

Verification of Mathematical Calculations

Prior to the execution and delivery of the Series 2014A Certificates, Causey Demgen & Moore Inc., certified public accountants, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them by the Underwriters relating to the adequacy of the maturing principal amounts of the federal securities held in the 2014A Escrow Account and interest to be earned thereon to pay all of the principal of and interest on the Series 2008 Certificates Refunded in 2014.

Based on the mathematical computations of the accountants, the 2014A Escrow Account will be funded in an amount sufficient such that the Series 2008 Certificates Refunded in 2014 will be deemed to have been paid and will no longer be outstanding as of the date of the establishment of the 2014A Escrow Account.

THE SERIES 2014A CERTIFICATES

Generally

General information describing the Series 2014A 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 Participation Agreements, the Master Indenture, the 2014 Supplemental Indenture and the form of Series 2014A Certificates included in the 2014 Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS AND THE INDENTURE" in **Appendix B-2** hereto.

The Series 2014A 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 2014A 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 2014A Certificates will be payable to the registered owner (initially, Cede & Co.) upon presentation and surrender of the Series 2014A Certificates to the Trustee in Denver, Colorado. Interest on the Series 2014A 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 2014A 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 2014A 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 2009 Certificates. The Series 2014A 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 2014A 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: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2014A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2014A Certificates ("**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 2014A 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 2014A Certificates, except in the event that use of the book-entry system for the Series 2014A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2014A 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 2014A 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 2014A 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. Beneficial Owners of the Series 2014A Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014A Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2014A Certificates may wish to ascertain that the nominee holding the Series 2014A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014A Certificates 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 2014A 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 2014A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest payments and redemption proceeds on the Series 2014A 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 2014A 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 2014A Certificates are required to be printed and delivered as described in the Indenture.

The Trustee, 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 2014A 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 2014A Certificates, payment of principal, interest, and other payments on the Series 2014A Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2014A 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 Participating Institutions believe to be reliable, but the State and the 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 on 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 Underwriters 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 of the Series 2014A Certificates

Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default

The Series 2014A Certificates shall be called for redemption in whole, at a redemption price determined pursuant to the 2014 Supplemental Indenture, on such date as the Trustee may determine to be in the best interests of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease and the Trustee has exercised its remedy to terminate such Lease. The redemption price for any redemption as described in this paragraph shall be the lesser of (i) the principal amount of the Series 2014A 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 2014A 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 2014A 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 provisions of the 2014 Supplemental Indenture described in this paragraph 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 2014 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 2014A 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 (a) that such event has occurred and (b) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in the 2014 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 2014 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 2014 Supplemental Indenture, the Trustee shall (i) 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 (ii) 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. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2008 SITE LEASES, THE 2008 LEASE, THE 2008 SUBLEASES, THE PARTICIPATION AGREEMENTS AND THE INDENTURE – 2008 Lease – Remedies on Default" in **Appendix B**. 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.

No Optional Redemption

The Series 2014A Certificates are not subject to optional redemption prior to maturity.

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2014A Certificates 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 2014A 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 2014A 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 2014A Certificates called for redemption, which moneys are or will be available for redemption of Series 2014A 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 2014A Certificates called for redemption, together with accrued interest thereon to the redemption date. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture, interest on the Series 2014A Certificates so called for redemption shall no longer accrue after the date fixed for redemption. The Trustee shall pay to the Owners of Series 2014A Certificates so redeemed the amounts due on their respective Series 2014A Certificates, at the operations center of the Trustee upon presentation and surrender of the Series 2014A Certificates.

State's Purchase Option Price

State's Option to Purchase all 2008 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 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates, to redeem all the Outstanding Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates in accordance with the applicable redemption provisions of the Indenture (which may be different or may not be permitted) or to defease all the Series 2014A Certificates, Series 2009 Certificates and Unrefunded 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 2014A Certificates, Series 2009 Certificates and any Unrefunded Series 2008 Certificates; provided, however, that if any portion of the Series 2014A Certificates, Series 2009 Certificates or Unrefunded 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 2014A Certificates, Series 2009 Certificates or Unrefunded Series 2008 Certificates shall be substituted for the Series 2014A Certificates, Series 2009 Certificates or Unrefunded 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 2008 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 or may not be permitted) 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 of the Series 2014A Certificates" 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 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates determined by multiplying the principal amount of all the Outstanding Series 2014A Certificates, Series 2009 Certificates and Unrefunded 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 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2014A Certificates, Series 2009 Certificates and Unrefunded 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 2014A Certificates, Series 2009 Certificates or Unrefunded 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 2014A Certificates, Series 2009 Certificates or Unrefunded Series 2008 Certificates shall be substituted for the Series 2014A Certificates, Series 2009 Certificates or Unrefunded 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 RENTALS

The following table sets forth the Lessee's combined Base Rent obligations (amounts rounded to the nearest dollar) after execution and delivery of the Series 2014A 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).

Combined Base Rentals Table [1]

Fiscal Year (ended June 30)	Unrefunded Series 2008 Certificates [2] Base Rent Principal Component	Unrefunded Series 2008 Certificates [2] Base Rent Interest Component	Series 2009 Certificates [2] Base Rent Principal Component	Series 2009 Certificates [2] Base Rent Interest Component	Series 2014A Certificates [2] Base Rent Principal Component	Series 2014A Certificates [2] Base Rent Interest Component	Total Fiscal Year Base Rent [3][4]
2015	$ --	$1,051,700	$ --	$ 648,687	$ 475,000	$2,622,472	$ 4,797,859
2016	9,745,000	1,884,137	1,665,000	1,272,400	--	5,385,300	19,951,837
2017	10,215,000	1,409,500	1,720,000	1,219,475	--	5,385,300	19,949,275
2018	10,735,000	885,750	1,785,000	1,155,825	--	5,385,300	19,946,875
2019	11,225,000	308,687	1,865,000	1,073,500	--	5,385,300	19,857,487
2020	--	--	1,960,000	977,875	11,520,000	5,154,900	19,612,775
2021	--	--	2,060,000	877,375	12,050,000	4,623,250	19,610,625
2022	--	--	2,165,000	771,750	12,665,000	4,005,375	19,607,125
2023	--	--	2,280,000	660,625	13,315,000	3,355,875	19,611,500
2024	--	--	2,395,000	543,750	14,000,000	2,673,000	19,611,750
2025	--	--	2,515,000	422,562	14,720,000	1,955,000	19,612,562
2026	--	--	2,645,000	295,125	15,470,000	1,200,250	19,610,375
2027	--	--	2,780,000	159,500	16,270,000	406,750	19,616,250
2028	--	--	1,800,000	45,000	--	--	1,845,000

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(1) Reflects a refunding of the Series 2008 Certificates Refunded in 2014.

(2) 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.

(3) 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.

(4) Amount is shown for Fiscal Year ending June 30 of the year indicated. **These annual Base Rent amounts are permitted to exceed the Maximum Average Annual Base Rent to the extent of payments to be funded by any Sublessee rather than State-funded payments**. See "SECURITY AND SOURCES OF PAYMENT – The 2008 Leased Property – The 2008 Subleases."

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2014A 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 Certificate Owners. All payment obligations of the State under the 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 PARTICIPATION AGREEMENTS 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 G**. 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, F, G, H** and **I** 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 PARTICIPATION AGREEMENTS AND THE INDENTURE – 2008 Lease – Remedies on Default" in **Appendix B-2** hereto.

Renewal 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 Outstanding Certificates, as described in "THE SERIES 2014A CERTIFICATES – State's Purchase Option Price," provided that the Series 2014A Certificates are not subject to optional redemption, as described in "THE SERIES 2014A CERTIFICATES – Redemption of the Series 2014A Certificates." 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 2014A 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 PARTICIPATION AGREEMENTS 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 Certificates including the Series 2014A 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 PARTICIPATION AGREEMENTS AND THE INDENTURE – Indenture – Remedies on Default" in **Appendix B-2**.

The 2008 Leased Property

Generally

The 2008 Leased Property upon execution and delivery of the Series 2014A 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 2014A 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 2014A 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 2014A 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	$7,880,661
Main Campus Building (Westminster campus)	Colorado Northwestern Community College Morgan Community College Front Range Community College Larimer Campus	$83,300,000
Chemistry Building Life Science Building (office/classrooms)	Colorado State University – Pueblo	$21,103,000
Stratton Hall McBride Honors Building (office/classrooms)	Colorado School of Mines	$4,801,000
Howes Street Business Center (office)	Colorado State University	$4,633,273
King Center Library and Media Center	Auraria Higher Education Center	$87,679,000
Hurst Hall Crawford Hall	Western State Colorado University	$22,299,241
Fine Arts Building Tomlinson Library	Colorado Mesa University	$17,374,618
Columbine Hall (offices/class rooms)	University of Colorado – Colorado Springs	$21,898,167
	Total CRV:	**$270,968,960**

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(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) Current replacement value ("**CRV**") of the 2008 Leased Property as shown on this table is based solely on a determination by the State Department of Personnel, Division of Risk Management, or the 2008 Participating Institution's Risk Management Program, as of July 31, 2014, and has not been determined or confirmed by any third party evaluation.

(3) Upon execution and delivery of the Series 2014A Certificates, the Outstanding Certificates will be comprised of the Series 2014A Certificates, Series 2009 Certificates and Unrefunded Series 2008 Certificates in the aggregate principal amount of $180,040,000.

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 2014A CERTIFICATES – State's Purchase Option Price."

The 2008 Subleases

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) entered into a 2008 Sublease pursuant to which each of such 2008 Participating Institutions, as Sublessee, agreed, 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 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 also agreed in its respective 2008 Sublease to pay Base Rent relating to such proceeds. Such 2008 Subleases remain in effect. The respective 2008 Participating Institution's obligations to pay such amounts under the 2008 Subleases are subject to annual appropriation 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. Certain 2008 Participating Institutions have established their own insurance and risk management programs and are no longer covered by the State risk management program. See "CERTAIN RISK FACTORS – Insurance of the Leased Property." The State used $2,797,436 of proceeds of the Series 2008 Certificates to fund the costs of a project for the Colorado State University – Pueblo. The State also used $20,133,418 and $3,652,294 of proceeds of the Series 2008 Certificates to fund the Institution Share of the Auraria Higher Education Center and Colorado Mesa University, respectively. The Colorado State University – Pueblo, the Auraria Higher Education Center and Colorado Mesa University have each agreed in their respective 2008 Sublease to pay Base Rent to the State with respect to such amounts funded by the State with proceeds of the Series 2008 Certificates. Any default by the Colorado State University – Pueblo, the Auraria Higher Education Center or Colorado Mesa University in connection with the payment of Base Rent under its respective 2008 Sublease will not affect the State's obligations under the 2008 Lease to pay Rent.

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, THE PARTICIPATION AGREEMENTS 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; 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 PARTICIPATION AGREEMENTS 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 Sublessee under the Sublease and in the event of a Sublessee default, 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 PARTICIPATION AGREEMENTS AND THE INDENTURE – 2008 Lease – Damage, Destruction and Condemnation" in **Appendix B-2**. Pursuant to the 2008 Subleases, the 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 Agreements" under this caption.

Participation Agreements

Each of Fort Lewis College and the HB 12-1357 Participating Institutions has entered into a Participation Agreement, which remains in effect, with the State pursuant to which it has agreed to pay to the State (subject to its right not to appropriate) all Additional Rent due under the 2008 Lease that does not specifically relate to any Leased Property with respect to its proportionate share of the respective Outstanding Certificates. The respective obligations of Fort Lewis College and each of the HB 12-1357 Participating Institutions to pay such amounts are subject to annual appropriation by each such Participating Institution.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2014A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2014A 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 2014A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2014A 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 such purpose 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, the Leases are not renewed and are therefore terminated. Under the terms of the 2008 Lease, in addition to other circumstances, an Event of Nonappropriation is also deemed to have occurred, subject to the State's right to cure described below, 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 PARTICIPATION AGREEMENTS 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 State 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**, **F, G, H** and **I** hereto.

Payment of the principal of and interest on the Certificates (including the Series 2014A 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 as Trustee, has no obligation to, nor will it, make any payment on the Series 2014A 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. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease and the related termination thereof, 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, unless any 2008 Sublessee has purchased the particular 2008 Leased Property that is the subject of its 2008 Sublease. 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 PARTICIPATION AGREEMENTS AND THE INDENTURE - 2008 Lease - Events of Default" and "– Remedies on Default" in **Appendix B-2** and "THE SERIES 2014A CERTIFICATES – Redemption of the Series 2014A Certificates – Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default."

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 2014A 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 2014A 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 CRV of the 2008 Leased Property has been determined by the State or the 2008 Participating Institution's Risk Management Program, and has not been based on any independent third party appraisal or evaluation. CRV is the cost to rebuild or replace property as of the date it is being determined and may not equate to a market value or price at which property can be leased or sold under current market conditions. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." The CRV of the Leased Property could be adversely affected by a number of factors including, without limitation, the presence, or even 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 2014A Certificates by the State, the 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 2014A Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2014A Certificates of a Termination of State's Obligations under 2008 Lease

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 2014A 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 will be excluded from gross income under federal or State laws or that the Series 2014A 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, in the event of a default by a Sublessee, 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 Certificates or (B) the full replacement value of the 2008 Leased Property. Each 2008 Participating Institution is required under the respective Sublease to insure the related 2008 Leased Property. 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, GOVERNMENTAL IMMUNITY AND SELF INSURANCE – 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 2014A Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See "THE SERIES 2014A CERTIFICATES – Redemption of the Series 2014A Certificates – Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default."

Actions under the 2008 Subleases and Participation Agreements

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 Participation Agreements, certain actions by the 2008 Participating Institutions in respect of the related 2008 Leased Property could have an adverse effect on the interests of the owners of the Series 2014A 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 is terminated 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 the principal of and interest on all of the Certificates then Outstanding under the Indenture, including the Series 2014A Certificates, or to redeem the outstanding principal and interest in whole, 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 outstanding Certificates redeemed upon the damage or destruction of the subject Leased Property under certain circumstances. In addition, while the State expects that Series 2014A 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 Leased Property will be used by Participating Institutions, which are governmental units, use of the projects financed with Series 2014A Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the excludability of Series 2014A Certificate interest from gross income for federal income tax purposes.

State Budgets and Revenue Forecasts

The State Constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. In addition, Section 24-75-201.1(1)(d), C.R.S., provides that for each Fiscal Year, a portion of the unrestricted General Fund year-end balance is to be retained as a reserve (the "**Unappropriated Reserve**"), and Section 24-75-201.1, C.R.S., provides that General Fund appropriations for each Fiscal Year, with certain exceptions, may not exceed specified amounts, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – Revenues and Unappropriated Amounts" and "– Expenditures: The Balanced Budget and Statutory Spending Limitation."

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("**OSPB**") is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued in September 2014 (the "**OSPB September 2014 Revenue Forecast**") and is attached to this Official Statement. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfalls" and "– OSPB Revenue and Economic Forecasts" and **Appendix F** – "OSPB SEPTEMBER 2014 REVENUE FORECAST." Additionally, the Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual basis of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("**GASB**"), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on the modified accrual basis, which does not take into account the timing of when such amounts are received or paid. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations."

The next OSPB revenue forecast will be released in December 2014. General Fund revenue projections in the new forecast are not expected to be materially different from the September revenue forecast. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for the forecasted years, which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See **Appendix E** – "THE STATE GENERAL FUND."

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See page following the inside cover of this Official Statement regarding forward-looking statements.

Future Changes in Law and Future Initiatives

Various Colorado laws apply to the availability of funds for appropriation by the State, and other operations of the State. In addition, State law allows voter initiatives meeting certain conditions to be placed on the ballot, which initiatives may involve statutory or constitutional amendments. There is no assurance that there will not be future voter initiatives or changes in, interpretation of, or additions to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State and its funds.

THE STATE OF COLORADO

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND UNAUDITED STATE OF COLORADO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014" and **Appendix H –** "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 of 2015, and each office will be subject to a general election in November of 2014. 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 **Appendices A, E, F, G, H and I**. With the exception of **Appendix G**, the information in these sections and Appendices has been provided by the State. The information in **Appendix G** has been provided by Development Research Partners.*

The State Treasurer

The State Constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the "**State 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 State 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 State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller (the "**State Controller**"). The State Treasurer and the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the State Treasurer's credit in lieu of transmitting such moneys to the State Treasury.

The State Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See "Investment and Deposit of State Funds" under this caption 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

General

Article X, Section 20 of the State Constitution, entitled the Taxpayer's Bill of Rights and commonly known as "**TABOR**," imposes various fiscal limits and requirements on the State and its local governments, excluding "enterprises," which are defined in TABOR as government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their annual revenues in grants from all State and local governments combined. Certain limitations contained in TABOR may be exceeded with prior voter approval.

TABOR provides a limitation on the amount of revenue that may be kept by the State in any particular Fiscal Year, regardless of whether that revenue is actually spent during the Fiscal Year. This revenue limitation is effected through a limitation on "fiscal year spending" as discussed hereafter. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change.

TABOR also requires prior voter approval for the following, with certain exceptions: (i) any new State tax, State tax rate increase, extension of an expiring State tax or State tax policy change directly causing a net revenue gain to the State; or (ii) the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation."

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its Fiscal Year spending (the "**TABOR Reserve**"), which 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. The annual Long Appropriation Bill (the "**Long Bill**") designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The amount of the TABOR Reserve for Fiscal Years 2013-14 and 2014-15 have been estimated by the General Assembly in the related Long Bills to be approximately $329.6 million and $361.5 million, respectively.

Fiscal Year Revenue and Spending Limits; Referendum C

As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and Fiscal Year spending, with any excess revenues required to be refunded to taxpayers. 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.

The maximum annual percentage change in State Fiscal Year spending is limited by TABOR to inflation (determined as the percentage change in 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, being the base year for calculating Fiscal Year spending. TABOR provides for an automatic decrease in the State Fiscal Year spending limit when State TABOR revenues decline without a corresponding automatic increase in State Fiscal Year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the "ratchet down effect" whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year's TABOR limit is calculated based on the lesser of the prior year's TABOR revenues or the prior year's TABOR limit. In a year in which the State's TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year's TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "**Referendum C**," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's Fiscal Year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. Since the inception of Referendum C in Fiscal Year 2005-06, the State has retained $9.8 billion, $3.6 billion during the initial five year revenue retention period and an additional $6.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2013-14. The OSPB September 2014 Revenue Forecast projects that TABOR revenues in Fiscal Years 2014-15, 2015-16 and 2016-2017 will exceed the

TABOR limit by $2.334 billion, $2.617 billion and $2.828 billion, respectively. The State will be $48 million below the applicable projected ESRC in Fiscal Year 2014-15, $133 million above the projected ESRC in Fiscal Year 2015-16, and $239 million above the projected ESRC in Fiscal Year 2016-17.

Referendum C also creates the "General Fund Exempt Account" within the General Fund, to which there is to be credited moneys equal to the amount of TABOR revenues in excess of the TABOR limit that the State retains for a given Fiscal Year pursuant to Referendum C. Such moneys may be appropriated or transferred by the General Assembly for the purposes of: (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.

Effect of TABOR on the Series 2014A Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2014A Certificates because the State's obligations under the Lease 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" within the meaning of TABOR.

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 OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on departmental budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted in November for 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 also make recommendations to the JBC for their own budgets.

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Bill which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) 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 2014-15 was adopted by the General Assembly in April 2014.

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. The Long Bill for Fiscal Year 2014-15 was approved and signed by the Governor on April 30, 2014.

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

Revenues and Unappropriated Amounts

For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined, the "**Unappropriated Reserve**"), which may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation, unless they are obligated by statute for another purpose. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2008-09 and thereafter. See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement
2008-09 and 2009-10 [(1)]	2.0%
2010-11	2.3
2011-12	4.0
2012-13 and 2013-14	5.0
2014-15 and thereafter [(2)]	6.5

[(1)] The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

[(2)] Per HB 14-1337, the Unappropriated Reserve for Fiscal Years 2014-15 and thereafter was increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State's Fiscal Year 2012-13 CAFR appended to this Official Statement shows that the State ended such Fiscal Year with $1,073.5 million in General Fund Surplus and the State's Unaudited Fiscal Year 2013-2014 Basic Financial Statements appended to this Official Statement show that the State ended such Fiscal Year with $235.8 million in General Fund Surplus, both of which are in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2014 Revenue Forecast projects that the State will end Fiscal Year 2014-15 with reserves equal to $232.6 million above the applicable Unappropriated Reserve requirement. The Fiscal Year 2013-14 surplus is to be apportioned among the General Fund and various other State Funds as discussed in "RISK FACTORS – State Budgets and Revenue Forecasts" above and in **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview." These figures are based on revenue and budget information available when the OSPB September 2014 Revenue Forecast was complete. The figures are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and **Appendix F** – "OSPB SEPTEMBER 2014 REVENUE FORECAST."

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) an amount equal to 106% of General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from this appropriations limit 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 also be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

See "Taxpayer's Bill of Rights" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the 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 & Administration. The State Controller is the head of the Office of the State Controller Office and the State Controller or his delegate has statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the State Treasury are made by warrants or checks signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant or check is full authority for the State Treasurer to pay the warrant upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State 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 State Controller prepares a comprehensive annual financial report ("**CAFR**") in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to each of the financial statements in the State's Fiscal Year 2012-13 CAFR and the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement as part of **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, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "**Auditor**") through the Auditor's 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, 2016. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2012-13 CAFR, including the State Auditor's Opinion thereon, is appended to this Official Statement as part of **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 the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2012-13 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain public and non-public fixed income securities. In making such investments, the State 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 State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the State Treasurer's custody available for investment. In accordance with this directive, the State 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 State 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 statue) 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 Notes 14 and 15 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement as part of **Appendix A** and **Appendix E** – "THE STATE GENERAL FUND – Investment of the State Pool."

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

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. The State currently has, and upon issuance of the Series 2014A Certificates will have, no such debt outstanding.

The State is authorized to and has entered into lease-purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease-purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Note 24 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2014 (which had an aggregate value at that time of approximately $1.242 million), as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2014-15 and thereafter. On July 9, 2014, the State entered into a lease-purchase agreement of the Bureau of Investigation Pueblo Regional Facility Project financed with $11 million of certificates of participation.

In addition to lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Note 22 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2014-15 and thereafter.

The Colorado Department of Transportation ("**CDOT**") has issued Transportation Revenue Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. At June 30, 2014, CDOT had outstanding $430.545 million in aggregate principal amount of such notes. The 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. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

State departments and agencies, including State institutions of higher education, also issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 24 and 45 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2014, and of those issued after June 30, 2014, but before publication of the Unaudited Fiscal Year 2013-14 Basic Financial Statements. The revenue bonds and certificates of participation listed in Notes 24 and 45 have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financing directly with banks or other financial institutions.

State Tax and Revenue Anticipation Notes

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes in order to fund cash flow shortfalls in the General Fund. For each of Fiscal Years 1990-91, 1991-92 and 1998-99, the State funded cash flow shortfalls by use of Borrowable Resources. Since Fiscal Year 2003-04, 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. See Notes 23 and 42 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement for a discussion of such notes outstanding as of June 30, 2014, and of such notes issued after June 30, 2014, but before publication of the Unaudited Fiscal Year 2013-14 Basic Financial Statements.

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 legally separate and 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).

Pension and Post-Employment Benefits

General

The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in **Appendix I** – "STATE PENSION SYSTEM," the "**Plan**"), a defined contribution plan and a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("**PERA**"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each category of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. Most State employees participate in the Plan. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

For a general description of the Plan and PERA, see **Appendix I** – "STATE PENSION SYSTEM." For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2013 (the "**PERA 2013 CAFR**"), which is the most current PERA CAFR available. The information under this caption, as well as the information in **Appendix I** – "STATE PENSION SYSTEM" and the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements, is derived from the PERA 2013 CAFR. See also *"Future Accounting Standards"* hereafter.

The Plan is funded with payments made by the State and by each participating State employee, the amounts of which are determined and established by statute. See **Appendix I** – "STATE PENSION SYSTEM – Funding and Contributions." Although the State has made all statutorily required contributions ("**SRC**") to the Plan, as of December 31, 2013, the actuarial value of the Plan assets and the actuarial accrued liability ("**AAL**") of the Plan were $13.1 billion and $22.8 billion, respectively, resulting in an unfunded actuarial accrued liability ("**UAAL**") of $9.7 billion and a funded ratio of 57.5%, assuming an investment rate of return of 7.5%. The UAAL at December 31, 2013, would amortize over a 60-year period based on contribution rates as of the date of calculation *(i.e.,* contributions equal to the SRC)[*]. See **Appendix I** – "STATE PENSION SYSTEM – Funding and Contributions" and Table 1 therein for details on the State's SRC and ARC, and supplemental contributions made by the State to address funding shortfalls.

The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly,

[*] For purposes of calculating the actuarial Annual Required Contribution ("**ARC**") under the Plan for accounting purposes, GAAP requires that the UAAL be amortized over a maximum period of 30 years. As a result, the ARC is higher than the SRC because it results in a 30-year amortization of the UAAL instead of a 60-year amortization of the UAAL at December 31, 2013.

the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.5%. The funded ratio of the Plan at December 31, 2013, based on the market value of assets, was 61.0%, representing an unfunded accrued liability of $8.9 billion. See **Appendix I** – "STATE PENSION SYSTEM – Plan Assets, Liabilities and Funding Levels" for historical information regarding the Plan's assets, liabilities and funding levels. See also "Management's Discussion and Analysis" in the State's Fiscal Year 2012-13 CAFR appended to this Official Statement and under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions," and Notes 18, 19 and 20 to the State's Fiscal Year 2012-13 CAFR appended to this Official Statement as **Appendix A**. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation and contribution rates, discount rates, investment rates and life expectancy rates. No assurance can be given that the AAL and UAAL of the Plan will not materially increase or that the actuarial or market values of the Plan assets will not materially decrease.

Because the State's annual contributions with respect to the Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of the Plan assets or funding ratio of the Plan.

The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance is provided under the PERA Health Care Trust Fund in which members from all divisions of PERA may participate. It is a cost-sharing, multiple employer plan 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 Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.3 billion, a funded ratio of 18.8% and a 40-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, the actuary has not determined the portion of the UAAL that applies to each division participant. However, the State Division, which is itself a cost-sharing, multiple employer participant in the Health Care Trust Fund, represented approximately 35% of the covered payroll reported for the Health Care Trust Fund at December 31, 2013. Although at December 31, 2013, the funded ratio of the Health Care Trust fund was 18.8%, the benefit is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 10 and 11 to the PERA 2013 CAFR for additional information regarding the Health Care Trust Fund.

Effect of Pension Liability on the Series 2014A Certificates

For a discussion of the State's current pension liability, see the Management's Discussion and Analysis in the Financial Section of the State's Fiscal & Year 2012-13 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS - Pension Plan Contributions." No assurances can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement and **Appendix I** or the State's ability to fully pay the Series 2014A Certificates. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay the Series 2014A Certificates.

Future Accounting Standards

Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 – Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division has an unfunded accrued actuarial liability of approximately $9.7 billion as of December 31, 2013. However, at June 30, 2013, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See Note 1 to the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement and **Appendix I** – "STATE PENSION SYSTEM."

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE

No Litigation Affecting the Series 2014A 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 execution or delivery of the Series 2014A Certificates or questioning or affecting the validity of the Series 2014A 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, C.R.S. (the "Immunity Act"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. Effective July 1, 2013, the maximum amounts that may be recovered under the Immunity Act were increased to $350,000 for injury to one person in a single occurrence and an aggregate of $990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $350,000. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. 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 its employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

HB 12-1361 amended the Immunity Act by waiving sovereign immunity of the State in an action for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire.

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 6H, 21, 41 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2012-13 CAFR and Notes 6H, 21 and 44 in the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Statement as **Appendix A**. 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

For a description of pending material litigation in which the State is a defendant, see Note 44 to the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement as **Appendix A**. A lawsuit was filed on or about June 27, 2014 against the State asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Article IX, Section 17 of the State Constitution (Amendment 23). The specifics of the suit and the potential impact on State finances if the suit is ultimately resolved against the State are not yet known. However, the State intends to vigorously defend such lawsuit. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 44, but the ultimate outcome cannot presently be determined. Except as provided in such Note, no provision has been made in the financial statements related to the actions discussed in such Note.

TAX MATTERS

General Matters

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, as provided in the 2008 Lease, and received by the Owners of the Series 2014A Certificates, is excludable 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 described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the State, the 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 2014A 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 issuance of the Series 2014A Certificates. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2014A 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 2014A Certificates subsequent to such termination.

Notwithstanding Bond Counsel's opinion that such interest 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 corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of such interest may otherwise affect the federal income tax liability of the Owners of the Series 2014A 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 2014A Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, 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 2014A Certificates.

In the opinion of Bond Counsel, under existing Colorado statutes, 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 2014A Certificates, is exempt from Colorado income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2014A 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 provide in the 2008 Lease, upon the treatment for State income tax purpose of any moneys received by the Owners of the Series 2014A Certificates subsequent to such termination.

Original Issue Premium

All of the Series 2014A Certificates have an original yield below their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the "**Premium 2014A Certificates**"), and are being sold at a premium. An amount equal to the excess of the issue price of a Premium 2014A Certificate over its stated redemption price at maturity constitutes premium on such Premium 2014A Certificate. An initial purchaser of a Premium 2014A Certificate must amortize any premium over such Premium 2014A Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium 2014A Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any 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 2014A 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 2014A 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 2014A Certificates should consult 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 2014A Certificate.

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 2014A Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any Owner of the Series 2014A Certificates 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 reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2014A 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 under this heading "TAX MATTERS" or adversely affect the market value of the Series 2014A Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2014A Certificates 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 2014A 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 2014A Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2014A 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 2014A 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.

UNDERWRITING

The Series 2014A Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $133,062,717.67 (representing the principal amount of the Series 2014A Certificates less an underwriting discount of $365,698.78, plus an original issue premium of $22,943,416.45). The Underwriters have agreed to accept delivery of and pay for all the Series 2014A Certificates 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.

J.P. Morgan Securities LLC ("**JPMS**"), one of the Underwriters of the Series 2014A Certificates, has entered into a negotiated dealer agreement (the "**Dealer Agreement**") with Charles Schwab & Co., Inc. ("**CS&Co.**") for the retail distribution of certain securities offerings, including the Series 2014A Certificates, at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Series 2014A Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2014A Certificates that CS&Co. sells.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2014A Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2014A Certificates, a form of which is attached hereto as **Appendix D**.

Hogan Lovells US LLP will pass upon certain legal matters relating to the Series 2014A Certificates as Disclosure Counsel to the State. Hogan Lovells US LLP 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 by the office of the Attorney General of the State, as counsel to the State, and for the Underwriters by Dinsmore & Shohl LLP, Denver, Colorado. Payment of legal fees to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Series 2014A Certificates.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., have assigned to the Series 2014A Certificates the ratings set forth on the cover page of this Official Statement. No other ratings have been applied for. 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 has furnished to the rating agencies certain information and materials relating to the Series 2014A Certificates and the Leased Property, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. 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, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2014A Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

MUNICIPAL ADVISOR

The State has retained North Slope Capital Advisors as a municipal advisor (the "**Municipal Advisor**") in connection with the Series 2014A Certificates and with respect to the authorization, execution and delivery of the Series 2014A Certificates. *The Municipal Advisor is not obligated to undertake, and has 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 Municipal Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2014A Certificates.

CONTINUING DISCLOSURE

The Series 2014A Certificates

In connection with its execution and delivery of the Series 2014A Certificates, the State will execute a 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 2014A 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, 2014, to provide the Audited Financial Statements when available but not later than 270 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events.

Compliance by the State with Other Continuing Disclosure Undertakings

Except as discussed below, during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertakings entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. From January 2011 to May 2011, the State Treasurer failed to file with the MSRB monthly cash flow schedules for the State's Series 2010A General Fund Tax and Revenue Anticipation Notes, which were issued on December 14, 2010, and paid in full at maturity on June 27, 2011. Although such filings were not required by Rule 15c2-12, the authorizing resolution for the Series 2010A Notes included an affirmative covenant by the State Treasurer to do so. The State Treasurer also failed to file a notice of material event when Moody's Investors Service, Inc., as a result of their Global Scale Rating Recalibration, changed the State's credit rating on certain outstanding certificates of participation from Aa3 to Aa2 on April 10, 2010. The State Treasurer either directly will make or will direct DAC Bond to make the appropriate corrective filing.

The State Treasurer has also determined that it and certain other State departments or agencies have not complied with other continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing on a timely basis to file with the MSRB certain "Annual Information" and/or "Audited Financial Information" required by and defined in those continuing disclosure undertakings during the immediately preceding five (5) years. Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State and the Included Entities in connection with financial obligations issued by or for the benefit of such Included Entities, including the Disclosure Certificate to be entered into by the State in connection with the Series 2014A Certificates. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

In early 2013, the State Treasurer retained DAC Bond as its Disclosure Dissemination Agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities and will implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

Further, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office is conducting a further review of compliance by the Included Entities and the State Treasurer with the continuing disclosure undertakings entered into by the Included Entities and the State Treasurer for the purpose of determining whether there are other instances, in addition to those noted above, of material non-compliance with such continuing disclosure undertakings or instances of material inaccuracies in disclosure documents prepared by the Included Entities and the State Treasurer relating to the descriptions of compliance by the State with its continuing disclosure undertakings during the immediately preceding five (5) years. To the extent that the State Treasurer has discovered any other such instances of material non-compliance or material inaccuracies, the State Treasurer's office either directly has made or has directed DAC Bond to make the appropriate corrective filings. If and to the extent it is determined by the State Treasurer going forward that any such instances of material non-compliance or material inaccuracies have occurred, the State Treasurer's office intends to take the appropriate remedial actions, either directly or through DAC Bond, which may include, without limitation, correcting deficiencies, filing notices of failure to file and/or notices of corrective action pursuant to continuing disclosure undertakings and participation in the SEC's Municipalities Continuing Disclosure Cooperative Initiative.

MISCELLANEOUS

The cover page, inside front cover, 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 2014A Certificates certain documents referred to herein may be obtained from the Municipal Advisor at 730 17th Street, Suite 900, Denver, Colorado 80202, Attn: Stephanie Chichester. 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.

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OFFICIAL STATEMENT CERTIFICATION

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

STATE OF COLORADO,
acting by and through the State Treasurer

By: /s/ Walker R. Stapleton
Treasurer of the State of Colorado

APPENDIX A

State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 and Unaudited State of Colorado Basic Financial Statements for the Fiscal Year ended June 30, 2014

(Pagination reflects the original printed document)

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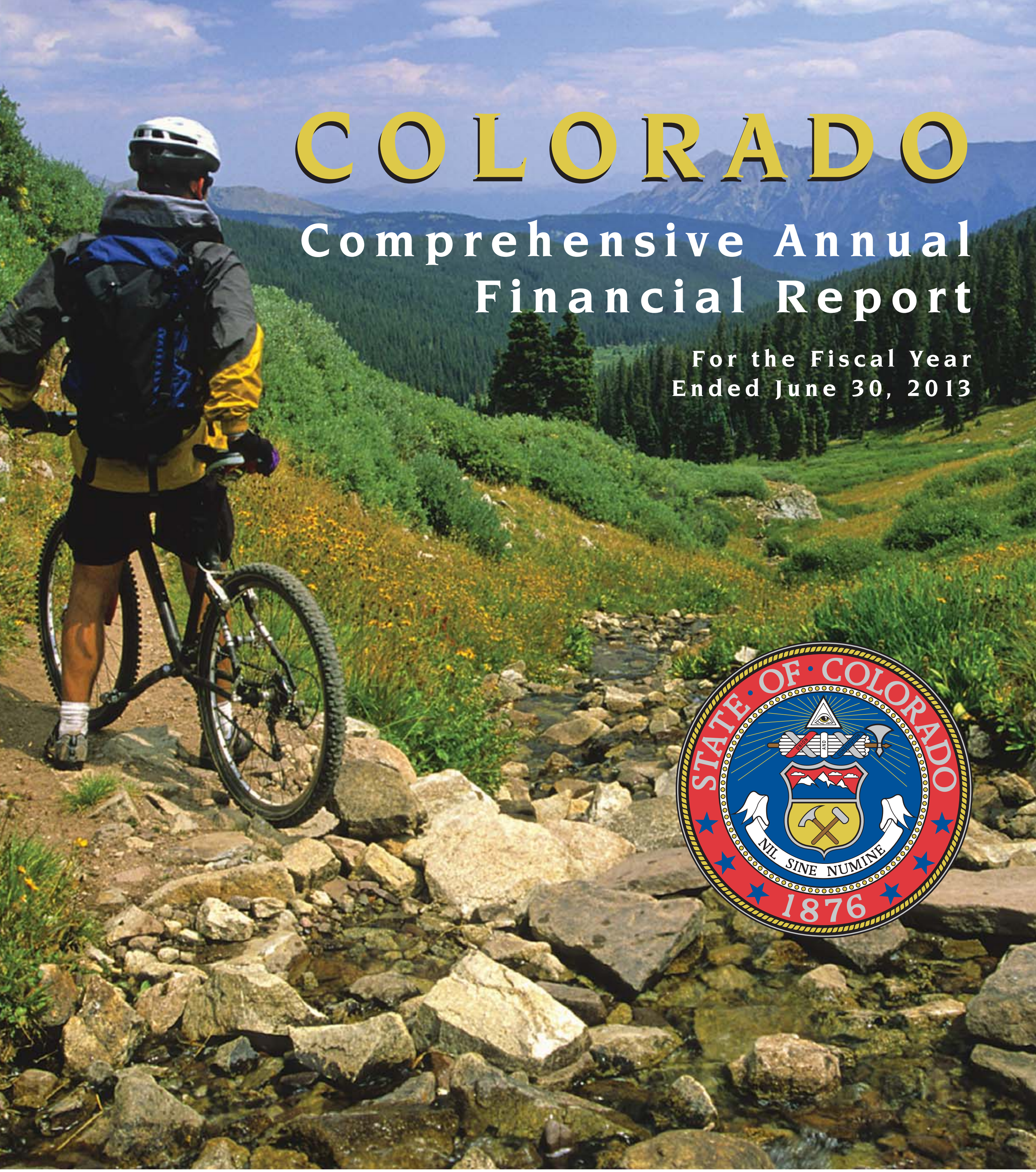

COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2013

COLORADO
Office of the State Controller
Department of Personnel
& Administration

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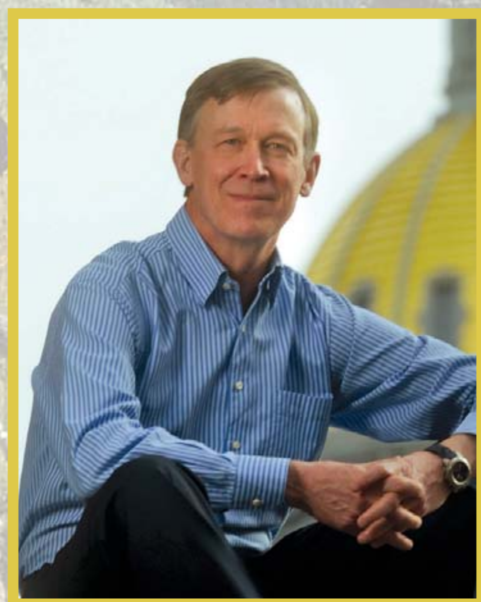
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



John Hickenlooper
Governor

Department of Personnel & Administration
Kathy Nesbitt, Executive Director
Robert Jaros, 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/osc

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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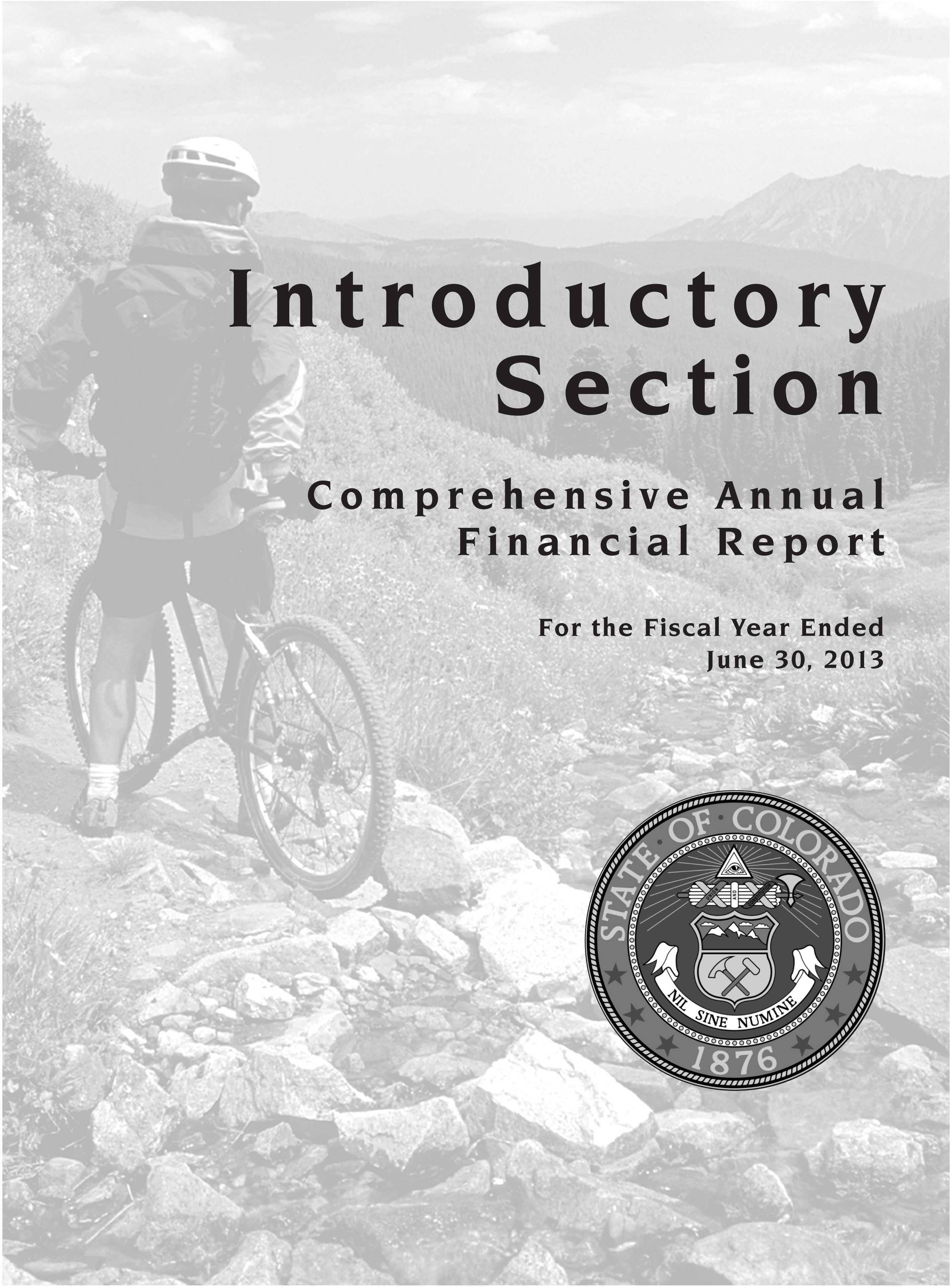
FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



Colorado
Department of Personnel & Administration
Office of the State Controller

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Robert Jaros
State Controller

December 13, 2013

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, 2013. 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. Except for certain institutions of higher education, 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 position 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 21, 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, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 40 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:

Office of the State Controller
1525 Sherman St.,5th Fl.
Denver, CO 80203
O:303-866-6200 | F:303-866-4138
www.colorado.gov/dpa

Colorado Water Resources and Power Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
Other Component Units (nonmajor):
- Denver Metropolitan Major League Baseball Stadium District
- CoverColorado
- Venture Capital Authority
- HLC @ Metro, Inc.

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 71). 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 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 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 challenges 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 to sign 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 or the General Assembly to adopt that proposal.

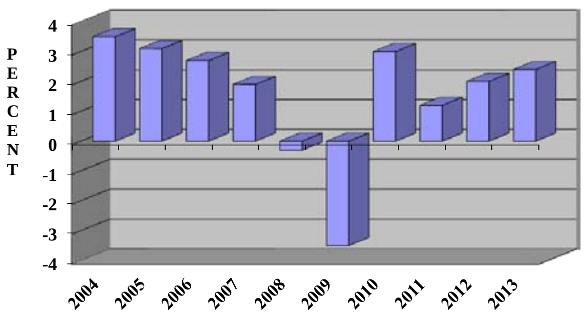
The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more than 300 justices and judges in 22 judicial districts across the State (excluding 23 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 improved growth in Fiscal Year 2012-13; General Fund revenues increased by $821.0 million (10.6 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 4.2 percent for 2012 and is forecast to increase by 4.3 percent for 2013. State nonagricultural employment levels rose by 51,800 in 2012, and are forecasted to increase by another 60,700 in 2013.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.0 percent in the third quarter of calendar year 2012 and 2.4 percent in the third quarter of 2013. Inflation adjusted GDP increased 1.8 percent from the third quarter of 2012 to the third quarter of 2013 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 1.8 percent. Personal consumption was led by a 7.5 percent increase in durable goods (including recreational goods and vehicles increasing at 10.5 percent and furnishings and durable household equipment at 7.4 percent). In addition to a 5.4 percent increase in fixed investment (including significant increases in residential – 14.8 percent, information processing equipment – 6.8 percent, and other equipment – 6.8 percent), private domestic investment was up by 6.8 percent in aggregate as farm inventories grew significantly while nonfarm inventories declined. Government spending declined quarter-over-quarter by 2.7 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 2.8 percent and imports grew by 1.7 percent; net imports continued to be a reduction of GDP at a slightly lower amount than in the third quarter of 2012.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT

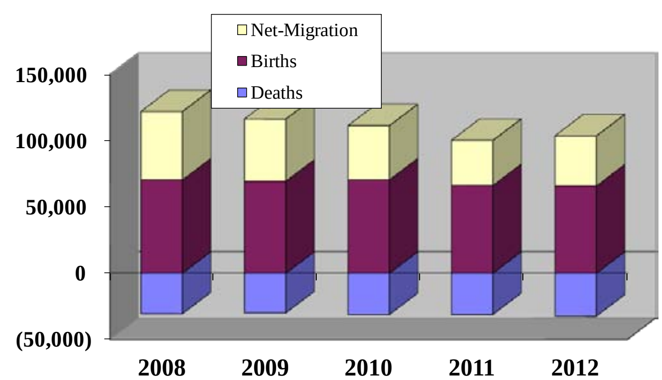


The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. This has been compounded by uncertainties in the European market and debates in the U.S. Congress over increases to federal debt ceiling, automatic tax increases and spending cuts. The September, 2013 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

"The nation's economy expanded at a modest pace through the summer. Healthier balance sheets for the nation's businesses, households, and banks, renewed momentum in the manufacturing sector, improvement in the real estate sector, and incremental improvements in the global economy have translated into improved consumer and business confidence. Nonetheless, robust economic growth continues to be hindered by uncertain monetary, fiscal, and regulatory policies, along with heightened geopolitical risk. In addition, the economy is still absorbing the effects of recent federal tax increases and spending cuts. Economic activity will continue to expand modestly through the remainder of 2013 before growing at a more earnest pace in 2014 and 2015. The economy is expected to recover sufficiently by the middle of 2015 for the Federal Reserve to begin raising interest rates, thus beginning the process of reducing the size of the money supply."

The recovery of the Colorado economy from the recession continues and economic indicators show that Colorado is outperforming many other states. According to the Office of State Planning and Budgeting (OSPB), Colorado's economy could grow faster than forecast and cause revenue to outperform expectations. However, uncertainties remain as to the strength of the recovery at the national level, and a decline in federal government jobs for both Colorado and the nation is pulling down overall job growth.

COMPONENTS OF COLORADO'S POPULATION CHANGE



Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 43,700 from 2008 to 2012. It remains off its ten-year peak amount of about 66,400 which occurred in 2001, but is significantly in excess of its low of about 4,900 in 2003. International immigration decreased from approximately 12,400 (2008) to 9,482 (2012). Similarly, domestic migration from other states decreased from 38,500 (2008) to 27,962 (2012). The information in the adjacent chart is based on current Census Bureau estimates. The Colorado State Demographer forecasts net population growth of 85,037 for 2013 and 89,969 for 2014, and OSPB forecasts net migration of 48,300 and 50,900, for those years respectively, which indicates persistent immigration.

The OSPB September 20, 2013 quarterly estimate predicts continued growth in Colorado's economy in 2013; however, federal fiscal policy issues surrounding debt and budget levels could result in larger-than-expected negative economic consequences. Additionally, although its economic conditions have improved marginally, Europe's structural economic and financial issues have not been resolved. Conditions there could worsen again and strain the global financial system and economy.

OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 6.9 percent for 2013 compared with 8.0 and 8.6 percent in 2012 and 2011, respectively, and it is expected to slightly decrease in 2014 to 6.5 percent.
- Wages and salary income will increase by 4.8 percent in 2013, by 5.0 percent in 2014, and by 5.1 percent in 2015
- Total personal income will increase by 4.3 percent in 2013, and reach 5.4 percent by 2014.
- Net migration is expected to be 48,300 in 2013 and 52,900 in 2014 with total population growth of about 1.6 and 1.7 percent, respectively.
- Retail trade sales will increase by 4.8 percent in 2013 followed by an increase of 5.4 percent in 2014.
- Colorado inflation will be 2.6 percent in 2013, and decrease to 2.4 percent in 2014.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2013 session. There were several areas of focus including health care, education, social programs and services, and justice including implementing enforcement activities around recreational marijuana. The following measures had the most significant financial impact:

- The General Assembly enacted legislation to align the Colorado Health Care Coverage Act with the federal Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. As a result, the CoverColorado program that provides high risk health insurance coverage was repealed effective March 31, 2015. A provision to enhance funding for the Colorado Health Benefit Exchange, operating as Connect for Health Colorado, was enacted and allows the organization to assess a fee not to exceed $1.80 per insured individual. Additionally, the income eligibility level for optional eligibility groups in Colorado's Medicaid program were increased for parents and caretaker relatives of Medicaid children and childless adults or adults without dependent children to 133 percent of the federal poverty level, funded by hospital provider fees.
- To implement the Public School Finance Act of 1994 the General Assembly provided approximately $76.7 million for Fiscal Year 2012-13, primarily for the State share of school districts' total program funding, additional support for Colorado Preschool Program participants and special education programs. The Act also provided $23.1 million for Fiscal Year 2013-14, primarily for early literacy programs.
- To improve educational programs, a grant program was created to improve quality in infant and toddler care, provide tiered reimbursement to, and increase the number of low income infants and toddlers served through high quality early childhood programs. Additionally, funding was increased for the Accelerating Students through Concurrent Enrollment (ASCENT) program.
- The General Assembly directed the State Board for Community Colleges and Occupational Health to design a manufacturing career pathway for the skills needed for employment in Colorado's manufacturing sector, as well as created a transitional jobs program at the Department of Human Services in conjunction with the Colorado First Customized Job Training Program.
- The General Assembly addressed the State's capital needs with the appropriation of $188.1 million of general-purpose revenues to fund 17 capital projects, 67 controlled maintenance projects, and 4 lease purchase payments for Fiscal Year 2013-14. Additionally, the General Assembly designated a portion of the Fort Lyons property, which was the site of a former state correctional facility, as a transitional residential community for the homeless to provide substance abuse supportive services, medical care, job training, and skill development for the residents.
- The General Assembly addressed at-risk elders by requiring certain professionals who observe or suspect the abuse or exploitation of a person 70 years of age or older has been abused to report such fact to a law enforcement agency within 24 hours.
- The General Assembly authorized the funding to study delivery methods for multiple human services. The Disability Investigational and Pilot Support Fund was created to study or pilot new and innovative ideas for improving the quality of life or increased independence for people with disabilities. Requests were also authorized for proposals to entities with the capacity to create a statewide coordinated and seamless behavioral health crisis response system including a 24-hour crisis telephone hotline, walk-in crisis services, crisis stabilization units, mobile crisis services, residential and respite crisis services, and a public information campaign.
- The General Assembly passed several measures to implement the constitutional change legalizing recreational marijuana. This included measures to create an open container offense for marijuana similar to alcohol, to classify marijuana under the "Colorado Clean Indoor Air Act", and encourage additional peace officer training related to driver

impairment. The Department of Revenue's Enforcement Division was given authority over regulating retail marijuana. Additionally, a sales tax of 10 percent and an excise tax of 15 percent was authorized on the sale of retail marijuana or retail marijuana products to a consumer by a retail marijuana store, contingent upon voter approval which was earned in the November 2013 general election.

- In response to the backlog of forensic medical evidence at the Colorado Bureau of Investigation (CBI), new legislation requires law enforcement agencies to submit to the Colorado Bureau of Investigation an inventory of all unanalyzed forensic evidence in active investigations that meets the standard for mandatory submission. The CBI is required to submit a plan to analyze all of the forensic evidence inventories by law enforcement agencies.
- Clarification was provided that the appointment of the State public defender to represent indigent persons applies when the charged offense includes a possible sentence of incarceration.
- To comply with the Water Quality Commissions's nutrients management control regulation, the General Assembly created a grant program to make funding available to local governments for the planning, design, construction, or improvement of domestic wastewater treatment works owned or operated by a local government.
- The General Assembly created a wildfire risk reduction grant program in the Department of Natural Resources providing $9.8 million in funding opportunities for projects implementing hazardous forest fuel reduction treatments to reduce the risks associated with wildfires in Colorado.
- The General Assembly authorized the use of $4.0 million from the Species Conservation Trust Fund for ten projects, the largest of which was for wildlife research.
- The Colorado Voter Access and Modernized Elections Commission was created to assess the systems used in the State for voting and registration and to require the Secretary of State to conduct monthly national change of address searches on all electors whose names appear in the statewide voter registration list for transmission to county clerk and recorders.
- The General Assembly transferred $132.4 million from the General Purpose Revenue Fund in supplemental contributions to the Fire and Police Pension Association to liquidate the State's share of the old hire pension plans' unfunded accrued actuarial liability.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly appropriates the annual State budget for ongoing programs, except for custodial funds, certain statutory cash funds, and most federal 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, operating appropriations lapse at the end of the fiscal year unless the State Controller approves an appropriation rollforward based on express legislative direction or extenuating circumstances. The State Controller, with the approval of the Governor, may also allow expenditures in excess of the appropriated budget. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

The State records the appropriated budget and certain nonappropriated spending authority (including most institutions of higher education activity) in its accounting system along with estimates of federal awards, statutory cash funds, and custodial funds of the various departments. The accounting system will not disburse monies without spending authority. 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 recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances lapse except those that represent appropriations that are approved for rollforward into the subsequent fiscal year, unspent revenue related to specific non-legislatively directed purposes, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 40).

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, 2012. This was the sixteenth 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, auditors, 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,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

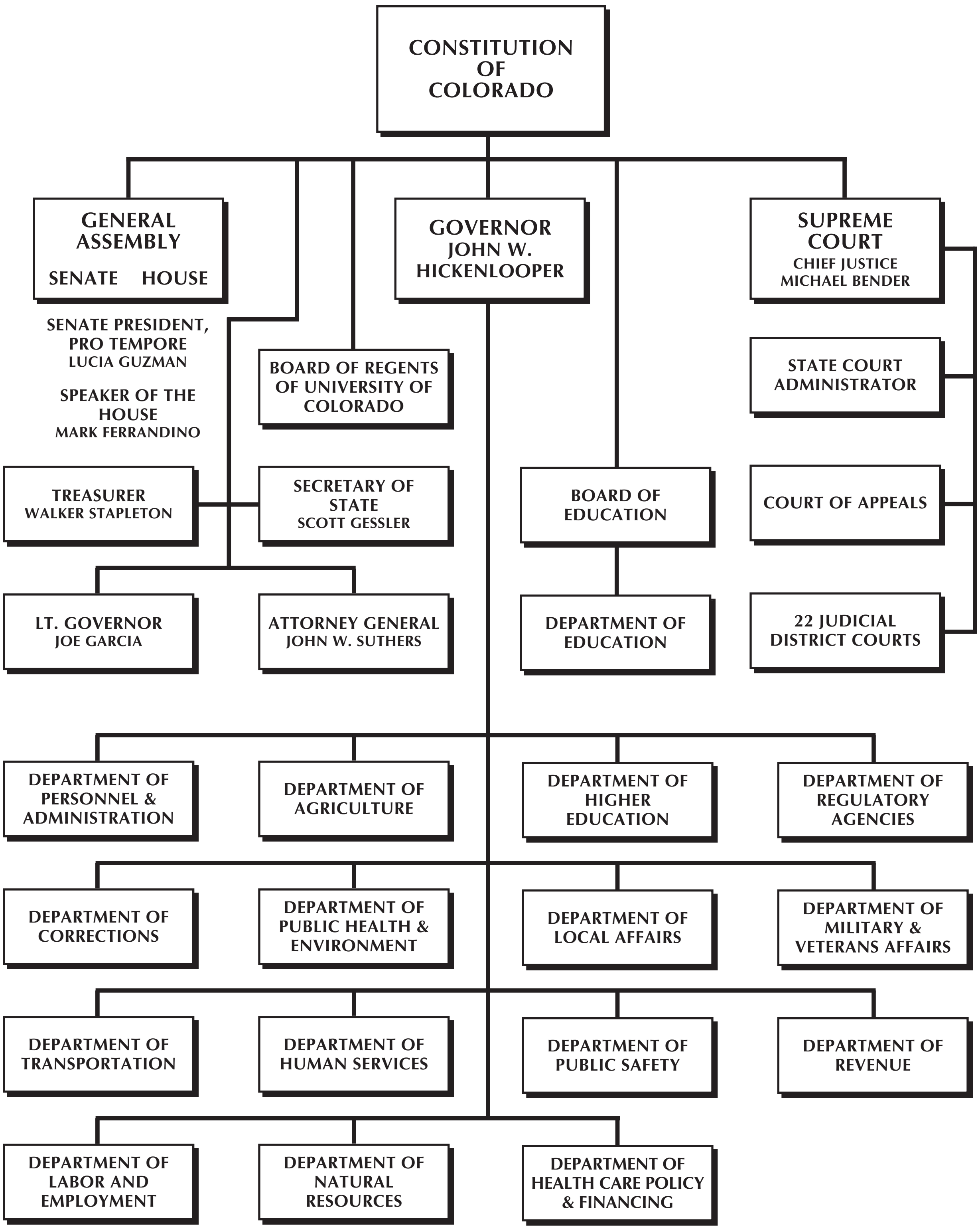
State of Colorado

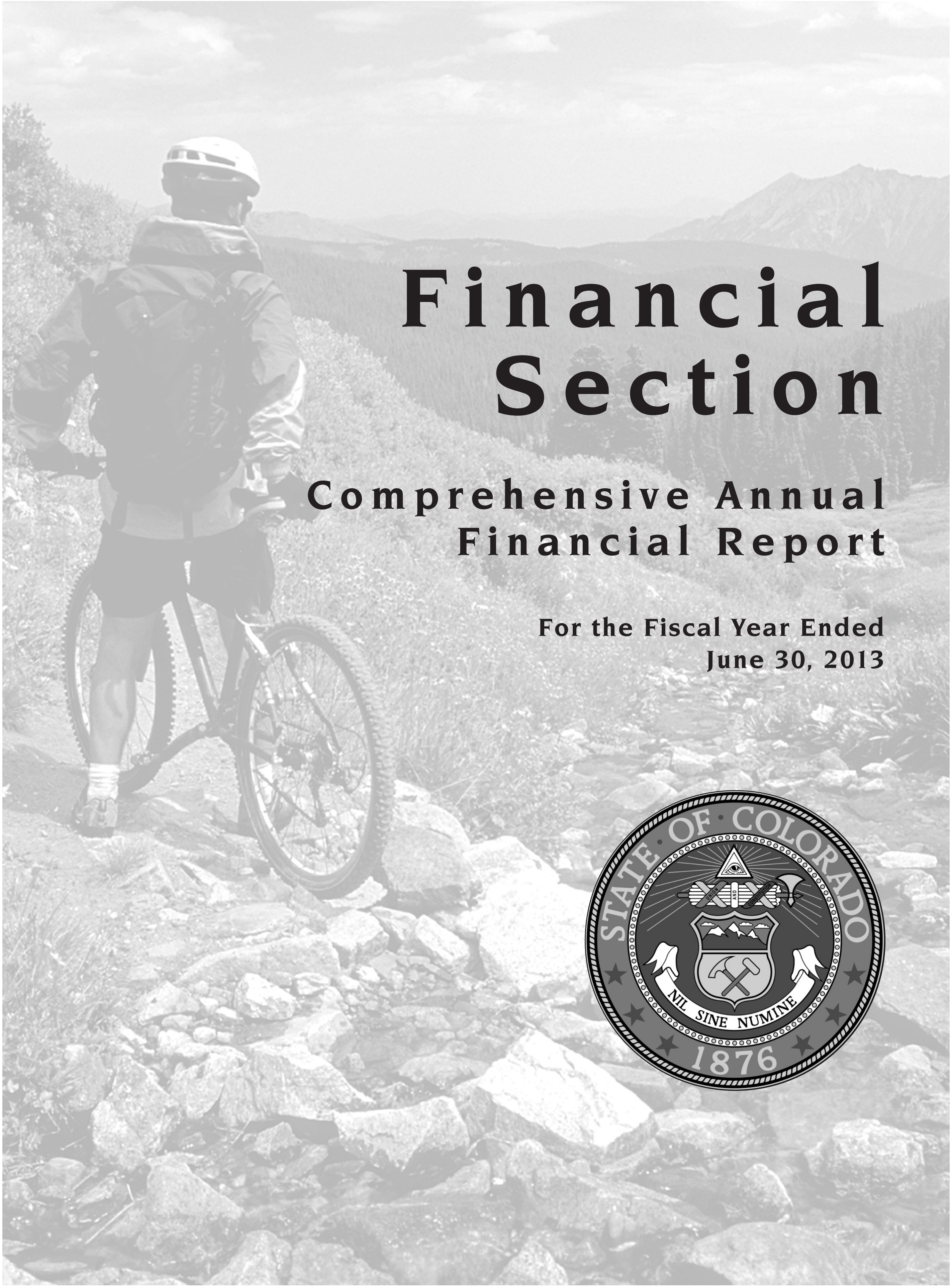
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

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 (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 2, which represent 100 percent of total assets, 100 percent of net position, and 100 percent of revenues, of the discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit, which represents approximately 3 percent of the total assets, 5 percent of the net position, and 11 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net position, and 7 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose report thereon has 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 report of the other auditors. 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 from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, and the University of Northern Colorado Foundation, discretely presented major component units; and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* in Fiscal Year 2013. Our opinion is not modified with respect to these matters.

Change in Reporting Entity

As identified in Note 2 to the financial statements, the University of Colorado Hospital Authority is no longer presented as part of the State's discretely presented component units. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, management's discussion and analysis and budgetary comparison information listed in the table of contents beginning on page 1, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Omission of Information

Management has omitted tuition and fees within the *Schedule of Revenues, Expenditure/Expenses, and Changes in Fund Balances/Net Position – Budgetary Basis, Budget and Actual – Cash Funded and the Reconciling Schedule All Budget Fund Types to All GAAP Fund Types*, for higher education institutions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The accompanying supplementary information: the combining and individual nonmajor fund financial statements, the schedule of capital assets, and the schedule of other funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The transmittal letter, introductory section, statistical section, and graphical presentations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State'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. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of the audit.

December 13, 2013

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.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $14,958.7 million, an increase of $779.6 million as compared to the prior year amount of $14,179.1 million. Causes of the increase in net position include an increase in cash and restricted cash balances of $599.3 million, the most significant in the General Fund related to increased general-purpose revenue from tax collections. Taxes Receivable, net of refunds payable, also increased by $49.9 million. Investments and restricted investments increased by $56.8 million, most notably from an increase in investment proceeds held for public school construction. Capital assets decreased by $22.4 million, primarily due to $568.1 million in infrastructure depreciation charges. Increases in infrastructure construction and public school construction offset the majority of the depreciation charges. Assets of the State's business-type activities exceeded liabilities by $6,688.7 million, an increase of $548.7 million as compared to the prior year amount of $6,140.0 million. The overall increase was primarily the result of the following net position changes: an increase of $266.8 million in Higher Education Institutions, an increase of $153.7 in Unemployment Insurance, and an increase of $129.7 million in Other Enterprises (primarily in the Transportation Enterprise. In total, net position of the State increased by $1,328.3 million to $21,647.4 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,100.2 million (prior year $5,292.9 million). In total, governmental fund balances increased by $807.3 million from the prior year due to increases in the Resource Extraction Fund, Capital Projects Fund, State Education Fund, and Other Governmental Funds, which were partially offset by reductions in the General Fund and the Highway Users Tax Fund (HUTF). The General Fund decrease of $426.3 million was due to improved general-purpose tax collections in the General Purpose Revenue Fund that allowed for the transfer of $1,073.5 million to the State Education Fund. The General Purpose Revenue Fund portion of the General Fund is required to maintain a reserve of five percent of General Purpose Revenue Fund appropriations on a legal basis; $216.1 million was available on a GAAP basis to partially fund the reserve for Fiscal Year 2012-13. The reserve is required to increase by 0.5 percent in the third fiscal year after the personal income growth trigger is met, currently projected to occur in 2014 effective for Fiscal Year 2017-18. Thereafter, the reserve increases annually by 0.5 percent until the reserve reaches 6.5 percent where it will be maintained. The Resource Extraction Fund increased by $85.2 million due to increased cash related to severance taxes, mineral leasing, and fees, and increased inventory for temporary water rights purchased for resale. The HUTF decreased by $25.5 million with increases in expenditures outpacing increases in revenue. The Capital Projects Fund increased by $5.5 million due to additional funding from the General Purpose Revenue Fund. The State Education Fund increased by $1,062.4 million due to transfer-in of $1,073.5 million from the State's General Fund Surplus. The Other Governmental Funds increased by $106.0 million, largely due to activity in the Labor, Gaming, and Environment and Health Protection Fund.

Enterprise Fund assets exceeded liabilities resulting in total net position of $6,688.7 million (prior year $6,140.0 million), of which $4,536.7 million (prior year $4,143.7 million) was restricted or invested in capital assets, and the balance of $2,152.0 million (prior year $1,996.3 million) was unrestricted. The total increase of $548.7 million in Enterprise Fund net position was primarily due to an increases of $266.8 million in Higher Education Institutions, $153.7 million in the Unemployment Insurance Fund, and $129.7 million in Other Enterprises, primarily the Transportation Enterprises.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2013, were $1,785.6 million (prior year $1,777.0 million), which is 24.6 percent (prior year 27.6 percent) of financial assets (cash, receivables, and investments) and 9.1 percent (prior year 9.5 percent) of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, State buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and State highway revenues, State building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues. The State's Enterprise Funds have revenue bonds outstanding that total $4,132.1 million (prior year $4,181.9 million). The majority of the outstanding revenue bonds is related to Higher Education Institutions and is invested in capital assets that generate a future revenue stream to service the related debt. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenue in excess of the limit. Any excess 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 TABOR limit for Fiscal Years 2005-06 through 2009-10. The State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2012-13, and although it did exceed the TABOR limit by $1,859.9 million, no refund was required because Referendum C replaced the TABOR limit with the Excess State Revenues Cap as the threshold for refunds. The $0.7 million TABOR Refund Liability shown on the financial statements is the residual amount of a Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2012. (See page 29 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 comparisons and funding progress for other post-employment benefits 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, liabilities, deferred inflows, and deferred outflows on the *Statement of Net Position* 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 Position* shows the financial position of the State at the end of the fiscal year. Net position measures the difference between assets and deferred outflows and liabilities and deferred inflows. Restrictions reported in net position indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net position from year to year indicate the State is better off financially, while decreases in total net position indicate the State is worse off.

The *Statement of Activities* shows how the financial position has changed since the beginning of the fiscal year. The most significant financial measure of the government's current activities is presented in the line item titled "Change in Net Position" 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 Position,* 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 71.

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 with additional fund detail presented in the Supplementary section of this report. 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 best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, 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 generally 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 Position* because Internal Service Funds primarily serve governmental funds. The net revenue or net expense of Internal Service Funds is reported as an increase or reduction 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 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 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.

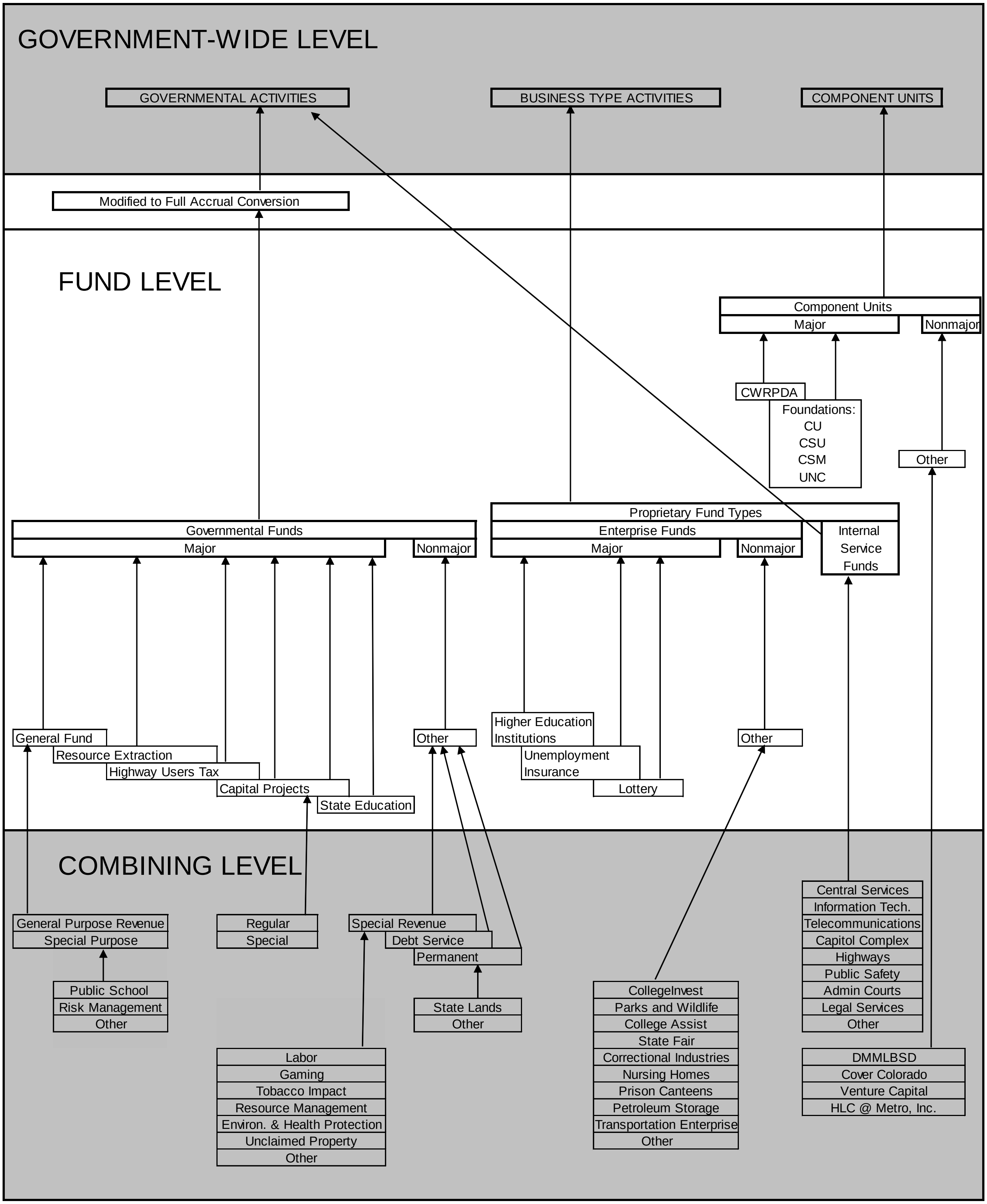
Notes to Basic Financial Statements

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 in this Management's Discussion and Analysis and 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 a schedule of funding progress for other post-employment benefits.

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
Major
Nonmajor
CWRPDA
Foundations:
CU
CSU
CSM
UNC
Other
Proprietary Fund Types
Enterprise Funds
Internal Service Funds
Governmental Funds
Major
Nonmajor
Major
Nonmajor
General Fund
Resource Extraction
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
Lottery
Other
COMBINING LEVEL
General Purpose Revenue
Special Purpose
Public School
Risk Management
Other
Regular
Special
Labor
Gaming
Tobacco Impact
Resource Management
Environ. & Health Protection
Unclaimed Property
Other
Special Revenue
Debt Service
Permanent
State Lands
Other
CollegeInvest
Parks and Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Transportation Enterprise
Other
Central Services
Information Tech.
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Courts
Legal Services
Other
DMMLBSD
Cover Colorado
Venture Capital
HLC @ Metro, Inc.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Noncapital Assets	$ 8,145,302	$ 7,226,747	$ 5,762,411	$ 5,591,121	$ 13,907,713	$12,817,868
Capital Assets	11,483,728	11,506,120	6,692,826	6,269,812	18,176,554	17,775,932
Total Assets	19,629,030	18,732,867	12,455,237	11,860,933	32,084,267	30,593,800
Deferred Outflow of Resources	-	-	551	5,005	551	5,005
Current Liabilities	2,022,074	1,941,714	1,359,106	1,305,517	3,381,180	3,247,231
Noncurrent Liabilities	2,648,225	2,612,089	4,407,976	4,420,423	7,056,201	7,032,512
Total Liabilities	4,670,299	4,553,803	5,767,082	5,725,940	10,437,381	10,279,743
Net Investment in Capital Assets	10,107,082	10,107,432	3,571,408	3,386,411	13,678,490	13,493,843
Restricted	3,656,639	2,582,636	965,311	757,330	4,621,950	3,339,966
Unrestricted	1,195,010	1,488,996	2,151,987	1,996,257	3,346,997	3,485,253
Total Net Position	$14,958,731	$14,179,064	$ 6,688,706	$ 6,139,998	$ 21,647,437	$20,319,062

The amount of total net position is one measure of the health of the State's finances, and the State reports significant positive balances in all categories of net position. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State.

Capital assets, net of related debt, account for $13.7 billion or 63.2 percent of the State's total net position, which represents an increase of $158.0 million from the prior year; capital assets increased in business-type activities, but declined in governmental activities. The decrease of $22.4 million in governmental capital assets is attributable to transportation projects, public school construction, and the completion of the Ralph L. Carr Justice Center. Depreciation charges of $568.1 million for bridge and roadway infrastructure more than offset increases related to new construction activity. The current year increase in Net Investment in Capital Assets of $185.0 million in business-type activities, primarily in Higher Education Institutions and the Other Enterprise Funds (primarily the Transportation Enterprise), indicates that capital asset purchases from financed and current resources was greater than depreciation charges and payments on capital debt. 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 $4,622.0 million or 21.4 percent of net position, which represents an increase of $1,282.0 million 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 fund balance, the Highway Users Tax Fund fund balance, and resources pledged to debt service are examples of restrictions on the State's net position. Governmental activities Restricted Net Position increased by $1,074.0 primarily related to the required transfer of the excess general fund surplus of $1,073.5 million to the State Education Fund, while business-type activities increased by $208.0 million.

The Unrestricted Net Position of $3,347.0 million represents 15.5 percent of total net position and is the amount by which total assets and deferred outflows exceed total liabilities and deferred inflows after all restrictions and capital asset exclusions are considered. This represents a decrease of $138.3 million from the prior fiscal year. The governmental activities unrestricted net position decreased by $294.0 million and business-type activities increased by $155.7 million. The largest portion of unrestricted net position is reported in Special Revenue Funds; however, legislative action is generally 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 position from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments, that the governmental activities, expenses and transfers-out were less than revenues and transfers-in resulting in net position increasing by $772.7 million. Program revenue of the governmental activities increased by $241.4 million (2.9 percent) related to increasing charges for services and capital grants and contributions. General-purpose revenues increased by $843.9 million (9.1 percent) primarily due to increased tax collections and accruals of taxes receivable. Expenses increased by $770.6 million (4.5 percent) from the prior year in alignment with increased program and general purpose revenue increases. This was reduced somewhat by the increase of the General Fund Statutory Reserve from 4.0 to 5.0 percent. 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	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	$ 1,950,925	$ 1,785,794	$ 5,185,664	$ 5,083,700	$ 7,136,589	$ 6,869,494
Operating Grants and Contributions	5,860,052	5,884,031	2,730,519	3,165,718	8,590,571	9,049,749
Capital Grants and Contributions	700,548	600,300	96,655	132,067	797,203	732,367
General Revenues:						
Taxes	8,953,713	8,186,128	-	-	8,953,713	8,186,128
Restricted Taxes	1,039,105	965,784	-	-	1,039,105	965,784
Unrestricted Investment Earnings	16,842	15,015	-	-	16,842	15,015
Other General Revenues	97,402	96,213	-	-	97,402	96,213
Total Revenues	18,618,587	17,533,265	8,012,838	8,381,485	26,631,425	25,914,750
Expenses:						
General Government	555,507	224,382	-	-	555,507	224,382
Business, Community, and Consumer Affairs	584,300	600,068	-	-	584,300	600,068
Education	5,187,481	5,205,123	-	-	5,187,481	5,205,123
Health and Rehabilitation	697,795	703,684	-	-	697,795	703,684
Justice	1,655,057	1,555,294	-	-	1,655,057	1,555,294
Natural Resources	77,934	93,900	-	-	77,934	93,900
Social Assistance	7,174,711	6,746,574	-	-	7,174,711	6,746,574
Transportation	1,769,013	1,777,488	-	-	1,769,013	1,777,488
Interest on Debt	16,284	40,935	-	-	16,284	40,935
Higher Education Institutions	-	-	5,258,665	5,068,481	5,258,665	5,068,481
Unemployment Insurance	-	-	1,055,148	1,571,321	1,055,148	1,571,321
Lottery	-	-	501,010	495,847	501,010	495,847
Parks and Wildlife	-	-	177,497	160,933	177,497	160,933
College Assist	-	-	407,229	403,023	407,229	403,023
Other Business-Type Activities	-	-	187,265	196,542	187,265	196,542
Total Expenses	17,718,082	16,947,448	7,586,814	7,896,147	25,304,896	24,843,595
Excess (Deficiency) Before Contributions, Transfers, and Other Items	900,505	585,817	426,024	485,338	1,326,529	1,071,155
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(128,535)	(135,407)	128,535	135,407	-	-
Permanent Fund Additions	741	595	-	-	741	595
Total Contributions, Transfers, and Other Items	(127,794)	(134,812)	128,535	135,407	741	595
Total Changes in Net Position	772,711	451,005	554,559	620,745	1,327,270	1,071,750
Net Position - Beginning	14,179,064	14,179,064	6,139,998	6,139,998	20,319,062	20,319,062
Prior Period Adjustment	6,956	(451,005)	(5,851)	(620,745)	1,105	(1,071,750)
Net Position - Ending	$14,958,731	$ 14,179,064	$ 6,688,706	$ 6,139,998	$21,647,437	$20,319,062

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $554.6 million resulting in an increase in net position. From the prior year to the current year, program revenue of the business-type activities decreased by $368.6 million (4.4 percent) and expenses decreased by $309.3 million. Operating Grants and Contributions declined by $435.2 million primarily in Unemployment Insurance followed by Higher Education Institutions related to reduced ARRA funding. The decrease in Operating grants and Contributions was partially offset by $102.0 million in increased Charges for Services, primarily in Higher Education

Institutions. The decrease in expenses is primarily attributable to a 32.9 percent decrease in Unemployment Insurance benefits paid, that more than offset increases in all of the other business-type activities, including the largest increase in the Higher Education Institutions.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2012-13 is the twentieth year of State operations under Article X, Section 20 of the State Constitution revenue limitations, which is also known as TABOR. 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 revenues from 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, which 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. 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 have historically been significant factors in the changing fiscal status of the State's General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the TABOR limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and expended from the General Fund Exempt Account created in the General Fund by Referendum C.

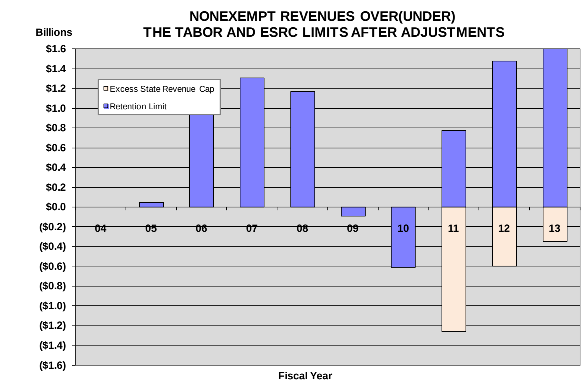
In years when Referendum C was not in effect, the State's ability to retain revenues was also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues 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 current and future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

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 end of Fiscal Year 2012-13, these amounts totaled to required refunds of $3,291.2 million since TABOR's inception. At June 30 of each applicable fiscal year, the State recorded a liability on the General Fund Balance Sheet, and the amounts were refunded in subsequent years except for the $0.7 million amount currently shown in the financial statements.

After the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2005-06 through Fiscal Year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the TABOR retention limit continues to apply, but the ESRC replaces it as the limit that triggers taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in Fiscal Year 2007-08, and the ratchet down provision does not apply to the ESRC. For Fiscal Year 2012-13, unaudited State revenues subject to TABOR were $11,107.3 million, which was $352.9 million under the ESRC, and $1,859.9 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

During Fiscal Year 2012-13, the Colorado Geological Survey was relocated from the Department of Natural Resources to the Colorado School of Mines. The Colorado Geological Survey was formerly nonexempt TABOR activity, but became TABOR enterprise activity as the Colorado School of Mines is part of the Higher Education Institution TABOR enterprise. Also during Fiscal Year 2012-13, a portion of the wildfire functions moved from Colorado State University which is part of the TABOR qualified Higher Education Institutions to the Department of Public Safety. As required by TABOR, the State Controller makes the qualification of new enterprises and disqualification of existing TABOR enterprises neutral in the excess revenue calculation. In Fiscal Year 2012-13, the TABOR limit was decreased by total of $1.8 million related to these changes in the TABOR district.

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 limited to five percent of personal income, with certain adjustments.
- 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 State retained $3,593.6 million during the five-year refund time-out authorized by Referendum C, and $4,103.3 million from Fiscal Year 2010-11 through 2012-13 due to the increasing ESRC as compared to TABOR limit, for a total of $7,696.9 million of retained Referendum C revenue.

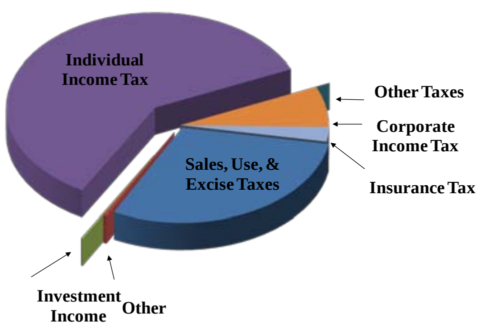
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery, the State's revenues are not expected to exceed the ESRC cap during Fiscal Year 2012-13. Neither the Legislative Council nor the Governor's economic forecast projects nonexempt revenue in excess of the ESRC through Fiscal Year 2015-16.

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. The General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund, Risk Management, and Other Special Purpose Funds reside in the General Fund. These funds are referred to as Special Purpose General Funds, while the General Purpose Revenue Fund comprises general activities of the State. Revenues of the General Purpose Revenue 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 Purpose Revenue Fund, they have little impact on fund balance because most federal revenues are earned on a reimbursement basis and are closely matched with federal expenditures.

GENERAL-PURPOSE REVENUES BY SOURCE

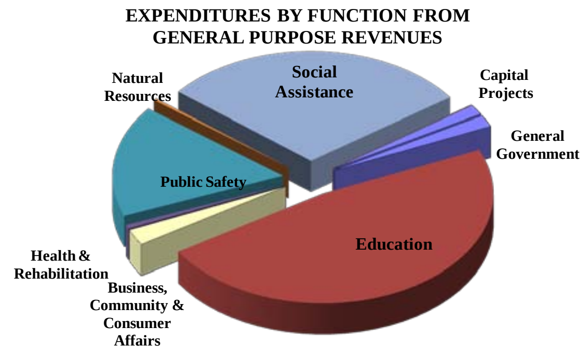


The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $799.1 million, $253.5 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. The General Purpose Revenue Fund decreased by $427.6 million from the prior year. In Fiscal Year 2012-13, the State was able to fund the General Fund Statutory Reserve of $373.0 million on a budget basis, but was only able to reserve $216.1 million and on a GAAP basis. After the partial statutory reserve the General Purpose Revenue Fund Unassigned Fund Balance was eliminated, which was a decrease of $359.4 as compared to the prior year. When considering the shortfall of $156.9 million in meeting the reserve on a GAAP basis, the decrease in the unassigned balance would have reached $516.3 million. The General Purpose Revenue Fund's $1,059.9 million year-end unrestricted cash balance increased by $502.3 million from the prior year primarily due to improving tax collections.

General-purpose revenues for Fiscal Years 2012-13 and 2011-12 were $8,554.8 million (see page 163) and $7,336.0 million, respectively – an increase of $1,218.8 million or 16.6 percent. Individual income tax revenue increased by $584.5 million or 11.7 percent. The major categories of individual income tax, that contributed to the increase, were estimated payments (up 25.1 percent), cash with returns (up 37.1 percent), and withholding payments (up 2.6 percent). The significant percentage increase in estimated tax payments is normally associated with improving self-employment income and taxpayers' investment earnings, while the increase in cash with returns generally represents improving wages. The increase in withholding reflects modest job growth and some wage inflation. Corporate income tax receipts increased by $149.9 million, or 30.8 percent, reflecting strong corporate profits. Sales, use, and excise taxes increased by $159.8 million or 6.7 percent, which is slightly above the projected 4.3 OSPB projected increase in personal income in 2013.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2012-13 and 2011-12 were $7,826.9 million (see page 163) and $7,139.2 million, respectively. For Fiscal Year 2012-13, the total annual increase in general-funded appropriations was limited to five percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process.

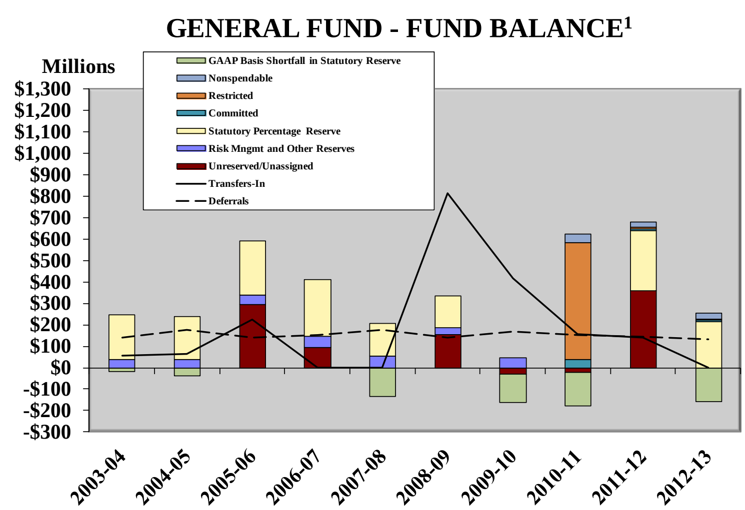
The Special Purpose portion of the General Fund fund balance totaled $545.6 million in Fiscal Year 2012-13. This comprises Risk Management activities, the Public School Fund and Other Special Purpose Funds.



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 79.0 percent of all Fiscal Year 2012-13 general-funded expenditures, which is a decrease of 0.9 percent from the prior year. There were no significant decreases in departmental expenditures. The largest increases were in the Department of Education, Health Care Policy and Financing, and The Department of Human Services. The Department of Education expenditures increased by $181.2 million (6.4 percent) due to the availability of increased general purpose revenue. The Department of Health Care Policy and Financing's general-funded expenditures increased $144.1 million (8.5 percent) as the use of general-funded resources increased as a result of the result of the phase-out of the enhanced federal matching funds under the American Recovery and Reinvestment Act of 2009 moneys and increased caseloads. The Department of Human Services expenditures increased $49.5 million (7.0 percent) to meet case load demands

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. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2012-13, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $86.9 million of payroll, $123.9 million of Medicaid, and $1.2 million of OIT expenditures into Fiscal Year 2013-14. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $80.4 million. In total, the effect was to increase General Fund budgetary fund balance by $131.7 million, which was $21.4 million less than the effect of deferring Fiscal Year 2011-12 expenditures into Fiscal Year 2012-13. Although Medicaid expenditures and caseloads continue to increase, the Medicaid related deferral declined due to increased drug rebate credits that offset Medicaid expenditures. Transfers-in were negligible as compared to the prior year.

The chart shows the changes in the major classifications of fund balance in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes in effect for Fiscal Year 2012-13 require a five percent fund balance reserve of $373.0 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by $156.9 million. On a budgetary basis there were deferrals of $131.7 million of payroll, Medicaid, and other costs into Fiscal Year 2013-14. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03. The deferrals and transfers-in have prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06, 2006-07, 2008-09, and 2011-12 when adequate resources were available for a positive budgetary reserve without the deferral.



[1] Beginning in Fiscal year 2010-11, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management and other Special Purpose Funds became part of General Fund fund balance. The General Purpose Revenue portion of the General Fund primarily comprises the Statutory Reserve and Unassigned balances, and the Special Purpose Revenue portion of the General Fund the remaining balances.

Resource Extraction Fund

The Resource Extraction Fund fund balance increased by $85.2 million (9.4 percent) from the prior year. Cash is collected from severance taxes, mineral leasing, and fees associated with regulation of mining activities increased by $67.0 million as compared to the prior year. Expenditures include distributions to local governments, regulatory costs, and construction loans made to local governments and special districts to enhance the use of water resources of the State. A significant portion $383.0 million, of the fund's fund balance of $989.8 million comprises long-term loans receivables related to the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable decreased by $14.6 million from the prior year.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $25.5 million (2.1 percent) from the prior year largely due to expenditures increases at a faster pace than federal revenue increases. Legislation in response to the economic downturn has permanently eliminated General Purpose Revenue Fund Surplus diversions to HUTF and also terminated the diversion of sales and use tax from the General Fund to the Highway Fund until at least Fiscal Year 2018-19.

The HUTF shows a fund balance of $1,197.5 million. This amount includes $1,073.4 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,146.0 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance increased by $5.5 million (11.3 percent) from the prior fiscal year due to increased funding from the General Purpose Revenue Fund. Fund expenditures of $88.2 million ($213.1 million in Fiscal Year 201-12) were primarily related to projects appropriated in previous years. The Capital Projects Fund reported fund balance restrictions of $2.5 million, or 4.6 percent of total fund balance, related to residual certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance increased by $1,062.4 million (545.4 percent) during Fiscal Year 2012-13 primarily related legislation that diverted the excess General Fund Surplus balance of $1,073.5 to the State Education Fund. Except for investment income and transfers-in from the General Purpose Revenue Fund, revenues of the fund are fixed as a percentage of taxpayer tax liability, and the fund's portion of those receipts increased in Fiscal Year 2012-13 by $78.8 million from the prior year. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Along with tax receipts, transfers-in from the General Purpose Revenue Fund of $59.0 million in the prior year supported Fiscal Year 2012-13 expenditures. Expenditures of the fund were $490.5 million and $645.8 million in Fiscal Year 2012-13 and 2011-12, respectively. The reduction in expenditures is attributable to transfers-in from the General Purpose Revenue Fund of $221.4 that supported increased expenditures activity in Fiscal Year 2011-12.

Higher Education Institutions

The net position of the Higher Education Institutions increased by $266.8 million (5.3 percent). 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 $222.1 million, sales of goods and services increased by $100.5 million, federal revenues decreased by $79.3 million, and Other Operating revenues increased by $19.5 million. In addition, investment income (including an increase in fair value of investments) decreased by $19.6 million. Overall, revenues increased by 4.1 percent and expenses increased by 3.8 percent. The State made capital contributions of $95.7 million and $134.3 million in Fiscal Years 2012-13 and 2011-12, respectively, that were funded by the Capital Projects Fund and transferred $194.2 million ($192.8 million in Fiscal Year 2011-12) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training.

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) increased by $153.7 million (238.7 percent). Unemployment benefits paid decreased by $511.8 million, or 32.8 percent, after decreasing $572.0 million in the prior year. The reduced benefits paid were caused by a reduction of $878.7 million in federal grants – including ARRA funds that were originally provided to extend the duration of unemployment benefits. Unemployment insurance premiums collected decreased by $56.5 million over the prior year. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. Statutes were amended in the 2012 special legislative session allowing UI to issue bonds, through the Colorado Housing and Finance Authority, to stabilize insurance premium taxes, which will be funded by special assessments on employers. Bonds were issued as represented by the $505.0 million of the fund's liabilities. The fund's cash balance was $580.9 million, as compared to $523.0 million in the prior year.

State Lottery

The Lottery produced operating income of $134.8 million ($122.2 million in Fiscal Year 2011-12) on sales of $575.2 million ($559.3 million in Fiscal Year 2011-12). The change represents a 10.3 percent increase in operating income. The Lottery distributed $59.2 million ($57.1 million in Fiscal Year 2011-12) to the Great Outdoors Colorado program, a related organization, and transferred $77.0 million ($66.7 million in Fiscal Year 2011-12) to other State funds; $13.6 million primarily to fund operations of the State's Division of Parks and Recreation and $54.3 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery's net position is minimal and changes nominally 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 163. 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 $10.0 million.

- Department of Health Care Policy and Financing
  - $10.6 million to reflect updated caseload projections,
  - $4.7 million transferred the Department of Human Services authorized by C.R.S. 24-75-106 to cover nonMedicaid eligible caseload costs,
  - $4.5 million as a result of a 1.5 percent rate cut to nursing facilities providing Medicaid services, and
  - $1.1 related to transferring the provider fee to the Department of Human Services for intermediate care facilities for the intellectually disabled.

The decreases were offset by an increase of $2.7 million in funding for the Children's Health Plan, and $1.6 million related to rollfoward authority for the Colorado Benefits Management System.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $9.6 million for Fiscal Year 2012-13 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 83 at the individual line item appropriation level. In total, State departments reported general-funded appropriations negative reversions of $12.5 million; the reversion would have been $7.8 million if not for a $20.3 million negative reversion related to the Old Age Pension program at the Department of Revenue. The Department of Revenue 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 $6.5 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 $2.3 million (0.4 percent) primarily in its pharmaceutical line item. Reversions of $1.3 million resulted from a reduced need for offender prescriptions and at least one high cost drug becoming available in generic form during the year. Another $0.3 million saved from lower than anticipated population of youth offenders requiring aftercare services, and unused contract services of $0.1 million in community intensive supervision program services. There were various other small reversions for institutional contract services, community services, and administration.
- Department of Human Services – The department reverted $2.0 million (0.3 percent) comprising:
  - $0.5 million in General Purpose Revenue Fund savings as a higher proportion of the youth were Medicaid eligible in the Residential Treatment Centers for Youth line item, and were therefore costs were paid from federal sources.
  - $0.3 million in savings resulting from the negotiation of a reduced price for Electronic Benefits Transfer card contract.
  - $0.3 million in community-based child abuse prevention services, as rollforward authority to use unspent funds in future years was inadvertently excluded in the legislative process.
  - $0.3 million in cost savings on Colorado Benefit Management System Modernization project.
  - $0.2 million in rollforward reversions for child welfare services in the mental health institutions.
  - $0.1 million in adult foster care due to reduced caseloads.
  - $0.1 million in the residential treatment centers for youth line item as a result of reduced caseloads.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2013, was $13.7 billion ($13.5 billion in Fiscal Year 2011-12). Included in this amount were $14.8 billion of depreciable capital assets after reduction for $8.1 billion of accumulated depreciation. Also included was $3.4 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,561.6 million and $1,593.9 million of capital assets in Fiscal Year 2012-13 and 2011-12, respectively. Of the Fiscal Year 2012-13 additions, $723.3 million was recorded by governmental funds and $838.3 million was recorded by business-type activities. General-purpose revenues funded $61.4 million of capital and controlled maintenance expenditures during Fiscal Year 2012-13 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table on the next page provides information on the State's capital assets by asset type for both governmental and business-type activities.

The State's capital assets at June 30, 2013 and 2012, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 93	$ 85	$ 517	$ 500	$ 610	$ 585
Collections	11	9	22	20	33	29
Construction in Progress	1,145	911	681	497	1,826	1,408
Infrastructure	921	898	9	3	930	901
Total Capital Assets Not Being Depreciated	2,170	1,903	1,229	1,020	3,399	2,923
Capital Assets Being Depreciated						
Buildings and Related Improvements	2,167	2,070	7,502	7,117	9,669	9,187
Software	245	236	178	156	423	392
Vehicles and Equipment	715	679	921	921	1,636	1,600
Library Books, Collections, and Other Capital Assets	44	53	522	512	566	565
Infrastructure	10,406	10,165	161	99	10,567	10,264
Total Capital Assets Being Depreciated	13,577	13,203	9,284	8,805	22,861	22,008
Accumulated Depreciation	(4,264)	(3,600)	(3,820)	(3,555)	(8,084)	(7,155)
Total	$ 11,483	$ 11,506	$ 6,693	$ 6,270	$ 18,176	$ 17,776

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2013, the State had commitments of $24.6 million in the Capital Projects Fund ($24.4 million in Fiscal Year 2011-12) and $1,073.4 million in the Highway Users Tax Fund ($1,050.3 million in Fiscal Year 2011-12). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are generally not subject to appropriation.

The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. 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. TABOR 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. 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. Through the Colorado Housing and Finance Authority, the Division of Unemployment Insurance, a TABOR designated enterprise, issued bonds to spread the impact of the increased premiums resulting from the recession. The bonds will be repaid through employer insurance premiums collected over the life of the bonds. The State has other forms of borrowing that are small in relation to the revenue bonds and COPs. The schedule on the following page shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for capital leases, bonds and COPS (see Note 24). Revenue bonds in this schedule include net payments on interest rate swap derivatives.

Fiscal Year 2012-13
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 151.0	$ 30.2	$ 574.1	$ 59.3	$ 1,192.2	$ 765.5	$ 1,917.3	$ 855.0
Business-Type Activities	41.7	8.8	3,725.0	2,435.4	403.6	173.7	4,170.3	2,617.9
Total	$ 192.7	$ 39.0	$ 4,299.1	$ 2,494.7	$ 1,595.8	$ 939.2	$ 6,087.6	$ 3,472.9

Fiscal Year 2011-12
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 121.4	$ 33.0	$ 739.1	$ 98.7	$ 1,018.5	$ 697.0	$ 1,879.0	$ 828.7
Business-Type Activities	39.0	10.1	3,753.7	2,482.2	421.0	197.1	$ 4,213.7	$ 2,689.4
Total	$ 160.4	$ 43.1	$ 4,492.8	$ 2,580.9	$ 1,439.5	$ 894.1	$ 6,092.7	$ 3,518.1

In Fiscal Year 2012-13, the total principal amount of capital leases, revenue bonds, and COPs was 43.8 percent of assets other than capital assets, as compared to 47.5 percent in the prior year. This percentage declined because noncapital assets increased 8.5 percent while the principal amount of capital leases, revenue bonds, and COPs decreased by 0.1 percent. Governmental activities in total did not change significantly; however the increase related to several financed construction projects for local schools under the Build Excellent Schools Today (BEST) program ($196.0 million) was offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($134.0 million). Business-type activities did not change significantly. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,159, $1,180, $1,000, $1,022, and $1,201 per person in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2011-12 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2012-13, as follows:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the State to retain all revenues in excess of the TABOR limit for a five-year period from Fiscal Year 2005-06 through 2009-10. During that period, the State retained $3,593.6 million that it would otherwise have been required to refund to State taxpayers. No amounts were retained in Fiscal Years 2008-09 or 2009-10. Referendum C created an Excess State Revenue Cap (ESRC) that increases each year for inflation and population growth and allows the State to retain and spend amounts above the TABOR limit and below the ESRC. This provision removes the effect of the TABOR ratchet down provision (discussed earlier in this MDA). However, economic recovery and State revenue growth rates in excess of the population and inflation adjustment could result in future refunds of TABOR revenues in excess of the new ESRC. In Fiscal Year 2012-13, the State was $352.9 million under the ESRC, but absent Referendum C, would have been required to refund $1,859.9 million per the TABOR limit due to its ratchet down provision. Both the Legislative Council economist and the Governor's Office of State Planning and Budgeting economist project there will be no TABOR refunds in their three-year forecast period.

- Pension Plan Contributions

  - Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns of 14.0 percent, 1.9 percent, and 12.9 percent in 2010, 2011, and 2012, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 59.2 percent at December 31, 2012. Because of the four-year smoothing, the full effect of the 2009 negative return and subsequent partial recovery is not reflected in the funding ratio. 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, 2012, the amortization period for the plan was 53 years, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will be fully funded by December 31, 2065. Based on the 2011 and 2012 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.01 percent, and 20.45 percent, respectively, to achieve the 30-year amortization period required by the Governmental Accounting Standards Board.

  - In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 session. In the 2010 legislative session, the General Assembly extended the increases required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 16.55 percent in 2013 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.

  - To provide budgetary relief for the State, Senate Bill 10-146 required that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunset as of June 30, 2012.

- Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the former 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires on or after January 1, 2011, to 90 for new hires on or after January 1, 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. In June 2011 the lawsuit was dismissed. In July 2011 the case was appealed to the Colorado Court of Appeals. In October 2012 the Court of Appeals remanded the case to the District Court; in November 2012 both the Plaintiff and Defendant filed appeals to the Supreme Court regarding the Court of Appeals' decision. The Supreme Court has not yet announced whether the case will be heard.
- On November 15, 2013, the PERA Board of Trustees completed its annual review of the economic actuarial assumptions including the long-term expected investments rate of return and the long-term inflation and wage inflation expectations. Using state-of-the-art methodology, and having heard from multiple independent consultants, the Board chose to modify the long-term inflation expectations to 2.8 percent from 3.2 percent and to reduce the long-term investment return assumption to 7.5 percent from 8.0 percent.
- As of Fiscal Year 2014-15, with the implementation of Governmental Accounting Standards Board Statement No. 68, the State of Colorado will be required to report a pension liability for any shortage between the statutorily required contribution and the actuarial unfunded liability. As of December 31, 2012, PERA reports that the State Division, to which the State of Colorado belongs, has an unfunded accrued actuarial liability of $8.7 billion. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

♦ 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 in 2000 and the deterioration of general-funded revenues during Fiscal Years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in Fiscal Year 2010-11, 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. For Fiscal Year 2011-12, $511.5 million was budgeted from the State Education Fund, which included $59.0 million from direct transfers in from the General Purpose Revenue Fund in addition to the exempted portion of revenues collected under Amendment 23. Under current law, direct transfers from the General Purpose Revenue Fund include the accrual of the entire General Fund Surplus in Fiscal Year 2012-13 to the State Education Fund, and 75 percent of the excess after $30.0 million is diverted to the Colorado Water Conservation Board in Fiscal Year 2013-14. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert 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). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Children's' Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift beginning in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items 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 ($131.7 million net of related deferred revenue in Fiscal Year 2012-13) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2011-12, legislation was passed to eliminate the deferral of June paydates until July for employees paid on a biweekly basis beginning in Fiscal Year 2012-13. The reversal of the paydate deferrals for biweekly employees is estimated to bring $1.7 million of budgetary expenditures back to a GAAP basis. 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, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $1,356.1 million at June 30, 2013, providing apparent liquidity. Although there were increased tax collections in Fiscal Year 2012-13 and improved liquidity over the prior year, the General Purpose Revenue Fund increasingly comprises tax receivables $1,062.2 million net of tax refunds payable ($707.9 million) and deferred revenue ($293.9 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. If the State's economy turns down again, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on General Purpose Revenue Fund fund balance. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

- Debt Service

  - Principal and interest payments on the remaining $571.8 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $160.0 million per year over the next four years. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.

  - In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued $300.0 million of enterprise fund revenue bonds to be paid from the revenue stream mentioned above. A pending lawsuit claims that bridge safety surcharge portion of the fees and the bond issuance is unconstitutional. The department has additional large borrowings planned.

  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Center, the Colorado History Center, a prison, a hospital building, and a number of school buildings in local school districts. The average debt service over next five years totals $81.6 million. The majority of the revenue streams to cover the debt service payments comprise cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.

- Intergovernmental Fiscal Dependency – The State expended $9,267.8 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2012-13 which represents 36.6

percent of the $25,304.9 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is similar to Fiscal Year 2011-12. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately $0.8 trillion for the 2013 federal Fiscal Year, and a $3.9 trillion deficit for federal Fiscal Years 2013-2017. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

- American Reinvestment and Recovery Act – In response to the global economic downturn that occurred during 2008, the United States Congress passed the American Recovery and Reinvestment Act (ARRA) in February of 2009. ARRA is intended to stimulate the U. S. economy by providing $787 billion of funding to states for job creation and retention and to spur economic activity and long-term growth, as well as providing transparency and accountability in government spending. In 2011 the amount was revised to $840 billion. The Act as initially passed provided $288 billion in tax cuts, $224 billion for education, health care and entitlement programs, and $275 billion for various federal grants, contracts and loans. The State has overseen or distributed $6,688.6 million in ARRA funds through Fiscal Year 2012-13. These amounts differ from the amounts reported under Section 1512 of the Act because entitlement based amounts such as Unemployment Benefits and Medicaid services were not subject to 1512 reporting. There were significantly fewer ARRA expenditures in Fiscal Year 2012-13 as compared to previous years; $474.5 million in Fiscal Year 2012-13, $922.0 million in Fiscal Year 2011-12, $2,046.7 million in Fiscal Year 2010-11, $2,708.9 million in Fiscal Year 2009-10, and $536.4 million in Fiscal Year 2008-09. The most significant inception-to-date expenditures under the Act were:

  - $3,288.1 million for unemployment benefits administered by the Department of Labor and Employment ($332.6 million of the total in Fiscal Year 2012-13),
  - $1,128.2 million for increased Medicaid funding in the Department of Health Care Policy and Financing ($49.9 million of the total in Fiscal Year 2012-13),
  - $818.1 million in stabilization and direct grants to Higher Education Institutions ($33.0 million of the total in Fiscal Year 2012-13),
  - $560.1 million distributed to local school districts by the Department of Education ($24.9 million of the total in Fiscal Year 2012-13),
  - $403.0 million to support infrastructure maintenance and improvements in the Department of Transportation ($3.8 million of the total in Fiscal Year 2011-12),
  - $138.0 million in the Governor's Office, primarily for weatherization programs ($1.3 million of the total in Fiscal Year 2012-13),
  - $127.7 million for Social Assistance programs in the Department of Human Services ($2.6 million of the total in Fiscal Year 2012-13),
  - $112.5 million to support daily operations in the Department of Corrections ($0.0 million of the total in Fiscal Year 2012-13).

  With a substantial portion of ARRA funding expended, the State has had and will continue to need to identify other revenue streams to replace ARRA to maintain State services.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,549,620	$ 2,169,314	$ 4,718,934	$ 191,317
Investments	3,497	281,822	285,319	115,330
Restricted Securities Not Held for Investment	-	-	-	13,301
Taxes Receivable, net	1,118,329	137,970	1,256,299	-
Contributions Receivable, net	-	-	-	44,877
Other Receivables, net	189,937	381,351	571,288	80,922
Due From Other Governments	369,249	155,190	524,439	3,055
Internal Balances	23,801	(23,801)	-	-
Due From Component Units	119	18,969	19,088	-
Inventories	55,319	52,826	108,145	-
Prepaids, Advances, and Deferred Charges	57,465	24,806	82,271	588
Total Current Assets	4,367,336	3,198,447	7,565,783	449,390
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,798,432	352,234	2,150,666	142,406
Restricted Investments	598,209	292,283	890,492	283,102
Restricted Receivables	176,055	45,264	221,319	4,299
Investments	464,535	1,746,078	2,210,613	1,969,807
Contributions Receivable, net	-	-	-	69,407
Other Long-Term Assets	740,735	128,105	868,840	1,013,804
Depreciable Capital Assets and Infrastructure, net	9,312,959	5,463,065	14,776,024	121,782
Land and Nondepreciable Capital Assets	2,170,769	1,229,761	3,400,530	61,968
Total Noncurrent Assets	15,261,694	9,256,790	24,518,484	3,666,575
TOTAL ASSETS	19,629,030	12,455,237	32,084,267	4,115,965
DEFERRED OUTFLOW OF RESOURCES:	-	551	551	520
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	-	718,077	-
Accounts Payable and Accrued Liabilities	742,225	602,571	1,344,796	31,508
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	198,953	34,169	233,122	2,240
Due To Component Units	81	343	424	-
Unearned Revenue	95,026	305,108	400,134	24,709
Accrued Compensated Absences	10,955	16,609	27,564	-
Claims and Judgments Payable	46,873	-	46,873	17,575
Leases Payable	20,004	6,575	26,579	951
Notes, Bonds, and COPs Payable	174,340	233,811	408,151	55,756
Other Postemployment Benefits	-	17,052	17,052	-
Other Current Liabilities	14,834	142,868	157,702	125,792
Total Current Liabilities	2,022,074	1,359,106	3,381,180	258,531
Noncurrent Liabilities:				
Deposits Held In Custody For Others	17	-	17	307,705
Accrued Compensated Absences	138,413	236,329	374,742	-
Claims and Judgments Payable	323,451	38,993	362,444	-
Capital Lease Payable	131,006	35,153	166,159	257
Derivative Instrument Liability	-	8,333	8,333	-
Notes, Bonds, and COPs Payable	1,611,220	3,898,265	5,509,485	876,017
Due to Component Units	-	1,755	1,755	-
Other Postemployment Benefits	-	177,176	177,176	-
Other Long-Term Liabilities	444,118	11,972	456,090	65,577
Total Noncurrent Liabilities	2,648,225	4,407,976	7,056,201	1,249,556
TOTAL LIABILITIES	4,670,299	5,767,082	10,437,381	1,508,087
DEFERRED INFLOW OF RESOURCES:	-	-	-	963
NET POSITION:				
Net investment in Capital Assets:	10,107,082	3,571,408	13,678,490	182,200
Restricted for:				
Construction and Highway Maintenance	1,145,997	-	1,145,997	-
Education	1,265,476	-	1,265,476	-
Unemployment Insurance	-	218,076	218,076	-
Debt Service	33,113	8,439	41,552	-
Emergencies	161,350	34,000	195,350	48
Permanent Funds and Endowments:				
Expendable	6,328	11,716	18,044	810,894
Nonexpendable	694,564	61,159	755,723	757,607
Other Purposes	349,811	631,921	981,732	547,823
Unrestricted	1,195,010	2,151,987	3,346,997	308,863
TOTAL NET POSITION	$ 14,958,731	$ 6,688,706	$ 21,647,437	$ 2,607,435

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS) Functions/Programs	Expenses: Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 573,579	$ (18,072)	$ 136,759	$ 182,564	$ 124
Business, Community, and Consumer Affairs	582,119	2,181	144,767	244,402	-
Education	5,186,109	1,372	27,633	755,634	2
Health and Rehabilitation	696,868	927	80,508	398,738	-
Justice	1,649,708	5,349	242,288	104,116	230
Natural Resources	76,832	1,102	144,744	15,563	-
Social Assistance	7,172,151	2,560	763,126	4,075,723	-
Transportation	1,767,411	1,602	411,100	83,312	700,192
Interest on Debt	16,284	-	-	-	-
Total Governmental Activities	17,721,061	(2,979)	1,950,925	5,860,052	700,548
Business-Type Activities:					
Higher Education	5,257,051	1,614	3,442,637	1,801,483	87,743
Unemployment Insurance	1,055,148	-	729,108	481,968	-
Lottery	500,604	406	576,213	77	-
Parks and Wildlife	177,054	443	141,450	31,038	8,859
College Assist	407,113	116	6,254	403,907	-
Other Business-Type Activities	186,865	400	290,002	12,046	53
Total Business-Type Activities	7,583,835	2,979	5,185,664	2,730,519	96,655
Total Primary Government	25,304,896	-	7,136,589	8,590,571	797,203
Component Units:					
Colorado Water Resources and Power Development Authority	84,335	-	60,007	28,820	-
University of Colorado Foundation	141,096	-	5,100	203,909	-
Colorado State University Foundation	48,527	-	-	63,901	-
Colorado School of Mines Foundation	21,438	-	1,800	45,125	-
University of Northern Colorado Foundation	9,417	-	-	19,602	-
Other Component Units	130,962	-	120,791	2,796	2,023
Total Component Units	$ 435,775	$ -	$ 187,698	$ 364,153	$ 2,023

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 (Losses)
Other General Revenues
Payment from State of Colorado
(Transfers-Out) / Transfers-In
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Position

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

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

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	$ (236,060)	$ -	$ (236,060)	
	(195,131)	-	(195,131)	
	(4,404,212)	-	(4,404,212)	
	(218,549)	-	(218,549)	
	(1,308,423)	-	(1,308,423)	
	82,373	-	82,373	
	(2,335,862)	-	(2,335,862)	
	(574,409)	-	(574,409)	
	(16,284)	-	(16,284)	
	(9,206,557)	-	(9,206,557)	
	-	73,198	73,198	
	-	155,928	155,928	
	-	75,280	75,280	
	-	3,850	3,850	
	-	2,932	2,932	
	-	114,836	114,836	
	-	426,024	426,024	
	(9,206,557)	426,024	(8,780,533)	
	-	-	-	4,492
	-	-	-	67,913
	-	-	-	15,374
	-	-	-	25,487
	-	-	-	10,185
	-	-	-	(5,352)
	-	-	-	118,099
	2,498,006	-	2,498,006	-
	240,895	-	240,895	-
	5,154,624	-	5,154,624	-
	606,883	-	606,883	-
	453,305	-	453,305	-
	445,704	-	445,704	-
	40,634	-	40,634	-
	552,285	-	552,285	-
	482	-	482	-
	16,842	-	16,842	67,493
	97,402	-	97,402	-
	-	-	-	48,806
	(128,535)	128,535	-	-
	741	-	741	-
	9,979,268	128,535	10,107,803	116,299
	772,711	554,559	1,327,270	234,398
	14,179,064	6,139,998	20,319,062	3,305,440
	6,956	(5,851)	1,105	-
	-	-	-	(932,403)
	$ 14,958,731	$ 6,688,706	$ 21,647,437	$ 2,607,435

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 1,112,977	$ 513,890	$ 39,687
Taxes Receivable, net	1,356,100	13,370	-
Other Receivables, net	74,033	21,077	2,701
Due From Other Governments	341,138	1,278	-
Due From Other Funds	63,941	1,448	2,973
Due From Component Units	119	-	-
Inventories	9,931	35,868	8,249
Prepaids, Advances, and Deferred Charges	22,654	20,126	4,210
Restricted Cash and Pooled Cash	181,857	66,000	1,139,988
Restricted Investments	-	-	-
Restricted Receivables	310	-	175,415
Investments	327,941	-	-
Other Long-Term Assets	-	383,003	10,589
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,491,001	$ 1,056,060	$ 1,383,812
LIABILITIES:			
Tax Refunds Payable	$ 707,855	9,528	$ 107
Accounts Payable and Accrued Liabilities	481,899	6,315	107,710
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	68,068	48,895	60,755
Due To Other Funds	1,118,075	359	1,068
Due To Component Units	21	-	-
Unearned Revenue	307,897	1,212	16,587
Compensated Absences Payable	74	-	17
Claims and Judgments Payable	291	-	-
Other Current Liabilities	7,000	-	25
Deposits Held In Custody For Others	10	-	-
TOTAL LIABILITIES	2,691,896	66,309	186,269
FUND BALANCES:			
Nonspendable:			
Inventories	9,931	35,868	8,249
Permanent Fund Principal	-	-	-
Prepaids	22,654	20,126	4,210
Restricted	487,161	79,537	1,145,997
Committed	279,352	854,220	39,087
Assigned	7	-	-
TOTAL FUND BALANCES	799,105	989,751	1,197,543
TOTAL LIABILITIES AND FUND BALANCES	$ 3,491,001	$ 1,056,060	$ 1,383,812

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 48,924	$ -	$ 771,571	$ 2,487,049
-	-	42,755	1,412,225
1,050	-	89,513	188,374
2,586	-	23,740	368,742
2,355	1,073,491	9,517	1,153,725
-	-	-	119
-	-	145	54,193
11	-	8,350	55,351
2,220	190,853	217,514	1,798,432
7,317	-	590,892	598,209
330	-	-	176,055
785	-	139,306	468,032
81	-	41,069	434,742
-	-	65,677	65,677
$ 65,659	$ 1,264,344	$ 2,000,049	$ 9,260,925
$ -	$ -	$ 587	$ 718,077
10,265	7,167	75,252	688,608
-	-	-	706
-	10	21,225	198,953
91	-	35,273	1,154,866
-	-	60	81
967	-	60,595	387,258
-	-	35	126
-	-	93	384
155	-	4,450	11,630
-	-	7	17
11,478	7,177	197,577	3,160,706
-	-	145	54,193
-	-	760,160	760,160
11	-	8,350	55,351
2,492	1,257,167	297,816	3,270,170
51,678	-	736,001	1,960,338
-	-	-	7
54,181	1,257,167	1,802,472	6,100,219
$ 65,659	$ 1,264,344	$ 2,000,049	$ 9,260,925

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,487,049	$ 62,558	$ -	$ -	$ -	$ 13	$ -	$ 2,549,620
Investments	-	-	-	-	-	3,497	-	3,497
Taxes Receivable, net	1,412,225	-	-	-	-	(293,896)	-	1,118,329
Other Receivables, net	188,374	542	-	-	-	1,021	-	189,937
Due From Other Governments	368,742	507	-	-	-	-	-	369,249
Due From Other Funds	1,153,725	4,000	-	-	-	(920)	(1,133,004)	23,801
Due From Component Units	119	-	-	-	-	-	-	119
Inventories	54,193	1,126	-	-	-	-	-	55,319
Prepaids, Advances, and Deferred Charges	55,351	2,114	-	-	-	-	-	57,465
Total Current Assets	5,719,778	70,847	-	-	-	(290,285)	(1,133,004)	4,367,336
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,798,432	-	-	-	-	-	-	1,798,432
Restricted Investments	598,209	-	-	-	-	-	-	598,209
Restricted Receivables	176,055	-	-	-	-	-	-	176,055
Investments	468,032	-	-	-	-	(3,497)	-	464,535
Other Long-Term Assets	434,742	64	-	-	-	305,929	-	740,735
Depreciable Capital Assets and Infrastructure, net	20,883	65,617	9,226,459	-	-	-	-	9,312,959
Land and Nondepreciable Capital Assets	44,794	10,911	2,115,064	-	-	-	-	2,170,769
Total Noncurrent Assets	3,541,147	76,592	11,341,523	-	-	302,432	-	15,261,694
TOTAL ASSETS	9,260,925	147,439	11,341,523	-	-	12,147	(1,133,004)	19,629,030
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,077	-	-	-	-	-	-	718,077
Accounts Payable and Accrued Liabilities	688,608	20,606	-	10,944	-	22,067	-	742,225
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	198,953	-	-	-	-	-	-	198,953
Due To Other Funds	1,154,866	205	-	-	-	(22,067)	(1,133,004)	-
Due To Component Units	81	-	-	-		-		81
Unearned Revenue	387,258	1,664	-	-	-	(293,896)	-	95,026
Compensated Absences Payable	126	280	-	-	-	10,549	-	10,955
Claims and Judgments Payable	384	-	-	-	37,487	9,002	-	46,873
Leases Payable	-	15,718	-	4,286	-	-	-	20,004
Notes, Bonds, and COPs Payable	-	1,685	-	172,655	-	-	-	174,340
Other Current Liabilities	11,630	114	-	-	-	3,090	-	14,834
Total Current Liabilities	3,160,689	40,272	-	187,885	37,487	(271,255)	(1,133,004)	2,022,074
Noncurrent Liabilities:								
Deposits Held In Custody For Others	17	-	-	-	-	-	-	17
Accrued Compensated Absences	-	8,444	-	-	-	129,969	-	138,413
Claims and Judgments Payable	-	-	-	-	111,396	212,055	-	323,451
Capital Lease Payable	-	80,277	-	50,729	-	-	-	131,006
Notes, Bonds, and COPs Payable	-	898	-	1,610,322	-	-	-	1,611,220
Other Long-Term Liabilities	-	-	-	-	-	444,118	-	444,118
Total Noncurrent Liabilities	17	89,619	-	1,661,051	111,396	786,142	-	2,648,225
TOTAL LIABILITIES	3,160,706	129,891	-	1,848,936	148,883	514,887	(1,133,004)	4,670,299
NET POSITION:								
Net investment in Capital Assets:	65,677	4,482	11,341,523	(1,304,600)	-	-	-	10,107,082
Restricted for:								
Construction and Highway Maintenance	1,153,292	-	-	(7,295)	-	-	-	1,145,997
Education	1,566,276	-	-	(300,800)	-	-	-	1,265,476
Debt Service	33,113	-	-	-	-	-	-	33,113
Emergencies	161,350	-	-	-	-	-	-	161,350
Permanent Funds and Endowments:								
Expendable	6,328	-	-	-	-	-	-	6,328
Nonexpendable	694,564	-	-	-	-	-	-	694,564
Other Purposes	349,811	-	-	-	-	-	-	349,811
Unrestricted	2,069,808	13,066	-	(236,241)	(148,883)	(502,740)	-	1,195,010
TOTAL NET POSITION	$ 6,100,219	$ 17,548	$ 11,341,523	$ (1,848,936)	$ (148,883)	$ (502,740)	$ -	$ 14,958,731

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,148,795	$ -	$ -
Corporate Income	597,441	-	-
Sales and Use	2,454,455	-	-
Excise	93,063	-	552,286
Other Taxes	211,170	129,674	482
Licenses, Permits, and Fines	17,871	1,515	338,212
Charges for Goods and Services	71,728	7,091	123,585
Rents	308	-	4,149
Investment Income (Loss)	12,523	12,514	(502)
Federal Grants and Contracts	5,340,168	130,137	721,266
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	156,206	4,150	63,380
TOTAL REVENUES	14,103,728	285,081	1,802,858
EXPENDITURES:			
Current:			
General Government	259,004	-	11,351
Business, Community, and Consumer Affairs	187,528	3,683	-
Education	614,620	-	-
Health and Rehabilitation	547,434	-	10,175
Justice	1,232,456	-	101,916
Natural Resources	42,306	47,188	-
Social Assistance	6,253,998	-	-
Transportation	-	-	1,061,861
Capital Outlay	189,354	60	33,523
Intergovernmental:			
Cities	61,542	24,666	157,398
Counties	1,204,174	31,332	186,589
School Districts	3,767,625	1,945	-
Special Districts	44,577	9,835	40,496
Federal	117	601	-
Other	169,966	1,343	620
Debt Service	31,952	-	-
TOTAL EXPENDITURES	14,606,653	120,653	1,603,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(502,925)	164,428	198,929
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,219,227	318	1,045
Transfers-Out	(4,338,932)	(90,720)	(225,056)
Face Amount of Bond/COP Issuance	195,965	-	-
Bond/COP Premium/Discount	9,396	-	-
Capital Lease Proceeds	427	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	65	-	143
Bond/COP Refunding Issuance	-	-	30,925
Bond/COP Refunding Payments	-	-	(31,312)
TOTAL OTHER FINANCING SOURCES (USES)	86,148	(90,402)	(224,255)
NET CHANGE IN FUND BALANCES	(416,777)	74,026	(25,326)
FUND BALANCE, FISCAL YEAR BEGINNING	1,225,426	904,596	1,222,993
Prior Period Adjustment (See Note 29)	(9,544)	11,129	(124)
FUND BALANCE, FISCAL YEAR END	$ 799,105	$ 989,751	$ 1,197,543

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 447,486	$ -	$ 5,596,281
-	38,852	-	636,293
-	-	42,826	2,497,281
-	-	146,103	791,452
-	-	154,400	495,726
7	-	431,380	788,985
63	-	767,655	970,122
202	-	129,249	133,908
(297)	923	(5,684)	19,477
16,473	-	219,683	6,427,727
-	-	741	741
-	-	36,986	36,986
4,393	349	34,907	263,385
20,841	487,610	1,958,246	18,658,364
8,961	-	45,966	325,282
1	-	183,681	374,893
7,003	31,525	21,139	674,287
69	-	83,735	641,413
9,522	-	78,545	1,422,439
-	-	9,947	99,441
32	-	232,340	6,486,370
-	-	3,071	1,064,932
62,655	-	13,140	298,732
-	-	53,792	297,398
-	-	82,060	1,504,155
-	458,566	7,313	4,235,449
-	-	10,375	105,283
-	-	2,013	2,731
-	360	42,523	214,812
-	-	214,646	246,598
88,243	490,451	1,084,286	17,994,215
(67,402)	(2,841)	873,960	664,149
138,643	1,073,491	317,437	5,750,161
(67,269)	(8,235)	(1,133,111)	(5,863,323)
-	-	-	195,965
-	-	-	9,396
-	-	180	607
-	-	30,604	30,604
970	-	6	1,184
-	-	-	30,925
-	-	-	(31,312)
72,344	1,065,256	(784,884)	124,207
4,942	1,062,415	89,076	788,356
48,692	194,752	1,696,448	5,292,907
547	-	16,948	18,956
$ 54,181	$ 1,257,167	$ 1,802,472	$ 6,100,219

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

(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	$ 5,596,281	$ -	$ -	$ -	$ 5,817	$ 5,602,098
Corporate Income	636,293	-	-	-	9,441	645,734
Sales and Use	2,497,281	-	-	-	725	2,498,006
Excise	791,452	-	-	-	1,729	793,181
Other Taxes	495,726	-	-	-	(16,199)	479,527
Licenses, Permits, and Fines	788,985	-	-	-	55	789,040
Charges for Goods and Services	970,122	-	-	-	(22)	970,100
Rents	133,908	-	-	-	-	133,908
Investment Income (Loss)	19,477	(148)	-	-	(1,481)	17,848
Federal Grants and Contracts	6,427,727	-	-	-	943	6,428,670
Additions to Permanent Funds	741	-	-	-	-	741
Unclaimed Property Receipts	36,986	-	-	-	-	36,986
Other	263,385	-	15	-	71	263,471
TOTAL REVENUES	18,658,364	(148)	15	-	1,079	18,659,310
EXPENDITURES:						
Current:						
General Government	325,282	(4,286)	1,172	-	8,174	330,342
Business, Community, and Consumer Affairs	374,893	(1,624)	3,497	-	(10,252)	366,514
Education	674,287	(311)	9,385	-	117	683,478
Health and Rehabilitation	641,413	(398)	13,625	-	542	655,182
Justice	1,422,439	(1,430)	33,819	-	1,340	1,456,168
Natural Resources	99,441	(843)	1,614	-	(27)	100,185
Social Assistance	6,486,370	(2,434)	22,360	-	83	6,506,379
Transportation	1,064,932	12	220,379	-	289	1,285,612
Capital Outlay	298,732	-	(289,046)	-	-	9,686
Intergovernmental:						
Cities	297,398	-	-	-	-	297,398
Counties	1,504,155	-	-	-	-	1,504,155
School Districts	4,235,449	-	-	-	-	4,235,449
Special Districts	105,283	-	-	-	-	105,283
Federal	2,731	-	169	-	-	2,900
Other	214,812	-	-	-	-	214,812
Debt Service	246,598	2,381	-	(197,290)	-	51,689
TOTAL EXPENDITURES	17,994,215	(8,933)	16,974	(197,290)	266	17,805,232
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	664,149	8,785	(16,959)	197,290	813	854,078
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,750,161	4,826	-	-	-	5,754,987
Transfers-Out	(5,863,323)	(7,505)	-	-	-	(5,870,828)
Face Amount of Bond/COP Issuance	195,965	-	-	(195,965)	-	-
Bond/COP Premium/Discount	9,396	-	-	(8,484)	-	912
Capital Lease Proceeds	607	-	-	(607)	-	-
Sale of Capital Assets	30,604	-	1,365	-	-	31,969
Insurance Recoveries	1,184	-	-	-	-	1,184
Bond/COP Refunding Issuance	30,925	-	-	(30,925)	-	-
Bond/COP Refunding Payments	(31,312)	-	-	31,312	-	-
TOTAL OTHER FINANCING SOURCES (USES)	124,207	(2,679)	1,365	(204,669)	-	(81,776)
Internal Service Fund Charges to BTAs	-	409	-	-	-	409
NET CHANGE FOR THE YEAR	788,356	6,515	(15,594)	(7,379)	813	772,711
Prior Period Adjustment (Note 29)	18,956	-	(12,000)	-	-	6,956
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 807,312	$ 6,515	$ (27,594)	$ (7,379)	$ 813	$ 779,667

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.
- Amortization of 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 Position* and are not reported on the government-wide *Statement of Activities*.

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,139,874	$ 580,901
Investments	263,840	-
Premiums Receivable, net	-	137,970
Student and Other Receivables, net	304,258	8,802
Due From Other Governments	139,268	2,777
Due From Other Funds	5,550	-
Due From Component Units	18,969	-
Inventories	36,987	-
Prepaids, Advances, and Deferred Charges	13,696	606
Total Current Assets	1,922,442	731,056
Noncurrent Assets:		
Restricted Cash and Pooled Cash	295,252	-
Restricted Investments	292,283	-
Restricted Receivables	-	-
Investments	1,556,772	-
Other Long-Term Assets	122,349	1,863
Depreciable Capital Assets and Infrastructure, net	5,133,381	-
Land and Nondepreciable Capital Assets	646,188	-
Total Noncurrent Assets	8,046,225	1,863
TOTAL ASSETS	9,968,667	732,919
DEFERRED OUTFLOW OF RESOURCES:	551	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	532,745	2,124
Due To Other Governments	-	-
Due To Other Funds	7,623	-
Due To Component Units	343	-
Unearned Revenue	204,852	-
Compensated Absences Payable	15,776	-
Leases Payable	6,231	-
Notes, Bonds, and COPs Payable	108,011	124,960
Other Postemployment Benefits	17,052	-
Other Current Liabilities	77,214	7,670
Total Current Liabilities	969,847	134,754
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	224,588	-
Claims and Judgments Payable	38,993	-
Capital Lease Payable	30,085	-
Derivative Instrument Liability	8,333	-
Notes, Bonds, and COPs Payable	3,210,493	380,089
Due to Component Units	1,755	-
Other Postemployment Benefits	177,176	-
Other Long-Term Liabilities	11,911	-
Total Noncurrent Liabilities	3,703,334	380,089
TOTAL LIABILITIES	4,673,181	514,843
NET POSITION:		
Net investment in Capital Assets:	2,852,447	-
Restricted for:		
Unemployment Insurance	-	218,076
Debt Service	8,439	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	11,716	-
Nonexpendable	61,159	-
Other Purposes	581,043	-
Unrestricted	1,781,233	-
TOTAL NET POSITION	$ 5,296,037	$ 218,076

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 44,343	$ 404,196	$ 2,169,314	$ 62,558
-	17,982	281,822	-
-	-	137,970	-
20,390	47,836	381,286	542
-	13,145	155,190	507
-	8,502	14,052	4,000
-	-	18,969	-
1,172	14,667	52,826	1,126
4,993	5,511	24,806	2,114
70,898	511,839	3,236,235	70,847
-	56,982	352,234	-
-	-	292,283	-
-	45,264	45,264	-
-	189,306	1,746,078	-
-	3,893	128,105	64
1,900	327,784	5,463,065	65,617
-	583,573	1,229,761	10,911
1,900	1,206,802	9,256,790	76,592
72,798	1,718,641	12,493,025	147,439
-	-	551	-
4,576	46,557	586,002	20,606
6	34,163	34,169	-
37,298	6,160	51,081	205
-	-	343	-
-	100,256	305,108	1,664
-	833	16,609	280
-	344	6,575	15,718
-	840	233,811	1,685
-	-	17,052	-
26,207	31,777	142,868	114
68,087	220,930	1,393,618	40,272
-	3,276	3,276	-
858	10,883	236,329	8,444
-	-	38,993	-
-	5,068	35,153	80,277
-	-	8,333	-
-	307,683	3,898,265	898
-	-	1,755	-
-	-	177,176	-
61	-	11,972	-
919	326,910	4,411,252	89,619
69,006	547,840	5,804,870	129,891
1,900	717,061	3,571,408	4,482
-	-	218,076	-
-	-	8,439	-
-	34,000	34,000	-
-	-	11,716	-
-	-	61,159	-
-	50,878	631,921	-
1,892	368,862	2,151,987	13,066
$ 3,792	$ 1,170,801	$ 6,688,706	$ 17,548

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 725,853
License and Permits	-	114
Tuition and Fees	2,338,231	-
Scholarship Allowance for Tuition and Fees	(549,483)	-
Sales of Goods and Services	1,559,937	-
Scholarship Allowance for Sales of Goods & Services	(22,096)	-
Investment Income (Loss)	1,315	-
Rental Income	15,473	-
Gifts and Donations	23,239	-
Federal Grants and Contracts	992,319	466,920
Intergovernmental Revenue	10,603	-
Other	258,868	-
TOTAL OPERATING REVENUES	4,628,406	1,192,887
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,408,430	60
Operating and Travel	1,179,544	1,047,749
Cost of Goods Sold	139,345	-
Depreciation and Amortization	361,579	-
Intergovernmental Distributions	31,866	-
Debt Service	-	-
Prizes and Awards	389	-
TOTAL OPERATING EXPENSES	5,121,153	1,047,809
OPERATING INCOME (LOSS)	(492,747)	145,078
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	19	3,141
Investment Income (Loss)	145,309	15,048
Rental Income	22,155	-
Gifts and Donations	138,845	-
Intergovernmental Distributions	(19,860)	-
Federal Grants and Contracts	302,271	-
Gain/(Loss) on Sale or Impairment of Capital Assets	8,058	-
Insurance Recoveries from Prior Year Impairments	9	-
Debt Service	(131,533)	(6,873)
Other Expenses	4,902	(466)
Other Revenues	6,649	-
TOTAL NONOPERATING REVENUES (EXPENSES)	476,824	10,850
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(15,923)	155,928
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	95,676	-
Additions to Permanent Endowments	3,145	-
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
TOTAL CONTRIBUTIONS AND TRANSFERS	288,562	(2,285)
CHANGE IN NET POSITION	272,639	153,643
NET POSITION - FISCAL YEAR BEGINNING	5,029,249	64,433
Prior Period Adjustments (See Note 29)	(5,851)	-
NET POSITION - FISCAL YEAR ENDING	$ 5,296,037	$ 218,076

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 725,853	$ -
65	106,593	106,772	-
-	680	2,338,911	-
-	-	(549,483)	-
575,243	203,498	2,338,678	252,501
-	-	(22,096)	-
-	4,385	5,700	-
-	1,345	16,818	11,445
-	-	23,239	-
-	477,348	1,936,587	-
-	31,138	41,741	-
904	10,157	269,929	479
576,212	835,144	7,232,649	264,425
9,437	218,173	3,636,100	144,937
59,712	466,898	2,753,903	87,681
12,108	35,586	187,039	7,607
977	15,292	377,848	16,382
-	11,634	43,500	3
-	17,028	17,028	-
359,217	890	360,496	-
441,451	765,501	7,375,914	256,610
134,761	69,643	(143,265)	7,815
-	26,541	26,541	-
-	9,700	12,860	-
77	3,628	164,062	(147)
-	8,908	31,063	-
-	1,826	140,671	-
(59,172)	-	(79,032)	-
-	-	302,271	3,550
(3)	835	8,890	318
-	102	111	-
-	(6,705)	(145,111)	(2,337)
-	(156)	4,280	(6)
-	12	6,661	-
(59,098)	44,691	473,267	1,378
75,663	114,334	330,002	9,193
-	10,208	105,884	597
-	-	3,145	-
-	21,217	215,421	4,229
(77,046)	(16,099)	(99,893)	(7,504)
(77,046)	15,326	224,557	(2,678)
(1,383)	129,660	554,559	6,515
5,175	1,041,141	6,139,998	11,033
-	-	(5,851)	-
$ 3,792	$ 1,170,801	$ 6,688,706	$ 17,548

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,806,346	$ -
Fees for Service	1,482,983	-
Sales of Products	6,595	-
Gifts, Grants, and Contracts	1,584,301	474,624
Loan and Note Repayments	416,543	-
Unemployment Insurance Premiums	-	753,656
Income from Property	37,636	-
Other Sources	79,150	-
Cash Payments to or for:		
Employees	(3,231,077)	-
Suppliers	(1,266,113)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,048,522)
Scholarships	(113,255)	-
Others for Student Loans and Loan Losses	(417,867)	-
Other Governments	(31,866)	-
Other	(66,537)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	286,839	179,758
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	194,204	-
Transfers-Out	(4,463)	(2,285)
Receipt of Deposits Held in Custody	675,937	-
Release of Deposits Held in Custody	(672,098)	-
Gifts and Grants for Other Than Capital Purposes	161,889	-
Intergovernmental Distributions	(19,860)	-
NonCapital Debt Service Payments	(3,408)	(134,654)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	332,201	(136,939)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(580,105)	-
Capital Contributions	2,090	-
Capital Gifts, Grants, and Contracts	53,534	-
Proceeds from Sale of Capital Assets	13,303	-
Capital Debt Proceeds	309,245	-
Capital Debt Service Payments	(367,743)	-
Capital Lease Payments	(8,706)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(578,382)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 764	$ 1,807,110	$ 3
-	201,169	1,684,152	253,243
574,590	50,399	631,584	1,573
-	487,277	2,546,202	3,568
-	1,467	418,010	-
-	-	753,656	-
-	10,254	47,890	11,488
969	170,248	250,367	332
(8,988)	(146,591)	(3,386,656)	(115,883)
(29,580)	(238,649)	(1,534,342)	(115,838)
(398,723)	(6,264)	(404,987)	(822)
-		(1,048,522)	-
-	-	(113,255)	-
-	(342,830)	(760,697)	-
-	(11,713)	(43,579)	(3)
(43)	(21,624)	(88,204)	(158)
138,225	153,907	758,729	37,503
-	21,270	215,474	1,232
(77,046)	(16,152)	(99,946)	(7,504)
-	5	675,942	314
-	-	(672,098)	(403)
-	1,404	163,293	-
(50,860)	-	(70,720)	-
-	(549)	(138,611)	-
(127,906)	5,978	73,334	(6,361)
(48)	(176,424)	(756,577)	(13,219)
-	-	2,090	-
-	-	53,534	-
-	1,099	14,402	9,393
-	-	309,245	26,467
-	(6,496)	(374,239)	(2,100)
-	(578)	(9,284)	(15,153)
(48)	(182,399)	(760,829)	5,388

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	90,809	15,049
Proceeds from Sale/Maturity of Investments	2,765,786	-
Purchases of Investments	(2,978,993)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	52,285	-
NET CASH FROM INVESTING ACTIVITIES	(70,113)	15,049
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(29,455)	57,868
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,470,262	523,033
Prior Period Adjustment (See Note 29)	(5,681)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,435,126	$ 580,901
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (492,747)	$ 145,078
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	361,582	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	332,924	3,141
(Gain)/Loss on Disposal of Capital and Other Assets	166	-
Compensated Absences	18,425	-
Interest and Other Expense in Operating Income	(4,285)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	36,025	32,258
(Increase) Decrease in Inventories	764	-
(Increase) Decrease in Other Operating Assets	99	(606)
Increase (Decrease) in Accounts Payable	(13,897)	661
Increase (Decrease) in Other Operating Liabilities	47,783	(774)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 286,839	$ 179,758
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	7,941	-
Capital Assets Acquired by Grants or Donations and Payable Increases	90,371	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	72,428	-
Loss on Disposal of Capital and Other Assets	26,095	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	41,822	-
Assumption of Capital Lease Obligation or Mortgage	9,643	-
Financed Debt Issuance Costs	1,526	-
Fair Value Change in Derivative Instrument	4,661	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
469	13,361	119,688	40
-	118,567	2,884,353	-
-	(450)	(2,979,443)	-
(392)	(4,385)	47,508	(188)
77	127,093	72,106	(148)
10,348	104,579	143,340	36,382
33,995	356,599	2,383,889	26,185
-	-	(5,681)	-
$ 44,343	$ 461,178	$ 2,521,548	$ 62,567
$ 134,761	$ 69,643	$ (143,265)	$ 7,815
977	15,292	377,851	16,382
-	(4,385)	(4,385)	-
-	46,253	382,318	3,555
-	4,014	4,180	-
21	345	18,791	1,804
-	(24,841)	(29,126)	572
(671)	3,792	71,404	837
(144)	(30)	590	187
74	652	219	(991)
(178)	(15,983)	(29,397)	5,757
3,385	59,155	109,549	1,585
$ 138,225	$ 153,907	$ 758,729	$ 37,503
-	1,398	9,339	597
-	8,810	99,181	-
-	748	73,176	-
3	4,012	30,110	-
-	-	41,822	-
-	-	9,643	40,320
-	-	1,526	-
-	-	4,661	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 61,569	$ 145,832	$ 850,874
Investments	-	618	-
Taxes Receivable, net	-	-	146,810
Other Receivables, net	64	8,183	380
Due From Other Funds	23,588	5,042	10,005
Inventories	-	-	7
Noncurrent Assets:			
Investments:			
Government Securities	-	15,016	-
Corporate Bonds	-	5,503	-
Repurchase Agreements	-	5,265	-
Asset Backed Securities	-	95	-
Mortgages	-	2,062	-
Mutual Funds	-	4,885,770	-
Other Investments	-	57,860	-
Other Long-Term Assets	-	-	14,325
TOTAL ASSETS	85,221	5,131,246	$ 1,022,401
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,357
Accounts Payable and Accrued Liabilities	15,413	9,433	1,142
Due To Other Governments	-	-	263,168
Due To Other Funds	4	-	978
Unearned Revenue	-	6,181	-
Claims and Judgments Payable	12,647	-	430
Other Current Liabilities	-	-	731,209
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,762	21,472
Accrued Compensated Absences	37	-	-
Other Long-Term Liabilities	-	-	645
TOTAL LIABILITIES	28,101	18,376	$ 1,022,401
NET POSITION:			
Pension/Benefit Plan Participants	56,558	-	
Individuals, Organizations, and Other Entities	-	5,112,870	
Unrestricted	562	-	
TOTAL NET POSITION	$ 57,120	$ 5,112,870	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 924,090
Member Contributions	83,862	-
Employer Contributions	226,545	-
Investment Income/(Loss)	(114)	465,514
Employee Participation Fees	938	-
Unclaimed Property Receipts	-	49,162
Other Additions	2,634	3,304
Transfers-In	1,183	-
TOTAL ADDITIONS	315,048	1,442,070
DEDUCTIONS:		
Distributions to Participants	-	256,813
Health Insurance Premiums Paid	139,315	-
Health Insurance Claims Paid	127,033	-
Other Benefits Plan Expense	18,810	-
Payments in Accordance with Trust Agreements	-	515,161
Other Deductions	13,460	-
Transfers-Out	119	155
TOTAL DEDUCTIONS	298,737	772,129
CHANGE IN NET POSITION	16,311	669,941
NET POSITION - FISCAL YEAR BEGINNING	40,809	4,442,929
NET POSITION - FISCAL YEAR ENDING	$ 57,120	$ 5,112,870

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 137,806	$ 15,032
Investments	-	-
Restricted Securities Not Held for Investment	13,301	-
Contributions Receivable, net	-	24,122
Other Receivables, net	76,765	49
Due From Other Governments	1,670	-
Prepaids, Advances, and Deferred Charges	-	466
Total Current Assets	229,542	39,669
Noncurrent Assets:		
Restricted Cash and Pooled Cash	123,334	-
Restricted Investments	283,102	-
Restricted Receivables	4,299	-
Investments	-	1,250,817
Contributions Receivable, net	-	34,695
Other Long-Term Assets	1,006,669	-
Depreciable Capital Assets and Infrastructure, net	37	2,685
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,417,441	1,288,197
TOTAL ASSETS	1,646,983	1,327,866
DEFERRED OUTFLOW OF RESOURCES:	520	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	14,982	8,744
Due To Other Governments	2,240	-
Unearned Revenue	-	-
Claims and Judgments Payable	-	-
Leases Payable	-	951
Notes, Bonds, and COPs Payable	55,435	-
Other Current Liabilities	114,746	10,807
Total Current Liabilities	187,403	20,502
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	273,213
Capital Lease Payable	-	257
Notes, Bonds, and COPs Payable	821,410	-
Other Long-Term Liabilities	32,532	16,868
Total Noncurrent Liabilities	853,942	290,338
TOTAL LIABILITIES	1,041,345	310,840
DEFERRED INFLOW OF RESOURCES:	963	-
NET POSITION:		
Net investment in Capital Assets:	37	1,477
Restricted for:		
Emergencies	-	-
Expendable	-	551,738
Nonexpendable	-	397,990
Other Purposes	546,881	-
Unrestricted	58,277	65,821
TOTAL NET POSITION	$ 605,195	$ 1,017,026

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

	COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
	$ 752	$ 10,773	$ 1,437	$ 25,517	$ 191,317
	-	-	-	115,330	115,330
	-	-	-	-	13,301
	7,637	6,572	2,396	4,150	44,877
	-	1,755	194	2,159	80,922
	-	-	-	1,385	3,055
	122	-	-	-	588
	8,511	19,100	4,027	148,541	449,390
	-	96	-	18,976	142,406
	-	-	-	-	283,102
	-	-	-	-	4,299
	325,414	249,871	98,860	44,845	1,969,807
	21,857	9,403	3,452	-	69,407
	574	331	190	6,040	1,013,804
	6	16	1,044	117,994	121,782
	-	-	-	61,968	61,968
	347,851	259,717	103,546	249,823	3,666,575
	356,362	278,817	107,573	398,364	4,115,965
	-	-	-	-	520
	2,286	2,432	1,231	1,833	31,508
	-	-	-	-	2,240
	-	-	-	24,709	24,709
	-	-	-	17,575	17,575
	-	-	-	-	951
	-	-	-	321	55,756
	-	-	-	239	125,792
	2,286	2,432	1,231	44,677	258,531
	13,989	19,835	668	-	307,705
	-	-	-	-	257
	-	-	-	54,607	876,017
	818	11,046	151	4,162	65,577
	14,807	30,881	819	58,769	1,249,556
	17,093	33,313	2,050	103,446	1,508,087
	-	-	-	-	963
	6	16	1,044	179,620	182,200
	-	-	-	48	48
	160,586	77,560	21,010	-	810,894
	145,305	143,579	70,733	-	757,607
	-	-	-	942	547,823
	33,372	24,349	12,736	114,308	308,863
	$ 339,269	$ 245,504	$ 105,523	$ 294,918	$ 2,607,435

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 59,867	$ 5,100
Sales of Goods and Services	-	-
Investment Income (Loss)	12,730	-
Rental Income	-	-
Gifts and Donations	-	130,477
Federal Grants and Contracts	6,384	-
Other	139	957
TOTAL OPERATING REVENUES	79,120	136,534
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,300	-
Operating and Travel	20,776	24,754
Depreciation and Amortization	14	-
Debt Service	62,245	-
Foundation Program Distributions	-	116,342
TOTAL OPERATING EXPENSES	84,335	141,096
OPERATING INCOME (LOSS)	(5,215)	(4,562)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	99,822
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	99,822
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,215)	95,260
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	22,437	-
TOTAL CONTRIBUTIONS AND TRANSFERS	22,437	-
CHANGE IN NET POSITION	17,222	95,260
NET POSITION - FISCAL YEAR BEGINNING	589,338	921,766
Accounting Changes (See Note 29)	(1,365)	-
NET POSITION - FISCAL YEAR ENDING	$ 605,195	$ 1,017,026

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,800	$ -	$ 114,075	$ 180,842
-	-	-	5,534	5,534
-	-	-	5,796	18,526
-	-	-	1,182	1,182
45,226	23,827	12,273	-	211,803
-	-	-	825	7,209
63	326	688	-	2,173
45,289	25,953	12,961	127,412	427,269
-	-	-	-	1,300
2,951	4,378	2,452	122,807	178,118
-	-	-	4,864	4,878
-	-	-	-	62,245
45,577	17,060	6,965	-	185,944
48,528	21,438	9,417	127,671	432,485
(3,239)	4,515	3,544	(259)	(5,216)
32,762	25,936	8,699	449	167,668
-	-	-	10,775	10,775
-	-	-	1,065	1,065
-	-	-	(3,229)	(3,229)
-	-	-	(61)	(61)
-	-	-	40,959	40,959
32,762	25,936	8,699	49,958	217,177
29,523	30,451	12,243	49,699	211,961
-	-	-	-	22,437
-	-	-	-	22,437
29,523	30,451	12,243	49,699	234,398
309,746	215,053	93,280	1,176,257	3,305,440
-	-	-	(931,038)	(932,403)
$ 339,269	$ 245,504	$ 105,523	$ 294,918	$ 2,607,435

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 180,842			
Sales of Goods and Services	5,534			
Investment Income (Loss)	18,526	(18,526)		
Rental Income	1,182			
Gifts and Donations	211,803	(211,803)		
Federal Grants and Contracts	7,209	(7,209)		
Other	2,173	(2,033)		
TOTAL OPERATING REVENUES	427,269	(239,571)	187,698	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,300			
Operating and Travel	178,118			
Depreciation and Amortization	4,878			
Debt Service	62,245	3,229		
Foundation Program Distributions	185,944			
Other Expenses	-	61		
TOTAL OPERATING EXPENSES	432,485	3,290	435,775	EXPENSES
OPERATING INCOME (LOSS)	(5,216)			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	167,668	(167,668)		
Gifts and Donations	10,775	(10,775)		
Federal Grants and Contracts	1,065	(1,065)		
Debt Service	(3,229)	3,229		
Other Expenses	(61)	61		
Other Revenues	40,959	(40,959)		
TOTAL NONOPERATING REVENUES (EXPENSES)	217,177	(217,177)		
		364,153	364,153	OPERATING GRANTS & CONTRIBUTIONS
		2,023	2,023	CAPITAL GRANTS & CONTRIBUTIONS
		67,493	67,493	UNRESTRICTED INVESTMENT EARNINGS
		48,806	48,806	PAYMENTS FROM THE STATE
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	211,961			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	22,437	(22,437)		
TOTAL CONTRIBUTIONS AND TRANSFERS	22,437	(22,437)		
CHANGE IN NET POSITION	234,398		234,398	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	3,305,440		3,305,440	NET POSITION - FISCAL YEAR BEGINNING
Accounting Changes (See Note 29)	(932,403)		(932,403)	Accounting Changes (See Note 29)
NET POSITION - FISCAL YEAR ENDING	$ 2,607,435		$ 2,607,435	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

Primary Government

During Fiscal Year 2012-13, the State implemented GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 66 – Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.

Component Units

During Fiscal Year 2012-13 the Colorado Water Resources and Power Development Authority early implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

The following entities qualify as discretely presented component units:

Colorado Water Resources and Power Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation

University of Northern Colorado Foundation
Other Component Units (Nonmajor):
Denver Metropolitan Major League Baseball Stadium District
CoverColorado
Colorado Venture Capital Authority
HLC @ Metro, Inc.

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

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

The four foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant. Detailed financial information may be obtained directly from these organizations at the following addresses:

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

University of Northern Colorado Foundation
Judy Farr Alumni Center
Campus Box 20
Greeley, CO 80639

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

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

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

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

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

University of Colorado Hospital Authority
Pinnacol Assurance
Colorado Educational and Cultural Facilities Authority

Colorado Health Facilities Authority
Colorado Agricultural Development Authority
Colorado Housing and Finance Authority
Colorado Sheep and Wool Authority
Colorado Beef Council Authority
Fire and Police Pension Association
The State Board of the Great Outdoors
Colorado Trust Fund

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

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

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

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

The State, through the High Performance Transportation Enterprise in the Department of Transportation, entered into an initial 50-year commercial concession agreement with Plenary Roads Denver on June 28, 2013. Plenary Road Denver will finance, design and construct US36 and then operate and maintain the I-25 high occupancy lanes and the US36 lanes. The agreement will transfer the operations and revenues for these lanes from the High Performance Transportation Enterprise to Plenary Roads Denver. The final financial close for the concessionaire agreement is scheduled for December 2013.

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

The government-wide financial statements focus on the government as a whole. The *Statement of Net Position* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets 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 include proprietary funds financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2012.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements and as other accounting literature Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2012.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2013.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

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

(Amounts in Dollars)

Asset Class	Lower Capitalization Thresholds	Established State Thresholds
Land Improvements	$ 5,000	$ 50,000
Buildings	$ 5,000	$ 50,000
Leasehold Improvements	$ 5,000	$ 50,000
Intangible Assets	NA	$ 50,000
Vehicles and Equipment	NA	$ 5,000
Software (purchased)	NA	$ 5,000
Software (internally developed)	NA	$ 50,000
Library Books	NA	$ 0
Collections	NA	$ 5,000
Infrastructure	NA	$ 500,000

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	45
Vehicles and Equipment	3	50
Software	2	23
Library Books	3	20
Other Capital Assets	3	22
Infrastructure	20	75

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

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

F. UNEARNED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

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

I. NET POSITION AND FUND BALANCES

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

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

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

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

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

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

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

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

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

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

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

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

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

<u>Nonspendable</u> – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The fund balance consists primarily of prepaid advances to counties for social assistance programs and to local entities for species conservation, and permanent funds related to state lands.

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

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

<u>Committed</u> – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default classification for the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1) (d) to reserve five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $216.1 million was reserved for this purpose. A portion of the Committed fund balance represents the current fiscal year appropriation that the Colorado General Assembly, the state's highest level of decision making authority, committed to rolling forward into the subsequent fiscal year.

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

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

Assigned – This classification represents the portion of the fund balance related to certain Fiscal Year 2012-13 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2013-14.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2012-13, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2012-13. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2009-10 that were incorporated in State agency budgets in Fiscal Year 12-13. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 155. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the `overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2013, were $9,579,074 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicaid Mental Health Fee for Service Payments – The Department of Health Care Policy and Financing overexpended this line item by $142,285 of general funds. This appropriation includes Medicaid covered mental health services that are paid on a fee-for-service basis to providers. The Department believes that the increase in expenditures was due to an unanticipated increase in utilization of services, estimated at about 4.5 percent.
- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $5,290,984 of general funds. This appropriation includes Medicaid covered services. The Department believes that this increase in expenditures was due to an unanticipated caseload increase of approximately 0.87 percent. Additionally, the Center for Medicare and Medicaid Services disallowed approximately $3.0 million of cost previously reimbursed by the federal government, requiring the General Purpose Revenue Fund to absorb the disallowance.
- Nursing Facility Provider Fee Cash Fund – The Department of Public Health and Environment overexpended this line item by $462,861 of cash funds. The forecast for expenditure from this cash fund is based on a model using the nursing facility provider fees of the prior fiscal year. Several facilities required additional adjustments to expenditures related to Administrative Law Judge rulings and audit findings. In adjusting those facilities' expenditures, the Department's expenditure exceeded the forecast from which the appropriation was derived.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

Workers Compensation Premiums – The Department of Personnel and Administration overexpended this line item by $139,145 of cash funds. In June 2013, the Department requested and received approval for an emergency supplemental to increase the budget in this line item by $1.5 million. The supplemental request was based on conservative projections of expenditures. Actual claims billings exceed the conservative estimate.

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

- Legal Services Cash Fund – The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when determining the FY 2012-13 rates for legal services. The fund did not have excess revenue or fund balance available to cover this liability, resulting in a deficit fund balance of $1,620,644.
- Integrated Document Solutions (IDS) Operating – The Department of Personnel and Administration, Division of Central Services, had a deficit fund balance related to this line item of $319,504. The deficit fund balance was partially due to insufficient revenue earnings as a result of depreciation errors that will be corrected in Fiscal Year 2013-14. Additionally, vendor software updates resulted in the unrecoverable loss of billing data for a two week period.
- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $1,603,651. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2013-14 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2013:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $2,091,195

  Medicaid Buy-In Cash Fund - $11,853

The General Fund Surplus Schedule (page 163) shows a negative reversion of $19.1 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 $20.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters 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 statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal

Year 2012-13 ESRC of $11.46 billion. TABOR revenue was below the ESRC by $352.9 million, and over the TABOR limit by $1,859.9 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $1,859.9 million that would have occurred related to Fiscal Year 2012-13 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $7.7 billion, $3.6 billion during the initial five year revenue retention period, and an additional $4.1 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2012-13.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2012-13 that amount was $333,220,227.

At June 30, 2013, the financial net position or fund balance of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $92,500,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.
- Controlled Maintenance Trust Fund, a portion of the major General Fund - $23,000,000. The $23,000,000 designation by the Legislature has been reduced by $20,150,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor’s Executive Orders. (See additional information at the end of this Note 8B).
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $5,000,000.
- The 2012 legislative session Long Appropriations Act designated up to $102,200,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2012 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $10,520,227 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 2012-13, under the direction of the Governor’s Executive Orders, the State transferred $20.15 million from the Controlled Maintenance Trust Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- High Park Fire- $6.0 million
- Wetmore Fire - $3.27 million
- West Fork Fire - $3.0 million
- Waldo Canyon Fire - $2.67 million
- Black Forest Fire - $2.1 million
- Royal Gorge Fire - $1.5 million
- Lime Gulch Fire - $0.55 million
- Pine Ridge Fire - $0.5 million
- Rio Blanco Fire - $0.21 million
- Bull Basin Fire - $0.2 million
- Highway 13 Fire - $0.15 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,243.7 million ($7,251.2 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2013, the treasurer had invested $7,260.8 million (fair value) of the pool and held $2.0 million of certificates of deposit. The invested balance includes $11.6 million that resulted from the overinvestment of available cash on June 30.

The State had an accounting system cash deposit balance of $888.2 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $28.7 million of the State's total bank balance of $835.1 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 Colorado Water Resources and Power Development Authority had cash deposits of $592,583 with a bank balance of $628,502 at December 31, 2012. Of the booked amount, $250,000 was federally insured; $369,443 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name; and $9,059 was collateralized with securities held by the pledging institution's trust department or agent, but not in the authority's name. The authority also reported as cash and cash equivalents $42.9 million held by the State Treasurer, $171.7 million held in COLOTRUST and $45.9 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at $1.00. Shares of COLOTRUST are not evidenced by securities, and therefore, are not subject to custodial risk classification. Both COLOTRUST and the third party investment fund have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Realized/Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains received in the form of new investments rather than in cash.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, 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 Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,256.3 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,062.2 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $293.9 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by unearned revenue on the *Balance Sheet – Governmental Funds*.

- $138.0 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.

- $13.4 million recorded in the Resource Extraction Fund as severance taxes receivable.

- $42.8 million recorded in nonmajor special revenue funds, of which, approximately $11.4 million is from gaming tax, $14.7 million is insurance premium tax, and $12.7 million is tobacco tax.

In addition, $54.2 million of Taxes Receivable, $33.5 million of Other Receivables, and $87.8 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $571.3 million shown on the government-wide *Statement of Net Position* are net of $265.7 million in allowance for doubtful accounts and primarily comprise the following:

- $304.3 million of student and other receivables of Higher Education Institutions.

- $74.0 million of receivables recorded in the General Fund, of which $17.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $45.8 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.8 million of patient receivables.

- $21.1 million recorded by the Resource Extraction Fund.

- $89.5 million of receivables recorded by Other Governmental Funds including $45.2 million of tobacco settlement revenues expected within the following year, $8.0 million of rent and royalty receivables recorded by the State Lands Funds and $8.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.1 billion at December 31, 2012. During 2012, the authority made new loans of $39.9 million and canceled or received repayments for existing loans of $264.6 million.

The University of Colorado Foundation contributions receivable of $24.1 million and $34.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2013, the amount reported as contributions receivable includes $68.6 million of unconditional promises to give which were offset by a $8.0 million allowance for uncollectible contributions and a $1.8 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2013, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.7 million, which were offset by $3.6 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2013, contributions from three donors represented approximately 78 percent of net contributions receivable for the foundation.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.0 million was offset by $0.7 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 49 percent of the foundation's contributions receivable at June 30, 2013, consists of pledges from two donors in 2013, and approximately $3.8 million is due from trusts held by others.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $5.8 million was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2013 consists of a pledge from one donor, and 59 percent of contributions for the year ended June 30, 2013 were from two donors.

The Venture Capital Authority, a nonmajor component unit, has receivables 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 $8.3 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.15 million) and Other Long-Term Assets ($4.15 million) on the *Statement of Net Position.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $108.1 million shown on the government-wide *Statement of Net Position* at June 30, 2013, primarily comprise:

- $12.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $67.2 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $28.5 million, and
- $19.8 million of consumable supplies inventories, of which, $8.5 million was recorded by the Higher Education Institutions, $7.9 million was recorded by the Highway Users Tax Fund, $2.0 million by the General Purpose Revenue Fund, and $0.9 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $82.3 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $18.6 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $9.0 million in Higher Educational Institutions, of which $4.3 million was at Colorado State University that primarily related to library subscriptions.
- $5.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $4.2 million of security deposits in the Department of Labor and Employment.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper certain international banks, and certain loans and 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 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2012-13, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $246,855, for the Unclaimed Property Tourism Trust Fund of $28,898, for the Major Medical Fund of $96,337, for the Colorado Prepaid Tuition Fund of $231,738, and for the Treasurer's pooled cash of $439,810.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2013 and 2012, the treasurer had $29.0 million and $22.9 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $7.1 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $8.6 million as of June 30, 2013. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,004,610 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 $2,287,091 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2012-13.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 888,159
Investments:	
Governmental Activities	8,338,142
Business-Type Activities	2,320,182
Fiduciary Activities	4,961,080
Total	$ 16,507,563
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,777,209
Add: Warrants Payable Included in Cash	221,075
Total Cash and Pooled Cash	5,998,284
Add: Restricted Cash	2,150,666
Add: Restricted Investments	890,492
Add: Investments	7,468,121
Total	$ 16,507,563

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $320.8 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($32.5 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Center ($3.6 million reported in a Special Capital Projects Fund). This category also includes $3.4 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 4,636,504	$ -	$ 256,730	$ 4,893,234
Commercial Paper	74,998	-	-	74,998
Corporate Bonds	1,388,801	-	230,433	1,619,234
Asset Backed Securities	1,123,068	-	22,703	1,145,771
Mortgages Securities	37,421	7,105	195,506	240,032
Mutual Funds	-	-	4,500	4,500
Other	-	320,836	39,536	360,372
TOTAL INVESTMENTS	$ 7,260,792	$327,941	$ 749,408	$ 8,338,141

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($39.0 million), Absolute Return Funds ($57.3 million), Real Estate ($22.4 million), Venture Capital ($14.5 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($8.9 million), and Municipal Bonds ($7.6 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior year $168.8 million bond issuance.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($57.9 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 298,735	$ 6,654	$ 305,389	$ 12,186
Bank Acceptances	-	-	-	-
Commercial Paper	10,147	-	10,147	-
Corporate Bonds	177,803	14,343	192,146	-
Corporate Securities	170,041	-	170,041	-
Repurchase Agreements	237,264	-	237,264	5,265
Asset Backed Securities	40,200	-	40,200	-
Mortgages Securities	98,436	-	98,436	-
Mutual Funds	898,121	16,832	914,953	4,885,770
Other	182,149	169,459	351,608	57,860
TOTAL INVESTMENTS	$ 2,112,896	$ 207,288	$ 2,320,184	$ 4,961,081
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 144	$ -	$ 144	$ -
Corporate Bonds	1,495	-	1,495	-
Corporate Securities	14,181	-	14,181	-
Repurchase Agreements	-	-	-	5,265
TOTAL SUBJECT TO CUSTODIAL RISK	$ 15,820	$ -	$ 15,820	$ 5,265

Credit Quality Risk

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

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

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

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

- CollegeInvest held a funding agreement valued at $57.9 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Municipal Bonds & Other	Total
Treasurer's Pool:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 48,020	$ -	$ 1,123,068	$ -	$ -	$ -	$ 1,171,088
High Grade	1,158,254	-	530,255	-	37,421	-	-	-	1,725,930
Upper Medium	-	-	769,452	-	-	-	-	-	769,452
Lower Medium	-	-	41,074	-	-	-	-	-	41,074
Short-term Ratings									
Highest	2,639,799	74,998	-	-	-	-	-	-	2,714,797
Higher Education Institutions:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 17,294	$ -	$ 24,891	$ 250,166	$ 304	$ 54	$ 292,709
High Grade	105,389	-	35,228	-	7,749	-	226	7,015	155,607
Upper Medium	1,325	-	81,588	-	5,218	-	56	-	88,187
Lower Medium	-	-	36,326	-	4,231	-	64	-	40,621
Speculative	-	-	4,577	-	1,827	-	35	-	6,439
Very Speculative	-	-	98	-	1,166	-	21	-	1,285
High Default Risk	-	-	-	-	4,993	-	-	-	4,993
Default	-	-	-	-	1,529	-	-	-	1,529
Short-term Ratings									
Highest	-	2,002	-	-	-	-	-	-	2,002
Unrated	5,722	8,145	2,692	237,264	86,260	14,591	110,934	3,408	469,016
Fiduciary Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ -	$ 5,265	$ -	$ -	$ -	$ -	$ 5,265
High Grade	2,683	-	-	-	-	-	-	-	2,683
Short-term Ratings									
Unrated	1,975	-	-	-	-	4,885,770	-	-	4,887,745
All Other Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 14,395	$ -	$ 22,703	$ 5,063	$ -	$ -	$ 42,161
High Grade	202,355	-	137,175	-	185,820	-	-	3,380	528,730
Upper Medium	-	-	74,644	-	-	-	-	-	74,644
Lower Medium	-	-	17,543	-	-	-	-	-	17,543
Short-term Ratings									
Highest	-	-	1,019	-	-	-	-	-	1,019
Unrated	-	-	-	-	16,791	13,971	2,298	-	33,060

Interest Rate Risk

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

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (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 more than ten years, based on the credit quality rating.

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $55.7 million that have duration of 8.1 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 13.393-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,692,388	1.370	$ 10,318	0.742	$ 11,568	13.393	$ 263,384	5.615
Commercial Paper	83,143	0.053	2,002	0.497	-	-	-	-
Corporate Bonds	1,437,483	3.110	-	-	-	-	244,776	6.172
Asset Backed Securities	1,174,558	3.388	-	-	-	-	218,209	3.435
Municipal Bonds	-	-	-	-	-	-	3,380	11.460
Total Investments	$ 7,387,572		$ 12,320		$ 11,568		$ 729,749	

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 $237.3 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. The $237.3 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.1 years.

The University of Colorado has invested $12.2 in U.S. Treasury Inflation Protected Securities with duration of 10.8 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.

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

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 102,172,120	5.720
U.S. Treasury Strips	3,898,462	0.380
U.S. Government Agency Notes	106,449,038	5.290
U.S. Government Agency Strips	4,628,200	1.520
Municipal Bonds	7,608,367	5.800
Corporate Bonds	126,619,491	6.450
Certificates of Deposit	2,480,240	3.520
Asset Backed Securities	123,795,320	16.100
Bond Mutual Funds	110,934,169	3.460
Colorado State University:		
Bond Mutual Funds	$ 706,130	3.500
Colorado School of Mines:		
Bond Mutual Funds-1	$ 677,763	2.210
Bond Mutual Funds-2	652,666	5.700
Colorado Mesa University:		
U.S. Government Securities	$ 841,409	4.150
Corporate Bonds	1,170,739	3.820
Bond Mutual Funds	213,117	3.290
Taxable Municipal Bonds	$ 387,602	5.570
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 89,597,627	4.280
Bond Mutual Fund-2	38,465,813	5.500
Bond Mutual Fund-3	594,293,345	5.500
Bond Mutual Fund-4	577,612,190	5.750
Bond Mutual Fund-5	321,481,979	0.160
Bond Mutual Fund-6	308,159,845	1.850
Bond Mutual Fund-7	184,864,445	7.530
Bond Mutual Fund-8	908,293	4.420

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 also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $51.0, British Pound - $33.5, Japanese Yen - $28.9, Swiss Franc - $17.7, Brazilian Real - $4.8, Chinese Yuan - $8.7, Korean Won - $6.5, Canadian Dollar - $6.0, Australian Dollar - $5.7, Swedish Kroner - $5.9, and Russian Ruble - $2.2, Denmark Kroner - $4.3, Honk-Kong Dollar - $11.1, Indian Rupee - $2.5, Mexican Peso - $2.8, Norwegian Kroner $1.4, Singapore Dollar - $2.2, South African Rand - $5.0, Taiwan Dollar - $3.8, Turkish Lira $2.2, Indonesia Rupiah $1.3 and various other currencies totaling $4.2 million 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 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the Public School Permanent Fund. The Public School Permanent Fund has a concentration of credit risk because of the below listed corporate bond holding exceed 5 percent of the total investment in the fund category; General Electric Capital Corporation – 5.4 percent.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2012-13	Fiscal Year 2011-12
Governmental Activities:		
Major Funds		
General-General Purpose	$ (12,770)	$ 3,738
General-Special Purpose	(2,118)	268
Resource Extraction	(5,752)	(140)
Highway Users Tax	(14,367)	(1,459)
Capital Projects-Regular	(1,006)	633
Capital Projects-Special	(84)	(165)
State Education	(1,625)	(924)
NonMajor Funds:		
State Lands	(27,612)	4,095
Other Permanent Trusts	(112)	(12)
Labor	(3,598)	(569)
Gaming	(1,486)	(303)
Tobacco Impact Mitigation	(191)	(30)
Resource Management	(56)	(10)
Environment Health Protection	(1,758)	182
Other Special Revenue	(2,329)	(253)
Unclaimed Property	(6,773)	3,214
Information Technology	(172)	63
Highways (Internal Service)	(3)	(7)
Administrative Courts	(11)	(4)
Other Internal Service	(2)	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	52,328	(19,893)
Lottery	(392)	(149)
NonMajor Funds:		
CollegeInvest	(1,541)	1,254
Wildlife	(1,328)	(116)
College Assist	(736)	(254)
State Fair Authority	(5)	(7)
Correctional Industries	(65)	(17)
State Nursing Homes	(110)	75
Prison Canteens	(21)	(2)
Petroleum Storage Tank	(90)	(41)
Transportation Enterprise	(1,097)	749
Other Enterprise Activities	(100)	57
Fiduciary:		
Pension/Benefits Trust	(781)	323
Private Purpose Trust	306,724	26,546
	$ 270,962	$ 16,842

Component Units

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

Component Units – Non-Foundations

Except for guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2012, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 117,460
Repurchase Agreements	165,642
TOTAL INVESTMENTS	$ 283,102

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

Credit Quality Risk

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

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

Interest Rate Risk

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $283.1 million of investments subject to interest rate risk with the following maturities; one year or less – 9 percent, two to five years – 28 percent, six to ten years – 30 percent, eleven to fifteen years – 22 percent, and 16 years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $115.3 million of investments subject to interest rate risk with the following maturities; one year or less – 76 percent, and one to two years – 24 percent.

Concentration of Credit Risk

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2012, all of its investments were placed in a single issuer and were therefore subject to concentration of credit risk.

Component Units – Foundations

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

At June 30, 2013, the University of Colorado Foundation held $254.1 million of domestic equity securities, $259.7 million of international equity securities, $167.1 million of fixed income securities and $506.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $97.3 million is net of $6.7 million of investment fees and comprises $15.0 million of interest dividends and other income, $39.1 million of realized gains, and $49.9 million of unrealized gains.

At June 30, 2013, the Colorado State University Foundation held $153.2 million of equity securities, $152.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $16.3 million of fixed income securities, and $3.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2013, the CSMF held fixed income and fixed income mutual funds totaling $22.8 million, domestic and international equities totaling $91.1 million, investments in hedge funds and venture capital totaling $92.9 million and cash equivalents totaling $17.3 million in its long-term investments pool.

Of the foundation's $249.9 million of investments, $15.5 million, or 6.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.4 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-one 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, 2013, the University of Northern Colorado Foundation held $41.3 million of equity securities, $22.9 million of fixed income securities, and $34.7 million of cash and other investments. The foundation's investment income of $8.7 million is net of $0.4 million of management fees and comprises $2.4 million of interest and dividends and $6.7 million of realized and unrealized losses.

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The $868.8 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $293.9 million and $54.2 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Unearned Revenue.

The $434.7 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 ($10.6 million), a major special revenue fund, and the Resource Extraction Fund ($383.0 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $128.1 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs and livestock.

Component Units

In 2012 the Colorado Water Resources and Power Development Authority reported $13.3 million in short-term securities not held for investment. The securities were purchased with Water Revenue Bonds Program 2010 Series A and 2011 Series C bond proceeds, on behalf of governmental agencies that entered into loan agreements with the Authority. The securities mature in alignment with borrowers' projected construction cost schedules and the borrowers retain the risk of loss related to the value of the securities.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2012-13 the State capitalized $37.6 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $25.3 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Department of Corrections decommissioned Fort Lyons Correctional Facility to implement operational efficiencies. Subsequently, the Colorado General Assembly authorized the Department of Local Affairs to prepare and operate the facility in Fiscal Year 2013-14 as a supportive residential community for the homeless. As of June 30, 2013, the facility had a carrying value of $16.2 million. An estimate of asset impairment has not yet been calculated, and is subject to change.

The schedule on the following page shows the capital asset activity for Fiscal Year 2012-13.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 79,786	$ 8,578	$ -	$ (1,426)	$ 86,938
Land Improvements	4,817	-	1,431	-	6,248
Collections	8,979	2,023	-	-	11,002
Other Capital Assets	852	15	-	(852)	15
Construction in Progress (CIP)	911,410	609,411	(357,656)	(17,733)	1,145,432
Infrastructure	897,760	91	23,283	-	921,134
Total Capital Assets Not Being Depreciated	1,903,604	620,118	(332,942)	(20,011)	2,170,769
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	43,893	404	2,339	(1,741)	44,895
Buildings	2,025,770	29,222	77,591	(10,471)	2,122,112
Software	236,400	4,331	8,293	(3,951)	245,073
Vehicles and Equipment	678,506	65,172	2,345	(31,154)	714,869
Library Materials and Collections	6,667	460	-	(1,096)	6,031
Other Capital Assets	46,246	3,102	10	(11,148)	38,210
Infrastructure	10,164,790	517	242,364	(1,651)	10,406,020
Total Capital Assets Being Depreciated	13,202,272	103,208	332,942	(61,212)	13,577,210
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(26,551)	(1,588)	-	1,393	(26,746)
Buildings	(712,727)	(48,102)	-	(386)	(761,215)
Software	(125,566)	(25,363)	-	3,946	(146,983)
Vehicles and Equipment	(429,779)	(46,492)	-	21,103	(455,168)
Library Materials and Collections	(4,574)	(434)	-	1,096	(3,912)
Other Capital Assets	(25,103)	(3,203)	-	-	(28,306)
Infrastructure	(2,275,456)	(568,113)	-	1,648	(2,841,921)
Total Accumulated Depreciation	(3,599,756)	(693,295)	-	28,800	(4,264,251)
Total Capital Assets Being Depreciated, net	9,602,516	(590,087)	332,942	(32,412)	9,312,959
TOTAL GOVERNMENTAL ACTIVITIES	11,506,120	30,031	-	(52,423)	11,483,728
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	483,343	17,494	-	-	500,837
Land Improvements	16,517	-	450	(342)	16,625
Collections	20,182	2,221	160	(108)	22,455
Construction in Progress (CIP)	496,617	632,359	(425,587)	(22,466)	680,923
Other Capital Assets	-	-	-	-	-
Infrastructure	2,897	34	5,990	-	8,921
Total Capital Assets Not Being Depreciated	1,019,556	652,108	(418,987)	(22,916)	1,229,761
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	534,179	6,908	25,844	(4,266)	562,665
Buildings	6,583,269	58,246	318,444	(21,124)	6,938,835
Software	156,412	21,389	249	-	178,050
Vehicles and Equipment	920,506	78,751	12,818	(91,074)	921,001
Library Materials and Collections	493,456	20,540	-	(11,463)	502,533
Other Capital Assets	18,851	376	-	-	19,227
Infrastructure	98,894	-	61,632	-	160,526
Total Capital Assets Being Depreciated	8,805,567	186,210	418,987	(127,927)	9,282,837
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(268,919)	(23,102)	-	1,257	(290,764)
Buildings	(2,177,414)	(224,189)	-	17,184	(2,384,419)
Software	(61,572)	(28,525)	-	255	(89,842)
Vehicles and Equipment	(658,763)	(78,084)	-	84,412	(652,435)
Library Materials and Collections	(360,667)	(21,397)	-	10,279	(371,785)
Other Capital Assets	(711)	(114)	-	-	(825)
Infrastructure	(27,265)	(2,437)	-	-	(29,702)
Total Accumulated Depreciation	(3,555,311)	(377,848)	-	113,387	(3,819,772)
Total Capital Assets Being Depreciated, net	5,250,256	(191,638)	418,987	(14,540)	5,463,065
TOTAL BUSINESS-TYPE ACTIVITIES	6,269,812	460,470	-	(37,456)	6,692,826
TOTAL CAPITAL ASSETS, NET	$ 17,775,932	$ 490,501	$ -	$ (89,879)	$ 18,176,554

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	$ 18,590
Business, Community, and Consumer Affairs	3,455
Education	9,383
Health and Rehabilitation	9,934
Justice	33,933
Natural Resources	1,060
Social Assistance	13,420
Transportation	587,138
Internal Service Funds (Charged to programs and BTAs based on useage)	16,382
Total Depreciation Expense Governmental Activities	693,295
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	361,579
State Lottery	977
Other Enterprise Funds	15,292
Total Depreciation Expense Business-Type Activities	377,848
Total Depreciation Expense Primary Government	$ 1,071,143

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $136.3 million, net of accumulated depreciation of $75.0 million, at December 31, 2012. 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.

On November 23, 2011, the Denver Metropolitan Major League Baseball Stadium District entered into an Intergovernmental Agreement with the Regional Transportation District (RTD) for the transfer of certain land from the District to RTD for construction of a light rail line connecting Union Station to Denver International Airport. After the District's fiscal year end, a final settlement was reached whereupon the District received $24.72 million from RTD, $24 million for the land taken and $720 thousand in interest. Net unearned income recognized on the Statement of Net Position, after costs, is $14.4 million.

HLC@Metro, Inc., a nonmajor component unit reported nondepreciable capital assets of $42.2 million related to the construction of the Hotel Learning Center.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

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

Defined Retirement Benefits

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

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

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

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

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

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

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

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

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

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

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

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2013.

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. 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. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

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. The earned service requirement is waived if a member's death is job-incurred.

B. FUNDING POLICY

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

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2012-13				
1-1-13 to 6-30-13	17.36	19.25	16.55	100
7-1-12 to 12-31-12	17.36	18.35	15.65	100
Fiscal Year 2011-12				
1-1-12 to 6-30-12	14.86	15.85	13.15	100
7-1-11 to 12-31-11	14.86	14.95	12.25	100
Fiscal Year 2010-11				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100

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

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

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

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

The Fiscal Year 2012-13 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, 2012, to December 31, 2013, 14.63 percent was allocated to the defined benefit plan, and
- From January 1, 2013, to June 30, 2013 15.53 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, 2012, the State Division of PERA had a funded ratio of 59.2 percent and a 53-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

The State made the following retirement contributions:

- Fiscal Year 2012-13 - $368.5 million
- Fiscal Year 2011-12 - $276.3 million
- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (previously restated)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million

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

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado represents most, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2012	$393,991	16.52%	83%
2011	$326,274	13.63%	85%
2010	$452,821	18.93%	62%

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA contribution swap with employees from July 1, 2010 to June 30, 2012, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

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

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2012-13 and 2011-12, the Department of Local Affairs transferred $4.2 and $4.4 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. In Fiscal Year 2011-12, the State Treasurer distributed $5.3 million in supplemental contributions, and in Fiscal Year 2012-13 transferred $142.4 million in supplemental contributions eliminating the State's share of the unfunded liability.

Component Units

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. 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 of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and with current funding had a 66-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 $24.9 million, $24.1, million, $24.3 million, $24.0 million, and $24.6 million, in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2012. As of December 31, 2012, there were 51,666 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2012, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and an aggregate four and one-quarter percent projection of salary increases, both assuming a three and three-half percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at various rates up to 6.36 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

University of Colorado – Other Postemployment Benefits Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2012-

13, the University contributed $13.5 million to the plan. Plan members contributed 0.2 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.1 percent of covered payroll.

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

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

(Amounts In Thousands)

Annual required contribution	$ 49,553
Interest on net OPEB obligation	5,918
Adjustment to annual required contribution	(8,073)
Annual OPEB cost (expense)	47,398
Contributions made	(13,513)
Increase/(Decrease) in net OPEB obligation	33,885
Net OPEB obligation - beginning of year	131,508
Net OPEB obligation - end of year	$ 165,393

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2012-13 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 47,398	28.5%	$ 165,393

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $406.8 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $406.8 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.1 billion, and the ratio of UAAL to covered payroll was 35.6 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return, and health care trend rates ranging from 6.5 to 8.0 percent in 2013, down to 5.0 percent in 2022. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical premiums of up to $317 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

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

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the University in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2012-13, the University contributed $626,227 to the RMPR, $1,294,919 to the RMPS, $94,142 to the URX and $991,018 to the LTD. Plan members are not required to contribute to any of the four plans.

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

The following tables show the components of the University's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the University's net OPEB obligations for all four plans:

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,533	$ 4,142
Interest on net OPEB obligation	364	549
Adjustment to annual required contribution	(303)	(854)
Annual OPEB cost (expense)	2,594	3,837
Contributions made	(626)	(1,295)
Increase/(Decrease) in net OPEB obligation	1,968	2,542
Net OPEB obligation - beginning of year	9,097	13,727
Net OPEB obligation - end of year	$ 11,065	$ 16,269

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 198	$ 1,353
Interest on net OPEB obligation	16	25
Adjustment to annual required contribution	(26)	(21)
Annual OPEB cost (expense)	188	1,357
Contributions made	(94)	(991)
Increase/(Decrease) in net OPEB obligation	94	366
Net OPEB obligation - beginning of year	410	631
Net OPEB obligation - end of year	$ 504	$ 997

The University's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2012-13 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2012-13	$ 2,594	24.2%	$ 11,065
RMPS	2012-13	$ 3,837	33.7%	$ 16,269
URX	2012-13	$ 188	50.0%	$ 504
LTD	2012-13	$ 1,357	73.0%	$ 997

As of the most recent actuarial valuation date of July 1, 2012, all four plans were 0.0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $31.1 million, $45.8 million, $2.6 million, and $15.5 million respectively, resulting in unfunded actuarial accrued liabilities of $31.1 million, $45.8 million, $2.6 million and $15.5 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $259.3 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 12.0 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return, and all except URX used a three percent inflation adjustment. No inflation adjustment was assumed for URX. The RMPR and LTD plans also used a four percent salary increase assumption, while the RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-five years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the State offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded 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 returned to a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

Effective July 1, 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. Effective July 1, 2010, the State began offering two state-wide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

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 18A). 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 PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had net position of $544.5 million and 17,469 participants.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar year 2012, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $22,500. Contributions and earnings are tax deferred. On December 31, 2012, the plan had net position of $2,105.7 million and 69,559 accounts.

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

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). At December 31, 2012, the plan had a net position of $83.3 million and 4,362 participants.

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

<u>Higher Education Optional Retirement Plans</u>

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

<u>Other State Retirement Plans</u>

The State made contributions to other retirement plans of $112.0 million and $106.2 million during Fiscal Years 2012-13 and 2011-12, respectively. In addition, the State paid $89.0 million and $83.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2012-13 and 2011-12, respectively.

Component Units

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

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2012-13 48 faculty members participated in the program at a present value accrued cost of $6.2 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

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

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

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

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $350,000 per individual. In Fiscal Year 2012-13, the State recovered approximately $1.9 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $5.8 million of insurance recoveries during Fiscal Year 2012-13. Of that amount approximately $443,947 was related to asset impairments that occurred in prior years. The remaining $5.4 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.9 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education ($1.8 million) in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the University's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.0 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal

Year 2012-13 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2012-13, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $250,000 per person and $9.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2012-13 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $203,099 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2011 through 2013. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. 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 2012-13, however, the University collected $73,817 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2011 through 2013.

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. The University is self-insured for worker's compensation up to $500,000 and has purchased reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2012-13 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $15.0 million and additional insurance purchased for claims up to $10.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1,000,000 of unmanned aerial vehicles liability insurance per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered under the State's risk management program from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $410.5 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible, with a $25,000 deductible for flood and earthquake). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in Fiscal Year 2011-12 or 2012-13.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered under the State's risk management program from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($25,000 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered under the State's risk management program from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2011-12 or 2012-13.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered under the State's risk management program from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2011-12 or 2012-13.

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

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2012-13, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2011-12 or 2012-13.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2011-12 or 2012-13.

On the next page, 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				
2012-13	29,883	4,715	5,404	29,194
2011-12	24,733	9,981	4,831	29,883
2010-11	22,938	6,885	5,090	24,733
Workers' Compensation				
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
2010-11	100,787	44,977	35,442	110,322
Group Benefit Plans:				
2012-13	13,695	138,851	139,899	12,647
2011-12	13,904	146,285	146,494	13,695
2010-11	17,873	133,109	137,078	13,904
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2012-13	10,015	7,694	6,747	10,962
2011-12	9,977	4,722	4,684	10,015
2010-11	11,561	4,659	6,243	9,977
University of Colorado Denver:				
Medical Malpractice				
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
2010-11	4,589	1,864	1,327	5,126
Graduate Medical Education Health Benefits Program				
2012-13	1,408	6,806	6,828	1,386
2011-12	1,291	7,121	7,004	1,408
2010-11	1,321	6,319	6,349	1,291
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
2010-11 (Restated)	24,855	33,015	27,588	30,282
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2012-13	57	133	89	101
2011-12	21	108	72	57
2010-11	25	92	96	21
Fort Lewis College:				
Worker's Compensation				
2012-13	301	(298)	-	3
2011-12	315	133	147	301
2010-11	288	124	97	315
General Liability				
2012-13	167	(167)	-	-
2011-12	307	-	140	167
Adams State University				
Workers' Compensation				
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2012-13	11	(11)	-	-
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2012-13	67	56	56	67
2011-12	140	(6)	67	67
2010-11	282	303	445	140
General Liability				
2012-13	118	259	259	118
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Liability				
2012-13	-	20	-	20

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability.

NOTE 22 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2013, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 82,047	$ 153,274
Business-Type Activities	-	30,081	36,369
Total	$ 735	$ 112,128	$ 189,643

At June 30, 2013, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 185	$ 416	$ 601
Business-Type Activities	-	125	125
Total	$ 185	$ 541	$ 726

During the year ended June 30, 2013, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 25	$ 25
Total	$ -	$ 25	$ 25

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2013, the total obligation for the space was $3.7 million, with an average annual lease payment of $598,181, and the total obligation for the vehicles and equipment was $6.2 million, with total annual lease payments of $1.7 million.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

The Northeastern Junior College Foundation paid $20,000 to Northeastern Junior College for certain rent expenses.

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 2012-13, the State recorded building and land rent of $50.4 million and $21.5 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $12.3 million and $30.9 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.1 million of lease interest costs in the governmental activities and $1.6 million in the business-type activities.

The State entered into approximately $11.0 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2013, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2014	$ 47,106	$ 22,692	$ 24,484	$ 7,866
2015	38,532	19,549	22,863	6,853
2016	34,029	14,838	20,335	6,570
2017	22,672	11,304	17,065	5,864
2018	21,381	9,130	15,168	3,956
2019 to 2023	74,560	26,549	56,646	11,752
2024 to 2028	20,681	4,575	18,462	6,658
2029 to 2033	712	1,473	6,218	1,006
2034 to 2038	720	959	-	-
2039 to 2043	729	629	-	-
2044 to 2048	707	566	-	-
2049 to 2053	661	-	-	-
Total Minimum Lease Payments	262,490	112,264	181,241	50,525
Less: Imputed Interest Costs			30,231	8,797
Present Value of Minimum Lease Payments	$ 262,490	$ 112,264	$ 151,010	$ 41,728

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2012 was $119,750. The total minimum rental commitment as of December 31, 2012 is $694,166.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $1.2 million at June 30, 2013. Total minimum lease payments including interest at June 30, 2013, were $1.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014. The net book value of property and equipment under the capital lease was $5.8 million net of accumulated depreciation of $4.8 million as of June 30, 2013.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2013 was $170,256. The total minimum rental commitment under the leases was $0.3 million at June 30, 2013.

NOTE 23 – SHORT-TERM DEBT

On July 17, 2012**,** the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2012A. The notes were due and payable on June 27, 2013, at a coupon rate of 2.37 percent. The total interest related to this issuance was $11.2 million, however, the notes were issued at a premium of $10.3 million resulting in net interest costs (including the cost of issuance) of $989,341 and a yield of 0.18 percent. The notes were issued for cash management purposes and were repaid before June 30, 2013, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 11, 2012, the State Treasurer issued $125.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B. The notes were due and payable on June 27, 2013, at a coupon rate of 2.00 percent. The total interest related to this issuance was $2.4 million, however, the notes were issued at a premium of $2.2 million, resulting in net interest costs (including cost of issuance) of $471,900 or 0.20 percent. The notes matured on June 27, 2013 and were repaid.

On January 3, 2013, the State Treasurer issued $160.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012C. The notes were due and payable on June 27, 2013, at a coupon rate of 1.88 percent. The total interest related to this issuance was $1.5 million, however, the notes were issued at a premium of $1.3 million, resulting in net interest costs (including cost of issuance) of $254,299 or 0.16 percent. The notes matured on June 27, 2013, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2013:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ -	285,000	$ (285,000)	-
Total Governmental Activities Short-Term Financing	-	785,000	(785,000)	-
Total Short-Term Financing	$ -	$ 785,000	$ (785,000)	$ -

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

Primary Government

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

During Fiscal Year 2012-13 the State's governmental activities had $167.1 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 $1,192.9 million of available net revenue after operating expenses to meet the $752.5 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 36.)

During Fiscal Year 2012-13 the State recorded $246.9 million of interest costs, of which, $84.2 million was recorded by governmental activities and $162.8 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $35.4 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $18.0 million of interest on Certificates of Participation issued by the Judicial Branch, and $16.5 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises $132.4 million of interest on revenue bonds issued by institutions of higher education, $17.0 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $5.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $6.9 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2013, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2014	$ 141,260	$ 26,205	$ 1,965	$ 400	$ 31,115	$ 51,418	$ 174,340	$ 78,023
2015	147,224	20,104	2,005	359	34,460	48,151	183,689	68,614
2016	157,220	10,268	2,045	317	35,825	45,820	195,090	56,405
2017	126,100	2,680	2,090	275	37,320	44,339	165,510	47,294
2018	-	-	2,135	231	36,815	42,826	38,950	43,057
2019 to 2023	-	-	8,980	472	151,700	192,217	160,680	192,689
2024 to 2028	-	-	-	-	355,965	157,431	355,965	157,431
2029 to 2033	-	-	-	-	238,590	101,039	238,590	101,039
2034 to 2038	-	-	-	-	127,820	52,417	127,820	52,417
2039 to 2043	-	-	-	-	77,060	26,667	77,060	26,667
2044 to 2048	-	-	-	-	40,530	3,194	40,530	3,194
Subtotals	571,804	59,257	19,220	2,054	1,167,200	765,519	1,758,224	826,830
Unamortized Prem/Discount	2,343	-	-	-	24,897	-	27,240	-
Accrued Capital Appreciation Certificates	-	-	-	-	96	-	96	-
Totals	$ 574,147	$ 59,257	$ 19,220	$ 2,054	$ 1,192,193	$ 765,519	$ 1,785,560	$ 826,830

(Amounts in Thousands)

Fiscal Year			Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2014			$ 213,596	$ 161,947	$ 685	$ 133	$ 18,930	$ 19,363	$ 233,211	$ 181,443
2015			220,142	155,068	711	106	19,834	18,575	240,687	173,749
2016			222,010	150,025	742	77	20,749	17,677	243,501	167,779
2017			223,023	144,382	766	47	21,679	16,712	245,468	161,141
2018			99,997	138,222	545	16	22,749	15,652	123,291	153,890
2019	to	2023	543,339	623,810	72	19	131,614	59,398	675,025	683,227
2024	to	2028	614,967	490,535	22	1	129,406	23,849	744,395	514,385
2029	to	2033	627,453	331,830	-	-	36,330	2,465	663,783	334,295
2034	to	2038	552,705	171,146	-	-	-	-	552,705	171,146
2039	to	2043	282,225	42,985	-	-	-	-	282,225	42,985
2044	to	2048	12,305	1,092	-	-	-	-	12,305	1,092
Subtotals			3,611,762	2,411,042	3,543	399	401,291	173,691	4,016,596	2,585,132
Unamortized Prem/Discount			83,800	-	(21)	-	2,312	-	86,091	-
Unaccreted Interest			(11,996)	-	-	-	-	-	(11,996)	-
Totals			$ 3,683,566	$ 2,411,042	$ 3,522	$ 399	$ 403,603	$ 173,691	$ 4,090,691	$ 2,585,132

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2013, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

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

Fiscal Year			Principal	Interest	Interest Rate Swap, Net	Total
2014			$ 600	$ 54	$ 1,420	$ 2,074
2015			625	53	1,398	2,076
2016			625	52	1,377	2,054
2017			675	51	1,354	2,080
2018			975	50	1,325	2,350
2019	to	2023	3,475	237	6,278	9,990
2024	to	2028	6,500	206	5,472	12,178
2029	to	2033	13,300	138	3,658	17,096
2034	to	2038	14,610	46	1,229	15,885
2039	to	2043	-	-	-	-
Totals			$ 41,385	$ 887	$ 23,511	$ 65,783

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,075	$ 1,054,081	$ 2,563,656
Business Type Activities	4,346,115	7,439	475,373	$ 4,828,927
Total	$ 5,834,615	$ 28,514	$ 1,529,454	$ 7,392,583

Component Units

In February 2011, the University of Colorado Foundation renewed a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. No amounts were outstanding at June 30, 2013.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2012, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2013	$ 55,435	$ 40,385	$ 95,820
2014	55,555	37,937	93,492
2015	51,120	35,412	86,532
2016	52,425	33,086	85,511
2017	52,125	30,675	82,800
2018 to 2022	225,760	118,869	344,629
2023 to 2027	174,090	72,056	246,146
2028 to 2032	124,460	38,150	162,610
2033 to 2037	83,175	9,433	92,608
2038 to 2042	2,700	312	3,012
'otal Future Payments	$ 876,845	$ 416,315	$ 1,293,160

The original principal amount for the outstanding bonds was $1,692.3 million. Total interest paid during 2012 amounted to $62.2 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2003A, 2004B, 2004C, 2004D, 2004E, Series 2005A, 2005E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, 2005D, Series 2008A, Series 2009A, Series 2010A, and 2011A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2012, it had $20.2 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2013, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2014	$ -	$ 3,226	$ 3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019 to 2023	6,710	14,874	21,584
2024 to 2028	7,930	12,951	20,881
2029 to 2033	9,590	10,261	19,851
2034 to 2038	11,745	6,825	18,570
2039 to 2043	15,890	2,487	18,377
Total Future Payments	$ 54,885	$ 63,361	$ 118,246

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2012-13:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 2,680	$ 3,398	$ (2,665)	$ 3,413	$ 3,396
Accrued Compensated Absences	142,253	18,508	(11,393)	149,368	10,955
Claims and Judgments Payable	375,374	5,157	(10,207)	370,324	46,873
Capital Lease Obligations	121,429	40,927	(11,346)	151,010	20,004
Bonds Payable	737,432	30,925	(194,209)	574,148	141,260
Certificates of Participation	1,018,456	205,361	(31,625)	1,192,192	31,115
Notes, Anticipation Warrants, Mortgages	21,075	110	(1,965)	19,220	1,965
Other Long-Term Liabilities	427,828	93,480	(77,190)	444,118	-
Total Governmental Activities Long-Term Liabilities	2,846,527	397,866	(340,600)	2,903,793	255,568
Business-Type Activities					
Accrued Compensated Absences	233,968	40,082	(21,112)	252,938	16,609
Claims and Judgments Payable	36,472	5,785	(3,264)	38,993	-
Capital Lease Obligations	39,038	9,643	(6,953)	41,728	6,575
Derivative Instrument Liabilities	12,994	-	(4,661)	8,333	-
Bonds Payable	3,753,617	429,150	(457,814)	3,724,953	214,196
Certificates of Participation	420,950	83,368	(100,716)	403,602	18,930
Notes, Anticipation Warrants, Mortgages	7,354	-	(3,833)	3,521	685
Other Postemployment Benefits	139,653	37,523	-	177,176	-
Other Long-Term Liabilities	45,770	27,267	(34,540)	38,497	24,770
Total Business-Type Activities Long-Term Liabilities	4,689,816	632,818	(632,893)	4,689,741	281,765
Fiduciary Activities					
Deposits Held In Custody For Others	865,278	732,801	(843,625)	754,454	730,220
Accrued Compensated Absences	37	3	(3)	37	-
Other Long-Term Liabilities	5,729	25	(5,109)	645	-
Total Fiduciary Activities Long-Term Liabilities	871,044	732,829	(848,737)	755,136	730,220
Total Primary Government Long-Term Liabilities	$ 8,407,387	$ 1,763,513	$ (1,822,230)	$ 8,348,670	$ 1,267,553

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

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

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

At June 30, 2013, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $444.1 million shown for governmental activities primarily comprises:

- $287.3 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $154.4 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.4 million of unclaimed property liabilities estimated to be due to claimants.

The $13.7 million (including $1.8 million Due to Component Units) shown for business-type activities primarily comprises $11.9 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($4.7 million and $5.3 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,100,140	$ 17,970	$ (241,265)	$ 876,845	$ 55,435
Other Long-Term Liabilities	$ 196,959	$ 45,902	$ (80,560)	$ 162,301	$ 114,746

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Water Operations Fund, accounting for $24.9 million of the $32.5 million total. Other long-term liabilities of the Water Pollution Control Fund and Drinking Water Fund were $0.9 million and $6.7 million respectively. Seventy percent of total, other long-term liabilities ($22.9 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

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

Changes in value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2013, the foundation held $41.3 million of split interest agreement investments with $18.9 million of related liabilities and reported $5.4 million of net beneficial interest in charitable trusts held by others.

At June 30, 2013, the University of Colorado Foundation held $278.9 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2013, the Colorado State University Foundation held $14.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2013, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.7 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.7 million mentioned above and total $4.8 million. At June 30, 2013, CSMF reported $19.8 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

CoverColorado, a nonmajor component unit, reserved $17.6 million for health policy claims. On the *Statement of Net Position – Component Units,* this liability is reported as Claims and Judgments Payable.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2012-13, debt was defeased in both governmental and business-type activities.

At June 30, 2013, 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	$	153,855
Department of Treasury	$	18,240
Department of Corrections	$	18,100
Business-Type Activities:		
University of Colorado	$	388,690
Colorado State University	$	257,095
Colorado Mesa University	$	45,640
Colorado School of Mines	$	6,935
Western State College	$	16,270
Adams State College	$	7,420
Community College System	$	4,740
Total	$	916,985

The Department of Transportation issued $30,925,000 of its Transportation Revenue Anticipation Notes, Taxable Refunding Series 2013 to fully defease $28,570,000 of its Transportation Revenue Anticipation Notes, Series 2004A. The defeased debt had an interest of 5.00 percent, and the new debt had an interest rate of 0.40 percent. The remaining term of the debt was 4 years and the estimated debt service cash flows decreased by $2,044,062. The defeasance resulted in an economic gain of $2,013,305 and a book loss of $1,654,852 that will be amortized as an adjustment of interest expense over the remaining 4 years of the new debt.

The Board of Regents of the University of Colorado, issued $100,165,000 of its Enterprise Refunding Revenue Bonds, Series 2012A-2 ($53,000,000) and Enterprise Refunding Revenue Bonds, Series 2012A-3 (47,165,000) to defease a total of $100,115,000 comprising a portion of its Series 2004 Enterprise Revenue Bonds, Series 2005A Enterprise Revenue Bonds, Series 2005B Enterprise Revenue Bonds, Series 2006A Enterprise Revenue Bonds, and Series 2007B Enterprise Revenue Bonds. The defeased debt had interest rates ranging from 4.80 to 4.93 percent, and the new debt had interest rates ranging from 2.77 to of 3.55 percent. The remaining term of the debt was 20 years, and the estimated debt service cash flows decreased by $5,565,655. The defeasance resulted in an economic gain of $4,332,484 and a book loss of $12,283,576 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The State of Colorado, acting through the Board of Regents of the University of Colorado issued $70,910,000 of its Refunding Certificates of Participation, Series 2013 to fully defease $71,275,000 of its Certificates of Participation, Series 2005B, University of Colorado Health Sciences Center Project. The defeased debt had an interest rate of 4.90 percent, and the new debt has an interest rate of 4.60 percent. The remaining term of the debt was 17.5 years and the estimated debt service cash flows decreased by $4,764,734. The defeasance resulted in an economic gain of $8,322,066 and a book loss of $7,856,934 that will be amortized as an adjustment of interest expense over the remaining 17.5 years of the new debt.

The Board of Governors of the Colorado State University System issued $176,015,000 of its Tax-Exempt System Enterprise Revenue Bonds, Series 2013A and $16,690,000 of its Taxable System Enterprise Revenue Refunding Bonds, Series 2013B to fully defease its Auxiliary Enterprise Revenue Bonds, Series 2005B, its Tax-Exempt System Enterprise Revenue Bonds, Series 2007A and 2009A, and its Taxable System Enterprise Revenue Refunding Bonds, Series 2007C. The defeased debt had interest rates ranging from 4.94 percent to 5.67 percent, and the new debt has interest rates ranging from 1.44 to 4.97 percent. The remaining term of the debt was 26 years and the estimated debt service cash flows decreased by $54,584,555. The defeasance resulted in an economic gain of $24,616,338 and a book loss of $38,728,235 that will be amortized as an adjustment of interest expense over the remaining 30 years of the new debt.

The Auraria Higher Education Center issued $17,040,000 of its Student Fee Revenue Refunding Bonds, Series 2013 to current refund its Student Fee Revenue Bonds (Tivoli Student Center Revitalization Project), Series 2003. The old debt had an interest rate of 4.45 percent, and the new debt has an interest rate of 3.39 percent. The remaining term of the debt was 12 years and the estimated debt service cash flows decreased by $1,618,461. The defeasance resulted in an economic gain of $1,583,423 and a book loss of $238,045 that will be amortized as an adjustment of interest expense over the remaining 12 years of the new debt.

The Board of Trustees of the Colorado School of Mines issued $6,770,000 of its Institutional Enterprise Revenue Bonds, Series 2012B to fully defease its Refunding and Improvement Revenue Bonds, Series 2002 and 2004. The defeased debt had an interest of 4.90 percent, and the new debt has an interest rate of 4.80 percent. The remaining term of the debt was 12 years and the term of the new debt was 13 years. The estimated debt service cash flows decreased by $994,417. The refunding resulted in an economic gain of $879,739 and a book loss of $ 312,120 that will be amortized as an adjustment of interest expense over 30 years.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

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

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

The State's total amount of pollution remediation obligations as of June 30, 2013 was $158.6 million ($4.2 million of which was a current liability). Superfund sites account for approximately $157.4 million ($3.0 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $73.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2013, the State has received $7.4 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $53.1 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.4 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $16.7 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a Deferred Outflow of Resources of $0.6 million as of June 30, 2013.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $41.4 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.13 percent at June 30, 2013. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2013 was $8.3 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School. An unanticipated termination and related payment could occur due to management decision to terminate, a counterparty default, or a decrease in the School's credit rating.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the Swap Agreement counterparty's credit quality rating and whether the counterparty can withstand continuing credit market stress. The School does not consider this a significant risk.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices, including, but not limited to, the Securities Industry and Financial Markets Association or the London Interbank Offered Rate.

B. REFUNDING TRANSACTIONS

Component Unit

The Colorado Water Resources and Power Development Authority recorded $0.5 million as a Deferred Outflow of Resources for dererred refunding costs. The Authority recorded $0.8 million in refunding benefits and $0.1 million in prepaid interest on loans as a Deferred Inflow of Resources.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Primary Government

C. PRIOR PERIOD ADJUSTMENTS

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

	Government-Wide Statements		Fund-Level Statements					
			Major Governmental Fund					Major Proprietary Fund
Subject	Governmental Activities	Business-Type Activities	General Fund	Resource Extraction	Highway Users Tax Fund	Capital Projects	Other Special Revenue Funds	Higher Education Institutions
Wildfire Functions	6,721,283	(6,721,283)					6,721,283	(6,721,283)
Geological Survey	(870,662)	870,662		(870,662)				870,662
State Land Board	578,975						578,975	
Risk Management	(19,777)		(19,777)					
Waste Tire							-	
Merit Reversions			-					
Capital Projects	547,428					547,428		
Revolving Loan			(9,524,075)				9,524,075	
Water Purchase				12,000,000				
Fund Reclass					(123,890)		123,890	
	6,957,247	(5,850,621)	(9,543,852)	11,129,338	(123,890)	547,428	16,948,223	(5,850,621)

A total of $6,721,283 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when Colorado State University transferred the forestry functions related to fire and wildfire preparedness, response, suppression, coordination and management to the Department of Public Safety. The transfer also required a decrease of $6,260,261 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

A total of $870,662 moved from governmental activity in the Resource Extraction Fund to business-type activity in Higher Education Institutions when the Colorado Geological Survey was moved from the Department of Natural Resources to the Colorado School of Mines on January 31, 2013. The transfer required an increase of $578,713 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

Governmental activities increased by $578,975 in Other Special Revenue Funds when the State Land Board (a portion of nonmajor Permanent Funds), within the Department of Natural Resources, failed to record leasing activity for the Loveland Technology Center and the School Fund in Fiscal Year 2011-12.

Governmental activities decreased by $19,777 in the General Fund when the Risk Management Fund in the Department of Personnel and Administration (a nonmajor Special Purpose component of the General Fund) paid Western State Colorado University to assume responsibility for claims and liabilities in the General Liability Fund that would have otherwise been current liabilities of the fund in Fiscal Year 2012-13. This transaction had no effect on the Higher Education Institutions because Western State Colorado University received a cash equivalent to the newly assumed current liability.

Governmental activities increased by $547,428 in the Capital Projects Fund when the State Historical Society corrected accounting entries related to Certificates of Participation in prior fiscal years.

Within governmental funds on the Fund-Level Statements, as part of the Other Special Revenue Funds, the Department of Public Health and Environment moved $896,235 from the Waste Tire Cleanup Fund (a portion of the nonmajor Environment and Health Protection Fund) into the Process and End Users Fund (a portion of the nonmajor Other Special Revenue Funds).

Within governmental funds on the Fund-Level Statements, as part of the General Fund, $84,000 moved from the General Purpose Revenue Fund (a component of the General Fund) to the State Employee Reserve Fund (a portion of the Special Purpose General Fund component of the General Fund) for a merit pay reversion that should have occurred in Fiscal Year 2011-12.

Within governmental funds on the Fund-Level Statements, $9,524,075 moved from the General Purpose Revenue Fund (a component of the General Fund) into the Other Special Revenue Funds related to when the revolving loan program was moved from the Clean and Renewable Energy Fund (a portion of the nonmajor Colorado Gaming Fund).

Within governmental funds on the Fund-Level Statements, as part of the Resource Extraction Fund, $12,000,000 was reclassified by the Colorado Water Conservation Board from a water asset used in its operations to resale inventory. This reclassification does not affect governmental activities on the Government-Wide Statements, but it is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to the Statement of Activities.*

Within governmental funds on the Fund-Level Statements, $123,890 moved from Highway Users Tax Fund to Other Special Revenue Funds when the Law Enforcement Assistance Fund was reclassified as an Other Special Revenue Fund (a portion of the nonmajor Environment and Health Protection Fund).

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

D. ACCOUNTING CHANGES

Component Units

The beginning net position of the Component Units on the government-wide *Statement of Activities* decreased by $931,038,000 when the reporting classification of the University of Colorado Hospital Authority (UCHA) changed from being a major component unit of the State to being a related party of the State. Effective July 1, 2012, UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. and subsequently with Memorial Health System, in the creation of University of Colorado Health (UC Health) – a newly formed governmental non-profit corporation. Although the relationship between UCHA and the State of Colorado has not changed as a result of this joint operating agreement, the State and UC Health evaluated the most appropriate reporting entity for UCHA to report under as it qualified as reportable under both entities. It was determined under governmental standards that UCHA should be reporting as a component unit of UC Health, and as a related party to the State of Colorado. As a result, the University of Colorado Hospital Authority had no activity on the the *Statement of Net Position-Component Units.* In addition, the *Statement of Revenues, Expenses, and Changes in Net Position-Component Units* (Other Component Units) shows the impact of the change of $931,038,000.

The beginning net position on the *Statement of Revenues, Expenses, and Changes in Net Position-Component Units* decreased by $1,364,963 when the Colorado Water Resources and Power Development Authority (CWRPDA) implemented GASB Statement No. 65 – <u>Items Previously Reported As Assets and Liabilities</u>. As a result of the implementation, certain items previously reported as assets and liabilities were expensed or reclassified as deferred outflows and inflows.

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following:

	(Amounts in Thousands)		
	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 323,685	$ 260,314	$ 7
Business, Community and Consumer Affairs	-	12,804	-
Education	162,925	2,162	-
Health and Rehabilitation	-	3,912	-
Justice	551	-	-
Natural Resources	-	160	-
TOTAL	$ 487,161	$ 279,352	$ 7
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ 231,017	$ -
Business, Community and Consumer Affairs	-	150,716	-
Education	-	4,321	-
Natural Resources	13,537	468,166	-
TOTAL	$ 79,537	$ 854,220	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,317	$ 10,949	$ -
Health and Rehabilitation	8	1,651	-
Justice	-	64	-
Transportation	1,137,672	26,423	-
TOTAL	$ 1,145,997	$ 39,087	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 34,839	$ -
Education	-	10,706	-
Health and Rehabilitation	-	95	-
Justice	2,492	5,999	-
Natural Resources	-	39	-
TOTAL	$ 2,492	$ 51,678	$ -
STATE EDUCATION:			
Education	1,257,167	-	-
TOTAL	$ 1,257,167	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 144,275	$ 214,879	$ -
Business, Community and Consumer Affairs	46,634	216,448	-
Education	22,605	46,383	-
Health and Rehabilitation	15,080	93,180	-
Justice	37,619	103,377	-
Natural Resources	11,324	7,963	-
Social Assistance	465	53,384	-
Transportation	19,814	387	-
TOTAL	$ 297,816	$ 736,001	$ -

The significant fund balances held for restricted purposes as of June 30, 2013, include:

- $320.8 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- $153.3 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $1,137.7 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $1,257.2 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $92.5 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund.

The significant fund balances held for committed purposes as of June 30, 2013, include:

- $216.1 million in the General Fund in the General Government function represents the portion of the $373.0 five percent statutory reserve available on a GAAP basis (see Note 6I).
- $231.0 million in the Resources Extraction Fund in the General Government function represents several tax receipts held by the State Treasurer.
- $141.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from several tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $340.4 million in the Resource Extraction Fund in the Natural Resources function represents loans receivable for loans issued to local governments by the Colorado Water Conservation Board.
- $37.6 million in the Other Governmental Funds in the Justice function represents balances from fees for stabilization purposes, offender services and victims' assistance.
- Remaining balances in Other Governmental Funds in the General Government, Business, Community and Consumer Affairs represent various programs, all of which individually represent less than $10.0 million of the total.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2012-13 there was no use of the reserve. As of June 30, 2013, on a legal budgetary basis the reserve was $373.0 million or 5.0 percent of appropriated expenditures. On a GAAP basis only $216.1 million was available for the reserve (see Note 6I).

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

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2012-13 the reserve was $10.5 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2013, were:
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SELLER'S/LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ 257	$ 90	$ 847	$ -
Special Purpose	12,739	-	-	-
Resource Extraction	35	-	-	91
Highway Users	310	-	-	-
Regular Capital Projects	420	-	-	-
Special Capital Construction	-	-	-	-
State Education	1,073,491	-	-	-
Higher Education Institutions	2,518	269	217	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	182	-	-	-
Gaming	-	-	-	-
Tobacco Impact Mitigation	52	-	-	-
Resource Management	-	-	-	-
Environment and Health Protection	327	-	-	-
Unclaimed Property	-	-	-	-
Other Special Revenue	21	-	3	-
PERMANENT FUNDS:				
State Lands Trust	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-
OTHER GOVERNMENTAL FUNDS:				
Debt Service	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
College Assist	-	-	-	-
State Fair Authority	-	-	-	-
Correctional Industries	273	-	-	-
State Nursing Homes	1,419	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Information Technology	3,964	-	-	-
Other Internal Service	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	22,067	-	1	-
College Savings Plan	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 1,118,075	$ 359	$ 1,068	$ 91

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 1,343	$ -	$ 21,120	$ 23,657
-	23,563	3,982	40,284
-	-	1,322	1,448
-	-	2,663	2,973
1,935	-	-	2,355
-	-	-	-
-	-	-	1,073,491
-	-	2,546	5,550
-	-	-	182
-	-	21	21
-	-	1,064	1,116
-	-	-	-
-	-	169	496
-	-	-	-
-	-	1,964	1,989
-	-	4,143	4,143
-	-	1,570	1,570
-	-	-	-
296	3,730	244	4,270
-	-	-	-
-	-	-	-
2,506	-	34	2,813
-	-	-	1,419
25	-	-	25
-	-	5	3,969
-	-	6	6
1,518	-	1	23,587
-	-	5,042	5,042
-	10,005	-	10,005
$ 7,623	$ 37,298	$ 45,896	$ 1,210,411

Except for the transfer of General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages 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 State Education Fund receivable of $1,073.5 million represents a transfer of the General Fund Surplus for Fiscal Year 2012-13 required in accordance with CRS 24-75-220. The cash transfer will occur upon the issuance of the State's Fiscal Year 2012-13 Comprehensive Annual Financial Report in December 2013.

The General Purpose Revenue Fund receivable of $21.1 million from All Other Funds primarily includes $12.1 million of receivables from the Limited Gaming Fund, $5.5 million from various cash funds to support incurred Medicaid expenditures, $1.2 million to eliminate the presentation of deficit cash balances in the Debt Service Fund and the State Fair Fund, and $0.9 million to support the Family Support Registry in the Department of Human Services.

The Special Purpose General Fund receivable of $12.7 million primarily includes $6.4 million in transfers to the Developmental Disabilities Fund, $3.0 million legislative reversions and $3.1 million in personal services and operating line item reversions, payable to the Legislative Department Cash Fund and State Employee Reserves Fund, respectively.

The Special Purpose General Fund receivable of $23.6 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $14.9 million, and in the Building Excellent Schools Today Grant Program in the amount of $8.6 million.

The Group Benefits Plan Fund receivable of $22.1 million from the General Purpose Revenue 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 $5.0 million College Savings Plan receivable due from All Other Funds consists of revenue for marketing, scholarship commitments and administrative fees for the CollegeInvest Trust Funds.

The Other Fiduciary Fund receivable of $10.0 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2013, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 2,908,852	$ -	$ -
Special Purpose	72,821	-	-
Resource Extraction	65,250	-	-
Highway Users Tax	51,651	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	3	-	-
State Education	1,810	-	-
Higher Education Institutions	4,463	-	-
Unemployment	2,285	-	-
Lottery	63,483	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	29,449	-	-
Gaming	13,211	-	-
Tobacco Impact Mitigation	83,065	-	-
Resource Management	743	-	-
Environment and Health Protection	682,698	-	-
Unclaimed Property	2,633	-	-
Other Special Revenue	95,219	20	545
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	301	-	-
State Lands Trust Expendable	118,262	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	51	-	-
Wildlife	11,621	298	-
College Assist	106	-	-
State Fair	88	-	-
Correctional Industries	557	-	-
State Nursing Homes	1,802	-	-
Prison Canteens	49	-	-
Petroleum Storage	1,039	-	-
Other Enterprise	241	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,769	-	-
Information Technology	134	-	-
Capitol Complex	831	-	-
Public Safety	14	-	-
Administrative Courts	16	-	-
Legal Services	2,951	-	-
Other Internal Service	1,511	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	119	-	-
Other Fiduciary	129	-	-
TOTAL	$ 4,219,227	$ 318	$ 1,045

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 62,526	$ 1,073,491	$ 135,044	$ 54,176	$ 4,234,089
-	-	-	32,022	104,843
-	-	16,547	8,923	90,720
2,263	-	-	171,142	225,056
734	-	14,983	21,435	37,652
7,016	-	-	22,598	29,617
-	-	6,425	-	8,235
-	-	-	-	4,463
-	-	-	-	2,285
-	-	-	13,563	77,046
-	-	-	-	29,449
8,255	-	6,063	2,000	29,529
7,265	-	14,171	1,432	105,933
-	-	-	75	818
11	-	-	13,597	696,306
-	-	-	500	3,133
49,075	`	-	1,642	146,501
1,409	-	871	479	3,060
-	-	100	12	118,374
-	-	-	8	8
-	-	-	-	51
-	-	-	225	12,144
-	-	-	-	106
-	-	-	-	88
-	-	-	-	557
-	-	-	-	1,802
-	-	-	-	49
22	-	-	-	1,061
-	-	-	-	241
-	-	-	-	1,769
-	-	-	-	134
67	-	-	114	1,012
-	-	-	-	14
-	-	-	-	16
-	-	-	97	3,048
-	-	-	-	1,511
-	-	-	-	119
-	-	-	26	155
$ 138,643	$ 1,073,491	$ 194,204	$ 344,066	$ 5,970,994

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of $2,852.3 million (a Special Purpose General Fund), and into the Higher Education Institutions of $135.0 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2012-13, the remaining General Fund Surplus was accrued in the amount of $1,073.5 million for transfer to the State Education Fund upon publication of the CAFR in December of 2013.

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

The Transfers-out from the General Purpose Revenue Fund include $61.4 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily include $29.8 million to support the Children's Basic Health Plan, and $9.9 million for deposit into the Correctional Treatment Cash Fund.

Transfers-out from the Special Purpose Funds within the General Fund primarily comprises $64.2 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the Special Purpose Funds within the General Fund to All Other Funds primarily includes $20.2 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $55.9 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $40.4 million transferred to the Department of Revenue and $8.6 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.4 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $54.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $24.7 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $72.4 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $682.7 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($629.3 million) and the Medicaid Nursing Facility Cash Fund ($42.5 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund include approximately $112.8 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The Other Special Revenue transfer to the Capital Projects Fund includes $49.0 million in construction and debt service costs for the newly completed Ralph L. Carr Justice Center.

The State Lands Trust Expendable transfer-out to the General Fund includes $117.9 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments appreciation totaled $10.1 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $9.4 million that was available for spending. The University reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported $0.42 million of net appreciation on its donor-restricted endowments primarily held by its foundation that was available for spending. The University reported a portion of the related net position in Restricted for Permanent Funds and

Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout 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 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

NOTE 36 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2012-13, the following pledges were in place:

The Department of Transportation pledged $167.1 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 13.9 percent of the total revenue stream, and $631.1 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $108.6 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $679.9 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $499.8 million of Unemployment Insurance (UI) collections to secure $522.6 of current year principal and interest on debt issued to stabilize unemployment insurance rates. The debt will be issued in Fiscal Year 2012-13, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $522.6 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $672.5 million. Individually significant Higher Education Institution pledges include:

- $288.5 million pledged by the University of Colorado to secure $111.1 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 49.2 percent of the revenue stream, and $2.1 billion of the pledge (principal and interest) remains outstanding.
- $198.6 million pledged by Colorado State University to secure $37.0 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the total revenue stream, and $930.3 billion of the pledge (principal and interest) remains outstanding.
- $41.2 million pledged by the Colorado School of Mines to secure $12.9 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt will be issued in Fiscal Year 2013-14 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents approximately 81.7 percent of the total revenue stream, and $404.8 million of the pledge (principal and interest) remains outstanding.
- $26.6 million pledged by Metropolitan State University of Denver to secure $5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $121.1 million of the pledge (principal and interest) remains outstanding.
- $20.3 million pledged by Colorado Mesa University to secure $8.9 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year

2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 56.9 percent of the revenue stream, and $325.1 million of the pledge (principal and interest) remains outstanding.

- $30.5 million pledged by the University of Northern Colorado to secure $10.1 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2004-05 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 36.3 percent of the total auxiliary and student fee revenue streams and also represents 100 percent of gross facility and administrative cost recoveries and 10 percent of gross tuition revenues. $239.0 million of the pledge (principal and interest) remains outstanding.

- $8.5 million pledged by Colorado State University – Pueblo to secure $3.6 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents 48.4 percent of the revenue stream, and $127.5 million of the pledge (principal and interest) remains outstanding.

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

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements Principal	Interest	Total
Department of Transportation	$ 1,204,153	$ (1,037,025)	$ 167,128	$ 132,105	$ 35,023	$ 167,128
Higher Education Institutions	1,122,003	(537,630)	584,373	80,330	131,356	211,686
Labor - Unemployment Insurance	499,845	-	499,845	499,845	22,731	522,576
Statewide Bridge Enterprise	108,648	-	108,648	-	18,234	18,234
	$ 2,934,649	$ (1,574,655)	$ 1,359,994	$ 712,280	$ 207,344	$ 919,624

NOTE 37 – SEGMENT INFORMATION

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

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

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. This segment is part of the Higher Education Institutions Enterprise.

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

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 171,736	$ 25,120	$ 11,092
Other Assets	107,146	5,586	414
Capital Assets	45,226	33,084	26,861
Total Assets	324,108	63,790	38,367
LIABILITIES:			
Current Liabilities	39,084	2,902	3,888
Noncurrent Liabilities	15,488	44,370	27,578
Total Liabilities	54,572	47,272	31,466
NET POSITION:			
Net Investment in Capital Assets	28,639	(12,709)	(1,861)
Restricted for Permanent Endowments:			
Expendable	-	4,495	-
Restricted Net Position	-	-	1,956
Unrestricted	240,897	24,732	6,806
Total Net Position	$ 269,536	$ 16,518	$ 6,901

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,589
Sales of Goods and Services	550,813	9,392	19,176
Other	-	-	65
Total Operating Revenues	550,813	9,392	24,830
OPERATING EXPENSES:			
Depreciation	3,342	1,656	2,006
Other	496,811	5,520	20,333
Total Operating Expenses	500,153	7,176	22,339
OPERATING INCOME (LOSS)	50,660	2,216	2,491
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	5,682	208	28
Gifts and Donations	(12,963)	-	-
Other Nonoperating Revenues	-	(4)	(44)
Debt Service	(42)	(1,498)	(1,242)
Other Nonoperating Expenses	(1)	-	(38)
Total Nonoperating Revenues(Expenses)	(7,324)	(1,294)	(1,296)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Total Contributions, Transfers, and Other	-	(775)	(2,088)
CHANGE IN NET POSITION	43,336	147	(893)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	226,200	16,371	7,794
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 269,536	$ 16,518	$ 6,901

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 44,987	$ 4,012	$ 3,982
Noncapital Financing Activities	(12,963)	775	(2,054)
Capital and Related Financing Activities	(6,454)	11,004	(424)
Investing Activities	(3,556)	130	6
NET INCREASE (DECR.) IN CASH AND POOLED CASH	22,014	15,921	1,510
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	44,889	8,823	6,017
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 66,903	$ 24,744	$ 7,527

NOTE 38 – COMPONENT UNITS

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

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State $8.1 million during 2012 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to 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 2012-13, it received $5.1 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, 2012, the foundation distributed $116.3 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2012-13, the foundation transferred $41.3 million to the University.

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

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2012-13, the foundation granted $0.9 million to the University. At June 30, 2013 the Foundation owed the University $1.2 million.

B. NONMAJOR COMPONENT UNITS

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

CoverColorado 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. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado has developed a program wind down plan for ceasing operations in 2014.

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

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2012, the VCA has contributed approximately $23.3 million or 107 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2012, the VCA has contributed approximately $13.1 million or 52 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver (now Metropolitan State University of Denver) established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at MSU Denver. The facility includes a fully functioning hotel and learning laboratory for the University's Hospitality, Tourism, and Events department. The construction is being financed though $54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the University's unconditional guarantee. The hotel opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University Hospital is a nonsectarian, general acute care regional hospital with outpatient primary care clinics, and specialty care clinics 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 Denver (UCD), a State institution of higher education. The hospital's mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. and subsequently with Memorial Health System, in the creation of University of Colorado Health (UC Health) – a newly formed governmental non-profit corporation. Although the relationship between UCHA and the State of Colorado has not changed as a result of this joint operating agreement, the State and UC Health evaluated the most appropriate reporting entity for UCHA to report under as it qualified as reportable under both entities. It was determined under governmental standards that UCHA should be reporting as a component unit of UC Health, and as a related party to the State of Colorado as of July 1, 2012.

Annually, UCD, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, and UCHA enter into agreements concerning the nature and amount of fees to be charged for services and the allocation of expenses between the two entities. Services provided by UCD to UCHA include telecommunications services, rental of office space and for resident doctors. Services provided by UCHA to UCD include shipping and receiving services and student health services. Amounts payable and receivable between the entities are generally settled within the following quarterly accounting period.

During Fiscal Year 2012-13, total payments issued by UCHA to UCD approximated $37.8 million while payments issued by UCD to UCHA approximated $9.9 million. UPI recognized approximately $27.8 million in health service revenue from UCHA in support of clinical and academic missions; and approximately $40.3 million for services performed by UPI faculty members, but which were required to be processed by UCHA. Examples of the latter include the State of Colorado medically indigent program, Ryan White program, and other miscellaneous programs.

As of June 30, 2013, amounts owed from UCHA to UCD equaled $3.4 million, and amounts owed from UCD to UCHA were $73,000.

The Colorado State University - Pueblo Foundation was established to benefit Colorado State University - Pueblo. The foundation transferred $1.9 million to the University during Fiscal Year 2012-13 and owed the University $1.5 million at June 30, 2013.

The Adams State University Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State University. The foundation provided $1.1 million in scholarships and grants during Fiscal Year 2012-13.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2012-13, the foundation awarded $541,656 of scholarships directly to Colorado Mesa University students and provided approximately $2.2 million in property.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.8 million of funding to the University in Fiscal Year 2012-13. The foundation also reimbursed the University $212,703 for services provided by University employees in Fiscal Year 2012-13. At June 30, 2013, the foundation owed the University $341,293. As of this date, the University also had payables to the foundation of $5,245.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The foundation transferred $3.2 million to the University in Fiscal Year 2012-13.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided $2.0 million in support during Fiscal Year 2012-13. The Fort Lewis College Foundation owed the College $85,118 at June 30, 2013.

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

The Pueblo Community College Foundation provided Pueblo Community College $1.1 million in the form of scholarships, rental properties, construction funds and discretionary funds. Pueblo Community College paid the Foundation $20,359 for Legacy Magazine and fundraiser events. At June 30, 2013 the foundation owed the Community College $47,156.

The Northeastern Junior College Foundation provided Northeastern Junior College with $900,057 for various activities, $874,130 of which was for funding of student scholarships and instructional grants.

The Red Rocks Community College Foundation provided $584,722 to Red Rocks Community College. Most of this funding, in the amount of $310,941, was for scholarships. The remainder was spent for various programs, operating expenses and special programs of the Community College. During the year, the Community College expended $204,230 in support of the foundation. At June 30, 2013 the foundation owed the Community College $64,385 and the Community College owed the foundation $15,663.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2012-13, the board funded $30.4 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2013, GOCO owed the Department of Natural Resources $8.6 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. In Fiscal Year 2012-13, the Colorado Historical Foundation transferred $4.0 million to History Colorado, and History Colorado has an account receivable from the Foundation for $0.7 million.

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

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds seven CHFA bonds purchased from 2003 through 2007 with a face value of $9.7 million as of June 30, 2013, and a total original face value of $35.4 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2013 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain

adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums.

Component Units

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2012, VCA's investments in Colorado Fund I and Colorado Fund II totaled $30.6 million and $14.3 million respectively.

NOTE 40 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $24.6 million and $1,073.4 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund ($8.9 million), State Education Fund ($8.7 million), and Resource Extraction Fund ($0.8 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 41 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) 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. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds $128.0 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

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

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

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.4 billion, of the $9.7 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $63.6 million.

At June 30, 2013, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $318.9 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 $20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims at issue are estimated at $222.8 million. A significant number of cases have been settled, or are in progress, with the remainder to be heard by June 30, 2016. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.96 billion are outstanding. Of this amount, $2.61 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $5.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

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

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $7.4 million in federal matching funds. CMS alleges that the department began paying claims related to expanded eligibility for Child Health Plan prior to CMS approval. Informal negotiation has been unsuccessful, and as a result, the State has formally appealed the disallowance, which has been heard by the U.S. Department of Health and Human Services. Additionally, CMS disallowed $13.4 million in federal matching funds for administrative costs related to out stationing eligibility functions at Denver Health. The State is contesting this disallowance. The likelihood of an unfavorable outcome for both disallowances is uncertain.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1283 and House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also bring claims for inverse condemnation and takings. The State does not contest liability for negligence claims brought pursuant to new provisions of CGIA; however, the State is vigorously defending against claims of inverse condemnation or on takings theories. On April 23, 2013, the State filed a motion to dismiss all non-CGIA claims. Estimates of potential liability range from $600,000 to more than $68 million. A reserve of $600,000 has been established in the Risk Management Fund (a Special Purpose Fund within the General Fund) and identification of all claims is in process.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that $300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from State grants. The plaintiff is seeking an order declaring the surcharge and bonds unconstitutional. Approximately $200 million has been collected in surcharges, in addition to the $300 million bond issuance. The Colorado Bridge Enterprise is vigorously defending claims and the State is unable to estimate the likelihood of an adverse outcome. On July 19, 2013, a final order was issued in favor of the Colorado Bridge Enterprise. The TABOR Foundation has appealed the ruling.

Colorado State University has received forty claims for damages related to a fire in July of 2011 in its Equine Reproduction Laboratory. The fire destroyed the building and property of approximately 175 clients stored at the facility. The courts ruled that claims are not barred by the Colorado Governmental Immunity Act, and the University is appealing the decision. The likelihood of an unfavorable outcome is uncertain, with the potential loss ranging from $650,000 to $30.0 million.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 41, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 42 – SUBSEQUENT EVENTS
Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 10, 2013, the Colorado Community Colleges System issued 2013 System-wide revenue bonds in the amount of $21,025,000. The bonds mature on November 1, 2013, and carry variable interest rates ranging from 3.0 to 5.0 percent. The proceeds will be used to finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the Front Range Community College Larimer Campus and the Front Range Community College Westminster campus facilities.

On July 10, 2013, the State issued General Fund Tax and Revenue Anticipation Notes, Series 2013A. The notes mature on June 27, 2014. The notes were issued with a premium of $5,559,150, an average coupon rate of 1.33 percent, and a true interest cost of 0.18 percent. The total due upon maturity includes $500.0 million in principal and $6,409,861 in interest.

On July 16, 2013, the State issued Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes mature on June 27, 2014. The notes were issued with a premium of $1,331,200, a coupon rate of 1.25 percent, and a true interest cost of 0.17 percent. The total due upon maturity includes $130.0 million in principal and $1,539,236 in interest. By statute, interest on the notes is payable from the General Purpose Revenue Fund.

On July 24, 2013, the State Treasurer issued $111,780,000 in taxable Department of Corrections Refunding Certifications of Participation, Series 2013. The bonds mature on September 1, 2018, and carry an average coupon rate of 2.02 percent. The proceeds refund $97,145,000 in previously issued certifications of participation to remove the tax-exempt status. Once the tax-exempt status is removed, repurposing options are expanded for potential federal government usage of the Colorado State Penitentiary facility.

On September 24, 2013, the Colorado State University System sold $18.6 million Series 2013 C (interest ranging from 5 to 5.25 percent) and $7.9 million Series 2013 D (interest ranging from 0.963 to 5.25 percent) System Enterprise Revenue Bonds. The proceeds of the sale of the Series 2013 Bonds will be used to renovate, remodel, improve, and construct an addition to the Occhiato University Center for Colorado State University-Pueblo, pay capitalized interest, and pay the costs of issuing the Series 2013 Bonds.

On October 9, 2013, the University of Colorado issued $142,460,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2013A, and $11,245,000 of Taxable University Enterprise Revenue Bonds, Series 2013B, and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2013A has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2033. Series 2013B has rates ranging from 1.088 percent to 4.65 percent, and the bonds mature through June 1, 2028.

On December 9, 2013, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2013I in the amount of $89,510,000. BEST was issued as tax exempt bonds with a premium of $6,358,338, an average coupon rate of 4.98 of percent, and a true interest cost of 4.40 percent. Base rents are due semiannually beginning on March 15, 2015, with a final maturity date of March 15, 2036.

B. OTHER

On July 1, 2013, approximately 140 employees of the University of Colorado Foundation, a major component unit, became employees of the University of Colorado, a portion of Higher Education Institutions. An additional 60 foundation employees became university employees effective August 1, 2013. This change in employment status is part of a restructuring of the university's donor cultivation, solicitation, and stewardship efforts. The restructuring resulted in significantly all foundation employees and fundraising activities transitioning to the university. The foundation continues to exist as a separate legal entity and maintain its investment portfolio.

On November 15, 2013, CollegeInvest, a nonmajor enterprise fund, closed its Prepaid Tuition Fund permanently. During the period from July 1 through November 15, 2013, the fund liquidated all of its fixed income investments and paid all contract units to account owners. CollegeInvest received $20.9 million for sale of its investments, $400,000 in interest on investments, and paid $17.8 million in contract payments. CollegeInvest transferred 612 accounts and $6.6 million to the Money Market Portfolio within the Direct Portfolio College Saving Plan.

In September 2013, significant flooding occurred in various parts of the State. Infrastructure damage to roadways and bridges is preliminarily estimated at $383.0 million. The University of Colorado experienced damage to approximately 25 percent of its campus buildings, and anticipates that majority of the repairs will be covered by University insurance policies. The Department of Natural Resources reports damage to roads, bridges, buildings, wells, machinery and water control equipment estimated at $15.5 million. A portion of the losses may be covered though the Department of Transportation, State Risk

Management, and federal sources. The amount of any recovery is unknown. Damage to property covered by State Risk Management is estimated at $7.5 million. State Risk Management properties are insured and carry a deducible of $1.0 million.

College Assist submitted a Voluntary Flexible Agreement (VFA) proposal in accordance with Federal Register, Vol. 78, No. 157 issued August 14, 2013. In response to the Federal Register, College Assist submitted a VFA proposal in September 2013, in partnership with Nelnet Guarantor Solutions, LLC. College Assist is awaiting communication from the Department of Education regarding the proposal. If accepted, the College Assist will operate under the requirements of the VFA in lieu of the guarantee agency agreements established under sections 428(b) and (c) of the Higher Education Act. This alternative structure could mean increased revenue to College Assist over a greater period of time. If College Assist's proposal is not accepted, there are no changes to current operating procedures of revenues anticipated in the foreseeable future.

The Colorado School of Mines reached a settlement agreement with responsible parties for the remediation of pollution at the Table Mountain Research Center site. The settlement was reached through an assessment of ground water monitoring results from mining research activities conducted by the Colorado School of Mines Research Institute (now operating as Table Mountain Research Center) while leasing the site from the School. The consent decree is expected to be approved by the court within the next month and would result in a gain contingency of approximately $11.0 million.

Component Units

After its financial reporting year ended December 31, 2012, the Denver Metropolitan Major League Baseball Stadium District (the "District") settled with RTD in RTD's acquisition of land from the District for construction of a light rail line. The District received $24.7 million -- $24.0 million for the land and $0.7 million in interest. The net gain or loss on the transaction will be recognized as an extraordinary item when final costs have been determined.

On February 21, 2013 the Colorado Water Resources and Power Development Authority issued refunding revenue bonds (Clean Water Refunding Revenue Bonds 2013 Series A) in its Water Pollution Control program. The total amount of bonds refunded was $94.4 million. Interest rates on the new issue range from 2.0 percent to 5.0 percent. The bonds mature serially through September 1, 2025.

On the same date the Authority issued refunding revenue bonds (Drinking Water Refunding Revenue Bonds 2013 Series A) in its Drinking Water program. The total amount of bonds refunded was $61.3 million. Interest rates on the new issue range from 2.0 percent to 5.0 percent. The bonds mature serially through September 1, 2025.

On March 14, 2013 the Authority issued Water Resources Revenue Bonds 2013 Series A with a par value of $11.6 million. Interest rates on the bonds range from 2.0 percent to 5 percent and mature serially through September 1, 2027. Term bonds, also issued in this financing, mature through September 1, 2043. Selected bonds with varying maturities are insured by Assured Guaranty Municipal Corporation.

Subsequent to December 31, 2012, the Venture Capital Authority made equity investments in three entities through Fund I for approximately $1.7 million, and equity investments in ten entities through Fund II for approximately $3.5 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, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,547,518	
Income Taxes			5,746,235	
Other Taxes			211,118	
Federal Grants and Contracts			64	
Sales and Services			580	
Interest Earnings			17,995	
Other Revenues			17,980	
Transfers-In			82,886	
TOTAL REVENUES AND TRANSFERS-IN			8,624,376	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 6,860	$ 6,864	6,803	$ 61
Corrections	651,332	654,245	651,987	2,258
Education	3,015,437	3,015,441	3,014,932	509
Governor	18,320	18,525	18,415	110
Health Care Policy and Financing	1,857,116	1,844,917	1,843,642	1,275
Higher Education	619,262	628,902	628,568	334
Human Services	642,211	654,311	648,466	5,845
Judicial Branch	352,087	353,411	352,875	536
Law	9,896	10,452	10,280	172
Legislative Branch	35,960	35,963	35,959	4
Local Affairs	11,098	11,074	10,976	98
Military and Veterans Affairs	6,681	6,682	6,562	120
Natural Resources	23,740	23,768	23,757	11
Personnel & Administration	6,596	6,623	6,590	33
Public Health and Environment	30,725	31,143	30,084	1,059
Public Safety	84,624	86,458	85,439	1,019
Regulatory Agencies	1,714	1,716	1,690	26
Revenue	166,573	166,298	185,202	(18,904)
Treasury	251,384	274,366	274,295	71
Transfers Not Appropriated by Department	1,076,491	1,076,491	1,076,491	-
SUB-TOTAL OPERATING BUDGETS	8,868,107	8,907,650	8,913,013	(5,363)
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	989	769	288	481
Corrections	27,225	21,110	17,817	3,293
Education	519	1,005	102	903
Governor	6,271	8,793	2,106	6,687
Higher Education	112,543	49,074	13,462	35,612
Human Services	4,523	4,475	1,171	3,304
Military and Veterans Affairs	388	4,492	3,996	496
Personnel & Administration	14,979	15,303	3,729	11,574
Public Safety	793	12	-	12
Revenue	752	9,665	5,471	4,194
Transportation	500	500	500	-
Treasury	18,588	420	420	-
Budgets/Transfers Not Recorded by Department	61,984	61,984	61,984	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	250,054	177,602	111,046	66,556
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,118,161	$ 9,085,252	9,024,059	$ 61,193
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (399,683)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 741,214	
Income Taxes			486,338	
Other Taxes			1,112,947	
Tuition and Fees			418,070	
Sales and Services			2,333,417	
Interest Earnings			271,388	
Other Revenues			2,693,145	
Transfers-In			7,526,754	
TOTAL REVENUES AND TRANSFERS-IN			15,583,273	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,740	$ 31,109	27,294	$ 3,815
Corrections	104,939	101,805	86,169	15,636
Education	4,016,414	4,009,239	3,917,783	91,456
Governor	307,996	335,511	197,146	138,365
Health Care Policy and Financing	1,765,439	1,775,450	1,736,458	38,992
Higher Education	1,606,995	1,614,076	1,297,374	316,702
Human Services	746,694	345,767	301,000	44,767
Judicial Branch	296,256	291,716	268,410	23,306
Labor and Employment	1,098,706	1,106,588	729,756	376,832
Law	47,781	108,591	82,425	26,166
Legislative Branch	6,494	6,487	2,741	3,746
Local Affairs	227,179	245,418	141,355	104,063
Military and Veterans Affairs	6,113	5,763	3,291	2,472
Natural Resources	838,290	831,381	421,479	409,902
Personnel & Administration	463,742	469,657	453,421	16,236
Public Health and Environment	194,529	216,843	181,498	35,345
Public Safety	263,759	259,769	172,599	87,170
Regulatory Agencies	79,105	79,429	71,643	7,786
Revenue	909,791	909,569	798,238	111,331
State	20,176	23,562	20,104	3,458
Transportation	3,288,804	3,293,280	859,205	2,434,075
Treasury	1,884,954	1,885,131	1,720,886	164,245
Budgets/Transfers Not Recorded by Department	-	2,400	982	1,418
SUB-TOTAL OPERATING BUDGETS	18,204,896	17,948,541	13,491,257	4,457,284
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	2,800	-	-	-
Corrections	2,117	3,282	1,515	1,767
Education	-	561	153	408
Governor	7,114	16,309	6,594	9,715
Higher Education	40,613	72,401	32,786	39,615
Human Services	470	3,604	1,810	1,794
Judicial Branch	46,967	74,393	71,693	2,700
Labor and Employment	-	686	41	645
Military and Veterans Affairs	-	588	-	588
Natural Resources	69,950	57,343	20,162	37,181
Personnel & Administration	585	8,568	6,963	1,605
Public Health and Environment	1,417	31,066	2,817	28,249
Public Safety	1,500	3,926	658	3,268
Transportation	500	500	500	-
Treasury	420	18,585	18,507	78
Budgets/Transfers Not Recorded by Department	8,238	8,238	8,238	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	182,691	300,050	172,437	127,613
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,387,587	$ 18,248,591	13,663,694	$ 4,584,897
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,919,579	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,437,036	
TOTAL REVENUES AND TRANSFERS-IN			7,437,036	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,887	$ 9,906	5,446	$ 4,460
Corrections	3,048	6,856	4,615	2,241
Education	628,704	859,966	614,164	245,802
Governor	6,830	91,741	52,009	39,732
Health Care Policy and Financing	2,770,513	2,904,733	2,805,250	99,483
Higher Education	20,828	443,493	437,550	5,943
Human Services	639,420	1,712,497	1,507,844	204,653
Judicial Branch	10,280	18,737	12,170	6,567
Labor and Employment	97,476	1,044,607	581,679	462,928
Law	1,576	2,617	1,947	670
Local Affairs	102,624	124,271	78,620	45,651
Military and Veterans Affairs	214,888	30,174	19,227	10,947
Natural Resources	21,400	76,383	42,751	33,632
Personnel & Administration	-	4,162	3,366	796
Public Health and Environment	246,168	386,246	299,979	86,267
Public Safety	55,041	179,715	94,781	84,934
Regulatory Agencies	1,314	6,942	3,373	3,569
Revenue	824	5,741	1,627	4,114
State	-	2,558	1,294	1,264
Transportation	680,182	791,850	721,512	70,338
Treasury	-	133,664	133,664	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,505,003	8,836,859	7,422,868	1,413,991
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,505,003	$ 8,836,859	7,422,868	$ 1,413,991
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 14,168	

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

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 8,555,132	$ -	$ -	$ 69,244	$ -	$ -
Cash	5,159,988	315,145	1,754,331	88,081	1,562,985	2,668,662
Federal	5,382,899	130,137	721,266	20,214	-	218,598
Sub-Total Revenues and Transfers-In	19,098,019	445,282	2,475,597	177,539	1,562,985	2,887,260
Expenditures/Expenses and Transfers-Out						
General Funded	8,974,419	-	-	49,634	-	-
Cash Funded	5,152,223	268,470	1,900,856	101,655	498,945	2,372,699
Federally Funded	5,383,251	130,119	721,282	20,214	-	213,399
Expenditures/Expenses and Transfers-Out	19,509,893	398,589	2,622,138	171,503	498,945	2,586,098
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(411,874)	46,693	(146,541)	6,036	1,064,040	301,162
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(14,888)	(5,752)	(14,366)	(1,089)	(1,625)	(43,912)
Increase for Budgeted Non-GAAP Expenditures	-	54,959	-	-	-	2,598
Increase/(Decrease) for GAAP Expenditures Not Budgeted	145,186	(19,676)	135,581	15,903	-	(48,860)
Increase/(Decrease) for GAAP Revenue Adjustments	(135,203)	(2,198)	-	(15,908)	-	(121,912)
Increase/(Decrease) for Non-Budgeted Funds	2	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(416,777)	74,026	(25,326)	4,942	1,062,415	89,076
GAAP BASIS FUND BALANCES/NET POSITION:						
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,225,426	904,596	1,222,993	48,692	194,752	1,696,448
Prior Period Adjustments (See Note 29)	(9,544)	11,129	(124)	547	-	16,948
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 799,105	$ 989,751	$ 1,197,543	$ 54,181	$ 1,257,167	$ 1,802,472

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

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,624,376
510,956	754,860	576,678	468,607	270,231	1,452,748	15,583,272
15,913	466,920	-	477,539	3,550	-	7,437,036
526,869	1,221,780	576,678	946,146	273,781	1,452,748	31,644,684
-	-	-	-	-	-	9,024,053
516,199	590,195	576,720	345,327	267,965	1,072,440	13,663,694
15,913	467,238	-	467,900	3,550	-	7,422,866
532,112	1,057,433	576,720	813,227	271,515	1,072,440	30,110,613
(5,243)	164,347	(42)	132,919	2,266	380,308	1,534,071
(130)	-	(391)	(5,093)	(187)	305,944	218,511
-	-	49	23,864	1,427	-	82,897
19,454	-	(999)	(21,568)	3,042	-	228,063
-	(10,704)	-	(462)	(33)	-	(286,420)
258,558	-	-	-	-	-	258,560
272,639	153,643	(1,383)	129,660	6,515	686,252	2,035,682
5,029,249	64,433	5,175	1,041,141	11,033	4,483,738	15,927,676
(5,851)	-	-	-	-	-	13,105
$ 5,296,037	$ 218,076	$ 3,792	$ 1,170,801	$ 17,548	$ 5,169,990	$ 17,976,463

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $253.5 million of the GAAP General Fund balance of $799.1 million on the *Balance Sheet – Governmental Funds.*

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

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

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 83 for information regarding the negative reversion at the Department of Revenue.)*

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards 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 unrestricted 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, 2013

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,340,700	$ 2,421,900	$ 2,454,455		
Other Excise Taxes	93,100	92,800	93,063		
Individual Income Tax, net	4,532,800	5,186,900	5,148,793		
Corporate Income Tax, net	455,000	630,600	597,441		
Estate Tax	45,000	-	14		
Insurance Tax	197,800	206,600	210,415		
Parimutuel, Courts, and Other	23,100	25,400	21,121		
Investment Income	8,800	14,700	17,435		
Gaming	20,300	12,800	12,102		
TOTAL GENERAL PURPOSE REVENUES	7,716,600	8,591,700	8,554,839		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	6,860	6,864	6,803	$ 61	$ -
Corrections	651,184	654,682	652,424	2,258	3
Education	3,015,430	3,015,448	3,014,932	516	544
Governor	13,968	18,525	18,433	92	38
Health Care Policy and Financing	1,858,057	1,843,221	1,843,580	(359)	-
Higher Education	619,572	628,570	628,565	5	27
Human Services	637,576	650,329	648,302	2,027	1,856
Judicial Branch	352,087	353,412	352,875	537	80
Labor and Employment	-	-	-	-	19
Law	9,887	10,452	10,280	172	67
Legislative Branch	35,891	35,963	35,963	-	64
Local Affairs	11,098	11,074	10,976	98	10
Military and Veterans Affairs	6,681	6,693	6,562	131	-
Natural Resources	23,512	23,768	23,757	11	-
Personnel & Administration	6,639	6,603	6,569	34	3,288
Public Health and Environment	27,843	31,143	31,143	-	250
Public Safety	84,082	86,452	85,545	907	193
Regulatory Agencies	1,714	1,716	1,690	26	2
Revenue	180,270	158,298	177,355	(19,057)	12
State	-	-	-	-	52
Treasury	109,332	272,805	272,735	70	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,651,683	7,816,018	7,828,489	$ (12,471)	$ 6,505
Variance Between Actual and Estimated Budgets	18,217	15,201	-		
TOTAL ESTIMATED BUDGET	7,669,900	7,831,219	7,828,489		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	46,700	760,481	726,350		
EXCESS AUGMENTING REVENUES			6,505		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	(2,500)	279	293		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(60,500)	(60,900)	(60,911)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	(342,500)	(1,109,600)	(1,073,491)		
Transfers-Out to Various Other Cash Funds	-	(4,560)	(4,560)		
TOTAL TRANSFERS	(414,000)	(1,183,281)	(1,147,169)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(367,300)	(422,800)	(414,314)		
BEGINNING GENERAL FUND SURPLUS	383,700	514,700	514,727		
Release of Prior Year Statutory Reserve (2.3%)	281,100	281,100	281,116		
Establish Current Year Statutory Reserve (5.0%)	(297,500)	(373,000)	(372,965)		
Release of Contractually Restricted Energy Performance Leases			4,134		
GAAP Revenues/(Expenditures) Not Budgeted			(2,539)		
Contractually Restricted Energy Performance Leases			(551)		
Prior Period Adjustment (see Note 29)			(9,608)		
ENDING GENERAL FUND SURPLUS	$ -	$ -	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2013-14 for Budget			(123,939)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2013-14 for Budget			(86,944)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2013-14 for Budget			(1,166)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			80,373		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,828		
Restricted			551		
Committed			224,917		
Assigned			7		
Shortfall in GAAP Basis Statutory Reserve			156,909		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 253,536		

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 156 to 158). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes $1.8 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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 until appropriated by the General Assembly.

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

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

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

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

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

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

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

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

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 40. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2012-13, the Department of Transportation capitalized project expenditures of $376.0 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act 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. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 160) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 156 to 158) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 48 to 65).

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

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

E. OUTSTANDING ENCUMBRANCES

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

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

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

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 108 for additional information regarding the plans listed in the schedule.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2012-13	7/1/2012	-	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12 restated	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,089,502,474	31.5%
2010-11	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
2009-10	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
Colorado State University:							
RMPR							
2012-13	7/1/2012	-	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
2011-12	1/1/2011	-	$ 28,917,402	$ 28,917,405	0.0%	$ 246,619,145	11.7%
2010-11	1/1/2011	-	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
RMPS							
2012-13	7/1/2012	-	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
2011-12	1/1/2011	-	$ 54,685,666	$ 54,695,666	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
URX							
2012-13	7/1/2012	-	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
2011-12	1/1/2011	-	$ 2,751,623	$ 2,751,623	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
2009-10	1/1/2011	-	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
LTD							
2012-13	7/1/2012	-	$ 15,465,978	$ 15,465,978	0.0%	N/A	N/A
2011-12	1/1/2011	-	$ 13,058,876	$ 13,058,876	0.0%	N/A	N/A
2010-11	1/1/2011	-	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
2009-10	1/1/2011	-	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A
2008-09	1/1/2009	-	$ 12,218,851	$ 12,218,851	0.0%	N/A	N/A

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

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SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE	This fund is the general operating fund for State operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.
SPECIAL PURPOSE REVENUE	The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund. The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies. The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOL	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 1,059,938	$ 1,160	$ 11,802	$ 40,077	$ 1,112,977
Taxes Receivable, net	1,356,100	-	-	-	1,356,100
Other Receivables, net	73,686	-	28	319	74,033
Due From Other Governments	337,626	3,406	-	106	341,138
Due From Other Funds	23,657	1,040	-	39,244	63,941
Due From Component Units	119	-	-	-	119
Inventories	5,475	-	-	4,456	9,931
Prepaids, Advances, and Deferred Charges	22,586	-	57	11	22,654
Restricted Cash and Pooled Cash	4	7,670	-	174,183	181,857
Restricted Receivables	-	-	-	310	310
Investments	7,105	-	-	320,836	327,941
TOTAL ASSETS	$ 2,886,296	$ 13,276	$ 11,887	$ 579,542	$ 3,491,001
LIABILITIES:					
Tax Refunds Payable	$ 707,855	$ -	$ -	$ -	$ 707,855
Accounts Payable and Accrued Liabilities	452,295	1,416	1,753	26,435	481,899
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	48,293	-	-	19,775	68,068
Due To Other Funds	1,117,641	-	202	232	1,118,075
Due To Component Units	21	-	-	-	21
Unearned Revenue	298,574	2,391	-	6,932	307,897
Compensated Absences Payable	74	-	-	-	74
Claims and Judgments Payable	291	-	-	-	291
Other Current Liabilities	7,000	-	-	-	7,000
Deposits Held In Custody For Others	10	-	-	-	10
TOTAL LIABILITIES	2,632,760	3,807	1,955	53,374	2,691,896
FUND BALANCES:					
Nonspendable:					
Inventories	5,475	-	-	4,456	9,931
Prepaids	22,586	-	57	11	22,654
Restricted	551	8,309	-	478,301	487,161
Committed	224,917	1,160	9,875	43,400	279,352
Assigned	7	-	-	-	7
TOTAL FUND BALANCES	253,536	9,469	9,932	526,168	799,105
TOTAL LIABILITIES AND FUND BALANCES	$ 2,886,296	$ 13,276	$ 11,887	$ 579,542	$ 3,491,001

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOLS	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 5,148,795	$ -	$ -	$ -	$ 5,148,795
Corporate Income	597,441	-	-	-	597,441
Sales and Use	2,454,455	-	-	-	2,454,455
Excise	93,063	-	-	-	93,063
Other Taxes	211,170	-	-	-	211,170
Licenses, Permits, and Fines	15,890	-	-	1,981	17,871
Charges for Goods and Services	13,172	-	58,060	496	71,728
Rents	291	-	-	17	308
Investment Income (Loss)	8,653	-	206	3,664	12,523
Federal Grants and Contracts	5,334,226	-	-	5,942	5,340,168
Other	139,999	5,806	110	10,291	156,206
TOTAL REVENUES	14,017,155	5,806	58,376	22,391	14,103,728
EXPENDITURES:					
Current:					
General Government	197,983	-	56,687	4,334	259,004
Business, Community, and Consumer Affairs	183,602	-	-	3,926	187,528
Education	604,945	6,424	-	3,251	614,620
Health and Rehabilitation	546,738	-	-	696	547,434
Justice	1,232,456	-	-	-	1,232,456
Natural Resources	42,306	-	-	-	42,306
Social Assistance	6,253,625	-	-	373	6,253,998
Capital Outlay	22,165	-	-	167,189	189,354
Intergovernmental:					
Cities	24,462	-	-	37,080	61,542
Counties	1,191,504	-	-	12,670	1,204,174
School Districts	700,041	2,974,357	-	93,227	3,767,625
Special Districts	30,537	-	-	14,040	44,577
Federal	117	-	-	-	117
Other	169,949	-	-	17	169,966
Debt Service	6,631	-	-	25,321	31,952
TOTAL EXPENDITURES	11,207,061	2,980,781	56,687	362,124	14,606,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,810,094	(2,974,975)	1,689	(339,733)	(502,925)
OTHER FINANCING SOURCES (USES):					
Transfers-In	1,005,502	2,964,361	-	249,364	4,219,227
Transfers-Out	(4,234,090)	(66,661)	(1,091)	(37,090)	(4,338,932)
Face Amount of Bond/COP Issuance	-	-	-	195,965	195,965
Bond/COP Premium/Discount	-	-	-	9,396	9,396
Capital Lease Proceeds	427	-	-	-	427
Sale of Capital Assets	-	-	-	-	-
Insurance Recoveries	65	-	-	-	65
TOTAL OTHER FINANCING SOURCES (USES)	(3,228,096)	2,897,700	(1,091)	417,635	86,148
NET CHANGE IN FUND BALANCES	(418,002)	(77,275)	598	77,902	(416,777)
FUND BALANCE, FISCAL YEAR BEGINNING	681,146	86,744	9,354	448,182	1,225,426
Prior Period Adjustment (See Note 29)	(9,608)	-	(20)	84	(9,544)
FUND BALANCE, FISCAL YEAR END	$ 253,536	$ 9,469	$ 9,932	$ 526,168	$ 799,105

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 39,418	$ 9,506	$ 48,924
Other Receivables, net	328	722	1,050
Due From Other Governments	2,337	249	2,586
Due From Other Funds	2,355	-	2,355
Prepaids, Advances, and Deferred Charges	-	11	11
Restricted Cash and Pooled Cash	-	2,220	2,220
Restricted Investments	-	7,317	7,317
Restricted Receivables	-	330	330
Investments	-	785	785
Other Long-Term Assets	81	-	81
TOTAL ASSETS	$ 44,519	$ 21,140	$ 65,659
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 8,362	$ 1,903	$ 10,265
Due To Other Funds	91	-	91
Unearned Revenue	-	967	967
Other Current Liabilities	155	-	155
TOTAL LIABILITIES	8,608	2,870	11,478
Prepaids	-	11	11
Restricted	-	2,492	2,492
Committed	35,911	15,767	51,678
TOTAL FUND BALANCES	35,911	18,270	54,181
TOTAL LIABILITIES AND FUND BALANCES	$ 44,519	$ 21,140	$ 65,659

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	7	-	7
Charges for Goods and Services	-	63	63
Rents	202	-	202
Investment Income (Loss)	(445)	148	(297)
Federal Grants and Contracts	8,044	8,429	16,473
Other	941	3,452	4,393
TOTAL REVENUES	8,749	12,092	20,841
EXPENDITURES:			
General Government	8,060	901	8,961
Business, Community, and Consumer Affairs	1	-	1
Education	4,961	2,042	7,003
Health and Rehabilitation	-	69	69
Justice	373	9,149	9,522
Social Assistance	32	-	32
Capital Outlay	27,830	34,825	62,655
TOTAL EXPENDITURES	41,257	46,986	88,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,508)	(34,894)	(67,402)
OTHER FINANCING SOURCES (USES):			
Transfers-In	81,894	56,749	138,643
Transfers-Out	(36,565)	(30,704)	(67,269)
Insurance Recoveries	201	769	970
TOTAL OTHER FINANCING SOURCES (USES)	45,530	26,814	72,344
NET CHANGE IN FUND BALANCES	13,022	(8,080)	4,942
FUND BALANCE, FISCAL YEAR BEGINNING	22,889	25,803	48,692
Prior Period Adjustment (See Note 29)	-	547	547
FUND BALANCE, FISCAL YEAR END	$ 35,911	$ 18,270	$ 54,181

OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 771,571	$ -	$ -	$ 771,571
Taxes Receivable, net	42,755	-	-	42,755
Other Receivables, net	81,525	-	7,988	89,513
Due From Other Governments	23,307	341	92	23,740
Due From Other Funds	3,804	-	5,713	9,517
Inventories	145	-	-	145
Prepaids, Advances, and Deferred Charges	8,346	-	4	8,350
Restricted Assets:				
Restricted Cash and Pooled Cash	61,494	1,362	154,658	217,514
Restricted Investments	57,777	-	533,115	590,892
Investments	106,751	32,555	-	139,306
Other Long-Term Assets	23,600	-	17,469	41,069
Depreciable Capital Assets and Infrastructure, net	-	-	20,883	20,883
Land and Nondepreciable Capital Assets	81	-	44,713	44,794
TOTAL ASSETS	$ 1,181,156	$ 34,258	$ 784,635	$ 2,000,049
LIABILITIES:				
Tax Refunds Payable	$ 587	$ -	$ -	$ 587
Accounts Payable and Accrued Liabilities	73,913	-	1,339	75,252
Due To Other Governments	21,214	-	11	21,225
Due To Other Funds	24,270	1,145	9,858	35,273
Due To Component Units	60	-	-	60
Unearned Revenue	59,831	-	764	60,595
Compensated Absences Payable	35	-	-	35
Claims and Judgments Payable	93	-	-	93
Other Current Liabilities	4,450	-	-	4,450
Deposits Held In Custody For Others	7	-	-	7
TOTAL LIABILITIES	184,460	1,145	11,972	197,577
FUND BALANCES:				
Nonspendable:				
Inventories	145	-	-	145
Permanent Fund Principal	-	-	760,160	760,160
Prepaids	8,346	-	4	8,350
Restricted	258,375	33,113	6,328	297,816
Committed	729,830	-	6,171	736,001
TOTAL FUND BALANCES	996,696	33,113	772,663	1,802,472
TOTAL LIABILITIES AND FUND BALANCES	$ 1,181,156	$ 34,258	$ 784,635	$ 2,000,049

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 42,826	$ -	$ -	$ 42,826
Excise	146,103	-	-	146,103
Other Taxes	154,400	-	-	154,400
Licenses, Permits, and Fines	431,380	-	-	431,380
Charges for Goods and Services	767,655	-	-	767,655
Rents	1,400	-	127,849	129,249
Investment Income (Loss)	(1,062)	258	(4,880)	(5,684)
Federal Grants and Contracts	219,050	-	633	219,683
Additions to Permanent Funds	-	-	741	741
Unclaimed Property Receipts	36,986	-	-	36,986
Other	34,895	-	12	34,907
TOTAL REVENUES	1,833,633	258	124,355	1,958,246
EXPENDITURES:				
Current:				
General Government	45,166	-	800	45,966
Business, Community, and Consumer Affairs	183,681	-	-	183,681
Education	21,139	-	-	21,139
Health and Rehabilitation	83,735	-	-	83,735
Justice	78,545	-	-	78,545
Natural Resources	823	-	9,124	9,947
Social Assistance	232,340	-	-	232,340
Transportation	3,071	-	-	3,071
Capital Outlay	13,133	-	7	13,140
Intergovernmental:				
Cities	53,792	-	-	53,792
Counties	82,052	-	8	82,060
School Districts	7,313	-	-	7,313
Special Districts	10,375	-	-	10,375
Federal	2,013	-	-	2,013
Other	42,523	-	-	42,523
Debt Service	1,209	213,437	-	214,646
TOTAL EXPENDITURES	860,910	213,437	9,939	1,084,286
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	972,723	(213,179)	114,416	873,960
OTHER FINANCING SOURCES (USES):				
Transfers-In	92,298	224,839	300	317,437
Transfers-Out	(1,011,669)	-	(121,442)	(1,133,111)
Capital Lease Proceeds	180	-	-	180
Sale of Capital Assets	-	-	30,604	30,604
Insurance Recoveries	6	-	-	6
TOTAL OTHER FINANCING SOURCES (USES)	(919,185)	224,839	(90,538)	(784,884)
NET CHANGE IN FUND BALANCES	53,538	11,660	23,878	89,076
FUND BALANCE, FISCAL YEAR BEGINNING	926,789	21,453	748,206	1,696,448
Prior Period Adjustment (See Note 29)	16,369	-	579	16,948
FUND BALANCE, FISCAL YEAR END	$ 996,696	$ 33,113	$ 772,663	$ 1,802,472

SPECIAL REVENUE FUNDS

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 MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
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.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. 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. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 228 individual active 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 230 for a detail listing of these funds that have net position/fund balance in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 85,398	$ 98,087	$ 61,472	$ 11,240
Taxes Receivable, net	14,682	11,353	12,682	-
Contributions Receivable, net				
Other Receivables, net	1,039	9,763	45,153	12
Due From Other Governments	7,043	-	11,210	-
Due From Other Funds	182	21	1,116	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	4,151	29	-	-
Restricted Assets:				
Restricted Cash and Pooled Cash	34,723	26,771	-	-
Restricted Investments	57,777	-	-	-
Investments	6,784	-	-	-
Other Long-Term Assets	-	12,172	-	-
Land and Nondepreciable Capital Assets	-	-	-	-
TOTAL ASSETS	$ 211,779	$ 158,196	$ 131,633	$ 11,252
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	3,051	5,556	34,956	80
Due To Other Governments	-	18,929	203	279
Due To Other Funds	9	14,685	4,056	-
Due To Component Units	-	-	-	-
Unearned Revenue	-	895	1,269	-
Compensated Absences Payable	-	-	-	-
Claims and Judgments Payable	82	-	-	-
Other Current Liabilities	451	9	-	-
Deposits Held In Custody For Others	-	6	-	-
TOTAL LIABILITIES	3,593	40,080	40,484	359
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	-
Prepaids	4,151	29	-	-
Restricted	92,500	23,885	15,727	9,100
Committed	111,535	94,202	75,422	1,793
TOTAL FUND BALANCES	208,186	118,116	91,149	10,893
TOTAL LIABILITIES AND FUND BALANCES	$ 211,779	$ 158,196	$ 131,633	$ 11,252

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 156,246	$ 33,745	$ 325,383	$ 771,571
-	-	4,038	42,755
13,195	954	11,409	81,525
1,630	-	3,424	23,307
496	-	1,989	3,804
145	-	-	145
708	31	3,427	8,346
-	-	-	61,494
-	-	-	57,777
-	99,967	-	106,751
-	-	11,428	23,600
-	-	81	81
$ 172,420	$ 134,697	$ 361,179	$ 1,181,156
$ -	$ -	$ 587	$ 587
8,278	59	21,933	73,913
-	-	1,803	21,214
5,265	10	245	24,270
60	-	-	60
2,894	-	54,773	59,831
35	-	-	35
-	-	11	93
(240)	-	4,230	4,450
-	-	1	7
16,292	69	83,583	184,460
145	-	-	145
708	31	3,427	8,346
8,741	-	108,422	258,375
146,534	134,597	165,747	729,830
156,128	134,628	277,596	996,696
$ 172,420	$ 134,697	$ 361,179	$ 1,181,156

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	143,423	-
Other Taxes	47,702	104,137	-	-
Licenses, Permits, and Fines	458	1,042	91,524	7,084
Charges for Goods and Services	228	1,241	932	1,289
Rents	-	965	-	-
Investment Income (Loss)	709	(63)	229	61
Federal Grants and Contracts	13,102	118	128,381	-
Unclaimed Property Receipts	-	-	-	-
Other	403	8,547	1,232	269
TOTAL REVENUES	62,602	115,987	365,721	8,703
EXPENDITURES:				
Current:				
General Government	1,600	-	110	-
Business, Community, and Consumer Affairs	18,357	28,720	-	64
Education	-	14,899	632	-
Health and Rehabilitation	-	63	25,411	-
Justice	13,866	-	-	-
Natural Resources	-	-	-	823
Social Assistance	-	-	225,103	-
Transportation	-	-	-	-
Capital Outlay	-	40	27	5
Intergovernmental:				
Cities	63	15,794	1,107	-
Counties	322	14,906	26,859	344
School Districts	2	531	3,983	-
Special Districts	174	2,137	-	-
Federal	-	-	-	5
Other	310	914	7,205	1,124
Debt Service	-	-	-	-
TOTAL EXPENDITURES	34,694	78,004	290,437	2,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,908	37,983	75,284	6,338
OTHER FINANCING SOURCES (USES):				
Transfers-In	24,695	6,357	43,864	287
Transfers-Out	(29,449)	(29,529)	(105,933)	(818)
Capital Lease Proceeds	-	-	-	-
Insurance Recoveries	-	-	-	6
TOTAL OTHER FINANCING SOURCES (USES)	(4,754)	(23,172)	(62,069)	(525)
NET CHANGE IN FUND BALANCES	23,154	14,811	13,215	5,813
FUND BALANCE, FISCAL YEAR BEGINNING	185,032	93,781	77,934	5,080
Prior Period Adjustment (See Note 29)	-	9,524	-	-
FUND BALANCE, FISCAL YEAR END	$ 208,186	$ 118,116	$ 91,149	$ 10,893

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 42,826	$ 42,826
-	-	2,680	146,103
-	-	2,561	154,400
51,747	-	279,525	431,380
721,919	-	42,046	767,655
-	-	435	1,400
360	(2,833)	475	(1,062)
5,071	-	72,378	219,050
-	36,986	-	36,986
2,618	14	21,812	34,895
781,715	34,167	464,738	1,833,633
-	32,200	11,256	45,166
1	1,508	135,031	183,681
-	-	5,608	21,139
50,144	-	8,117	83,735
9,333	-	55,346	78,545
-	-	-	823
116	-	7,121	232,340
387	-	2,684	3,071
551	-	12,510	13,133
467	5	36,356	53,792
1,512	324	37,785	82,052
388	-	2,409	7,313
264	210	7,590	10,375
20	-	1,988	2,013
4,525	-	28,445	42,523
-	-	1,209	1,209
67,708	34,247	353,455	860,910
714,007	(80)	111,283	972,723
3,500	-	13,595	92,298
(696,306)	(3,133)	(146,501)	(1,011,669)
180	-	-	180
-	-	-	6
(692,626)	(3,133)	(132,906)	(919,185)
21,381	(3,213)	(21,623)	53,538
128,798	137,841	298,323	926,789
5,949	-	896	16,369
$ 156,128	$ 134,628	$ 277,596	$ 996,696

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. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.

OTHER PERMANENT TRUST

This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,988	$ -	$ 7,988
Due From Other Governments	-	92	92
Due From Other Funds	5,713	-	5,713
Prepaids, Advances, and Deferred Charges	4	-	4
Restricted Assets:			
Restricted Cash and Pooled Cash	146,598	8,060	154,658
Restricted Investments	533,115	-	533,115
Other Long-Term Assets	17,469	-	17,469
Land and Nondepreciable Capital Assets	44,713	-	44,713
Capital Assets Held as Investments	20,883	-	20,883
TOTAL ASSETS	$ 776,483	$ 8,152	$ 784,635
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 1,230	$ 109	$ 1,339
Due To Other Governments	11	-	11
Due To Other Funds	9,858	-	9,858
Unearned Revenue	764	-	764
TOTAL LIABILITIES	11,863	109	11,972
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	753,319	6,841	760,160
Prepaids	4	-	4
Restricted	6,325	3	6,328
Committed	4,972	1,199	6,171
TOTAL FUND BALANCES	764,620	8,043	772,663
TOTAL LIABILITIES AND FUND BALANCES	$ 776,483	$ 8,152	$ 784,635

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 127,849	$ -	$ 127,849
Investment Income (Loss)	(4,856)	(24)	(4,880)
Federal Grants and Contracts	-	633	633
Additions to Permanent Funds	741	-	741
Other	9	3	12
TOTAL REVENUES	123,743	612	124,355
EXPENDITURES:			
Current:			
General Government	800	-	800
Natural Resources	8,251	873	9,124
Capital Outlay	7	-	7
Counties	8	-	8
TOTAL EXPENDITURES	9,066	873	9,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,677	(261)	114,416
OTHER FINANCING SOURCES (USES):			
Transfers-In	300	-	300
Transfers-Out	(121,434)	(8)	(121,442)
Sale of Capital Assets	30,604	-	30,604
TOTAL OTHER FINANCING SOURCES (USES)	(90,530)	(8)	(90,538)
NET CHANGE IN FUND BALANCES	24,147	(269)	23,878
FUND BALANCE, FISCAL YEAR BEGINNING	739,894	8,312	748,206
Prior Period Adjustment (See Note 29)	579	-	579
FUND BALANCE, FISCAL YEAR END	$ 764,620	$ 8,043	$ 772,663

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:

COLLEGEINVEST	CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States.
PARKS AND WILDLIFE	Expenses of this fund are to preserve the State's parks, 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 Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
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.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
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 POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 65,405	$ 62,414	$ 44,672	$ -
Investments	17,419	-	-	-
Student and Other Receivables, net	702	10,917	126	43
Due From Other Governments	-	4,386	1,510	-
Due From Other Funds	-	4,270	-	-
Inventories	-	1,035	-	22
Prepaids, Advances, and Deferred Charges	59	4,973	91	144
Total Current Assets	83,585	87,995	46,399	209
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,388	34,000	20,594	-
Restricted Receivables	1,588	-	43,676	-
Investments	19,847	-	-	-
Other Long-Term Assets	-	-	-	-
Depreciable Capital Assets and Infrastructure, net	65	172,023	348	12,617
Land and Nondepreciable Capital Assets	-	338,018	-	840
Total Noncurrent Assets	23,888	544,041	64,618	13,457
TOTAL ASSETS	107,473	632,036	111,017	13,666
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	266	13,459	6,858	237
Due To Other Governments	-	-	33,594	-
Due To Other Funds	5,042	1,100	-	15
Unearned Revenue	-	32,429	-	500
Compensated Absences Payable	-	365	-	-
Leases Payable	-	-	-	64
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	24,770	25	6,811	7
Total Current Liabilities	30,078	47,378	47,263	823
Noncurrent Liabilities:				
Due to Other Funds	-	1,276	-	-
Accrued Compensated Absences	116	6,546	174	136
Capital Lease Payable	-	-	-	1,298
Notes, Bonds, and COPs Payable	-	-	-	-
Total Noncurrent Liabilities	116	7,822	174	1,434
TOTAL LIABILITIES	30,194	55,200	47,437	2,257
NET POSITION:				
Net investment in Capital Assets:	65	510,041	348	12,095
Restricted for:				
Emergencies	-	34,000	-	-
Other Purposes	-	26,709	24,169	-
Unrestricted	77,214	6,086	39,063	(686)
TOTAL NET POSITION	$ 77,279	$ 576,836	$ 63,580	$ 11,409

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 4,806	$ 9,258	$ 2,174	$ 5,178	$ 197,689	$ 12,600	$ 404,196
-	563	-	-	-	-	17,982
1,309	115	424	2,018	31,451	731	47,836
1,041	5,754	-	71	257	126	13,145
2,813	1,419	-	-	-	-	8,502
12,674	178	529	-	-	229	14,667
-	64	-	-	4	176	5,511
22,643	17,351	3,127	7,267	229,401	13,862	511,839
-	-	-	-	-	-	56,982
-	-	-	-	-	-	45,264
-	-	-	-	169,459	-	189,306
1,910	184	-	-	1,673	126	3,893
3,359	31,574	1,933	233	92,996	12,636	327,784
1,413	11,086	-	-	228,259	3,957	583,573
6,682	42,844	1,933	233	492,387	16,719	1,206,802
29,325	60,195	5,060	7,500	721,788	30,581	1,718,641
4,578	2,142	626	2,349	15,098	944	46,557
-	467	-	102	-	-	34,163
-	3	-	-	-	-	6,160
51	1,416	-	-	60,000	5,860	100,256
40	209	-	-	-	219	833
-	280	-	-	-	-	344
-	445	-	-	-	395	840
8	-	-	-	-	156	31,777
4,677	4,962	626	2,451	75,098	7,574	220,930
-	-	-	-	2,000	-	3,276
1,148	1,509	222	639	29	364	10,883
-	3,770	-	-	-	-	5,068
-	1,979	-	-	300,000	5,704	307,683
1,148	7,258	222	639	302,029	6,068	326,910
5,825	12,220	848	3,090	377,127	13,642	547,840
4,772	36,165	1,933	233	140,915	10,494	717,061
-	-	-	-	-	-	34,000
-	-	-	-	-	-	50,878
18,728	11,810	2,279	4,177	203,746	6,445	368,862
$ 23,500	$ 47,975	$ 4,212	$ 4,410	$ 344,661	$ 16,939	$ 1,170,801

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 98,138	$ -	$ -
Tuition and Fees	-	18	-	-
Sales of Goods and Services	3	3,749	-	6,031
Investment Income (Loss)	583	-	3,802	-
Rental Income	-	-	-	686
Federal Grants and Contracts	-	29,564	400,106	-
Intergovernmental Revenue	-	30,863	-	-
Other	1,375	1,705	6,254	-
TOTAL OPERATING REVENUES	1,961	164,037	410,162	6,717
OPERATING EXPENSES:				
Salaries and Fringe Benefits	113	86,369	62,148	3,897
Operating and Travel	2,101	72,732	327,928	3,920
Cost of Goods Sold	287	243	-	-
Depreciation and Amortization	2	10,710	12	715
Intergovernmental Distributions	-	7,779	-	-
Debt Service	-	-	17,028	-
Prizes and Awards	-	7	-	882
TOTAL OPERATING EXPENSES	2,503	177,840	407,116	9,414
OPERATING INCOME (LOSS)	(542)	(13,803)	3,046	(2,697)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	378	-	-
Investment Income (Loss)	-	(328)	-	1,021
Rental Income	-	8,529	-	-
Gifts and Donations	-	913	-	422
Gain/(Loss) on Sale or Impairment of Capital Assets	-	728	-	-
Insurance Recoveries from Prior Year Impairments	-	102	-	-
Debt Service	-	(149)	-	(54)
Other Expenses	-	-	-	-
Other Revenues	-	12	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	10,185	-	1,389
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(542)	(3,618)	3,046	(1,308)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	8,757	-	341
Transfers-In	-	19,699	-	506
Transfers-Out	(51)	(12,144)	(106)	(88)
TOTAL CONTRIBUTIONS AND TRANSFERS	(51)	16,312	(106)	759
CHANGE IN NET POSITION	(593)	12,694	2,940	(549)
NET POSITION - FISCAL YEAR BEGINNING	77,872	564,142	60,640	11,958
NET POSITION - FISCAL YEAR ENDING	$ 77,279	$ 576,836	$ 63,580	$ 11,409

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 580	$ -	$ 7,875	$ 106,593
-	-	-	-	-	662	680
44,487	30,071	16,607	5	97,565	4,980	203,498
-	-	-	-	-	-	4,385
-	-	-	-	-	659	1,345
1,632	22,493	-	1,231	21,526	796	477,348
-	215	-	-	60	-	31,138
161	80	38	12	505	27	10,157
46,280	52,859	16,645	1,828	119,656	14,999	835,144
11,564	32,993	3,505	11,293	524	5,767	218,173
9,075	8,360	2,297	26,374	6,055	8,056	466,898
24,622	-	10,320	-	-	114	35,586
407	1,666	117	56	830	777	15,292
-	3,855	-	-	-	-	11,634
-	-	-	-	-	-	17,028
-	-	1	-	-	-	890
45,668	46,874	16,240	37,723	7,409	14,714	765,501
612	5,985	405	(35,895)	112,247	285	69,643
-	-	-	26,541	-	-	26,541
-	-	-	9,216	45	61	9,700
(35)	(34)	17	3	2,980	4	3,628
353	26	-	-	-	-	8,908
1	114	-	-	33	343	1,826
5	55	-	-	-	47	835
-	-	-	-	-	-	102
-	(302)	-	-	(6,005)	(195)	(6,705)
-	(60)	-	-	(85)	(11)	(156)
-	-	-	-	-	-	12
324	(201)	17	35,760	(3,032)	249	44,691
936	5,784	422	(135)	109,215	534	114,334
-	-	-	-	-	1,110	10,208
-	986	-	-	-	26	21,217
(557)	(1,802)	(49)	(1,061)	-	(241)	(16,099)
(557)	(816)	(49)	(1,061)	-	895	15,326
379	4,968	373	(1,196)	109,215	1,429	129,660
23,121	43,007	3,839	5,606	235,446	15,510	1,041,141
$ 23,500	$ 47,975	$ 4,212	$ 4,410	$ 344,661	$ 16,939	$ 1,170,801

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ 18	$ -	$ -
Fees for Service	170	75,047	3	4,217
Sales of Products	17	1,360	-	191
Gifts, Grants, and Contracts	-	27,862	411,531	-
Loan and Note Repayments	1,467	-	-	-
Income from Property	-	8,529	-	686
Other Sources	-	56,777	6,254	2,025
Employees	(94)	(81,075)	(1,930)	(2,479)
Suppliers	(4,109)	(48,650)	(59,246)	(5,358)
Sales Commissions and Lottery Prizes	-	(6,264)	-	-
Others for Student Loans and Loan Losses	-	-	(342,830)	-
Other Governments	-	(7,780)	-	-
Other	(1,261)	(18,880)	-	(948)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3,810)	6,944	13,782	(1,666)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	-	19,699	-	506
Transfers-Out	(51)	(12,144)	(106)	(88)
Receipt of Deposits Held in Custody	-	1	-	-
Gifts and Grants for Other Than Capital Purposes	-	913	-	-
NonCapital Debt Service Payments	-	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(51)	8,469	(106)	418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(51)	(19,294)	(360)	(135)
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	-
Capital Debt Service Payments	-	(1)	-	(2)
Capital Lease Payments	-	-	-	(116)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(51)	(19,295)	(360)	(253)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 84	$ -	$ -	$ -	$ 662	$ 764
12,415	29,640	-	(113)	75,777	4,013	201,169
31,490	25	16,446	-	-	870	50,399
1,182	22,377	-	1,184	22,416	725	487,277
-	-	-	-	-	-	1,467
353	26	-	-	-	660	10,254
166	35	38	36,437	60,045	8,471	170,248
(10,634)	(32,740)	(3,450)	(3,511)	(5,290)	(5,388)	(146,591)
(35,231)	(9,574)	(12,717)	(34,452)	(20,757)	(8,555)	(238,649)
-	-	-	-	-	-	(6,264)
-	-	-	-	-	-	(342,830)
-	(3,933)	-	-	-	-	(11,713)
(50)	(128)	(2)	(6)	(258)	(91)	(21,624)
(309)	5,812	315	(461)	131,933	1,367	153,907
-	986	-	-	53	26	21,270
(557)	(1,802)	(49)	(1,061)	(53)	(241)	(16,152)
-	-	-	-	-	4	5
1	114	-	-	33	343	1,404
-	(549)	-	-	-	-	(549)
(556)	(1,251)	(49)	(1,061)	33	132	5,978
(372)	(6,163)	(123)	-	(149,312)	(614)	(176,424)
-	1,081	-	-	-	18	1,099
-	-	-	-	-	-	-
-	-	-	-	(5,929)	(564)	(6,496)
-	(462)	-	-	-	-	(578)
(372)	(5,544)	(123)	-	(155,241)	(1,160)	(182,399)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	2,253	1,000	4,538	1,025
Proceeds from Sale/Maturity of Investments	3,936	-	-	-
Purchases of Investments	(450)	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(833)	(1,328)	(736)	(5)
NET CASH FROM INVESTING ACTIVITIES	4,906	(328)	3,802	1,020
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	994	(4,210)	17,118	(481)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	66,799	100,624	48,148	481
CASH AND POOLED CASH, FISCAL YEAR END	$ 67,793	$ 96,414	$ 65,266	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (542)	$ (13,803)	$ 3,046	$ (2,697)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	2	10,710	12	715
Investment/Rental Income and Other Revenue in Operating Income	(583)	-	(3,802)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	9,587	-	422
(Gain)/Loss on Disposal of Capital and Other Assets	-	4,007	-	-
Compensated Absences	-	152	46	(4)
Interest and Other Expense in Operating Income	-	1	1	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	(175)	(2,130)	30,890	91
(Increase) Decrease in Inventories	-	133	-	(3)
(Increase) Decrease in Other Operating Assets	326	395	171	(39)
Increase (Decrease) in Accounts Payable	644	(287)	(18,264)	(46)
Increase (Decrease) in Other Operating Liabilities	(3,482)	(1,821)	1,682	(105)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (3,810)	$ 6,944	$ 13,782	$ (1,666)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	-	-	-	288
Capital Assets Acquired by Grants or Donations and Payable Increases	-	8,757	-	53
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	748	-	-	-
Loss on Disposal of Capital and Other Assets		3,707	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
31	76	36	93	4,205	104	13,361
-	-	-	-	114,631	-	118,567
-	-					(450)
(65)	(110)	(21)	(90)	(1,097)	(100)	(4,385)
(34)	(34)	15	3	117,739	4	127,093
(1,271)	(1,017)	158	(1,519)	94,464	343	104,579
6,077	10,275	2,016	6,697	103,225	12,257	356,599
$ 4,806	$ 9,258	$ 2,174	$ 5,178	$ 197,689	$ 12,600	$ 461,178
$ 612	$ 5,985	$ 405	$ (35,895)	$ 112,247	$ 285	$ 69,643
407	1,666	117	56	830	777	15,292
-	-	-	-	-	-	(4,385)
358	23	-	35,757	45	61	46,253
-	-	-	-	-	7	4,014
24	(88)	14	187	16	(2)	345
1	32	-	-	(25,116)	240	(24,841)
(1,044)	(1,881)	(162)	(178)	(21,462)	(157)	3,792
(190)	(8)	58	-	-	(20)	(30)
(164)	(62)	-	-	(2)	27	652
(331)	(1,185)	(117)	(388)	4,375	(384)	(15,983)
18	1,330	-	-	61,000	533	59,155
$ (309)	$ 5,812	$ 315	$ (461)	$ 131,933	$ 1,367	$ 153,907
-		-	-	-	1,110	1,398
-		-	-	-	-	8,810
-		-	-	-	-	748
-	305	-	-	-	-	4,012

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, fleet, and motor pool.
INFORMATION TECHNOLOGY	This fund accounts for computer and 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. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported 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.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
LEGAL SERVICES	This fund accounts for the Attorney General's services to State agencies in the Department of Law.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily 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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 3,721	$ 52,066	$ 3,742	$ -
Other Receivables, net	333	130	19	4
Due From Other Governments	261	246	-	-
Due From Other Funds	25	3,969	-	-
Inventories	633	-	280	213
Prepaids, Advances, and Deferred Charges	20	2,093	-	-
Total Current Assets	4,993	58,504	4,041	217
Noncurrent Assets:				
Other Long-Term Assets	-	64	-	-
Depreciable Capital Assets and Infrastructure, net	46,484	2,386	15,344	94
Land and Nondepreciable Capital Assets	-	5,288	5,623	-
Total Noncurrent Assets	46,484	7,738	20,967	94
TOTAL ASSETS	51,477	66,242	25,008	311
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,986	15,544	2,164	196
Due To Other Funds	40	124	-	41
Unearned Revenue	-	1,605	40	-
Compensated Absences Payable	15	77	9	-
Leases Payable	11,220	3,631	867	-
Notes, Bonds, and COPs Payable	1,685	-	-	-
Other Current Liabilities	114	-	-	-
Total Current Liabilities	15,060	20,981	3,080	237
Noncurrent Liabilities:				
Accrued Compensated Absences	483	5,950	240	-
Capital Lease Payable	33,860	29,369	17,048	-
Notes, Bonds, and COPs Payable	898	-	-	-
Total Noncurrent Liabilities	35,241	35,319	17,288	-
TOTAL LIABILITIES	50,301	56,300	20,368	237
NET POSITION:				
Net investment in Capital Assets:	(1,179)	1,206	3,052	94
Unrestricted	2,355	8,736	1,588	(20)
TOTAL NET POSITION	$ 1,176	$ 9,942	$ 4,640	$ 74

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 563	$ 1,317	$ -	$ 1,149	$ 62,558
9	44	-	3	542
-	-	-	-	507
-	-	-	6	4,000
-	-	-	-	1,126
-	-	-	1	2,114
572	1,361	-	1,159	70,847
-	-	-	-	64
1,301	3	-	5	65,617
-	-	-	-	10,911
1,301	3	-	5	76,592
1,873	1,364	-	1,164	147,439
39	339	-	338	20,606
-	-	-	-	205
-	-	-	19	1,664
-	-	179	-	280
-	-	-	-	15,718
-	-	-	-	1,685
-	-	-	-	114
39	339	179	357	40,272
-	292	1,442	37	8,444
-	-	-	-	80,277
-	-	-	-	898
-	292	1,442	37	89,619
39	631	1,621	394	129,891
1,301	3	-	5	4,482
533	730	(1,621)	765	13,066
$ 1,834	$ 733	$ (1,621)	$ 770	$ 17,548

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
OPERATING REVENUES:				
Sales of Goods and Services	$ 58,073	$ 156,402	$ -	$ 1,738
Rental Income	-	-	11,445	-
Other	271	208	-	-
TOTAL OPERATING REVENUES	58,344	156,610	11,445	1,738
OPERATING EXPENSES:				
Salaries and Fringe Benefits	7,621	104,368	3,246	959
Operating and Travel	28,459	47,768	5,444	1,266
Cost of Goods Sold	7,607	-	-	-
Depreciation and Amortization	13,744	957	1,208	16
Intergovernmental Distributions	-	-	3	-
TOTAL OPERATING EXPENSES	57,431	153,093	9,901	2,241
OPERATING INCOME (LOSS)	913	3,517	1,544	(503)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	6	(167)	-	(3)
Federal Grants and Contracts	-	219	3,331	-
Gain/(Loss) on Sale or Impairment of Capital Assets	366	2	(50)	-
Debt Service	(1,606)	89	(820)	-
Other Expenses	(6)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,240)	143	2,461	(3)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(327)	3,660	4,005	(506)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	597	-	-	-
Transfers-In	161	3,631	28	-
Transfers-Out	(1,769)	(134)	(1,012)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,011)	3,497	(984)	-
CHANGE IN NET POSITION	(1,338)	7,157	3,021	(506)
NET POSITION - FISCAL YEAR BEGINNING	2,514	2,785	1,619	580
NET POSITION - FISCAL YEAR ENDING	$ 1,176	$ 9,942	$ 4,640	$ 74

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 157	$ 4,935	$ 26,503	$ 4,693	$ 252,501
-	-	-	-	11,445
-	-	-	-	479
157	4,935	26,503	4,693	264,425
143	3,810	23,296	1,494	144,937
364	794	1,801	1,785	87,681
-	-	-	-	7,607
451	4	-	2	16,382
-	-	-	-	3
958	4,608	25,097	3,281	256,610
(801)	327	1,406	1,412	7,815
-	(3)	21	(1)	(147)
-	-	-	-	3,550
-	-	-	-	318
-	-	-	-	(2,337)
-	-	-	-	(6)
-	(3)	21	(1)	1,378
(801)	324	1,427	1,411	9,193
-	-	-	-	597
409	-	-	-	4,229
(14)	(16)	(3,048)	(1,511)	(7,504)
395	(16)	(3,048)	(1,511)	(2,678)
(406)	308	(1,621)	(100)	6,515
2,240	425	-	870	11,033
$ 1,834	$ 733	$ (1,621)	$ 770	$ 17,548

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ -	$ -	$ -
Fees for Service	58,138	157,941	-	904
Sales of Products	20	640	-	913
Gifts, Grants, and Contracts	-	237	3,331	-
Income from Property	-	-	11,488	-
Other Sources	46	210	67	-
Cash Payments to or for:				
Employees	(6,964)	(78,424)	(3,161)	(996)
Suppliers	(37,045)	(69,560)	(4,031)	(1,071)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	-	(3)	-
Other	(21)	(3)	(28)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,174	11,041	7,663	(250)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	386	409	28	-
Transfers-Out	(1,769)	(134)	(1,012)	-
Receipt of Deposits Held in Custody	314	-	-	-
Release of Deposits Held in Custody	(403)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,472)	275	(984)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(8,257)	(128)	(4,609)	-
Proceeds from Sale of Capital Assets	9,393	-	-	-
Capital Debt Proceeds	-	26,467	-	-
Capital Debt Service Payments	(2,244)	144	-	-
Capital Lease Payments	(13,466)	-	(1,687)	-
Capitalization Grants Received				
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(14,574)	26,483	(6,296)	-

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 3	$ -	$ -	$ -	$ 3
152	4,914	26,505	4,689	253,243
-	-	-	-	1,573
-	-	-	-	3,568
-	-	-	-	11,488
-	-	-	9	332
(137)	(3,551)	(21,416)	(1,234)	(115,883)
(347)	(950)	(1,898)	(936)	(115,838)
-	-	-	(822)	(822)
-	-	-	-	(3)
-	-	(1)	(105)	(158)
(329)	413	3,190	1,601	37,503
409	-	-	-	1,232
(14)	(16)	(3,048)	(1,511)	(7,504)
-	-	-	-	314
-	-	-	-	(403)
395	(16)	(3,048)	(1,511)	(6,361)
-	(62)	(163)	-	(13,219)
-	-	-	-	9,393
-	-	-	-	26,467
-	-	-	-	(2,100)
-	-	-	-	(15,153)
-	(62)	(163)	-	5,388

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	6	4	-	-
Proceeds from Sale/Maturity of Investments	-	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(172)	-	(3)
NET CASH FROM INVESTING ACTIVITIES	6	(168)	-	(3)
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(1,866)	37,631	383	(253)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	5,587	14,435	3,359	253
CASH AND POOLED CASH, FISCAL YEAR END	$ 3,721	$ 52,066	$ 3,742	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 913	$ 3,517	$ 1,544	$ (503)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	13,744	957	1,208	16
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	221	3,334	-
Compensated Absences	(22)	203	(10)	-
Interest and Other Expense in Operating Income	27	-	320	-
(Increase) Decrease in Operating Receivables	87	655	43	79
(Increase) Decrease in Inventories	87	7	(1)	94
(Increase) Decrease in Other Operating Assets	7	(998)	-	-
Increase (Decrease) in Accounts Payable	(669)	4,939	1,189	64
Increase (Decrease) in Other Operating Liabilities	-	1,540	36	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,174	$ 11,041	$ 7,663	$ (250)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	597	-	-	-
Loss on Disposal of Capital and Other Assets		-	53	-
Assumption of Capital Lease Obligation or Mortgage	10,951	29,369	-	-

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	8	21	1	40
-	-	-	-	-
-	(11)	-	(2)	(188)
-	(3)	21	(1)	(148)
66	332	-	89	36,382
506	985	-	1,060	26,185
$ 572	$ 1,317	$ -	$ 1,149	$ 62,567
$ (801)	$ 327	$ 1,406	$ 1,412	$ 7,815
451	4	-	2	16,382
-	-	-	-	3,555
-	5	1,621	7	1,804
-	62	163	-	572
(3)	(21)	-	(3)	837
-	-	-	-	187
-	-	-	-	(991)
24	36	-	174	5,757
-	-	-	9	1,585
$ (329)	$ 413	$ 3,190	$ 1,601	$ 37,503
-	-	-	-	597
-	-	-	7	60
-	-	-	-	40,320

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category, but are shown in the Basic Financial Statements. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

UNCLAIMED PROPERTY

This fund comprises a portion of the escheats funds 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 legal rights to the asset are protected in perpetuity. The fund reports Net Position Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

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 stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. Any unused stipends remain in the COF and do not revert to the State.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

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; amounts held for the trustee related to Certificates of Participation or revenue Bonds for Higher Education Institutions, Building Excellent Schools Today (BEST), the Ralph L. Carr Justice Center, and the Colorado History Center; the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 4,287	$ 110,439	$ 26,494
Investments	-	-	-
Other Receivables, net	14	-	7,307
Due From Other Funds	-	-	5,042
Noncurrent Assets:			
Investments:			
Government Securities	-	3,448	-
Corporate Bonds	-	5,503	-
Repurchase Agreements	-	-	5,265
Asset Backed Securities	-	95	-
Mortgages	-	2,062	-
Mutual Funds	-	-	4,885,770
Other Investments	-	-	57,860
TOTAL ASSETS	4,301	121,547	4,987,738
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	8,341
Unearned Revenue	-	-	2,410
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,762
TOTAL LIABILITIES	-	-	13,513
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	4,301	121,547	4,974,225
TOTAL NET POSITION	$ 4,301	$ 121,547	$ 4,974,225

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 50	$ -	$ 4,562	$ 145,832
-	-	618	618
-	-	862	8,183
-	-	-	5,042
-	11,568	-	15,016
-	-	-	5,503
-	-	-	5,265
-	-	-	95
-	-	-	2,062
-	-	-	4,885,770
-	-	-	57,860
50	11,568	6,042	5,131,246
50	-	1,042	9,433
-	-	3,771	6,181
-	-	-	2,762
50	-	4,813	18,376
-	11,568	1,229	5,112,870
$ -	$ 11,568	$ 1,229	$ 5,112,870

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 659,903
Investment Income/(Loss)	(14)	(711)	466,949
Unclaimed Property Receipts	-	49,162	-
Other Additions	717	-	939
TOTAL ADDITIONS	703	48,451	1,127,791
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	410	22,568	482,885
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	410	22,568	482,885
CHANGE IN NET POSITION	293	25,883	644,906
NET POSITION - FISCAL YEAR BEGINNING	4,008	95,664	4,329,319
NET POSITION - FISCAL YEAR ENDING	$ 4,301	$ 121,547	$ 4,974,225

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 256,379	$ -	$ 7,808	$ 924,090
-	(673)	(37)	465,514
-	-	-	49,162
-	-	1,648	3,304
256,379	(673)	9,419	1,442,070
256,379	434	-	256,813
-	-	9,298	515,161
-	-	155	155
256,379	434	9,453	772,129
-	(1,107)	(34)	669,941
-	12,675	1,263	4,442,929
$ -	$ 11,568	$ 1,229	$ 5,112,870

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 103,265	$ 2,362,857	$ 2,350,178	$ 115,944
Taxes Receivable, net	119,855	31,797	10,788	140,864
TOTAL ASSETS	$ 223,120	$ 2,394,654	$ 2,360,966	$ 256,808
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 4,111	$ 919	$ 1,804	$ 3,226
Accounts Payable and Accrued Liabilities	-	3	3	-
Due To Other Governments	213,473	2,383,549	2,344,100	252,922
Claims and Judgments Payable	240	3,401	3,605	36
Other Long-Term Liabilities	5,296	25	4,697	624
TOTAL LIABILITIES	$ 223,120	$ 2,387,897	$ 2,354,209	$ 256,808

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 112,736	$ 248,689	$ 236,337	$ 125,088
Taxes Receivable, net	5,170	888	112	5,946
Other Receivables, net	384	2,658	2,662	380
Inventories	3	54	50	7
Other Long-Term Assets	13,736	2,041	1,452	14,325
TOTAL ASSETS	$ 132,029	$ 254,330	$ 240,613	$ 145,746
LIABILITIES:				
Tax Refunds Payable	$ 127	$ 85	$ 81	$ 131
Accounts Payable and Accrued Liabilities	1,059	25,332	25,249	1,142
Due To Other Governments	8,891	97,275	95,819	10,347
Due To Other Funds	37	43,688	42,747	978
Unearned Revenue	-	137	137	-
Claims and Judgments Payable	391	60	57	394
Other Current Liabilities	119,673	114,300	102,135	131,838
Deposits Held In Custody For Others	1,418	962	1,485	895
Other Long-Term Liabilities	433	-	412	21
TOTAL LIABILITIES	$ 132,029	$ 281,839	$ 268,122	$ 145,746

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 732,875	$ 432,363	$ 555,396	$ 609,842
Due From Other Funds	9,933	10,005	9,933	10,005
TOTAL ASSETS	$ 742,808	$ 442,368	$ 565,329	$ 619,847
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 4	$ 129	$ 133	$ -
Other Current Liabilities	705,729	452,568	559,027	599,270
Deposits Held In Custody For Others	37,075	1,391	17,889	20,577
TOTAL LIABILITIES	$ 742,808	$ 454,088	$ 577,049	$ 619,847

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 948,876	$ 3,043,909	$ 3,141,911	$ 850,874
Taxes Receivable, net	125,025	32,685	10,900	146,810
Other Receivables, net	384	2,658	2,662	380
Due From Other Funds	9,933	10,006	9,934	10,005
Inventories	3	54	50	7
Other Long-Term Assets	13,736	2,041	1,452	14,325
TOTAL ASSETS	$ 1,097,957	$ 3,091,353	$ 3,166,909	$ 1,022,401
LIABILITIES:				
Tax Refunds Payable	$ 4,238	$ 1,004	$ 1,885	$ 3,357
Accounts Payable and Accrued Liabilities	1,063	25,464	25,385	1,142
Due To Other Governments	222,364	2,480,824	2,439,919	263,269
Due To Other Funds	37	43,688	42,747	978
Unearned Revenue	-	137	137	-
Claims and Judgments Payable	631	3,461	3,662	430
Other Current Liabilities	825,402	566,868	661,162	731,108
Deposits Held In Custody For Others	38,493	2,353	19,374	21,472
Other Long-Term Liabilities	5,729	25	5,109	645
TOTAL LIABILITIES	$ 1,097,957	$ 3,123,824	$ 3,199,380	$ 1,022,401

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the component units presented can be found in Note 38 on page 147.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2013

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	TOTAL
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 2,700	$ 18,550	$ 3,836	$ 431	$ -	$ 25,517
Investments	-	115,330	-	-	-	115,330
Contributions Receivable, net	-	-	4,150	-	-	4,150
Other Receivables, net	1,219	741	30	169	-	2,159
Due From Other Governments	-	-	-	1,385	-	1,385
Total Current Assets	3,919	134,621	8,016	1,985	-	148,541
Noncurrent Assets:						
Restricted Cash and Pooled Cash	14,278	-	-	4,698	-	18,976
Investments	-	-	44,845	-	-	44,845
Other Long-Term Assets	325	-	4,150	1,565	-	6,040
Depreciable Capital Assets and Infrastructure, net	116,575	2	-	1,417	-	117,994
Land and Nondepreciable Capital Assets	19,743	-	-	42,225	-	61,968
Total Noncurrent Assets	150,921	2	48,995	49,905	-	249,823
TOTAL ASSETS	154,840	134,623	57,011	51,890	-	398,364
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	9	125	-	1,699	-	1,833
Unearned Revenue	14,401	6,158	4,150	-	-	24,709
Claims and Judgments Payable	-	17,575	-	-	-	17,575
Notes, Bonds, and COPs Payable	321	-	-	-	-	321
Other Current Liabilities	-	-	-	239	-	239
Total Current Liabilities	14,731	23,858	4,150	1,938	-	44,677
Noncurrent Liabilities:						
Notes, Bonds, and COPs Payable	-	-	-	54,607	-	54,607
Other Long-Term Liabilities	12	-	4,150	-	-	4,162
Total Noncurrent Liabilities	12	-	4,150	54,607	-	58,769
TOTAL LIABILITIES	14,743	23,858	8,300	56,545	-	103,446
NET POSITION:						
Net investment in Capital Assets:	135,976	2	-	43,642	-	179,620
Restricted for:						
Emergencies	48	-	-	-	-	48
Other Purposes	942	-	-	-	-	942
Unrestricted	3,131	110,763	48,711	(48,297)	-	114,308
TOTAL NET POSITION	$ 140,097	$ 110,765	$ 48,711	$ (4,655)	$ -	$ 294,918

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2013

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	TOTAL
OPERATING REVENUES:						
Fees	$ -	$ 114,075	$ -	$ -	$ -	$ 114,075
Sales of Goods and Services	-	-	-	5,534	-	5,534
Investment Income (Loss)	-	-	5,796	-	-	5,796
Rental Income	1,182	-	-	-	-	1,182
Federal Grants and Contracts	-	825	-	-	-	825
TOTAL OPERATING REVENUES	1,182	114,900	5,796	5,534	-	127,412
OPERATING EXPENSES:						
Operating and Travel	297	116,386	72	6,052	-	122,807
Depreciation and Amortization	4,109	3	-	752	-	4,864
TOTAL OPERATING EXPENSES	4,406	116,389	72	6,804	-	127,671
OPERATING INCOME (LOSS)	(3,224)	(1,489)	5,724	(1,270)	-	(259)
NONOPERATING REVENUES AND (EXPENSES):						
Investment Income (Loss)	42	400	61	(54)	-	449
Gifts and Donations	-	4,656	4,150	1,969	-	10,775
Federal Grants and Contracts	-	-	-	1,065	-	1,065
Debt Service	-	-	-	(3,229)	-	(3,229)
Other Expenses	-	-	-	(61)	-	(61)
Other Revenues	959	40,000	-	-	-	40,959
TOTAL NONOPERATING REVENUES (EXPENSES)	1,001	45,056	4,211	(310)	-	49,958
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,223)	43,567	9,935	(1,580)	-	49,699
CHANGE IN NET POSITION	(2,223)	43,567	9,935	(1,580)	-	49,699
						-
NET POSITION - FISCAL YEAR BEGINNING	142,320	67,198	38,776	(3,075)	931,038	1,176,257
Accounting Changes (See Note 29)	-	-	-	-	(931,038)	(931,038)
NET POSITION - FISCAL YEAR ENDING	$ 140,097	$ 110,765	$ 48,711	$ (4,655)	$ -	$ 294,918

CAPITAL ASSETS

The following schedule presents the capital assets, net of accumulated depreciation, 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 Position.* 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, 2013

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 7	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,556	8,490	64,273	-
Personnel & Administration	5,739	2,381	67,400	-
Revenue	-	-	-	-
Subtotal	9,295	10,878	131,673	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	1,653	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	260	6,357	-
Local Affairs	-	-	-	-
Regulatory Agencies	-	63	-	-
Revenue	536	-	966	-
State	-	-	-	-
Subtotal	1,182	323	8,976	51
EDUCATION				
Education	152	46	149,381	1,467
Higher Education	1,842	941	108,681	9,059
Subtotal	1,994	987	258,062	10,526
HEALTH AND REHABILITATION				
Public Health and Environment	188	4	5,189	-
Human Services	3,068	3,440	103,080	-
Subtotal	3,256	3,444	108,269	-
JUSTICE				
Corrections	3,987	3,607	602,062	-
DHS, Division of Youth Services	1,675	535	85,478	-
Judicial	1,605	9	8,648	2,535
Law	-	-	-	9
Public Safety	1,399	1,696	22,928	-
Regulatory Agencies	-	-	-	-
Subtotal	8,666	5,847	719,116	2,544
NATURAL RESOURCES				
Natural Resources	46,815	116	17,788	-
SOCIAL ASSISTANCE				
Human Services	-	1,090	2,572	-
Military Affairs	36	1,568	2,075	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,658	4,647	-
TRANSPORTATION				
Transportation	15,694	144	112,366	-
TOTAL CAPITAL ASSETS	$ 86,938	$ 24,397	$ 1,360,897	$ 13,121

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

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 19,855	$ 1,302	$ 142	$ 5,659	$ -	$ 26,965
274	46	-	-	-	320
419	6	-	10,429	-	87,173
43,818	59	15	16,930	-	136,342
972	15,774	-	1,636	-	18,382
65,338	17,187	157	34,654	-	269,182
1,666	250	-	223	-	3,895
83	-	-	-	-	134
1,477	1,337	440	10,461	-	20,875
35	48	-	-	-	83
166	20	-	-	-	249
102	20	-	-	-	1,624
1,298	19	-	-	-	1,317
4,827	1,694	440	10,684	-	28,177
1,470	983	-	323,808	-	477,307
1,353	89	-	2,028	56	124,049
2,823	1,072	-	325,836	56	601,356
5,195	1,192	7,051	-	-	18,819
1,722	-	61	5,490	-	116,861
6,917	1,192	7,112	5,490	-	135,680
9,033	411	907	14,896	-	634,903
311	-	-	1,607	-	89,606
11,161	4,521	-	240,512	-	268,991
1,455	175	-	-	-	1,639
11,968	5,910	151	3,743	-	47,795
30	-	-	-	-	30
33,958	11,017	1,058	260,758	-	1,042,964
732	53	1,152	367	-	67,023
2,814	58,500	-	3,948	-	68,924
87	-	-	-	-	3,766
89	373	-	-	-	462
2,990	58,873	-	3,948	-	73,152
142,116	7,002	-	503,695	8,485,177	9,266,194
$ 259,701	$ 98,090	$ 9,919	$ 1,145,432	$ 8,485,233	$ 11,483,728

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled “Other”. The schedule on the following pages provide a summary of assets, liabilities, and net position/fund balance 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 POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2013

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,016	-	6,016
Wildlife for Future Generations (Expendable)	33-1-112	1,308	109	1,199
Other Permanent-Nonexpendable	VARIOUS	745	-	745
Veterans Monument Preservation	24-80-1401	75	-	75
Hall Historical Marker-Nonexpendable	24-80-209	$ 8	$ -	$ 8
Total Other Permanent Funds		$ 8,152	$ 109	$ 8,043
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	617	-	617
Early Intervention Services Trust	27-10.5-706	5,084	4,760	324
Colorado Combined Campaign Administration	RESTRICTED	53	38	15
Americans with Disabilities Act Contractor Settlement	35-41-102	288	15	273
Total Other Private Purpose Funds		$ 6,042	$ 4,813	$ 1,229
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	NONE	14,715	6,256	8,459
Grounds Cash Fund	26-1-133.5(2)	4,962	93	4,869
Business Enterprise Program	26-8.5-107	1,011	245	766
Clean Screen Authority	42-4-307.5	607	-	607
Work Therapy	26-8-107	131	33	98
Brand Inspection Fund	35-41-102	8,228	6,780	1,448
Other Enterprise Funds	VARIOUS	44	1	43
Enterprise Services	24-80-209	883	234	649
Total Other Enterprise Funds		$ 30,581	$ 13,642	$ 16,939
OTHER INTERNAL SERVICE FUNDS				
Debt Collection Fund	24-30-202.4	1,041	305	736
Prof Development Cash Fund	24-50-122(2)	123	89	34
		$ 1,164	$ 394	$ 770
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	422,698	20,036	402,662
School Capital Construction Assistance	22-43.7-104	79,434	7,996	71,438
Economic Development Fund	24-46-105	17,308	6,975	10,333
Intellectual and Development tal Disabilities Services	25.5-10-207	6,970	-	6,970
Legislative Department Cash Fund	2-2-1601(1)	6,181	51	6,130
State Employee Reserve Fund	24-50-104	5,465	-	5,465
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Controlled Maintenance Trust -Nonexpendable	24-75-302.5	3,234	-	3,234
Ballot Information Publication & District Fund	1-40-124.5	3,150	-	3,150
Indirect Cost Excess Recovery Fund	24-75-1401	1,770	5	1,765
Housing Development Grant Fund	24-32-721	1,865	104	1,761
Persistent Drunk Driver	42-3-130.5	1,938	433	1,505
Tax Amnesty Cash Fund	39-21-202	1,052	-	1,052
Colorado Health Care Services	25.5-3-112	1,008	-	1,008
State Supplemental Security Income Stabilization	26-2-210(1)	994	-	994
Charter School Institute Fund	22-30.5-506	1,640	745	895
Diseased Livestock Fund	35-50-140.5	461	-	461
Charter School Assistance Fund	22-30.5-515	457	-	457
Colorado Family Support Loan	27-10.5-502	412	-	412
Colorado National Guard Tuition Fund	23-5-111.4	443	120	323
Legislative Expenses Fund	2-3-1002(1)	356	33	323
Real Estate Proceeds	28-3-106	197	-	197

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2013

(Dollars in Thousands)

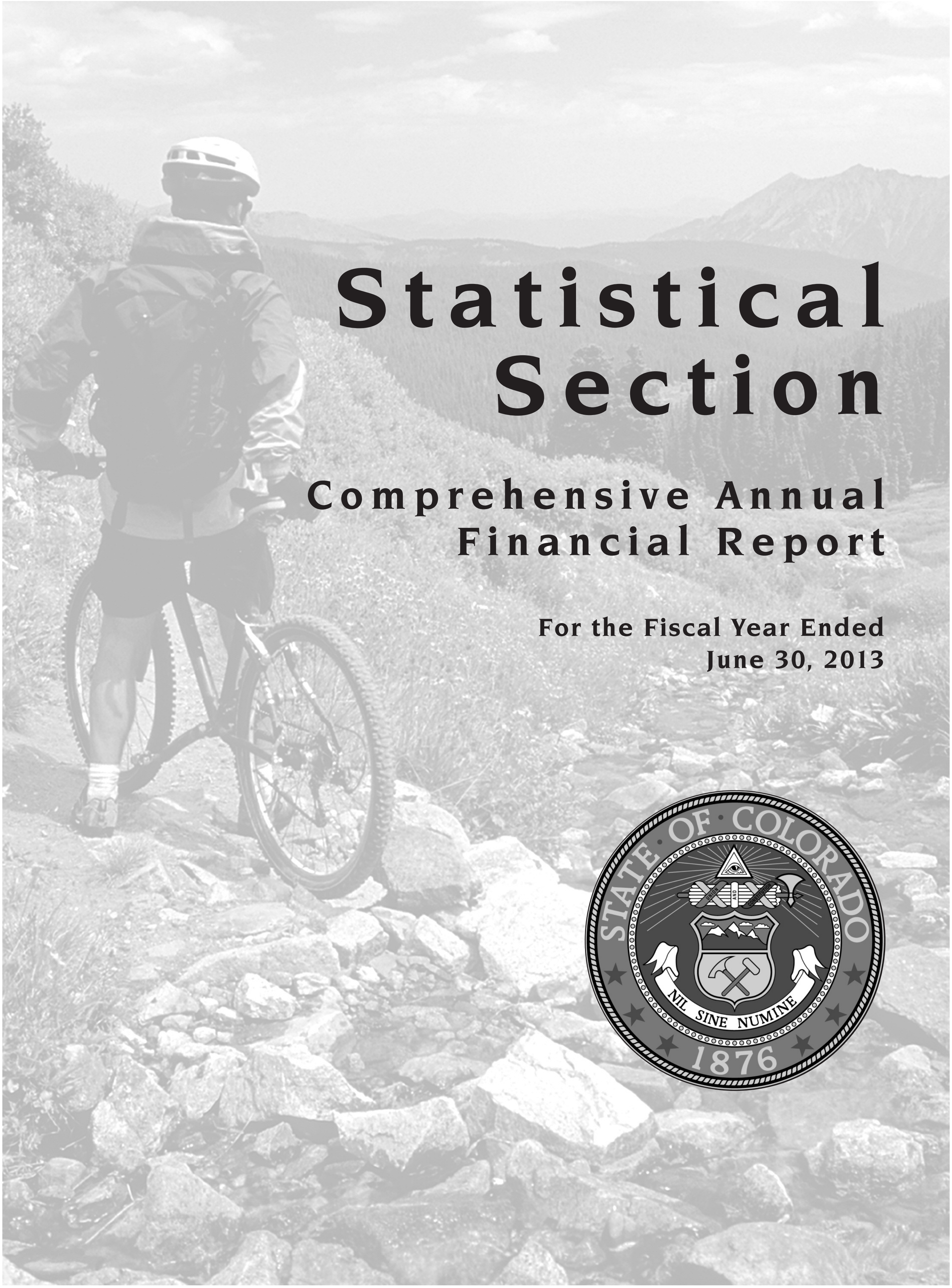
FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Conservation Trust Fund	24-35-210(10	15,139	14,951	188
Advance Technology Fund	25-16.5-105	145	-	145
Colorado Heritage Communites Fund	24-32-3207	144	11	133
Start Smart Nutrition Program Fund	22-82.7-105	158	44	114
Older Coloradans Cash Fund	26-11-205.5	885	838	47
Cofrs Warehouse Inventory	NONE	960	957	3
Child Protection Ombudsman Program	19-3.3-107(1)	76	75	1
Highway Crossing	43-4-201	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
		$ 579,542	$ 53,374	$ 526,168
OTHER SPECIAL REVENUE FUNDS				
Mortgage Fraud Settlement Fund	NONE	38,609	16	38,593
Gear Up Scholarship Trust Fund	RESTRICTED	23,266	4	23,262
Aviation Fund	43-10-109	23,043	3,229	19,814
Consumer Protection Custodial Funds	6-1-103	17,773	1,736	16,037
Judicial Stabilization Cash Fund	13-32-101	15,828	-	15,828
Offender Services	16-11-214	11,327	-	11,327
Victim Assistance Fund	24-4.2-104	10,464	32	10,432
Victim Compensation Fund	24-4.1-117	9,385	17	9,368
Supreme Court Committee	CRT RULE 227	13,916	4,942	8,974
Energy Efficiency Project Fund	24-38.5-106	8,786	-	8,786
Judicial Collection Enhancement Fund	Restricted	5,716	139	5,577
Medical Marijuana License Fund	12-43.3-501	4,597	206	4,391
Disabled Telephone Users Fund	40-17-104	4,662	336	4,326
Conveyance Safety Fund	9-5.5-111(2)	4,133	-	4,133
Electronic Procurement Program	24-102-202.5	3,754	27	3,727
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,788	3,277	3,511
Supportive Housing and Homeless Programs Section 8	29-4-708(K)	3,504	-	3,504
Federal Tax Relief Act - 2003	RESTRICTED	3,191	82	3,109
Help America Vote Fund	HAVA 2002	3,076	44	3,032
Community Development Block Grant	24-76-101	2,892	189	2,703
Other Expendable Trusts	VARIOUS	13,581	10,900	2,681
Judicial Collection Enhancement Fund	16-11-101.6	2,594	-	2,594
Travel and Tourism Additional Fund	24-49.7-106	2,558	18	2,540
Division of Professions and Occupations	24-34-105	17,931	15,461	2,470
Creative Industries Cash Fund	24-48.5-301	2,475	43	2,432
Fixed Utilities Fund	40-2-114	3,072	718	2,354
Housing Rehabilitation Revolving Loans	29-4-728	2,320	-	2,320
Inspection & Consumer Service Cash Fund	35-1-106.5	3,419	1,211	2,208
Process & End Users Fund	25-17-202.5	2,509	328	2,181
Public School Construction and Inspection Fund	24-33.5-1207	2,068	65	2,003
Victims Assistance	24-33.5-506	2,143	161	1,982
Hazardous Materials	42-20-107	1,980	1	1,979
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1)	3,873	1,978	1,895

(Continued)

**COMBINING SCHEDULE OF INDIVIDUAL FUND
ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE
FOR OTHER PERMANENT, PRIVATE PURPOSE,
ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS
JUNE 30, 2013**

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Secretary of State Fees Fund	24-21-104	4,056	2,161	1,895
Patient Benefit	NONE	1,872	17	1,855
CBI Identification Unit	24-33.5-426	3,250	1,423	1,827
Judicial Information Technology Cash Fund	13-32-114	1,768	-	1,768
Section 8 Pre Federal FY 04	NONE	1,549	-	1,549
Donations	VARIOUS	3,841	2,335	1,506
Housing Urban Development Section 8 HC Vouchers	None	2,287	871	1,416
Law Examiners Board Fund Balance	CRT RULE 201	1,392	-	1,392
Court Security Cash Fund	13-1-204(1)	1,784	537	1,247
Attorney'S Fees And Costs	24-31-108(2)	1,177	-	1,177
Criminal Alien Assistance Cash	17-1-107.5	1,166	-	1,166
Correctional Treatment Cash Fund	18-19-103(4)	1,160	-	1,160
CBI Contraband	24-33.5-415	1,131	1	1,130
Public School Transportation	22-51-103(1)	1,396	273	1,123
Commercial Vehicle Enterprise	42-1-225(1)	1,117	-	1,117
P.O.S.T. Board Cash Fund	24-31-303(2)	1,435	438	997
Liquor Law Enforcement	24-35-401	1,154	160	994
Colorado Dealer License Board	12-6-123	1,126	154	972
CLE Fund Balance	CRT RULE 260	955	-	955
State Patrol Contraband	24-33.5-225	770	13	757
Library Trust Fund	24-90-105	731	6	725
Uniform Consumer Credit Code Custodial Funds	RESTRICTED	848	126	722
Instant Criminal Background Check	24-33.5-424	714	-	714
Alcohol & Drug Driving Safety	42-4-1301.3	667	-	667
Howard Fund	26-8-104(1)C	646	-	646
Texaco Oil Overcharge Fund	NONE	1,173	557	616
Historical Society Unrestricted Fund	24-80-209	584	2	582
Educator Licensure Cash Fund	22-60.5-112	779	224	555
Public Deposit Administration Fund	11-10.5-112	961	419	542
Mortagate Company and Loan Originator Fund	12-61-908(2)	817	277	540
Home Grant Revolving Loan Fund	NONE	9,625	9,117	508
Property Tax Exemption Fund	39-2-117(3)	579	74	505
Notary Administration Cash Fund	12-55-102.5	488	-	488
Collaborative Management Incentive	24-1.9-104(1)	1,630	1,179	451
Collection Agency Board Custodial	24-31-108	451	15	436
Building Regulation Fund	24-32-3309	483	56	427
Exxon Oil Overcharge Funds	NONE	424	-	424
Innovative Energy Fund	24-38.5-102.	502	94	408
Racing Cash Fund	None	487	83	404
Traumatic Brain Injury Fund	26-1-210(1)	809	406	403
Div Of Securities Cash Fund	11-51-707	2,186	1,784	402
Judicial Performance Cash Fund	13-5.5-107	467	121	346
Real Estate Cash Fund	12-61-111.5	2,667	2,337	330
Violent Offender Identification Fund	24-33.5-415.	349	37	312
Agricultural Products Inspection	35-23-114(3)	523	212	311
Food Distribution Program Service	26-1-121(4B)	316	22	294
Supplier Database Cash Fund	24-102-202.5	301	12	289
Firefighter First Respone Hazmat	24-33.5-1207	294	25	269
Wine Development Fund	35-29.5-105	304	49	255
Patient Benefit	26-12-108(2)	252	-	252
Domestic Abuse Program	39-22-802	667	416	251
Diamond Shamrock Settlement	NONE	248	-	248
Motor Carrier	40-2-110.5	418	171	247
Public Safety Inspection	8-1-151	239	-	239
Vickers Oil Overcharge Funds	EX ORD 56-87	225	-	225
Records and Reports Fund	19-1-307(2.5	274	69	205
Employment Verification Cash	8-2-122(4)	204	-	204
138 Funds with Net Assets Below $200,000		18,228	12,150	6,078
Total Other Special Revenue Funds		$ 361,179	$ 83,583	$ 277,596



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

STATISTICAL SECTION

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS	These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.
REVENUE CAPACITY	These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.
DEBT CAPACITY	These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.
DEMOGRAPHIC AND ECONOMIC INFORMATION	These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.
OPERATING INFORMATION	These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,549,620	$ 1,969,331	$ 1,548,435	$ 1,962,934
Investments	3,497	1,726	45,548	15,224
Taxes Receivable, net	1,118,329	1,012,147	830,730	857,246
Other Receivables, net	189,937	156,126	147,768	158,060
Due From Other Governments	369,249	318,460	486,655	516,248
Internal Balances	23,801	15,964	18,620	14,153
Due From Component Units	119	137	62	84
Inventories	55,319	17,057	19,837	16,468
Prepaids, Advances, and Deferred Charges	57,465	53,961	56,543	38,591
Total Current Assets	4,367,336	3,544,909	3,154,198	3,579,008
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,798,432	1,779,413	1,635,476	1,572,925
Restricted Investments	598,209	591,083	1,097,797	687,314
Restricted Receivables	176,055	181,932	173,347	195,753
Investments	464,535	416,674	52,343	529,059
Other Long-Term Assets	740,735	712,736	761,498	644,867
Depreciable Capital Assets and Infrastructure, net	9,312,959	9,602,516	9,331,295	9,689,916
Land and Nondepreciable Capital Assets	2,170,769	1,903,604	1,780,945	1,637,224
Total Noncurrent Assets	15,261,694	15,187,958	14,832,701	14,957,058
TOTAL ASSETS	19,629,030	18,732,867	17,986,899	18,536,066
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	742,225	677,471	785,496	847,550
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	198,953	228,229	216,956	181,684
Due To Other Funds	-	-	-	-
Due To Component Units	81	-	-	-
Unearned Revenue	95,026	125,174	111,506	128,404
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	10,955	9,859	9,741	10,287
Claims and Judgments Payable	46,873	44,858	44,641	44,181
Leases Payable	20,004	14,387	12,872	11,384
Notes, Bonds, and COPs Payable	174,340	162,670	145,165	642,445
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	14,834	16,531	13,748	20,432
Total Current Liabilities	2,022,074	1,941,714	1,965,976	2,551,854
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	17	16	14	13
Accrued Compensated Absences	138,413	132,394	137,139	138,224
Claims and Judgments Payable	323,451	330,516	340,003	347,394
Capital Lease Payable	131,006	107,042	94,716	85,746
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,611,220	1,614,293	1,621,749	1,554,964
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	444,118	427,828	434,194	402,599
Total Noncurrent Liabilities	2,648,225	2,612,089	2,627,815	2,528,940
TOTAL LIABILITIES	4,670,299	4,553,803	4,593,791	5,080,794
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET POSITION:				
Net investment in Capital Assets:	10,107,082	10,107,432	9,836,378	10,118,621
Restricted for:				
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849
Education	1,265,476	280,269	485,171	194,586
Unemployment Insurance	-	-	-	-
Debt Service	33,113	21,453	10,127	4,093
Emergencies	161,350	72,850	85,400	94,000
Permanent Funds and Endowments:				
Expendable	6,328	6,024	8,017	11,130
Nonexpendable	694,564	684,953	641,802	643,148
Other Purposes	349,811	340,818	315,082	138,826
Held in Trust for:				
Pension/Benefit Plan Participants	-	-	-	-
Investment Trust Participants	-	-	-	-
Individuals, Organizations, and Other Entities	-	-	-	-
Unrestricted	1,195,010	1,488,996	850,342	1,052,019
TOTAL NET POSITION	$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272

GOVERNMENTAL ACTIVITIES

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 2,217,711	$ 2,632,601	$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469
1,498	565	998	12,637	10,440	10,209
920,086	946,077	956,149	845,241	731,647	738,769
182,540	188,347	153,218	153,916	146,906	143,717
475,997	355,519	280,637	264,688	307,704	282,252
14,617	14,545	13,756	26,313	18,122	22,070
66	63	65	56	110	-
16,183	16,703	14,053	14,906	18,266	16,696
33,244	23,790	28,527	28,735	23,700	29,628
3,861,942	4,178,210	3,902,828	3,681,440	3,201,646	2,630,810
1,813,365	2,061,543	1,689,703	1,349,184	1,199,258	1,360,083
694,311	620,325	552,211	491,780	465,819	408,790
184,120	187,018	279,140	335,774	311,462	347,245
98,815	96,743	80,695	48,173	24,162	4,055
600,020	442,911	425,886	395,612	356,325	325,376
2,360,036	2,282,645	1,288,308	1,322,945	1,348,957	1,208,235
10,480,438	10,291,250	11,799,975	11,649,792	11,613,109	11,583,157
16,231,105	15,982,435	16,115,918	15,593,260	15,319,092	15,236,941
20,093,047	20,160,645	20,018,746	19,274,700	18,520,738	17,867,751
-	-	-	-	-	-
633,722	561,117	486,576	457,124	476,445	425,610
779,008	837,311	694,602	633,685	679,425	687,136
706	706	727	2,917	41,064	-
223,415	183,696	176,864	247,548	192,611	172,239
-	-	-	-	-	-
-	-	-	-	-	-
150,632	97,174	65,389	66,290	73,609	84,431
-	-	-	-	-	-
8,930	9,776	9,533	9,437	7,900	7,992
36,936	37,775	40,948	49,415	38,738	12,084
8,227	6,002	2,807	1,461	3,403	2,821
637,066	574,150	457,250	526,235	628,395	419,778
-	-	-	-	-	-
9,818	11,794	9,615	10,318	25,092	37,152
2,488,460	2,319,501	1,944,311	2,004,430	2,166,682	1,849,243
-	-	-	-	-	-
16	16	17	17	16	10
140,675	128,760	116,262	112,860	111,418	112,104
358,371	335,636	295,874	343,452	430,978	29,200
83,586	54,029	27,649	16,021	18,905	13,219
-	-	-	-	-	-
-	-	-	-	-	-
1,146,960	1,274,720	1,390,671	1,503,686	1,467,924	1,540,053
-	-	-	-	-	-
-	-	-	-	-	-
397,774	217,793	206,972	210,369	198,520	516,756
2,127,382	2,010,954	2,037,445	2,186,405	2,227,761	2,211,342
4,615,842	4,330,455	3,981,756	4,190,835	4,394,443	4,060,585
-	-	-	-	-	-
11,631,061	11,348,995	11,804,908	11,662,529	11,771,877	11,747,276
1,220,524	1,350,485	1,196,903	824,698	679,440	559,450
338,365	353,149	225,818	153,043	123,867	147,286
-	-	-	-	-	-
558	558	558	580	3,298	7,965
93,550	93,000	85,760	79,800	71,000	172,202
8,588	2,333	1,782	1,642	1,953	1,297
623,619	587,733	515,997	460,473	433,538	392,542
197,918	231,532	299,777	198,996	141,933	134,658
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,363,022	1,862,405	1,905,487	1,702,104	899,389	644,490
$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,169,314	$ 2,011,437	$ 1,306,800	$ 1,176,181
Investments	281,822	160,099	273,605	253,270
Taxes Receivable, net	137,970	159,303	186,161	90,005
Other Receivables, net	381,351	330,216	302,042	282,053
Due From Other Governments	155,190	218,667	177,822	158,787
Internal Balances	(23,801)	(15,964)	(18,620)	(14,153)
Due From Component Units	18,969	18,715	19,736	14,474
Inventories	52,826	53,318	43,600	42,779
Prepaids, Advances, and Deferred Charges	24,806	24,160	18,018	19,244
Total Current Assets	3,198,447	2,959,951	2,309,164	2,022,640
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	352,234	372,457	409,652	353,164
Restricted Investments	292,283	293,711	98,146	239,719
Restricted Receivables	45,264	80,975	24,980	239,041
Investments	1,746,078	1,769,909	1,623,569	1,206,671
Other Long-Term Assets	128,105	114,118	122,939	119,387
Depreciable Capital Assets and Infrastructure, net	5,463,065	5,250,256	4,662,346	3,912,771
Land and Nondepreciable Capital Assets	1,229,761	1,019,556	938,544	1,207,048
Total Noncurrent Assets	9,256,790	8,900,982	7,880,176	7,277,801
TOTAL ASSETS	12,455,237	11,860,933	10,189,340	9,300,441
DEFERRED OUTFLOW OF RESOURCES:	551	5,005	-	7,778
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	602,571	623,458	556,294	596,926
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	34,169	53,622	331,246	406,275
Due To Other Funds	-	-	-	-
Due To Component Units	343	123	524	466
Unearned Revenue	305,108	237,530	234,662	232,371
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	16,609	14,942	14,579	13,035
Claims and Judgments Payable	-	-	-	-
Leases Payable	6,575	5,853	4,950	6,672
Notes, Bonds, and COPs Payable	233,811	243,601	79,106	100,329
Other Postemployment Benefits	17,052	15,721		
Other Current Liabilities	142,868	110,667	141,484	126,232
Total Current Liabilities	1,359,106	1,305,517	1,362,845	1,482,306
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	236,329	219,026	205,621	196,295
Claims and Judgments Payable	38,993	36,472	35,373	29,461
Capital Lease Payable	35,153	33,185	43,466	76,702
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	3,898,265	3,938,320	3,117,100	2,682,987
Due to Component Units	1,755	1,758	2,374	2,501
Other Postemployment Benefits	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	11,972	39,015	43,814	36,450
Total Noncurrent Liabilities	4,407,976	4,420,423	3,559,806	3,079,433
TOTAL LIABILITIES	5,767,082	5,725,940	4,922,651	4,561,739
DEFERRED INFLOW OF RESOURCES:	-	-	2,006	-
NET POSITION:				
Net investment in Capital Assets:	3,571,408	3,386,411	2,990,094	2,854,803
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	218,076	64,433	-	-
Debt Service	8,439	7,464	6,753	6,100
Emergencies	34,000	10,005	12,368	16,257
Permanent Funds and Endowments:				
Expendable	11,716	6,975	5,936	6,825
Nonexpendable	61,159	38,798	73,956	71,738
Other Purposes	631,921	629,655	657,292	630,890
	-	-	-	-
	-	-	-	-
	-	-	-	-
Unrestricted	2,151,987	1,996,257	1,518,284	1,159,867
TOTAL NET POSITION	$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480

BUSINESS-TYPE ACTIVITIES

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 1,220,190	$ 1,555,782	$ 1,430,836	$ 1,188,953	$ 872,618	$ 678,233
386,948	272,804	326,087	328,466	670,346	182,572
73,326	82,431	81,745	105,973	103,598	92,485
245,768	239,790	219,488	209,497	206,946	180,707
142,961	125,894	126,391	99,040	95,170	86,355
(14,617)	(14,545)	(13,756)	(26,313)	(18,122)	(22,070)
12,630	16,348	15,334	11,141	9,294	5,406
42,467	42,271	38,000	35,747	34,797	33,065
20,091	17,055	15,751	13,148	13,723	18,396
2,129,764	2,337,830	2,239,876	1,965,652	1,988,370	1,255,149
368,308	446,681	149,811	187,895	160,283	121,764
201,025	259,115	555,310	424,826	453,876	243,390
1,916,974	1,716,722	1,408,588	1,173,312	1,015,134	889,108
1,154,901	1,008,382	972,922	887,302	225,329	577,619
123,599	119,650	112,693	108,606	119,359	99,358
3,594,383	3,464,979	2,851,692	2,718,135	2,719,778	2,623,814
928,243	576,755	835,182	561,525	403,037	371,552
8,287,433	7,592,284	6,886,198	6,061,601	5,096,796	4,926,605
10,417,197	9,930,114	9,126,074	8,027,253	7,085,166	6,181,754
-	-	-	-	-	-
-	-	-	-	-	-
506,318	467,741	413,788	380,194	350,347	334,136
-	-	-	-	-	-
182,922	26,885	38,501	30,749	38,472	37,120
-	-	-	-	-	-
930	1,112	273	1,067	1,607	703
207,551	190,528	183,805	171,411	145,432	131,496
-	-	-	-	-	-
12,753	12,745	12,578	14,284	14,103	9,719
-	7,398	11,717	7,430	8,233	-
6,282	5,976	4,950	4,851	6,039	5,537
85,456	75,567	62,998	83,271	85,672	80,127
241,129	208,542	126,574	94,214	107,228	107,611
1,243,341	996,494	855,184	787,471	757,133	706,449
-	-	-	-	-	-
-	-	-	-	-	-
185,420	166,402	153,320	136,837	131,883	128,635
27,541	28,482	28,220	48,396	20,019	-
83,206	83,113	63,671	55,873	84,101	80,994
4,285	4,285	-	-	-	-
-	-	-	-	-	-
3,917,559	3,466,484	3,100,764	2,488,738	2,062,837	1,578,762
723	1,233	-	-	-	-
31,689	15,775	-	-	-	-
43,321	40,756	54,097	53,138	52,022	70,174
4,293,744	3,806,530	3,400,072	2,782,982	2,350,862	1,858,565
5,537,085	4,803,024	4,255,256	3,570,453	3,107,995	2,565,014
-	-	-	-	-	-
2,665,270	2,411,662	2,256,929	2,256,602	2,238,068	2,195,837
-	-	-	-	-	-
-	-	-	-	-	-
392,984	765,533	675,574	548,780	321,725	200,311
111,778	180,409	125,656	105,348	122,290	103,602
21,282	33,716	37,472	29,883	27,247	39,277
6,935	9,592	5,313	4,757	16,483	17,449
70,420	74,479	97,821	82,698	76,460	49,659
582,006	491,492	411,112	364,310	303,714	297,765
582,006	491,492	13,953	-	-	-
-	-	715,758	-	-	-
-	-	972,374	-	-	-
1,029,437	1,160,207	1,260,941	1,064,422	871,184	712,840
$ 4,880,112	$ 5,127,090	$ 4,870,818	$ 4,456,800	$ 3,977,171	$ 3,616,740

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 4,718,934	$ 3,980,768	$ 2,855,235	$ 3,139,115
Investments	285,319	161,825	319,153	268,494
Taxes Receivable, net	1,256,299	1,171,450	1,016,891	947,251
Other Receivables, net	571,288	486,342	449,810	440,113
Due From Other Governments	524,439	537,127	664,477	675,035
Internal Balances	-	-	-	-
Due From Component Units	19,088	18,852	19,798	14,558
Inventories	108,145	70,375	63,437	59,247
Prepaids, Advances, and Deferred Charges	82,271	78,121	74,561	57,835
Total Current Assets	7,565,783	6,504,860	5,463,362	5,601,648
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,150,666	2,151,870	2,045,128	1,926,089
Restricted Investments	890,492	884,794	1,195,943	927,033
Restricted Receivables	221,319	262,907	198,327	434,794
Investments	2,210,613	2,186,583	1,675,912	1,735,730
Other Long-Term Assets	868,840	826,854	884,437	764,254
Depreciable Capital Assets and Infrastructure, net	14,776,024	14,852,772	13,993,641	13,602,687
Land and Nondepreciable Capital Assets	3,400,530	2,923,160	2,719,489	2,844,272
Total Noncurrent Assets	24,518,484	24,088,940	22,712,877	22,234,859
TOTAL ASSETS	32,084,267	30,593,800	28,176,239	27,836,507
DEFERRED OUTFLOW OF RESOURCES:	551	5,005	-	7,778
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	1,344,796	1,300,929	1,341,790	1,444,476
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	233,122	281,851	548,202	587,959
Due To Other Funds	-	-	-	-
Due To Component Units	424	123	524	466
Unearned Revenue	400,134	362,704	346,168	360,775
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	27,564	24,801	24,320	23,322
Claims and Judgments Payable	46,873	44,858	44,641	44,181
Leases Payable	26,579	20,240	17,822	18,056
Notes, Bonds, and COPs Payable	408,151	406,271	224,271	742,774
Other Postemployment Benefits	17,052	15,721	-	-
Other Current Liabilities	157,702	127,198	155,232	146,664
Total Current Liabilities	3,381,180	3,247,231	3,328,821	4,034,160
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	17	16	14	13
Accrued Compensated Absences	374,742	351,420	342,760	334,519
Claims and Judgments Payable	362,444	366,988	375,376	376,855
Capital Lease Payable	166,159	140,227	138,182	162,448
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	5,509,485	5,552,613	4,738,849	4,237,951
Due to Component Units	1,755	1,758	2,374	2,501
Other Postemployment Benefits	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	456,090	466,843	478,008	439,049
Total Noncurrent Liabilities	7,056,201	7,032,512	6,187,621	5,608,373
TOTAL LIABILITIES	10,437,381	10,279,743	9,516,442	9,642,533
DEFERRED INFLOW OF RESOURCES:	-	-	2,006	-
NET POSITION:				
Net investment in Capital Assets:	13,678,490	13,493,843	12,826,472	12,973,424
Restricted for:				
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849
Education	1,265,476	280,269	485,171	194,586
Unemployment Insurance	218,076	64,433	-	-
Debt Service	41,552	28,917	16,880	10,193
Emergencies	195,350	82,855	97,768	110,257
Permanent Funds and Endowments:				
Expendable	18,044	12,999	13,953	17,955
Nonexpendable	755,723	723,751	715,758	714,886
Other Purposes	981,732	970,473	972,374	769,716
Held in Trust for:				
Pension/Benefit Plan Participants				
Investment Trust Participants				
Individuals, Organizations, and Other Entities				
Unrestricted	3,346,997	3,485,253	2,368,626	2,211,886
TOTAL NET POSITION	$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752

TOTAL PRIMARY GOVERNMENT

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 3,437,901	$ 4,188,383	$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702
388,446	273,369	327,085	341,103	680,786	192,781
993,412	1,028,508	1,037,894	951,214	835,245	831,254
428,308	428,137	372,706	363,413	353,852	324,424
618,958	481,413	407,028	363,728	402,874	368,607
-	-	-	-	-	-
12,696	16,411	15,399	11,197	9,404	5,406
58,650	58,974	52,053	50,653	53,063	49,761
53,335	40,845	44,278	41,883	37,423	48,024
5,991,706	6,516,040	6,142,704	5,647,092	5,190,016	3,885,959
2,181,673	2,508,224	1,839,514	1,537,079	1,359,541	1,481,847
895,336	879,440	1,107,521	916,606	919,695	652,180
2,101,094	1,903,740	1,687,728	1,509,086	1,326,596	1,236,353
1,253,716	1,105,125	1,053,617	935,475	249,491	581,674
723,619	562,561	538,579	504,218	475,684	424,734
5,954,419	5,747,624	4,140,000	4,041,080	4,068,735	3,832,049
11,408,681	10,868,005	12,635,157	12,211,317	12,016,146	11,954,709
24,518,538	23,574,719	23,002,116	21,654,861	20,415,888	20,163,546
30,510,244	30,090,759	29,144,820	27,301,953	25,605,904	24,049,505
-	-	-	-	-	-
633,722	561,117	486,576	457,124	476,445	425,610
1,285,326	1,305,052	1,108,390	1,013,879	1,029,772	1,021,272
706	706	727	2,917	41,064	-
406,337	210,581	215,365	278,297	231,083	209,359
-	-	-	-	-	-
930	1,112	273	1,067	1,607	703
358,183	287,702	249,194	237,701	219,041	215,927
-	-	-	-	-	-
21,683	22,521	22,111	23,721	22,003	17,711
36,936	45,173	52,665	56,845	46,971	12,084
14,509	11,978	7,757	6,312	9,442	8,358
722,522	649,717	520,248	609,506	714,067	499,905
-	-	-	-	-	-
250,947	220,336	136,189	104,532	132,320	144,763
3,731,801	3,315,995	2,799,495	2,791,901	2,923,815	2,555,692
16	16	17	17	16	10
326,095	295,162	269,582	249,697	243,301	240,739
385,912	364,118	324,094	391,848	450,997	29,200
166,792	137,142	91,320	71,894	103,006	94,213
4,285	4,285	-	-	-	-
-	-	-	-	-	-
5,064,519	4,741,204	4,491,435	3,992,424	3,530,761	3,118,815
723	1,233	-	-	-	-
31,689	15,775	-	-	-	-
441,095	258,549	261,069	263,507	250,542	586,930
6,421,126	5,817,484	5,437,517	4,969,387	4,578,623	4,069,907
10,152,927	9,133,479	8,237,012	7,761,288	7,502,438	6,625,599
-	-	-	-	-	-
14,296,331	13,760,657	14,061,837	13,919,131	14,009,945	13,943,113
1,220,524	1,350,485	1,196,903	824,698	679,440	559,450
338,365	353,149	225,818	153,043	123,867	147,286
392,984	765,533	675,574	548,780	321,725	200,311
112,336	180,967	126,214	105,928	125,588	111,567
114,832	126,716	123,232	109,683	98,247	211,479
15,523	11,925	7,095	6,399	18,436	18,746
694,039	662,212	613,818	543,171	509,998	442,201
779,924	723,024	710,889	563,306	445,647	432,423
2,392,459	3,022,612	3,166,428	2,766,526	1,770,573	1,357,330
$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 447,232	$ 442,793	$ 454,633	$ 419,866
Service Fees	965,614	901,950	735,820	589,795
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	248,520	187,344	200,432	218,892
Rents and Royalties	133,901	147,946	128,588	79,518
Sales of Products	2,851	1,626	4,974	3,854
Unemployment Surcharge	25,724	19,307	18,611	19,329
Other	127,083	84,828	89,509	67,460
Operating Grants and Contributions	5,860,052	5,884,031	6,218,836	5,885,657
Capital Grants and Contributions	700,548	600,300	659,288	607,383
TOTAL PROGRAM REVENUES	8,511,525	8,270,125	8,510,691	7,891,754
EXPENSES:				
General Government	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854
Education	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	697,795	703,684	696,539	659,187
Justice	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	77,934	93,900	149,878	144,445
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,769,013	1,777,488	1,974,009	2,105,688
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	16,284	40,935	32,487	33,203
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	17,718,082	16,947,448	17,081,353	16,511,089
NET (EXPENSE) REVENUE	(9,206,557)	(8,677,323)	(8,570,662)	(8,619,335)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	240,895	244,624	236,945	244,344
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	606,883	434,885	441,778	360,852
Other Taxes	453,305	519,870	466,408	376,388
Restricted Taxes	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215
Other General Revenues	97,402	96,213	91,608	112,138
Special and/or Extraordinary Items (See Note 35)	-	-	-	-
(Transfers-Out) / Transfers-In	(128,535)	(135,407)	(110,266)	(94,993)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	741	595	460	357
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	9,979,268	9,128,328	8,493,528	7,640,761
TOTAL CHANGES IN NET POSITION	772,711	451,005	(77,134)	(978,574)
NET POSITION - BEGINNING	14,179,064	13,393,108	13,455,272	15,477,205
Prior Period Adjustment	6,956	334,951	14,970	(594,624)
Accounting Changes	-	-	-	(448,735)
NET POSITION - ENDING	$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272

[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.

GOVERNMENTAL ACTIVITIES

2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04
$ 386,311	$ 374,521	$ 352,819	$ 339,779	$ 357,241	$ 353,628
184,327	132,822	129,980	123,392	128,101	132,644
53	-	-	-	-	-
203,259	155,692	126,612	121,859	117,666	109,341
85,811	78,889	68,270	68,920	61,524	45,340
5,040	4,592	3,703	3,100	2,841	3,164
19,369	21,512	22,346	22,399	21,524	20,112
61,168	57,622	64,964	79,810	54,254	55,216
5,065,429	4,222,670	4,122,360	3,909,382	3,684,878	3,601,808
485,711	439,693	414,602	447,283	409,458	487,442
6,496,478	5,488,013	5,305,656	5,115,924	4,837,487	4,808,695
308,410	217,939	163,412	164,276	141,320	161,588
705,037	667,381	565,769	449,411	367,553	343,589
5,208,705	5,017,551	4,771,218	4,394,236	194,723	173,823
644,699	603,296	560,153	524,736	475,668	477,572
1,543,310	1,436,009	1,313,767	1,197,334	1,026,282	936,374
137,159	131,658	138,457	112,753	62,638	81,114
5,220,295	4,660,287	4,496,696	4,348,466	3,016,668	2,954,217
1,376,215	1,459,295	1,213,138	1,205,556	919,388	746,153
-	-	-	-	[1] 3,283,590	3,131,486
-	-	-	-	[1] 1,848,922	1,674,416
20,393	37,567	42,269	31,969	26,925	9,625
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,164,223	14,230,983	13,264,879	12,428,737	11,363,677	10,689,957
(8,667,745)	(8,742,970)	(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)
2,093,113	2,357,807	2,244,000	2,148,981	1,980,785	1,920,934
251,209	257,908	261,711	266,747	182,726	112,741
4,024,105	4,591,481	4,508,845	4,044,581	3,450,493	3,253,027
322,683	461,390	470,853	422,656	291,583	220,236
655,478	510,442	484,408	568,184	491,214	465,826
880,625	986,274	946,757	922,872	868,251	835,680
22,591	42,478	43,638	35,372	29,736	16,534
119,748	113,603	84,328	84,335	95,912	99,200
(5,616)	(6,843)	(25,915)	(13,534)	(1,112)	-
(114,685)	(77,732)	(98,926)	(80,894)	[2] (545,175)	(546,580)
-	-	-	-	(431)	(20)
-	-	-	-	-	-
8,249,251	9,236,808	8,919,699	8,399,300	6,843,982	6,377,578
(418,494)	493,838	960,476	1,086,487	317,792	496,316
15,830,190	16,036,990	15,083,865	14,126,295	13,807,166	13,135,877
(118,647)	(393,912)	(7,351)	(128,917)	1,337	174,973
184,156	(306,726)	-	-	-	-
$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 133,315	$ 131,496	$ 120,910	$ 106,946
Service Fees	958,451	865,326	874,990	607,485
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	12,860	9,561	1,945	2,836
Rents and Royalties	47,881	65,236	29,507	24,648
Sales of Products	636,115	624,407	592,794	590,758
Unemployment Surcharge	725,854	828,530	791,317	491,716
Other	159,162	152,448	153,321	167,930
Operating Grants and Contributions	2,730,519	3,165,718	3,689,492	3,957,310
Capital Grants and Contributions	96,655	132,067	25,432	24,619
TOTAL PROGRAM REVENUES	8,012,838	8,381,485	8,523,083	7,973,606
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	5,258,665	5,068,481	4,755,385	4,451,541
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188
CollegeInvest[3]	-	-	-	68,650
Lottery	501,010	495,847	470,480	456,352
Wildlife[4]	177,497	160,933	108,425	105,037
College Assist	407,229	403,023	402,648	410,027
Other Business-Type Activities	187,265	196,542	191,123	170,410
TOTAL EXPENSES	7,586,814	7,896,147	8,069,789	8,158,205
NET (EXPENSE) REVENUE	426,024	485,338	453,294	(184,599)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	-	-
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	-	-	1,493	(79,575)
(Transfers-Out) / Transfers-In	128,535	135,407	110,266	94,993
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	128,535	135,407	111,759	15,418
TOTAL CHANGES IN NET POSITION	554,559	620,745	565,053	(169,181)
NET POSITION - BEGINNING	6,139,998	5,264,683	4,746,480	4,880,112
Prior Period Adjustment	(5,851)	254,570	(46,850)	35,549
Accounting Changes	-	-	-	-
NET POSITION - ENDING	$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480

[1] – 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.

[2] – In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.

BUSINESS-TYPE ACTIVITIES

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 119,611	$ 84,395	$ 84,302	$ 75,388	$ 64,864	$ 66,196
681,807	667,504	575,555	536,261 [1]	273,541	242,809
1,957,505	1,867,806	1,734,996	1,622,045 [1]	1,294,488	1,227,187
1,118	999	1,174	729	596	554
29,908	32,399	26,271	28,765	21,527	44,783
560,364	579,935	520,838	522,715	467,088	449,910
363,241	398,046	403,641	504,039	462,416	338,063
173,354	165,804	140,376	162,045	120,145	117,682
2,214,186	1,728,669	1,685,417	1,466,045	1,403,928	1,344,191
20,220	9,426	22,263	16,856	16,667	73,952
6,121,314	5,534,983	5,194,833	4,934,888	4,125,260	3,905,327
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,153,282	3,865,244	3,661,270	3,446,716	3,294,154	3,128,126
1,138,621	354,967	316,577	305,447	352,712	591,789
78,647	116,286	96,720	73,745	54,453	37,355
435,156	447,101	401,969	402,391	367,474	354,159
112,369	109,800	96,515	91,221 [2]		
399,576	326,080	199,677	115,200 [2]	-	-
171,635	173,928	163,727	138,773	267,408	246,988
6,489,286	5,393,406	4,936,455	4,573,493	4,336,201	4,358,417
(367,972)	141,577	258,378	361,395	(210,941)	(453,090)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,963	39,446	34,728	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(707)	-	-
114,685	77,732	98,926	80,894 [1]	545,175	546,580
-	-	-	-	10,303	15,330
-	-	-	-	-	-
114,685	114,695	138,372	114,915	555,478	561,910
(253,287)	256,272	396,750	476,310	344,537	108,820
5,127,090	4,870,818	4,456,800	3,977,171	3,616,740	3,504,704
6,309	-	17,267	3,319	15,894	3,216
-	-	-	-	-	-
$ 4,880,112	$ 5,127,090	$ 4,870,817	$ 4,456,800	$ 3,977,171	$ 3,616,740

[3] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

[4]– Parks and Wildlife after Fiscal Year 2010-11.

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2012-13	2011-12	2010-11	2009-10
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 580,547	$ 574,289	$ 575,543	$ 526,812
Service Fees	1,924,065	1,767,276	1,610,810	1,197,280
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	261,380	196,905	202,377	221,728
Rents and Royalties	181,782	213,182	158,095	104,166
Sales of Products	638,966	626,033	597,768	594,612
Unemployment Surcharge	751,578	847,837	809,928	511,045
Other	286,245	237,276	242,830	235,390
Operating Grants and Contributions	8,590,571	9,049,749	9,908,328	9,842,967
Capital Grants and Contributions	797,203	732,367	684,720	632,002
TOTAL PROGRAM REVENUES	16,524,363	16,651,610	17,033,774	15,865,360
EXPENSES:				
General Government	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854
Education	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	697,795	703,684	696,539	659,187
Justice	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	77,934	93,900	149,878	144,445
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,769,013	1,777,488	1,974,009	2,105,688
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	16,284	40,935	32,487	33,203
Higher Education	5,258,665	5,068,481	4,755,385	4,451,541
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188
CollegeInvest[3]	-	-	-	68,650
Lottery	501,010	495,847	470,480	456,352
Wildlife	177,497	160,933	108,425	105,037
College Assist	407,229	403,023	402,648	410,027
Other Business-Type Activities	187,265	196,542	191,123	170,410
TOTAL EXPENSES	25,304,896	24,843,595	25,151,142	24,669,294
NET (EXPENSE) REVENUE	(8,780,533)	(8,191,985)	(8,117,368)	(8,803,934)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	240,895	244,624	236,945	244,344
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	606,883	434,885	441,778	360,852
Other Taxes	453,305	519,870	466,408	376,388
Restricted Taxes	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215
Other General Revenues	97,402	96,213	91,608	112,138
Special and/or Extraordinary Items (See Note 35)	-	-	1,493	(79,575)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	741	595	460	357
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	10,107,803	9,263,735	8,605,287	7,656,179
TOTAL CHANGES IN NET POSITION	1,327,270	1,071,750	487,919	(1,147,755)
NET POSITION - BEGINNING	20,319,062	18,657,791	18,201,752	20,357,317
Prior Period Adjustment	1,105	589,521	(31,880)	(559,075)
Accounting Changes	-	-	-	(448,735)
NET POSITION - ENDING	$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752

TOTAL PRIMARY GOVERNMENT

2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05	2003-04
$ 505,922	$ 458,916	$ 437,121	$ 415,167	$ 422,105	$ 419,824
866,134	800,326	705,535	659,653	401,642	375,453
1,957,558	1,867,806	1,734,997	1,622,045	1,294,488	1,227,187
204,377	156,691	127,786	122,588	118,262	109,895
115,719	111,288	94,541	97,685	83,051	90,123
565,404	584,527	524,541	525,815	469,929	453,074
382,610	419,558	425,987	526,438	483,940	358,175
234,522	223,426	205,340	241,855	174,399	172,898
7,279,615	5,951,339	5,807,777	5,375,427	5,088,806	4,945,999
505,931	449,119	436,865	464,139	426,125	561,394
12,617,792	11,022,996	10,500,490	10,050,812	8,962,747	8,714,022
308,410	217,939	163,412	164,276	141,320	161,588
705,037	667,381	565,769	449,411	367,553	343,589
5,208,705	5,017,551	4,771,218	4,394,236	194,723	173,823
644,699	603,296	560,153	524,736	475,668	477,572
1,543,310	1,436,009	1,313,767	1,197,334	1,026,282	936,374
137,159	131,658	138,457	112,753	62,638	81,114
5,220,295	4,660,287	4,496,696	4,348,466	3,016,668	2,954,217
1,376,215	1,459,295	1,213,138	1,205,556	919,388	746,153
				3,283,590	3,131,486
				1,848,922	1,674,416
20,393	37,567	42,269	31,969	26,925	9,625
4,153,282	3,865,244	3,661,270	3,446,716	3,294,154	3,128,126
1,138,621	354,967	316,577	305,447	352,712	591,789
78,647	116,286	96,720	73,745	54,453	37,355
435,156	447,101	401,969	402,391	367,474	354,159
112,369	109,800	96,515	91,221		
399,576	326,080	199,677	115,200		-
171,635	173,928	163,727	138,773	267,408	246,988
21,653,509	19,624,389	18,201,334	17,002,230	15,699,878	15,048,374
(9,035,717)	(8,601,393)	(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)
2,093,113	2,357,807	2,244,000	2,148,981	1,980,785	1,920,934
251,209	257,908	261,711	266,747	182,726	112,741
4,024,105	4,591,481	4,508,845	4,044,581	3,450,493	3,253,027
322,683	461,390	470,853	422,656	291,583	220,236
655,478	547,405	523,854	602,912	491,214	465,826
880,625	986,274	946,757	922,872	868,251	835,680
22,591	42,478	43,638	35,372	29,736	16,534
119,748	113,603	84,328	84,335	95,912	99,200
(5,616)	(6,843)	(25,915)	(14,241)	(1,112)	-
-	-	-	-	-	-
-	-	-	-	9,872	15,310
-	-	-	-	-	-
8,363,936	9,351,503	9,058,071	8,514,215	7,399,460	6,939,488
(671,781)	750,110	1,357,227	1,562,797	662,329	605,136
20,957,280	20,907,808	19,540,665	18,103,466	17,423,906	16,640,581
(112,338)	(393,912)	9,916	(125,598)	17,231	178,189
184,156	(306,726)	-	-	-	-
$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)	2012-13	RESTATED 2011-12	RESTATED 2010-11[3]	RESTATED 2009-10
REVENUES:				
Taxes	$ 10,018	$ 9,182	$ 8,430	$ 7,640
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	789	724	745	734
Charges for Goods and Services	970	892	730	552
Rents (reported in 'Other' prior to FY05)	134	148	129	80
Investment Income	19	120	97	199
Federal Grants and Contracts	6,428	6,223	6,917	7,023
Unclaimed Property Receipts	37	43	40	42
Other	263	254	221	192
TOTAL REVENUES	18,658	17,586	17,309	16,462
EXPENDITURES:				
Current:				
General Government	325	359	560	775
Business, Community and Consumer Affairs	375	363	388	369
Education	674	661	778	855
Health and Rehabilitation	641	626	592	583
Justice	1,422	1,322	1,314	1,315
Natural Resources	99	90	132	126
Social Assistance	6,488	6,065	5,655	4,454
Transportation	1,065	982	1,064	1,017
Capital Outlay	299	459	329	240
Intergovernmental:				
Cities	297	287	300	281
Counties	1,504	1,371	1,478	2,253
School Districts	4,235	4,199	4,303	4,364
Other	323	177	185	219
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	247	236	208	194
TOTAL EXPENDITURES	17,994	17,197	17,286	17,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	664	389	23	(583)
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,750	4,622	4,776	5,333
Transfers-Out:				
Higher Education	(135)	(133)	(135)	(125)
Other	(5,728)	(4,612)	(4,731)	(5,264)
Face Amount of Debt Issued	196	156	218	559
Bond Premium/Discount	9	13	-	8
Capital Lease Debt Issuance	1	17	17	-
Sale of Capital Assets	31	14	-	-
Insurance Recoveries	1	6	2	4
Debt Refunding Issuance	31	126	-	-
Debt Refunding Premium Proceeds	-	19		
Debt Refunding Payments	(31)	(144)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	125	84	147	515
NET CHANGE IN FUND BALANCE	789	473	170	(68)
FUND BALANCE - BEGINNING	5,293	4,842	4,085	4,785
Prior Period Adjustments	18	(22)	(4)	(41)
Accounting Changes	-	-	591	-
FUND BALANCE - ENDING	$ 6,100	$ 5,293	$ 4,842	$ 4,676

[1] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 260.

[2] – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

[3] – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

2008-09[2]	2007-08	2006-07	2005-06	2004-05	2003-04
$ 8,231	$ 9,203	$ 8,936	$ 8,396	$ 7,323	$ 6,794
-	-	-	-	(41)	-
701	643	575	541	565	551
150	104	99	99	99	108
86	79	68	69	62	-
258	316	272	117	126	54
5,480	4,308	4,073	4,054	3,831	3,880
58	-	-	-	-	-
195	179	320	341	321	358
15,159	14,832	14,343	13,617	12,286	11,745
511	123	251	256	278	267
332	311	303	274	277	296
879	802	713	673	129	119
608	561	530	486	443	450
1,285	1,195	1,088	998	978	897
121	112	107	97	90	85
3,836	3,669	3,400	3,263	3,026	2,969
1,074	1,055	950	962	983	1,098
308	243	124	82	92	74
294	289	239	251	218	211
2,043	1,799	1,721	1,616	1,474	1,319
4,143	3,814	3,719	3,455	3,284	3,131
185	258	242	197	157	144
-	-	-	-	-	-
189	208	213	204	114	92
15,808	14,439	13,600	12,814	11,543	11,152
(649)	393	743	803	743	593
5,179	4,298	4,202	3,645	3,198	2,819
(135)	(131)	(120)	(128)	(597)	(605)
(5,148)	(4,237)	(4,137)	(3,580)	(3,136)	(2,750)
-	-	-	-	-	235
-	-	-	-	-	53
11	18	4	132	27	2
-	1	-	4	10	12
2	2	1	1	-	-
-	-	-	-	-	280
-	-	-	-	-	(311)
(91)	(49)	(50)	74	(498)	(265)
(740)	344	693	877	245	328
5,312	5,012	4,319	3,441	3,196	2,827
(1)	(44)	-	1	-	41
214	-	-	-	-	-
$ 4,785	$ 5,312	$ 5,012	$ 4,319	$ 3,441	$ 3,196

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2012-13	2011-12	2010-11	2009-10
Income Tax:				
Individual	$ 5,149	$ 4,633	$ 4,154	$ 3,777
Corporate	597	457	366	350
Net Income Tax	5,746	5,090	4,520	4,127
Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072
Estate Taxes	-	-	-	-
Insurance Tax	210	197	190	187
Gaming and Other Taxes	12	20	20	16
Investment Income	17	14	8	10
Medicaid Provider Revenues	-	-	-	-
Other	21	26	25	44
TOTAL GENERAL REVENUES	$ 8,555	$ 7,734	$ 7,086	$ 6,456
Percent Change From Previous Year	10.6%	9.1%	9.8%	-1.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	67.2%	65.8%	63.8%	63.9%
Sales, Use, and Excise Taxes	29.8	30.9	32.7	32.1
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.5	2.5	2.7	2.9
Other Taxes	0.1	0.3	0.3	0.2
Interest	0.2	0.2	0.1	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.4	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 4,021	$ 4,600	$ 4,510	$ 4,044	$ 3,421	$ 3,189
265	474	464	422	293	218
4,286	5,074	4,974	4,466	3,714	3,407
1,982	2,173	2,076	1,995	2,146	2,005
-	-	-	-	(41)	-
1,982	2,173	2,076	1,995	2,105	2,005
-	-	1	7	26	47
192	188	179	175	189	176
-	-	7	18	40	40
9	18	28	33	28	20
-	-	-	-	-	-
56	52	48	52	59	72
$ 6,525	$ 7,505	$ 7,313	$ 6,746	$ 6,161	$ 5,767
-13.1%	2.6%	8.4%	9.5%	6.8%	5.3%
65.7%	67.6%	68.0%	66.2%	60.3%	59.1%
30.4	29.0	28.4	29.5	34.1	34.8
0.0	0.0	0.0	0.1	0.4	0.8
2.9	2.5	2.4	2.6	3.1	3.1
0.0	0.0	0.1	0.3	0.6	0.7
0.1	0.2	0.4	0.5	0.5	0.3
0.0	0.0	0.0	0.0	0.0	0.0
0.9	0.7	0.7	0.8	1.0	1.2
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)	2012-13	2011-12	RESTATED 2010-11	2009-10
Department:[1]				
Agriculture	$ 6,975	$ 5,152	$ 4,658	$ 5,915
Corrections	652,394	647,313	657,559	563,570
Education	3,014,681	2,833,433	2,962,954	3,238,879
Governor	18,555	9,699	11,600	13,781
Health Care Policy and Financing	1,829,776	1,685,679	1,267,889	1,152,245
Higher Education	628,565	623,963	705,085	428,784
Human Services	753,225	703,676	710,966	751,149
Judicial Branch	354,119	337,039	325,173	323,146
Labor and Employment	-	-	-	-
Law	10,355	9,341	9,313	9,133
Legislative Branch	35,957	34,672	31,736	32,504
Local Affairs	10,976	10,448	10,579	10,854
Military and Veterans Affairs	6,576	5,355	4,969	5,263
Natural Resources	23,620	23,400	26,233	25,515
Personnel & Administration	6,588	3,935	4,823	5,139
Public Health and Environment	31,199	27,742	27,165	26,548
Public Safety	85,595	81,993	80,239	79,459
Regulatory Agencies	1,674	1,597	1,529	1,429
Revenue	55,078	55,596	52,540	54,187
Treasury	27,650	4,914	4,140	7,784
Transfer to Capital Construction Fund	61,411	49,298	11,985	169
Transfer to Various Cash Funds	1,086,051	72,000	296,872	8,000
Transfer to the Highway Users Tax Fund	-	-	-	-
Other Transfers and Nonoperating Disbursements	262,406	25,479	19,422	20,555
	$ 8,963,426	$ 7,251,724	$ 7,227,429	$ 6,764,008
TOTALS				
Percent Change	23.6%	0.3%	3.0%	-8.8%
(AS PERCENT OF TOTAL)				
Education	33.6%	39.1%	41.0%	47.9%
Health Care Policy and Financing	20.4	23.2	17.5	17.0
Higher Education	7.0	8.6	9.8	6.3
Human Services	8.4	9.7	9.8	11.1
Corrections	7.3	8.9	9.1	8.3
Transfer to Capital Construction Fund	0.7	0.7	0.2	0.0
Transfer to Various Cash Funds	12.1	1.0	4.1	0.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0
Judicial	4.0	4.6	4.5	4.8
Revenue	0.6	0.8	0.7	0.8
All Others	5.9	3.4	3.3	3.7
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, Medicaid costs and related revenues, and other statutorily defined expenditures 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.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 6,809	$ 7,124	$ 5,197	$ 4,038	$ 4,107	$ 3,716
637,292	626,246	577,482	534,233	495,234	467,207
3,214,951	3,023,255	2,882,876	2,718,667	2,514,427	2,417,490
13,342	17,346	11,991	15,862	15,808	13,317
1,311,702	1,482,803	1,369,321	1,362,893	1,247,254	1,142,620
661,974	747,717	693,999	636,341	587,958	591,221
776,394	749,974	718,366	590,071	568,461	534,759
328,056	300,674	265,161	237,673	219,612	207,432
-	-	108	-	-	-
8,705	8,474	8,975	7,143	6,738	6,266
34,944	31,139	29,880	27,633	26,745	26,818
12,276	10,895	9,973	8,500	8,573	4,565
5,637	5,407	5,050	4,324	3,883	3,739
30,558	30,086	28,550	22,806	22,481	19,337
5,337	10,934	9,385	8,181	7,805	7,457
26,634	23,596	23,081	20,586	13,061	12,359
78,874	72,806	67,169	58,785	56,315	53,895
1,451	1,400	1,273	1,390	1,047	1,028
67,092	73,593	65,398	57,928	57,702	57,066
10,643	13,902	12,403	18,443	15,027	690
39,396	183,443	291,467	104,841	40,759	12,270
10,281	327	3,748	67,100	185,628	-
28,965	166,182	291,179	65,345	81,212	5,559
102,966	137,747	130,598	49,190	20,264	34,257
$ 7,414,279	$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101	$ 5,623,068
-4.0%	3.0%	13.3%	6.8%	10.3%	-2.5%
43.4%	39.1%	38.4%	41.1%	40.6%	43.0%
17.7	19.2	18.3	20.6	20.1	20.3
8.9	9.7	9.3	9.6	9.5	10.5
10.5	9.7	9.6	8.9	9.2	9.5
8.6	8.1	7.7	8.1	8.0	8.3
0.5	2.4	3.9	1.6	0.7	0.2
0.1	0.0	0.0	1.0	3.0	0.0
0.4	2.2	3.9	1.0	-	-
4.4	3.9	3.5	3.6	3.5	3.7
0.9	1.0	0.9	0.9	0.9	1.0
4.6	4.7	4.5	3.6	4.5	3.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11[2]	2009-10
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ 5,721
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	23,031
Unreserved Undesignated:				
General Fund	-	-	-	(30,822)
Unreserved:				
General Fund	-	-	-	17,854
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	9,931	6,942	8,742	
Permanent Fund Principal	-	-	-	
Prepaids	22,654	24,175	33,009	
Restricted	487,161	503,449	542,997	
Committed	279,352	331,419	39,458	
Assigned	7	20	109	
Unassigned	-	359,421	(21,468)	
TOTAL RESERVED	-	-	-	28,752
TOTAL UNRESERVED	-	-	-	(12,968)
TOTAL FUND BALANCE	799,105	1,225,426	602,847	15,784
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ 1,052,572
Noncurrent Assets	-	-	-	584,828
Debt Service	-	-	-	4,093
Statutory Purposes	-	-	-	325,463
Emergencies	-	-	-	94,000
Funds Reported as Restricted	-	-	-	1,151,448
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	57,148
Capital Projects Funds	-	-	-	(35,611)
Nonmajor Special Revenue Funds	-	-	-	1,302,178
Nonmajor Permanent Funds	-	-	-	10,586
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	-	34,487
Reported in Nonmajor Special Revenue Funds	-	-	-	40,778
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-	38,541
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	44,262	8,690	9,839	
Permanent Fund Principal	760,160	737,239	658,883	
Prepaids	32,697	28,665	21,540	
Restricted	2,783,009	1,673,490	1,988,088	
Committed	1,680,986	1,619,397	1,560,775	
TOTAL RESERVED	-	-	-	3,212,404
TOTAL UNRESERVED	-	-	-	1,448,107
TOTAL FUND BALANCE	5,301,114	4,067,481	4,239,125	4,660,511
TOTAL RESERVED	-	-	-	3,241,156
TOTAL UNRESERVED	-	-	-	1,435,139
TOTAL FUND BALANCE	$ 6,100,219	$ 5,292,907	$ 4,841,972	$ 4,676,295

1 – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance

2 – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 2,195	$ 16,487	$ 11,912	$ 12,233	$ 3,497	$ 2,106
1	7	13	91	192	300
148,212	151,721	267,020	251,704	198,751	207,003
18,650	35,559	38,593	32,851	36,473	33,301
155,436 [1]	-	95,779	295,882	-	-
10,939	3,639	-	-	-	4,272
-	-	-	-	-	-
169,058	203,774	317,538	296,879	238,913	242,710
166,375	3,639	95,779	295,882	-	4,272
335,433	207,413	413,317	592,761	238,913	246,982
$ 1,043,396	$ 966,477	$ 821,112	$ 814,811	$ 629,430	$ 795,414
515,062	425,830	385,248	342,341	292,336	278,843
558	558	558	580	3,298	7,965
40,921	109,322	130,000	137,530	10,263	11,565
93,550	93,000	85,760	79,800	71,000	172,202
1,445,739	1,902,755	1,669,326	1,233,272	1,104,061	998,428
53,498	54,676	72,870	872,212	812,706	41,589
54,687	134,470	199,126	(47,740)	(12,545)	(39,986)
1,117,248	1,391,483	1,233,276	291,488	274,941	664,258
8,500	2,326	1,782	1,642	1,954	1,291
30,327	13,385	-	-	4,484	6,964
23,719	8,751	-	-	347	5,491
-	-	-	-	-	-
22,875	1,571	-	-	9,926	4,718
-	-	-	-	-	-
3,179,226	3,497,942	3,092,004	2,608,334	2,110,388	2,264,417
1,310,454	1,606,662	1,507,014	1,117,602	1,091,813	684,325
4,449,680	5,104,604	4,599,018	3,725,936	3,202,201	2,948,742
3,308,284	3,701,716	3,409,542	2,905,213	2,349,301	2,507,127
1,476,829	1,610,301	1,602,873	1,413,484	1,091,813	688,597
$ 4,785,113	$ 5,312,017	$ 5,012,335	$ 4,318,697	$ 3,441,114	$ 3,195,724

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2012-13	Restated 2011-12	2010-11	2009-10
DISTRICT REVENUES:				
Exempt District Revenues	$ 16,446,833	$ 15,017,772	$ 15,532,632	$ 16,056,039
Nonexempt District Revenues	11,107,341	10,273,184	9,424,764	8,567,941
TOTAL DISTRICT REVENUES	27,554,174	25,290,956	24,957,396	24,623,980
Percent Change In Nonexempt District Revenues	8.1%	9.0%	10.0%	-5.9%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	16,162,555	15,017,772	15,532,632	16,056,039
Nonexempt District Expenditures	10,548,250	9,791,616	9,330,892	8,638,571
TOTAL DISTRICT EXPENDITURES	26,710,805	24,809,388	24,863,524	24,694,610
Percent Change In Nonexempt District Expenditures	7.7%	4.9%	8.0%	-15.0%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 843,369	$ 481,568	$ 93,872	$ (70,630)
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 8,799,754	$ 8,654,192	$ 8,567,941	$ 9,102,354
Adjustments To Prior Year Limit[2]	(27,953)	(26,982)	(16,368)	(422,016)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,771,801	8,627,210	8,551,573	8,680,338
Allowable Growth Rate (Population Plus Inflation)	5.4%	2.0%	1.2%	5.8%
Current Fiscal Year Spending Limitation	9,245,479	8,799,754	8,654,192	9,183,797
Adjustments To Current Year Limit	1,987	-	-	-
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,247,466	8,799,754	8,654,192	9,183,797
EXCESS STATE REVENUE CAP (ESRC)[3]	11,460,242	10,871,425	10,684,856	
NONEXEMPT DISTRICT REVENUES	11,107,341	10,273,184	9,424,764	8,567,941
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,859,875	1,473,430	770,572	(615,856)
Amount Over(Under) Excess State Revenue Cap	(352,901)	(598,242)	(1,260,092)	
Correction Of Prior Years' Refunds	-	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	$ -	$ -	$ -	$ -

[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 activity's revenues and expenditures are no longer shown in the district amounts.

[3] – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2008-09	2007-08	2006-07	2005-06	Restated 2004-05	2003-04
$ 14,496,192	$ 12,126,729	$ 11,759,914	$ 10,899,936	$ 11,015,958	$ 11,650,100
9,102,354	9,998,559	9,641,867	9,161,391	8,482,963	8,331,991
23,598,546	22,125,288	21,401,781	20,061,327	19,498,921	19,982,091
2011-12	3.7%	5.2%	8.0%	1.8%	8.0%
14,496,192	12,126,729	11,759,914	10,899,936	11,015,958	11,650,100
10,168,409	9,533,890	8,847,334	8,029,686	9,473,642	7,799,832
24,664,601	21,660,619	20,607,248	18,929,622	20,489,600	19,449,932
6.7%	7.8%	10.2%	-15.2%	21.5%	-4.9%
$ (1,066,055)	$ 464,670	$ 794,533	$ 1,131,705	$ (990,679)	$ 532,159
$ 8,829,131	$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991	$ 7,712,512
(10,365)	(1,054)	(173)	(372,471)	(383,103)	(31,732)
8,818,766	8,332,773	8,045,083	7,941,903	7,948,888	7,680,780
4.1%	5.5%	3.5%	1.3%	2.2%	3.6%
9,180,336	8,791,075	8,326,662	8,045,148	8,123,764	7,957,288
23,505	38,056	7,165	109	190,610	374,703
9,203,841	8,829,131	8,333,827	8,045,257	8,314,374	8,331,991
9,102,354	9,998,559	9,641,867	9,161,391	8,482,963	8,331,991
(101,488)	1,169,428	1,308,040	1,116,134	168,589	-
-	-	-	-	284	-
-	1,169,428	1,308,040	1,116,134	127,810	-
$ -	$ -	$ -	$ -	$ 41,063	$ -

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2001 to 2010

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

	2010		2009[2]		2008		2007	
	# 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	30,444	0.0%	33,536	0.0%	23,480	0.0%	24,376	0.0%
$0 to $5,000	75,736	0.0%	82,340	0.0%	76,617	0.0%	81,028	0.0%
$5,001 to $10,000	115,075	0.0%	119,531	0.0%	112,812	0.0%	109,819	0.0%
$10,001 to $15,000	140,054	0.2%	139,504	0.3%	130,686	0.3%	125,816	0.2%
$15,001 to $20,000	144,469	0.6%	143,006	0.7%	139,486	0.8%	134,806	0.6%
$20,001 to $25,000	141,184	1.1%	139,626	1.2%	135,930	1.3%	131,969	0.6%
$25,001 to $35,000	248,319	3.3%	245,832	3.7%	248,979	4.1%	243,919	3.3%
$35,001 to $50,000	278,127	6.5%	278,767	7.2%	285,209	7.8%	278,843	6.3%
$50,001 to $75,000	311,671	12.0%	311,321	13.3%	318,161	14.0%	313,367	11.4%
$75,001 to $100,000	204,879	12.2%	199,941	13.3%	202,834	13.9%	200,847	11.4%
$100,000 and Over	354,393	63.7%	319,821	60.0%	317,476	57.8%	330,337	65.7%
TOTAL	2,044,351	100%	2,013,225	100%	1,991,670	100.0%	1,975,127	100.0%

Source: Colorado Department of Revenue

1 – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.

2 – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2012

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

	2012		2011		2010		2009	
	# 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	6,112	0.1%	4,995	0.1%	3,787	0.1%	2011-12	0.1%
Mining	13,670	2.0%	9,775	1.7%	5,543	1.4%	5,324	1.9%
Public Utilities	17,899	3.9%	14,073	3.9%	10,177	3.6%	9,721	3.5%
Construction Trades	56,937	1.2%	45,046	1.2%	33,065	1.1%	31,811	1.3%
Manufacturing	192,407	4.9%	152,038	4.7%	96,062	4.2%	88,504	4.7%
Wholesale Trade	148,072	5.6%	112,066	5.8%	72,331	5.7%	72,914	6.6%
Retail Trade	684,797	51.5%	542,876	51.4%	385,914	51.8%	385,320	49.5%
Transportation & Warehousing	5,876	0.2%	4,616	0.2%	3,831	0.2%	3,916	0.3%
Information Producers/Distributors	320,218	5.4%	264,926	5.6%	167,660	6.3%	171,984	6.3%
Finance & Insurance	76,887	0.8%	59,750	0.8%	35,443	1.4%	35,103	1.4%
Real Estate, Rental, & Leasing Services	151,893	3.2%	123,870	3.3%	84,376	3.4%	82,509	3.7%
Professional, Scientific, & Technical Services	135,037	1.7%	106,421	1.8%	64,231	1.5%	64,002	1.6%
Bus. Admin., Support, Waste/Remediation Services	45,392	0.6%	35,700	0.6%	24,102	0.6%	24,615	0.7%
Educational Services	10,880	0.2%	8,674	0.2%	5,914	0.2%	6,068	0.2%
Health Care & Social Assistance Services	23,416	0.2%	19,084	0.2%	16,018	0.2%	15,572	0.2%
Arts, Entertainment, & Recreation Services	24,063	0.6%	21,477	0.6%	17,230	0.6%	17,301	0.6%
Hotel & Other Accommodation Services	30,484	3.7%	24,183	3.6%	21,282	3.5%	21,153	3.6%
Food & Drinking Services	168,673	11.9%	143,273	11.8%	130,911	11.8%	129,780	11.4%
Other Personal Services	118,080	2.2%	101,431	2.2%	86,316	2.2%	86,861	2.3%
Government Services	2,150	0.1%	2,731	0.2%	6,290	0.2%	5,655	0.1%
TOTAL	2,232,943	100%	1,797,005	100%	1,270,483	100%	1,258,113	100%

Source: Colorado Department of Revenue

2006		2005		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	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
23,376	0.0%	23,916	0.0%	24,570	0.0%	24,632	0.0%	22,477	0.0%	16,539	0.0%
72,400	0.0%	76,547	0.0%	73,929	0.0%	74,854	0.0%	73,714	0.0%	75,710	0.0%
108,412	0.0%	112,703	0.0%	112,776	0.0%	114,615	0.1%	115,045	0.1%	113,237	0.1%
127,061	0.3%	128,661	0.3%	129,339	0.4%	132,540	0.5%	134,152	0.5%	131,411	0.5%
134,933	0.8%	134,643	0.8%	134,988	1.0%	137,195	1.1%	139,267	1.2%	139,013	1.2%
130,926	1.3%	130,647	1.4%	131,424	1.6%	133,960	1.8%	136,897	1.9%	136,429	1.9%
240,034	3.8%	236,285	4.1%	236,162	4.7%	239,657	5.3%	243,253	5.6%	244,586	5.5%
272,040	7.2%	267,939	7.6%	266,625	8.6%	268,253	9.6%	271,283	9.9%	269,802	9.3%
302,778	12.9%	295,028	13.6%	289,548	15.1%	286,609	16.5%	291,227	17.1%	290,662	15.9%
189,359	12.5%	179,635	13.0%	171,170	14.0%	163,572	14.7%	161,047	14.7%	159,483	13.5%
290,548	61.2%	256,424	59.2%	227,936	54.6%	202,886	50.4%	196,065	49.0%	203,312	52.1%
1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%

COLORADO TAX RATES[1]
2004 to 2013

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2008		2007		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	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,653	0.1%	3,632	0.1%	3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
4,491	1.9%	4,104	1.7%	3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
9,517	3.9%	8,725	3.0%	7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
31,949	1.5%	30,929	1.5%	32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
84,393	4.8%	87,475	4.9%	85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
72,432	6.7%	74,498	6.7%	78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
395,100	49.9%	399,395	51.5%	409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
4,014	0.3%	4,733	0.3%	5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
174,348	5.9%	170,488	5.8%	163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
33,499	1.5%	34,308	1.2%	37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
79,541	3.8%	71,969	3.8%	72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
65,592	1.6%	66,352	1.8%	71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,401	0.7%	23,014	0.7%	23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
6,526	0.2%	5,566	0.2%	5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
13,013	0.2%	12,233	0.2%	12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
17,391	0.6%	17,196	0.6%	16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
21,221	3.6%	20,995	3.5%	20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
129,123	10.5%	125,682	10.2%	121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
86,647	2.2%	85,361	2.1%	85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
6,044	0.1%	7,445	0.2%	10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,261,895	100%	1,254,100	100%	1,267,071	100%	1,212,288	100%	1,192,073	100%	1,132,170	100%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
DEBT SERVICE EXPENDITURES:				
Principal	$ 163,939	$ 150,689	$ 124,993	$ 116,083
Interest	$ 82,660	85,586	82,829	77,919
TOTAL DEBT SERVICE EXPENDITURES	$ 246,599	$ 236,276	$ 207,822	$ 194,002
Percent Change Over Previous Year	4.4%	13.7%	7.1%	2.9%
TOTAL NONCAPITAL EXPENDITURES	17,329,054	16,470,142	16,654,138	16,566,769
TOTAL CAPITAL EXPENDITURES	653,157	726,501	631,546	478,179
TOTAL GOVERNMENTAL EXPENDITURES	17,982,211	17,196,643	17,285,684	17,044,948
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.9%	0.9%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.5%
Total Debt Service Expenditures	1.4%	1.4%	1.2%	1.2%

TOTAL OUTSTANDING DEBT[1 2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2012-13	2011-12	2010-11	2009-10
Governmental Activities:				
Revenue Backed Debt	$ 574,147	$ 739,138	$ 869,282	$ 992,436
Certificates of Participation	1,192,193	1,018,456	897,632	689,973
Capital Leases	151,010	121,429	107,588	97,130
Notes and Mortgages	19,220	19,369	-	515,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,936,570	1,898,392	1,874,502	2,294,539
Business-Type Activities:				
Revenue Backed Debt	3,724,951	3,753,617	2,762,166	2,306,693
Certificates of Participation	403,603	420,951	430,537	432,698
Capital Leases	41,728	39,038	48,416	83,374
Notes and Mortgages	3,522	7,353	3,503	43,925
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,173,804	4,220,959	3,244,622	2,866,690
Total Primary Government:				
Revenue Backed Debt	4,299,098	4,492,755	3,631,448	3,299,129
Certificates of Participation	1,595,796	1,439,407	1,328,169	1,122,671
Capital Leases	192,738	160,467	156,004	180,504
Notes and Mortgages	22,742	26,722	3,503	558,925
TOTAL OUTSTANDING DEBT[1]	$ 6,110,374	$ 6,119,351	$ 5,119,124	$ 5,161,229
Percent Change Over Previous Year	-0.1%	19.5%	-0.8%	-13.6% [3]
Colorado Population (In Thousands) Restated for Census	5,273	5,188	5,117	5,048
Per Capita Debt (Dollars Per Person) Restated for Census	$1,159	$1,180	$1,000	$1,022
Per Capita Income (Thousands Per Person)	$46.1	$45.8	$44.2	$41.7
Per Capita Debt as a Percent of Per Capita Income	2.5%	2.6%	2.3%	2.5%

[1] – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2008-09	2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04
$ 109,801	$ 104,924	$ 100,681	$ 97,583	$ 15,574	$ 11,932
78,719	102,652	112,145	106,322	98,829	80,281
$ 188,520	$ 207,576	$ 212,826	$ 203,905	$ 114,403	$ 92,213
-9.2%	-2.5%	4.4%	78.2%	24.1%	-6.6%
15,448,232	14,196,496	13,365,782	12,586,379	11,298,334	10,664,540
359,518	242,572	233,914	228,077	244,178	488,140
15,807,750	14,439,068	13,599,696	12,814,456	11,542,512	11,152,680
0.7%	0.7%	0.8%	0.8%	0.1%	0.1%
0.5%	0.7%	0.8%	0.8%	0.9%	0.8%
1.2%	1.4%	1.6%	1.6%	1.0%	0.9%

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
$ 1,106,973	$ 1,216,006	$ 1,319,718	$ 1,418,446	$ 1,512,987	$ 1,518,564
162,053	172,864	183,203	196,475	63,332	44,244
91,813	60,031	30,456	17,482	22,308	16,040
515,000	460,000	345,000	415,000	520,000	397,023
1,875,839	1,908,901	1,878,377	2,047,403	2,118,627	1,975,871
3,551,588	3,325,690	2,935,383	2,304,485	2,063,378	1,578,903
446,656	210,150	218,916	260,578	75,729	73,724
93,773	93,374	68,621	60,724	90,140	86,531
4,771	6,211	9,463	6,946	9,402	6,262
4,096,788	3,635,425	3,232,383	2,632,733	2,238,649	1,745,420
4,658,561	4,541,696	4,255,101	3,722,931	3,576,365	3,097,467
608,709	383,014	402,119	457,053	139,061	117,968
185,586	153,405	99,077	78,206	112,448	102,571
519,771	466,211	354,463	421,946	529,402	403,285
$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136	$ 4,357,276	$ 3,721,291
7.7%	8.5%	9.2%	7.4%	17.1%	22.7%
4,972	4,890	4,804	4,720	4,632	4,575
$1,201	$1,134	$1,064	$992	$941	$813
$41.5	$43.4	$42.2	$40.6	$38.4	$36.4
2.9%	2.6%	2.5%	2.4%	2.4%	2.2%

3 – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

REVENUE BOND COVERAGE[1]

Last Ten Fiscal Years

(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)							
2012-13	$ 1,204,153	$ 1,037,025	$ 167,128	$ 132,105	$ 35,023	$ 167,128	1.00
2011-12	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2010-11	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
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
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance[2]							
2012-13	$ 608,493	$ -	$ 608,493	$ 499,845	$ 40,965	$ 540,810	1.13
2011-12	240,822	-	240,822	-	18,234	18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
2008-09	200,753	34,107	166,646	24,000	17,126	41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
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
Higher Education Institutions							
2012-13	$ 1,122,003	$ 537,630	$ 584,373	$ 80,330	$ 131,356	$ 211,686	2.76
2011-12	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2010-11	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2009-10	947,626	477,126	470,499	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
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

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2011-12, Unemployment Insurance issued revenue bonds requiring pledged revenues.

COLORADO DEMOGRAPHIC DATA
2004 to 2013

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 %
2013 est	5,273	1.66%	$ 242.9	$ 46,065	104.2%	*	6.9%
2012	5,188	1.65	237.5	45,779	104.7%	2,524	0.1
2011	5,117	1.64	226.0	44,167	104.4	2,490	8.6
2010	5,048	1.63	210.6	41,719	103.9	2,476	9.0
2009	4,972	1.62	206.4	41,512	105.5	2,511	8.1
2008	4,890	1.61	212.2	43,395	106.2	2,600	4.8
2007	4,804	1.59	202.7	42,194	106.0	2,583	3.8
2006	4,720	1.58	191.8	40,636	106.6	2,542	4.3
2005	4,632	1.57	177.9	38,407	107.0	2,456	5.1
2004	4,575	1.56	166.7	36,437	106.2	2,393	5.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate

* – Data is not available.

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2004 to 2013
(AMOUNTS IN THOUSANDS)

Industry	2013 est	2012 est	2011	2010	2009	2008	2007	2006	2005	2004
Natural Resources and Mining	31.7	30.7	27.9	24.4	24.2	28.5	25.2	21.1	17.2	14.4
Construction	121.3	115.0	112.2	115.1	131.3	161.8	167.8	167.8	160.0	151.3
Manufacturing	133.9	132.1	129.1	125.2	129.6	144.1	147.0	149.1	150.4	151.8
Transportation, Trade, and Utilities	414.0	408.4	402.3	397.8	403.8	429.3	429.2	419.3	413.0	406.6
Information	69.1	69.7	71.8	71.7	74.7	76.8	76.4	75.4	76.9	81.2
Financial Activities	148.6	146.1	143.8	144.0	148.0	155.6	159.5	160.4	158.5	154.6
Professional and Business Services	361.0	353.6	339.3	329.8	330.2	351.9	347.9	331.8	316.8	304.1
Educational and Health Services	289.1	281.5	273.4	264.6	257.2	250.5	240.4	231.2	224.6	218.5
Leisure and Hospitality	284.0	279.0	271.3	263.1	262.4	272.9	270.4	264.9	257.5	251.3
Other Services	96.5	94.9	93.0	92.5	93.7	94.8	92.9	90.8	88.5	87.4
Government	398.3	394.5	393.5	393.9	390.5	384.1	374.7	367.2	362.6	358.5
Total	2,347.5	2,305.5	2,257.6	2,222.1	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

1 – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

2 – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
Last Ten Years

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2013 est	$ 4,813	$ 4,200	$ 3,600	$ 12,613
2012 est	$ 3,807	$ 4,050	$ 3,400	$ 11,257
2011	2,903	3,764	2,275	8,942
2010	2,903	2,967	2,215	8,085
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681
2006	8,708	4,641	3,446	16,795
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,096

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

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2013 est	74.6	8.67
2012 est	70.9	8.45
2011 est	66.7	8.41
2010	62.3	7.18
2009	58.3	6.80
2008	66.5	7.27
2007	67.3	7.48
2006	63.0	6.76
2005	58.7	6.76
2004	55.9	6.45

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

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

	2013	2012	Restated 2011	2010
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	634	626	616	601
Employees (calculated Average Employment)	68,898	67,871	66,691	65,325
Balance in Treasury Pool (in millions)	$7,106.9	$6,546.6	$6,076.2	$5,902.0
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	729,328	705,205	703,695	702,498
Unemployment Rate (percent) [4]	6.9	8.0	8.6	9.0
Employment Level [4]	2,595,837	2,523,535	2,490,004	2,475,831
Education:				
Public Schools	1,823	1,806	1,786	1,817
Primary School Students	863,561	854,265	843,316	832,368
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	489	501	511	554
Average Daily Population of Regional Centers [3,5]	305	302	307	329
Justice:				
District Court Cases Filed [3]	247,696	238,766	190,531	188,822
County Court Cases Filed [3]	505,234	541,439	562,185	562,570
Inmate Admissions	9,597	9,116	9,935	10,704
Inmate Releases	10,506	10,657	10,161	11,033
Average Daily Inmate Population	20,812	22,009	22,814	22,980
Citations Issued by the State Patrol	97,440 [6]	130,651	149,015	170,988
Crashes Covered by the State Patrol	19,905 [6]	25,554	24,878	24,123
Natural Resources:				
Active Oil and Gas Wells [3]	47,916	45,300	45,500	45,000
Oil and Gas Drilling Permits [3]	5,100	4,800	5,250	5,000
Annual State Park Visitors [3]	12,461,261	12,651,919	12,463,495	11,666,912
Water Loans	277	281	288	278
Social Assistance:				
Medicaid Recipients [3]	687,473	613,148	553,407	476,632
Average Cash Assistance Payments per Month [3]	65,208	66,472	63,742	58,119
Transportation:				
Lane Miles	23,023,800	23,023,720	23,023,070	22,982,320
Bridges	3,438	3,447	3,447	3,447
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	159,206	160,944	160,160	146,531
Nonresident Students [3]	27,536	26,934	26,225	24,869
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	636,977	585,724	615,548	652,570
Initial Unemployment Claims [3]	228,634	302,418	389,769	408,644
CollegeInvest: [7]				
Loans Issued or Purchased				
Average Balance per Loan				
Lottery:				
Scratch Tickets Sold	94,109,256	99,988,581	98,545,733	99,657,606
Lotto Tickets Sold	32,561,865	33,276,914	39,257,585	41,620,408
Powerball Tickets Sold	67,690,312	64,285,665	70,047,258	101,568,085
Other Lottery Tickets Sold	47,690,502	65,916,303	50,464,834	26,833,674
Wildlife:				
Hunting & Fishing Licenses Sold [3]	2,315,000	2,333,000	1,380,000	1,630,000
College Assist:				
Guaranteed Loans - In State	-	-	61,076 [8]	107,402
Guaranteed Loans - Out of State	-	-	4,961 [8]	41,616

Source: JBC Budget in Brief and various State departments.

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

2009	2008	2007	2006	2005	2004
593	556	515	492	484	465
64,535	61,915	59,873	58,468	58,046	57,643
$5,663.2	$6,159.4	$5,250.7	$4,615.3	$3,951.1	$3,174.6
679,836	640,332	575,124	576,982	517,597	*
8.1	4.8	3.8	4.3	5.1	5.6
2,511,189	2,599,724	2,583,404	2,541,828	2,455,773	2,392,952
1,769	1,771	1,771	1,731	1,667	1,728
818,443	802,639	794,026	780,708	766,657	757,021
569	548	528	539	539	570
378	403	403	403	403	411
191,749	199,681	189,884	187,498	*	*
554,165	579,069	552,592	547,143	*	*
10,992	11,038	10,625	10,168	9,433	8,165
10,803	10,565	10,110	8,954	8,249	7,504
23,210	22,887	22,424	21,438	20,228	19,478
170,570	221,544	226,324	234,052	246,918	206,052
26,159	27,260	28,277	28,648	30,645	33,635
36,000	35,000	34,000	30,000	25,300	24,000
7,400	6,780	4,200	3,800	2,200	*
13,680,012	11,272,418	11,475,000	11,869,897	11,190,201	11,565,810
269	258	255	244	241	227
381,390	383,784	429,233	446,341	375,410	362,654
57,200	62,647	66,728	68,822	68,150	85,339
23,060,630	23,036,480	22,999,470	23,105,769	23,029,858	23,138,578
3,429	3,406	3,775	3,757	3,754	3,714
136,900	135,275	136,108	140,601	141,692	135,392
23,166	22,069	20,670	21,380	22,729	22,809
350,000	300,000	270,000	270,000	240,000	200,000
120,074	119,561	120,290	132,337	176,270	156,594
268,745 [7]	239,060	218,518	200,332	189,522	174,724
$6,326 [7]	$6,328	$6,057	$5,546	$5,098	$4,871
104,217,790	101,604,127	99,199,686	111,883,645	119,441,166	114,543,013
43,552,521	41,071,837	39,835,761	38,332,996	38,266,176	40,818,461
100,733,520	109,565,516	101,570,695	119,757,642	80,912,792	85,041,776
20,831,732	19,148,564	17,407,163	16,858,542	15,052,291	14,508,537
2,300,000	1,545,659	1,399,978	1,409,064	1,450,000	1,235,551
115,486	140,232	146,616	*	*	*
47,892	18,859	5,080	*	*	*

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.
[5] – This represented Regional Center Residential Beds.
[6] – Calendar data through September 30, 2013.
[7] – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program
[8] –In Fiscal Year 2010-11, College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY
Last Ten Fiscal Years

	2012-13	2011-12	2010-11	2009-10
General Government	2,958	3,042	2,991	2,399
Business, Community, and Consumer Affairs	2,420	2,404	2,458	2,564
Education	40,218	39,097	38,038	37,093
Health and Rehabilitation	3,931	3,953	3,965	4,019
Justice	13,123	13,149	13,093	12,848
Natural Resources	1,586	1,597	1,579	1,607
Social Assistance	1,633	1,605	1,579	1,704
Transportation	3,029	3,024	2,988	3,091
TOTAL AVERAGE EMPLOYMENT	68,898	67,871	66,691	65,325
TOTAL CLASSIFIED	31,502	32,449	32,927	32,799
AVERAGE MONTHLY SALARY	$ 4,284	$ 4,314	$ 4,324	$ 4,367
TOTAL NON-CLASSIFIED	37,394	35,422	33,764	32,526
AVERAGE MONTHLY SALARY	$ 5,953	$ 5,840	$ 5,786	$ 5,735

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.

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
2,454	2,392	2,322	2,255	2,219	2,180
2,437	2,372	2,335	2,342	2,367	2,343
36,042	34,469	33,464	32,680	32,664	32,595
3,944	3,865	3,774	3,729	3,681	3,717
13,000	12,467	11,791	11,372	11,083	10,767
1,587	1,583	1,522	1,485	1,472	1,446
1,671	1,656	1,593	1,520	1,462	1,482
3,400	3,111	3,072	3,085	3,098	3,113
64,535	61,915	59,873	58,468	58,046	57,643
32,820	31,995	31,075	30,677	30,967	30,770
$ 4,390	$ 4,278	$ 4,108	$ 4,036	$ 3,955	$ 3,867
31,715	29,920	28,798	27,791	27,079	26,873
$ 5,723	$ 5,467	$ 5,214	$ 5,066	$ 4,926	$ 4,759

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
2003 TO 2012

Mileage Type	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
CenterLine Miles[1]:										
Urban	1,385	1,385	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421
Rural	7,720	7,720	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736
TOTAL CENTERLINE MILES	9,105	9,105	9,109	9,146	9,144	9,134	9,161	9,148	9,157	9,157
Percent Change	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%
Lane Miles[2]:										
Urban	5,330	5,330	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236
Rural	17,694	17,693	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825
TOTAL LANE MILES	23,024	23,023	22,981	23,061	23,036	22,999	23,106	23,031	23,137	23,061
Percent Change	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%
Roadways[3]:										
Percent Rated Good/Fair	47	48	48	50	53	59	63	65	61	58
Percent Rated Poor	53	52	52	50	47	41	37	35	39	42
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

Source: Colorado Department of Transportation

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.

3 – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2013, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2004 to 2013

Functional Classification	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Principal Arterial[1]	1,294	1,303	1,299	1,376	1,368	1,341	1,686	1,678	1,680	1,676
Other Principal Arterial	793	791	785	801	794	795	911	884	943	894
Minor Arterial	747	749	752	759	761	773	802	798	787	798
Collector	443	442	446	431	426	404	350	368	319	326
Local	161	162	165	80	80	93	26	29	25	20
TOTAL BRIDGES	3,438	3,447	3,447	3,447	3,429	3,406	3,775	3,757	3,754	3,714
Percent Change	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%
Percent Rated Poor[2]	*	3.60	5.53	5.48	5.62	6.21	5.81	5.61	3.39	3.84

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.

2 – In 2013, CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges. In 2013, CDOT reported 5.9 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Six Years[2]

	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:						
General Government	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affai	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:						
Higher Education	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	71,535,388	70,452,709	69,864,089	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

BUILDING SQUARE FOOTAGE
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Six Years[2]

	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:						
General Government	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Aff	597,182	575,591	585,944	517,447	515,708	508,439
Education	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	473,230	465,649	458,959	455,218	420,272	434,469
Justice	310,551	321,920	463,506	857,026	868,060	850,185
Natural Resources	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:						
Higher Education	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,467,505	3,459,662	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

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 present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

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

1870 The Denver Pacific Railroad is completed to Denver.

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

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

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

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

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

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

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 Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State Pet – Shelter and Rescue Dog and Cat

State Songs – "Where the Columbines Grow" and "Rocky Mountain High"

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

State Reptile – Western Painted Turtle

State Amphibian - Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

COLORADO

Office of the State Controller

Department of Personnel
& Administration

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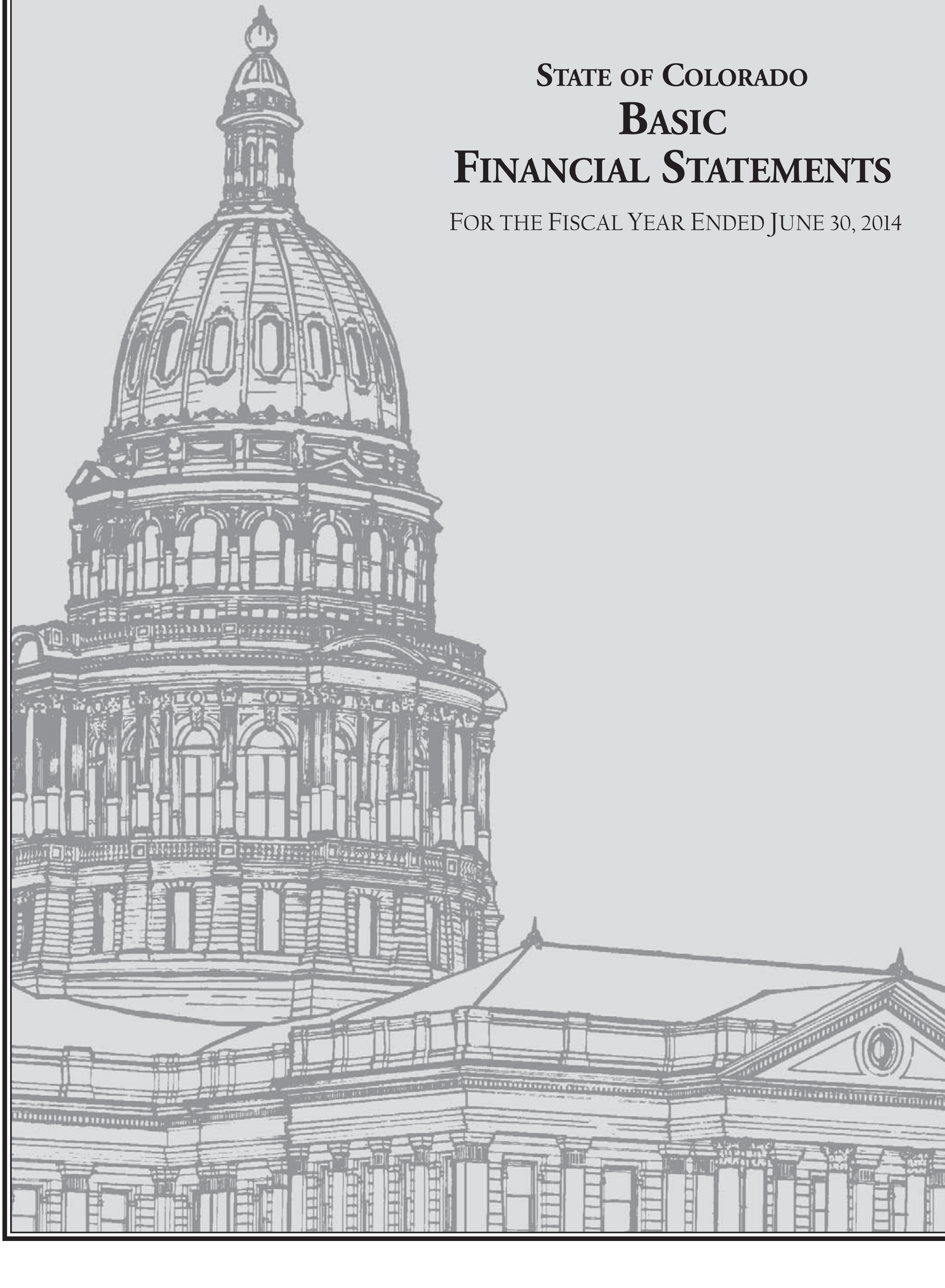

State of Colorado

Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

COLORADO
Office of the State Controller
Department of Personnel
& Administration

September 19, 2014

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Mark Ferrandino
Speaker of the House
Colorado General Assembly

The Honorable Morgan Carroll
President of the Senate
Colorado General Assembly

Dear Madam and Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with CRS 24-30-204. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased services from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by mid-December 2014 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2014.

If you have questions, please contact me.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

cc: Kathy Nesbitt, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting

STATE OF COLORADO 1876

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CONTENTS

STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,295,429	$ 2,248,081	$ 4,543,510	$ 213,610
Investments	8,460	254,874	263,334	67,411
Taxes Receivable, net	1,227,779	135,207	1,362,986	-
Contributions Receivable, net	-	-	-	44,877
Other Receivables, net	210,122	400,197	610,319	78,279
Due From Other Governments	573,859	150,443	724,302	3,105
Internal Balances	19,338	(19,338)	-	-
Due From Component Units	54	23,716	23,770	-
Inventories	53,125	54,015	107,140	-
Prepaids and Advances	72,742	35,116	107,858	588
Total Current Assets	4,460,908	3,282,311	7,743,219	407,870
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,561,865	427,868	2,989,733	154,445
Restricted Investments	657,772	303,678	961,450	190,462
Restricted Receivables	250,418	45,477	295,895	2,726
Investments	428,321	1,895,390	2,323,711	1,967,088
Contributions Receivable, net	-	-	-	69,407
Other Long-Term Assets	677,866	99,523	777,389	958,578
Depreciable Capital Assets and Infrastructure, net	9,600,200	5,877,723	15,477,923	126,307
Land and Nondepreciable Capital Assets	2,023,547	1,356,845	3,380,392	61,968
Total Noncurrent Assets	16,199,989	10,006,504	26,206,493	3,530,981
TOTAL ASSETS	20,660,897	13,288,815	33,949,712	3,938,851
DEFERRED OUTFLOW OF RESOURCES:	18,289	119,847	138,136	4,505
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,211	-	718,211	-
Accounts Payable and Accrued Liabilities	1,036,017	643,212	1,679,229	29,853
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	245,300	30,679	275,979	2,330
Due To Component Units	15	528	543	-
Unearned Revenue	92,151	348,353	440,504	7,656
Accrued Compensated Absences	10,470	18,117	28,587	-
Claims and Judgments Payable	51,299	-	51,299	22,251
Leases Payable	26,941	6,610	33,551	951
Notes, Bonds, and COPs Payable	187,910	244,366	432,276	50,165
Other Postemployment Benefits	-	14,076	14,076	-
Other Current Liabilities	22,225	126,989	149,214	111,650
Total Current Liabilities	2,391,245	1,432,930	3,824,175	224,856
Noncurrent Liabilities:				
Deposits Held In Custody For Others	139	-	139	307,705
Accrued Compensated Absences	145,992	250,148	396,140	-
Claims and Judgments Payable	312,226	40,982	353,208	-
Capital Lease Payable	148,055	35,582	183,637	257
Derivative Instrument Liability	-	8,566	8,566	-
Notes, Bonds, and COPs Payable	1,541,226	4,131,410	5,672,636	772,852
Due to Component Units	-	1,743	1,743	-
Other Postemployment Benefits	-	181,646	181,646	-
Other Long-Term Liabilities	402,954	44,813	447,767	60,799
Total Noncurrent Liabilities	2,550,592	4,694,890	7,245,482	1,141,613
TOTAL LIABILITIES	4,941,837	6,127,820	11,069,657	1,366,469
DEFERRED INFLOW OF RESOURCES:	4,659	-	4,659	718
NET POSITION:				
Net investment in Capital Assets:	10,198,847	3,635,519	13,834,366	187,067
Restricted for:				
Construction and Highway Maintenance	1,086,388	-	1,086,388	-
Education	1,105,996	688,988	1,794,984	-
Unemployment Insurance	-	400,352	400,352	-
Debt Service	44,752	39,862	84,614	-
Emergencies	153,150	34,000	187,150	63
Permanent Funds and Endowments:				
Expendable	7,271	8,300	15,571	810,894
Nonexpendable	800,132	63,816	863,948	757,607
Other Purposes	358,793	56,296	415,089	574,524
Unrestricted	1,977,361	2,353,709	4,331,070	246,014
TOTAL NET POSITION	$ 15,732,690	$ 7,280,842	$ 23,013,532	$ 2,576,169

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

UNAUDITED

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 466,387	$ (19,358)	$ 154,919	$ 258,933	$ 25
Business, Community, and Consumer Affairs	638,742	2,180	135,447	246,105	-
Education	5,470,879	1,656	60,264	727,681	-
Health and Rehabilitation	719,818	974	80,404	387,212	-
Justice	1,837,383	5,456	196,385	190,814	19
Natural Resources	90,382	1,711	191,980	53,093	54
Social Assistance	8,084,107	3,072	673,007	4,744,368	-
Transportation	1,776,058	1,935	421,246	177,330	720,756
Interest on Debt	52,808	-	-	-	-
Total Governmental Activities	19,136,564	(2,374)	1,913,652	6,785,536	720,854
Business-Type Activities:					
Higher Education	5,613,406	1,583	3,733,969	1,930,419	53,873
Unemployment Insurance	765,540	-	740,793	212,561	-
Lottery	477,161	263	546,234	555	-
Parks and Wildlife	170,894	-	131,136	30,445	1,712
College Assist	341,587	97	7,511	350,336	-
Other Business-Type Activities	220,798	431	282,276	42,427	35
Total Business-Type Activities	7,589,386	2,374	5,441,919	2,566,743	55,620
Total Primary Government	26,725,950	-	7,355,571	9,352,279	776,474
Component Units:					
Colorado Water Resources and Power Development Authority	61,620	-	40,527	18,488	-
University of Colorado Foundation	141,096	-	5,100	203,909	-
Colorado State University Foundation	48,527	-	-	63,901	-
Colorado School of Mines Foundation	21,438	-	1,800	45,125	-
University of Northern Colorado Foundation	9,417	-	-	19,602	-
Other Component Units	160,023	-	79,887	4,424	24,136
Total Component Units	$ 442,121	$ -	$ 127,314	$ 355,449	$ 24,136

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 (Losses)
- Other General Revenues

Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (33,152)	$ -	$ (33,152)	
(259,370)	-	(259,370)	
(4,684,590)	-	(4,684,590)	
(253,176)	-	(253,176)	
(1,455,621)	-	(1,455,621)	
153,034	-	153,034	
(2,669,804)	-	(2,669,804)	
(458,661)	-	(458,661)	
(52,808)	-	(52,808)	
(9,714,148)	-	(9,714,148)	
-	103,272	103,272	
-	187,814	187,814	
-	69,365	69,365	
-	(7,601)	(7,601)	
-	16,163	16,163	
-	103,509	103,509	
-	472,522	472,522	
(9,714,148)	472,522	(9,241,626)	
-	-	-	(2,605)
-	-	-	67,913
-	-	-	15,374
-	-	-	25,487
-	-	-	10,185
-	-	-	(51,576)
-	-	-	64,778
2,754,424	-	2,754,424	-
236,737	-	236,737	-
5,285,634	-	5,285,634	-
600,002	-	600,002	-
609,260	-	609,260	-
421,723	-	421,723	-
57,075	-	57,075	-
573,544	-	573,544	-
350	-	350	-
14,988	-	14,988	53,514
112,958	-	112,958	18
-	-	-	16,321
-	(22,186)	(22,186)	-
(172,413)	172,413	-	-
-	-	-	-
397	-	397	-
10,494,679	150,227	10,644,906	69,853
780,531	622,749	1,403,280	134,631
14,958,731	6,688,706	21,647,437	2,441,538
1,720	(285)	1,435	-
(8,292)	(30,328)	(38,620)	-
$ 15,732,690	$ 7,280,842	$ 23,013,532	$ 2,576,169

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 423,273	$ 720,574	$ 34,800
Taxes Receivable, net	1,380,124	22,575	-
Other Receivables, net	95,455	22,912	2,956
Due From Other Governments	536,569	962	-
Due From Other Funds	70,707	35,368	5,278
Due From Component Units	54	-	-
Inventories	8,721	35,868	7,673
Prepaids and Advances	38,529	20,001	1,481
Restricted Assets:			
Restricted Cash and Pooled Cash	225,307	63,500	1,050,802
Restricted Investments	-	-	-
Restricted Receivables	512	-	249,906
Investments	264,413	-	-
Other Long-Term Assets	-	384,413	7,680
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,043,664	$ 1,306,173	$ 1,360,576
LIABILITIES:			
Tax Refunds Payable	$ 705,806	11,149	$ 484
Accounts Payable and Accrued Liabilities	666,043	6,645	176,984
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	91,719	81,872	32,928
Due To Other Funds	376,626	10,245	1,349
Due To Component Units	15	-	-
Unearned Revenue	18,641	516	17,136
Compensated Absences Payable	31	-	-
Claims and Judgments Payable	282	-	7
Notes, Bonds, and COPs Payable	-	-	-
Other Current Liabilities	15,025	-	26
Deposits Held In Custody For Others	4	-	-
TOTAL LIABILITIES	1,874,898	110,427	228,914
DEFERRED INFLOW OF RESOURCES:	215,663	535	1,290
FUND BALANCES:			
Nonspendable:			
Inventories	8,721	35,868	7,673
Permanent Fund Principal	-	-	-
Prepaids	38,535	20,001	1,481
Restricted	468,758	77,370	1,086,388
Committed	411,357	1,061,972	34,830
Assigned	25,732	-	-
TOTAL FUND BALANCES	953,103	1,195,211	1,130,372
TOTAL LIABILITIES AND FUND BALANCES	$ 2,828,001	$ 1,305,638	$ 1,359,286

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 143,625	$ -	$ 915,334	$ 2,237,606
-	-	38,914	1,441,613
657	7	86,517	208,504
325	-	35,514	573,370
135,558	79,752	116,623	443,286
-	-	-	54
-	-	140	52,402
4	-	7,597	67,612
-	1,014,211	208,045	2,561,865
3,847	-	653,925	657,772
-	-	-	250,418
990	-	171,378	436,781
71	-	67,962	460,126
-	-	68,332	68,332
$ 285,077	$ 1,093,970	$ 2,370,281	$ 9,459,741
$ -	$ -	$ 772	$ 718,211
11,007	6,144	102,940	969,763
-	-	-	706
-	12	38,769	245,300
82	-	59,366	447,668
-	-	-	15
337	-	50,786	87,416
-	-	-	31
-	-	88	377
-	-	130	130
1	-	3,828	18,880
-	-	135	139
11,427	6,156	256,814	2,488,636
-	-	9,413	226,901
-	-	140	52,402
-	-	868,383	868,383
4	-	7,596	67,617
3,298	1,087,814	293,949	3,017,577
270,348	-	933,986	2,712,493
-	-	-	25,732
273,650	1,087,814	2,104,054	6,744,204
$ 285,077	$ 1,093,970	$ 2,360,868	$ 9,232,840

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,237,606	$ 57,823	$ -	$ -	$ -	$ -	$ -	$ 2,295,429
Investments	-	-	-	-	-	8,460	-	8,460
Taxes Receivable, net	1,441,613	-	-	-	-	(213,834)	-	1,227,779
Contributions Receivable, net								
Other Receivables, net	208,504	510	-	-	-	1,108	-	210,122
Due From Other Governments	573,370	489	-	-	-	-	-	573,859
Due From Other Funds	443,286	1,066	-	-	-	(1,086)	(423,928)	19,338
Due From Component Units	54	-	-	-	-	-	-	54
Inventories	52,402	723	-	-	-	-	-	53,125
Prepaids and Advances	67,612	5,130	-	-	-	-	-	72,742
Total Current Assets	5,024,447	65,741	-	-	-	(205,352)	(423,928)	4,460,908
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,561,865	-	-	-	-	-	-	2,561,865
Restricted Investments	657,772	-	-	-	-	-	-	657,772
Restricted Receivables	250,418	-	-	-	-	-	-	250,418
Investments	436,781	-	-	-	-	(8,460)	-	428,321
Other Long-Term Assets	460,126	-	-	-	-	217,740	-	677,866
Depreciable Capital Assets and Infrastructure, net	20,883	86,045	9,493,272	-	-	-	-	9,600,200
Land and Nondepreciable Capital Assets	47,449	38,540	1,937,558	-	-	-	-	2,023,547
Total Noncurrent Assets	4,435,294	124,585	11,430,830	-	-	209,280	-	16,199,989
TOTAL ASSETS	9,459,741	190,326	11,430,830	-	-	3,928	(423,928)	20,660,897
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-	-	18,289	-	18,289
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,211	-	-	-	-	-	-	718,211
Accounts Payable and Accrued Liabilities	969,763	33,343	-	8,092	-	24,819	-	1,036,017
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	245,300	-	-	-	-	-	-	245,300
Due To Other Funds	447,668	1,079	-	-	-	(24,819)	(423,928)	-
Due To Component Units	15	-	-	-		-		15
Unearned Revenue	87,416	4,974	-	-	-	(239)	-	92,151
Compensated Absences Payable	31	299	-	-	-	10,140	-	10,470
Claims and Judgments Payable	377	-	-	-	41,420	9,502	-	51,299
Leases Payable	-	18,443	-	8,498	-	-	-	26,941
Notes, Bonds, and COPs Payable	130	870	-	186,910	-	-	-	187,910
Other Current Liabilities	18,880	37	-	-	-	3,308	-	22,225
Total Current Liabilities	2,488,497	59,045	-	203,500	41,420	22,711	(423,928)	2,391,245
Noncurrent Liabilities:								
Deposits Held In Custody For Others	139	-	-	-	-	-	-	139
Accrued Compensated Absences	-	8,263	-	-	-	137,729	-	145,992
Claims and Judgments Payable	-	-	-	-	121,076	191,150	-	312,226
Capital Lease Payable	-	83,563	-	64,492	-	-	-	148,055
Notes, Bonds, and COPs Payable	-	1	-	1,541,225	-	-	-	1,541,226
Other Long-Term Liabilities	-	-	-	-	-	402,954	-	402,954
Total Noncurrent Liabilities	139	91,827	-	1,605,717	121,076	731,833	-	2,550,592
TOTAL LIABILITIES	2,488,636	150,872	-	1,809,217	162,496	754,544	(423,928)	4,941,837
DEFERRED INFLOW OF RESOURCES:	226,901	-	-	-	-	(222,242)	-	4,659
NET POSITION:								
Net investment in Capital Assets:	68,202	29,163	11,430,830	(1,329,348)	-	-	-	10,198,847
Restricted for:								
Construction and Highway Maintenance	1,094,477	-	-	(8,089)	-	-	-	1,086,388
Education	1,359,134	-	-	(253,138)	-	-	-	1,105,996
Debt Service	44,752	-	-	-	-	-	-	44,752
Emergencies	153,150	-	-	-	-	-	-	153,150
Permanent Funds and Endowments:								
Expendable	7,271	-	-	-	-	-	-	7,271
Nonexpendable	800,132	-	-	-	-	-	-	800,132
Other Purposes	358,793	-	-	-	-	-	-	358,793
Unrestricted	2,858,293	10,291	-	(218,642)	(162,496)	(510,085)	-	1,977,361
TOTAL NET POSITION	$ 6,744,204	$ 39,454	$ 11,430,830	$ (1,809,217)	$ (162,496)	$ (510,085)	$ -	$ 15,732,690

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,272,649	$ -	$ -
Corporate Income	665,363	-	-
Sales and Use	2,666,090	-	-
Excise	93,788	-	573,543
Other Taxes	240,161	251,240	350
Licenses, Permits, and Fines	19,951	2,674	346,218
Charges for Goods and Services	72,148	9,300	125,930
Rents	235	3	2,322
Investment Income (Loss)	25,155	20,928	15,546
Federal Grants and Contracts	6,061,299	182,704	742,749
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	144,105	2,117	140,307
TOTAL REVENUES	15,260,944	468,966	1,946,965
EXPENDITURES:			
Current:			
General Government	257,110	-	10,947
Business, Community, and Consumer Affairs	187,277	7,831	-
Education	645,474	-	-
Health and Rehabilitation	562,333	-	10,505
Justice	1,293,551	-	109,317
Natural Resources	44,835	49,181	-
Social Assistance	7,180,059	-	-
Transportation	-	-	1,192,635
Capital Outlay	195,678	360	33,530
Intergovernmental:			
Cities	113,031	52,163	185,693
Counties	1,233,614	48,603	211,707
School Districts	3,783,791	2,309	-
Special Districts	54,588	19,174	44,052
Federal	676	504	-
Other	25,457	4,747	204
Debt Service	43,411	-	-
TOTAL EXPENDITURES	15,620,885	184,872	1,798,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(359,941)	284,094	148,375
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,440,551	31,503	10,962
Transfers-Out	(4,033,688)	(110,988)	(227,051)
Face Amount of Bond/COP Issuance	89,510	-	-
Bond/COP Premium/Discount	6,358	-	-
Capital Lease Proceeds	11,127	-	-
Sale of Capital Assets	21	-	-
Insurance Recoveries	60	-	543
Bond/COP Refunding Issuance	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	513,939	(79,485)	(215,546)
NET CHANGE IN FUND BALANCES	153,998	204,609	(67,171)
FUND BALANCE, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543
Prior Period Adjustment (See Note 29A)	-	-	-
Accounting Changes (See Note 29B)	-	851	-
FUND BALANCE, FISCAL YEAR END	$ 953,103	$ 1,195,211	$ 1,130,372

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 423,495	$ -	$ 5,696,144
-	55,303	-	720,666
-	-	48,420	2,714,510
-	-	144,565	811,896
-	-	153,359	645,110
7	-	388,812	757,662
-	-	700,467	907,845
-	-	180,332	182,892
2,019	11,421	37,339	112,408
10,039	-	181,356	7,178,147
-	-	397	397
-	-	52,540	52,540
1,914	201	76,073	364,717
13,979	490,420	1,963,660	20,144,934
5,215	-	39,827	313,099
3	-	200,334	395,445
14,445	47,531	22,881	730,331
110	-	85,028	657,976
114,967	-	90,195	1,608,030
-	-	12,937	106,953
54	-	233,552	7,413,665
-	-	2,878	1,195,513
57,306	-	11,102	297,976
-	-	60,891	411,778
-	-	79,517	1,573,441
-	666,320	22,699	4,475,119
-	-	10,246	128,060
-	-	1,856	3,036
-	377	40,542	71,327
2,728	-	214,972	261,111
194,828	714,228	1,129,457	19,642,860
(180,849)	(223,808)	834,203	502,074
339,961	79,752	493,212	5,395,941
(66,529)	(25,297)	(1,060,015)	(5,523,568)
-	-	7,100	96,610
-	-	-	6,358
13,905	-	-	25,032
-	-	26,495	26,516
1,201	-	302	2,106
111,780	-	-	111,780
400,318	54,455	(532,906)	140,775
219,469	(169,353)	301,297	642,849
54,181	1,257,167	1,802,472	6,100,219
-	-	285	285
-	-	-	851
$ 273,650	$ 1,087,814	$ 2,104,054	$ 6,744,204

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

(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	$ 5,696,144	$ -	$ -	$ -	$ 12,551	$ 5,708,695
Corporate Income	720,666	-	-	-	(65,360)	655,306
Sales and Use	2,714,510	-	-	-	39,913	2,754,423
Excise	811,896	-	-	-	(1,617)	810,279
Other Taxes	645,110	-	-	-	(6,430)	638,680
Licenses, Permits, and Fines	757,662	-	-	-	(6)	757,656
Charges for Goods and Services	907,845	-	-	-	(2)	907,843
Rents	182,892	-	-	-	-	182,892
Investment Income (Loss)	112,408	171	-	-	5	112,584
Federal Grants and Contracts	7,178,147	-	-	-	(882)	7,177,265
Additions to Permanent Funds	397	-	-	-	-	397
Unclaimed Property Receipts	52,540	-	-	-	-	52,540
Other	364,717	-	12	-	5	364,734
TOTAL REVENUES	20,144,934	171	12	-	(21,823)	20,123,294
EXPENDITURES:						
Current:						
General Government	313,099	(7,521)	14,762	-	14,476	334,816
Business, Community, and Consumer Affairs	395,445	(3,829)	4,921	-	(19,454)	377,083
Education	730,331	(385)	15,456	-	663	746,065
Health and Rehabilitation	657,976	(1,235)	18,233	-	594	675,568
Justice	1,608,030	(2,939)	(71,812)	-	4,336	1,537,615
Natural Resources	106,953	(1,898)	1,028	-	(381)	105,702
Social Assistance	7,413,665	(6,964)	12,309	-	(261)	7,418,749
Transportation	1,195,513	(1,384)	55,094	-	586	1,249,809
Capital Outlay	297,976	-	(270,828)	-	-	27,148
Intergovernmental:						
Cities	411,778	-	-	-	-	411,778
Counties	1,573,441	-	-	-	-	1,573,441
School Districts	4,475,119	-	-	-	-	4,475,119
Special Districts	128,060	-	-	-	-	128,060
Federal	3,036	-	102	-	-	3,138
Other	71,327	-	-	-	-	71,327
Debt Service	261,111	2,429	-	(184,759)	-	78,781
TOTAL EXPENDITURES	19,642,860	(23,726)	(220,735)	(184,759)	559	19,214,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	502,074	23,897	220,747	184,759	(22,382)	909,095
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,395,941	6,900	-	-	-	5,402,841
Transfers-Out	(5,523,568)	(11,422)	-	-	-	(5,534,990)
Face Amount of Bond/COP Issuance	96,610	-	-	(96,506)	-	104
Bond/COP Premium/Discount	6,358	-	-	(5,100)	-	1,258
Capital Lease Proceeds	25,032	-	-	(25,032)	-	-
Sale of Capital Assets	26,516	-	(27,560)	-	-	(1,044)
Insurance Recoveries	2,106	-	-	-	-	2,106
Bond/COP Refunding Issuance	111,780	-	-	(111,780)	-	-
Bond/COP Refunding Payments	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	140,775	(4,522)	(27,560)	(238,418)	-	(129,725)
Internal Service Fund Charges to BTAs	-	1,161	-	-	-	1,161
NET CHANGE FOR THE YEAR	642,849	20,536	193,187	(53,659)	(22,382)	780,531
Prior Period Adjustment (See Note 29A)	285	1433	-	-	-	1718
Accounting Changes (See Note 29B)	851	-	-	(9,143)	-	(8,292)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 643,985	$ 21,969	$ 193,187	$ (62,802)	$ (22,382)	$ 773,957

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,049,773	$ 627,910
Investments	254,275	-
Premiums Receivable, net	-	135,207
Student and Other Receivables, net	348,103	7,963
Due From Other Governments	132,831	4,547
Due From Other Funds	5,482	-
Due From Component Units	23,716	-
Inventories	36,538	-
Prepaids and Advances	14,977	10,214
Total Current Assets	1,865,695	785,841
Noncurrent Assets:		
Restricted Cash and Pooled Cash	382,713	-
Restricted Investments	303,678	-
Restricted Receivables	-	-
Investments	1,828,074	-
Other Long-Term Assets	97,531	-
Depreciable Capital Assets and Infrastructure, net	5,325,281	73
Land and Nondepreciable Capital Assets	788,664	163
Total Noncurrent Assets	8,725,941	236
TOTAL ASSETS	10,591,636	786,077
DEFERRED OUTFLOW OF RESOURCES:	119,847	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	561,548	1,801
Due To Other Governments	-	1
Due To Other Funds	2,114	-
Due To Component Units	528	-
Unearned Revenue	218,009	-
Compensated Absences Payable	17,016	-
Leases Payable	6,228	-
Notes, Bonds, and COPs Payable	118,521	124,960
Other Postemployment Benefits	14,076	-
Other Current Liabilities	84,752	7,605
Total Current Liabilities	1,022,792	134,367
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	239,084	-
Claims and Judgments Payable	40,982	-
Capital Lease Payable	30,899	-
Derivative Instrument Liability	8,566	-
Notes, Bonds, and COPs Payable	3,573,482	251,122
Due to Component Units	1,743	-
Other Postemployment Benefits	181,646	-
Other Long-Term Liabilities	21,303	-
Total Noncurrent Liabilities	4,097,705	251,122
TOTAL LIABILITIES	5,120,497	385,489
NET POSITION:		
Net investment in Capital Assets:	2,824,969	236
Restricted for:		
Education	688,988	
Unemployment Insurance	-	400,352
Debt Service	39,862	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	8,300	-
Nonexpendable	63,816	-
Other Purposes	-	-
Unrestricted	1,965,051	-
TOTAL NET POSITION	$ 5,590,986	$ 400,588

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 39,128	$ 531,270	$ 2,248,081	$ 57,823
-	599	254,874	-
-	-	135,207	-
19,080	25,048	400,194	510
-	13,065	150,443	489
-	6,029	11,511	1,066
-	-	23,716	-
1,257	16,220	54,015	723
5,136	4,789	35,116	5,130
64,601	597,020	3,313,157	65,741
-	45,155	427,868	-
-	-	303,678	-
-	45,477	45,477	-
-	67,316	1,895,390	-
-	1,992	99,523	-
958	551,411	5,877,723	86,045
-	568,018	1,356,845	38,540
958	1,279,369	10,006,504	124,585
65,559	1,876,389	13,319,661	190,326
-	-	119,847	-
4,812	58,446	626,607	33,343
383	30,295	30,679	-
30,509	6,949	39,572	1,079
-	-	528	-
-	130,344	348,353	4,974
9	1,092	18,117	299
-	382	6,610	18,443
-	885	244,366	870
-	-	14,076	-
26,011	8,621	126,989	37
61,724	237,014	1,455,897	59,045
-	7,879	7,879	-
700	10,364	250,148	8,263
-	-	40,982	-
-	4,683	35,582	83,563
-	-	8,566	-
-	306,806	4,131,410	1
-	-	1,743	-
-	-	181,646	-
61	23,449	44,813	-
761	353,181	4,702,769	91,827
62,485	590,195	6,158,666	150,872
958	809,356	3,635,519	29,163
		688,988	
-	-	400,352	-
-	-	39,862	-
-	34,000	34,000	-
-	-	8,300	-
-	-	63,816	-
-	56,296	56,296	-
2,116	386,542	2,353,709	10,291
$ 3,074	$ 1,286,194	$ 7,280,842	$ 39,454

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 736,985
License and Permits	-	46
Tuition and Fees	2,465,200	-
Scholarship Allowance for Tuition and Fees	(562,369)	-
Sales of Goods and Services	1,718,793	-
Scholarship Allowance for Sales of Goods & Services	(20,844)	-
Investment Income (Loss)	1,426	-
Rental Income	16,052	-
Gifts and Donations	25,183	-
Federal Grants and Contracts	981,601	195,367
Intergovernmental Revenue	11,406	-
Other	290,610	-
TOTAL OPERATING REVENUES	4,927,058	932,398
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,662,650	1,449
Operating and Travel	1,233,596	758,297
Cost of Goods Sold	153,150	-
Depreciation and Amortization	360,057	-
Intergovernmental Distributions	31,760	-
Debt Service	-	-
Prizes and Awards	443	-
TOTAL OPERATING EXPENSES	5,441,656	759,746
OPERATING INCOME (LOSS)	(514,598)	172,652
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	11,145	3,760
Investment Income (Loss)	257,931	17,194
Rental Income	12,701	3
Gifts and Donations	161,727	-
Intergovernmental Distributions	(20,742)	-
Federal Grants and Contracts	290,893	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,418)	-
Insurance Recoveries from Prior Year Impairments	3	-
Debt Service	(146,424)	(5,793)
Other Expenses	(4,475)	-
Other Revenues	5,475	-
TOTAL NONOPERATING REVENUES (EXPENSES)	565,816	15,164
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	51,218	187,816
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	90,590	-
Additions to Permanent Endowments	172	-
Special and/or Extraordinary Item (See Note 35)	(22,185)	-
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
TOTAL CONTRIBUTIONS AND TRANSFERS	270,693	(3,441)
CHANGE IN NET POSITION	321,911	184,375
NET POSITION - FISCAL YEAR BEGINNING	5,296,037	218,076
Prior Period Adjustments (See Note 29A)	(285)	-
Accounting Changes (See Note 29B)	(26,677)	(1,863)
NET POSITION - FISCAL YEAR ENDING	$ 5,590,986	$ 400,588

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 736,985	$ -
66	106,736	106,848	-
-	469	2,465,669	-
-	-	(562,369)	-
545,028	206,782	2,470,603	300,963
-	-	(20,844)	-
-	10,278	11,704	-
-	1,695	17,747	14,450
-	-	25,183	-
-	430,810	1,607,778	-
-	24,018	35,424	-
1,137	11,777	303,524	136
546,231	792,565	7,198,252	315,549
9,539	271,210	3,944,848	165,775
57,698	383,914	2,433,505	102,833
12,196	35,083	200,429	8,347
960	18,017	379,034	17,516
-	10,758	42,518	3
-	11,691	11,691	-
336,511	485	337,439	-
416,904	731,158	7,349,464	294,474
129,327	61,407	(151,212)	21,075
-	34,920	34,920	-
-	564	15,469	-
555	7,030	282,710	172
-	9,225	21,929	-
-	1,381	163,108	-
(60,321)	-	(81,063)	-
-	-	290,893	816
-	3,625	1,207	1,763
-	175	178	-
-	(6,978)	(159,195)	1,231
-	(55)	(4,530)	-
-	-	5,475	-
(59,766)	49,887	571,101	3,982
69,561	111,294	419,889	25,057
-	1,985	92,575	1,159
-	-	172	-
-	-	(22,185)	-
-	21,821	227,848	5,741
(70,279)	(17,919)	(95,550)	(11,421)
(70,279)	5,887	202,860	(4,521)
(718)	117,181	622,749	20,536
3,792	1,170,801	6,688,706	17,548
-	-	(285)	1,434
-	(1,788)	(30,328)	(64)
$ 3,074	$ 1,286,194	$ 7,280,842	$ 39,454

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,927,083	$ -
Fees for Service	1,626,563	-
Sales of Products	2,648	-
Gifts, Grants, and Contracts	1,518,905	193,597
Loan and Note Repayments	426,676	-
Unemployment Insurance Premiums	-	732,578
Income from Property	28,752	-
Other Sources	113,120	-
Cash Payments to or for:		
Employees	(3,462,049)	-
Suppliers	(1,383,716)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(757,319)
Scholarships	(116,281)	-
Others for Student Loans and Loan Losses	(423,869)	-
Other Governments	(31,760)	-
Other	(71,558)	-
Component Unit Cash Flows from Operating Activities		
NET CASH PROVIDED BY OPERATING ACTIVITIES	154,514	168,856
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
Receipt of Deposits Held in Custody	677,772	-
Release of Deposits Held in Custody	(680,360)	-
Gifts and Grants for Other Than Capital Purposes	150,330	-
Intergovernmental Distributions	(20,742)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(6,545)	(135,365)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	322,571	(138,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(632,558)	(235)
Capital Contributions	11,871	-
Capital Gifts, Grants, and Contracts	38,785	-
Proceeds from Sale of Capital Assets	4,921	-
Capital Debt Proceeds	416,917	-
Capital Debt Service Payments	(295,984)	-
Capital Lease Payments	(8,413)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(464,461)	(235)

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 589	$ 1,927,672	$ 3
-	244,521	1,871,084	306,168
546,393	56,978	606,019	1,141
-	436,104	2,148,606	822
-	392	427,068	-
-	-	732,578	-
-	10,919	39,671	14,377
1,203	155,022	269,345	156
(9,398)	(148,468)	(3,619,915)	(122,224)
(30,559)	(288,551)	(1,702,826)	(142,243)
(376,008)	(6,416)	(382,424)	(829)
-		(757,319)	-
-	-	(116,281)	-
-	(267,463)	(691,332)	-
-	(10,421)	(42,181)	(3)
(45)	(9,371)	(80,974)	(399)
131,586	173,835	628,791	56,969
-	21,869	227,896	5,741
(70,279)	(17,967)	(95,598)	(11,421)
-	100	677,872	136
-	(131)	(680,491)	(214)
-	973	151,303	-
(67,059)	-	(87,801)	-
-	(104)	(104)	-
-	(445)	(142,355)	-
(137,338)	4,295	50,722	(5,758)
(18)	(213,052)	(845,863)	(32,230)
-	-	11,871	-
-	-	38,785	-
-	632	5,553	10,098
-	-	416,917	-
-	(6,936)	(302,920)	(5,413)
-	(545)	(8,958)	(28,572)
(18)	(219,901)	(684,615)	(56,117)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	119,278	17,194
Proceeds from Sale/Maturity of Investments	4,119,983	-
Purchases of Investments	(4,257,069)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	2,829	-
NET CASH FROM INVESTING ACTIVITIES	(14,979)	17,194
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,355)	47,009
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,435,126	580,901
Prior Period Adjustment (See Note 29)	(285)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,432,486	$ 627,910
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (514,598)	$ 172,652
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	360,057	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	322,259	3,763
(Gain)/Loss on Disposal of Capital and Other Assets	222	-
Compensated Absences	15,736	-
Insurance Premiums and State Subsidy		
Claims and General Insurance Expenses Paid		
Interest and Other Expense in Operating Income	(14,228)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(42,814)	1,831
(Increase) Decrease in Inventories	449	-
(Increase) Decrease in Other Operating Assets	(7,040)	(9,608)
Increase (Decrease) in Accounts Payable	21,161	283
Increase (Decrease) in Other Operating Liabilities	13,310	(65)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 154,514	$ 168,856
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	35,338	-
Capital Assets Acquired by Grants or Donations and Payable Increases	60,240	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	134,661	-
Loss on Disposal of Capital and Other Assets	24,019	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	35,031	60
Assumption of Capital Lease Obligation or Mortgage	7,570	-
Financed Debt Issuance Costs	946	-
Fair Value Change in Derivative Instrument	233	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
452	15,808	152,732	24
-	139,362	4,259,345	-
-	-	(4,257,069)	-
103	1,848	4,780	147
555	157,018	159,788	171
(5,215)	115,247	154,686	(4,735)
44,343	461,178	2,521,548	62,558
-	-	(285)	-
$ 39,128	$ 576,425	$ 2,675,949	$ 57,823
$ 129,327	$ 61,407	$ (151,212)	$ 21,075
960	18,017	379,034	17,516
-	(10,278)	(10,278)	-
-	48,496	374,518	819
-	7,972	8,194	-
(159)	(260)	15,317	(162)
-	(19,185)	(33,413)	235
1,268	24,798	(14,917)	2,982
(85)	(1,552)	(1,188)	402
(144)	785	(16,007)	(3,016)
616	8,622	30,682	13,808
(197)	35,013	48,061	3,310
$ 131,586	$ 173,835	$ 628,791	$ 56,969
-	3,969	39,307	1,159
-	1,571	61,811	-
-	-	134,661	-
3	7,991	32,013	-
-	-	35,091	-
-	-	7,570	22,303
-	-	946	-
-	-	233	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 68,071	$ 165,115	$ 699,804
Investments	-	646	-
Taxes Receivable, net	-	-	146,176
Other Receivables, net	603	6,561	351
Intrafund Receivables	-	-	-
Due From Other Funds	24,392	6,513	10,519
Inventories	-	-	6
Prepaids and Advances	1,235	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	13,685	-
Corporate Bonds	-	5,522	-
Repurchase Agreements	-	1,081	-
Asset Backed Securities	-	762	-
Mortgages	-	1,300	-
Mutual Funds	-	5,789,152	-
Other Investments	-	78,299	-
Other Long-Term Assets	-	-	13,689
TOTAL ASSETS	94,301	6,068,636	$ 870,545
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	(1,650)
Accounts Payable and Accrued Liabilities	14,843	8,817	1,276
Due To Other Governments	-	-	262,240
Due To Other Funds	-	-	1,086
Intrafund Payables	-	-	-
Unearned Revenue	-	6,478	-
Claims and Judgments Payable	14,248	-	146
Other Current Liabilities	-	-	599,733
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,961	3,006
Accrued Compensated Absences	55	-	-
Other Long-Term Liabilities	-	-	4,708
TOTAL LIABILITIES	29,146	18,256	$ 870,545
NET POSITION:			
Pension/Benefit Plan Participants	64,392	-	
Individuals, Organizations, and Other Entities	-	6,050,380	
Unrestricted	763	-	
TOTAL NET POSITION	$ 65,155	$ 6,050,380	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,007,293
Member Contributions	82,364	-
Employer Contributions	251,302	-
Investment Income/(Loss)	895	711,641
Employee Participation Fees	707	-
Unclaimed Property Receipts	-	35,759
Other Additions	4,636	3,075
Transfers-In	1,222	-
TOTAL ADDITIONS	341,126	1,757,768
DEDUCTIONS:		
Distributions to Participants	-	257,504
Health Insurance Premiums Paid	149,784	-
Health Insurance Claims Paid	147,919	-
Other Benefits Plan Expense	19,292	-
Payments in Accordance with Trust Agreements	-	562,601
Other Deductions	16,036	-
Transfers-Out	60	153
TOTAL DEDUCTIONS	333,091	820,258
CHANGE IN NET POSITION	8,035	937,510
NET POSITION - FISCAL YEAR BEGINNING	57,120	5,112,870
NET POSITION - FISCAL YEAR ENDING	$ 65,155	$ 6,050,380

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 165,838	$ 15,032
Investments	-	-
Contributions Receivable, net	-	24,122
Other Receivables, net	75,606	49
Due From Other Governments	1,720	-
Prepaids and Advances	-	466
Total Current Assets	243,164	39,669
Noncurrent Assets:		
Restricted Cash and Pooled Cash	132,061	-
Restricted Investments	190,462	-
Restricted Receivables	2,726	-
Investments	-	1,250,817
Contributions Receivable, net	-	34,695
Other Long-Term Assets	955,621	-
Depreciable Capital Assets and Infrastructure, net	33	2,685
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,280,903	1,288,197
TOTAL ASSETS	1,524,067	1,327,866
DEFERRED OUTFLOW OF RESOURCES:	4,505	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,364	8,744
Due To Other Governments	2,330	-
Unearned Revenue	-	-
Claims and Judgments Payable	-	-
Leases Payable	-	951
Notes, Bonds, and COPs Payable	50,165	-
Other Current Liabilities	100,604	10,807
Total Current Liabilities	166,463	20,502
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	273,213
Capital Lease Payable	-	257
Notes, Bonds, and COPs Payable	718,245	-
Other Long-Term Liabilities	31,904	16,868
Total Noncurrent Liabilities	750,149	290,338
TOTAL LIABILITIES	916,612	310,840
DEFERRED INFLOW OF RESOURCES:	718	-
NET POSITION:		
Net investment in Capital Assets:	33	1,477
Restricted for:		
Emergencies	-	-
Expendable	-	551,738
Nonexpendable	-	397,990
Other Purposes	556,934	-
Unrestricted	54,275	65,821
TOTAL NET POSITION	$ 611,242	$ 1,017,026

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 752	$ 10,773	$ 1,437	$ 19,778	$ 213,610
-	-	-	67,411	67,411
7,637	6,572	2,396	4,150	44,877
-	1,755	194	675	78,279
-	-	-	1,385	3,105
122	-	-	-	588
8,511	19,100	4,027	93,399	407,870
-	96	-	22,288	154,445
-	-	-	-	190,462
-	-	-	-	2,726
325,414	249,871	98,860	42,126	1,967,088
21,857	9,403	3,452	-	69,407
574	331	190	1,862	958,578
6	16	1,044	122,523	126,307
-	-	-	61,968	61,968
347,851	259,717	103,546	250,767	3,530,981
356,362	278,817	107,573	344,166	3,938,851
-	-	-	-	4,505
2,286	2,432	1,231	1,796	29,853
-	-	-	-	2,330
-	-	-	7,656	7,656
-	-	-	22,251	22,251
-	-	-	-	951
-	-	-	-	50,165
-	-	-	239	111,650
2,286	2,432	1,231	31,942	224,856
13,989	19,835	668	-	307,705
-	-	-	-	257
-	-	-	54,607	772,852
818	11,046	151	12	60,799
14,807	30,881	819	54,619	1,141,613
17,093	33,313	2,050	86,561	1,366,469
-	-	-	-	718
6	16	1,044	184,491	187,067
-	-	-	63	63
160,586	77,560	21,010	-	810,894
145,305	143,579	70,733	-	757,607
-	-	-	17,590	574,524
33,372	24,349	12,736	55,461	246,014
$ 339,269	$ 245,504	$ 105,523	$ 257,605	$ 2,576,169

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 37,315	$ 5,100
Sales of Goods and Services	-	-
Investment Income (Loss)	8,652	-
Rental Income	-	-
Gifts and Donations	-	130,477
Federal Grants and Contracts	6,765	-
Other	3,212	957
TOTAL OPERATING REVENUES	55,944	136,534
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,258	-
Operating and Travel	24,466	24,754
Depreciation and Amortization	14	-
Debt Service	35,883	-
Foundation Program Distributions	-	116,342
TOTAL OPERATING EXPENSES	61,621	141,096
OPERATING INCOME (LOSS)	(5,677)	(4,562)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	99,822
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	99,822
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,677)	95,260
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	11,724	-
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	-
CHANGE IN NET POSITION	6,047	95,260
NET POSITION - FISCAL YEAR BEGINNING	605,195	921,766
NET POSITION - FISCAL YEAR ENDING	$ 611,242	$ 1,017,026

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,800	$ -	$ 73,015	$ 117,230
-	-	-	5,534	5,534
-	-	-	(4,577)	4,075
-	-	-	1,335	1,335
45,226	23,827	12,273	-	211,803
-	-	-	2,455	9,220
63	326	688	-	5,246
45,289	25,953	12,961	77,762	354,443
-	-	-	-	1,258
2,951	4,378	2,452	136,840	195,841
-	-	-	4,893	4,907
-	-	-	-	35,883
45,577	17,060	6,965	-	185,944
48,528	21,438	9,417	141,733	423,833
(3,239)	4,515	3,544	(63,971)	(69,390)
32,762	25,936	8,699	924	168,143
-	-	-	6,119	6,119
-	-	-	1,065	1,065
-	-	-	22,335	22,335
-	-	-	(3,229)	(3,229)
-	-	-	(15,061)	(15,061)
-	-	-	12,925	12,925
32,762	25,936	8,699	25,078	192,297
29,523	30,451	12,243	(38,893)	122,907
-	-	-	-	11,724
-	-	-	-	11,724
29,523	30,451	12,243	(38,893)	134,631
309,746	215,053	93,280	296,498	2,441,538
$ 339,269	$ 245,504	$ 105,523	$ 257,605	$ 2,576,169

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 117,230			
Sales of Goods and Services	5,534			
Investment Income (Loss)	4,075	(4,075)		
Rental Income	1,335			
Gifts and Donations	211,803	(211,803)		
Federal Grants and Contracts	9,220	(9,220)		
Other	5,246	(2,031)		
TOTAL OPERATING REVENUES	354,443	(227,129)	127,314	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,258			
Operating and Travel	195,841			
Depreciation and Amortization	4,907			
Debt Service	35,883	3,227		
Foundation Program Distributions	185,944			
Other Expenses	-	15,061		
TOTAL OPERATING EXPENSES	423,833	18,288	442,121	EXPENSES
OPERATING INCOME (LOSS)	(69,390)			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	168,143	(168,143)		
Gifts and Donations	6,119	(6,119)		
Federal Grants and Contracts	1,065	(1,065)		
Gain/(Loss) on Sale or Impairment of Capital Assets	22,335	(22,335)		
Debt Service	(3,229)	3,229		
Other Expenses	(15,061)	15,061		
Other Revenues	12,925	(12,925)		
TOTAL NONOPERATING REVENUES (EXPENSES)	192,297	(192,297)		
		355,449	355,449	OPERATING GRANTS & CONTRIBUTIONS
		24,136	24,136	CAPITAL GRANTS & CONTRIBUTIONS
		53,514	53,514	UNRESTRICTED INVESTMENT EARNINGS
		16,321	16,321	PAYMENTS FROM THE STATE
		18	18	OTHER GENERAL REVENUES
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	122,907			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	11,724	(11,724)		
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	(11,724)		
CHANGE IN NET POSITION	134,631		134,631	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,441,538		2,441,538	NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	$ 2,576,169		$ 2,576,169	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, GASB Statement No. 66 – Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, and Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

The following entities qualify as discretely presented component units:

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

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

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

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

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

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

University of Northern Colorado Foundation
Judy Farr Alumni Center
Campus Box 20
Greeley, CO 80639

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2013.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements and as other accounting literature Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2013.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2013.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

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

(Amounts in Dollars)

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

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

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

(Amounts in Years)

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

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

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

F. UNEARNED REVENUE AND DEFERRED INFLOWS

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

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

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

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NET POSITION AND FUND BALANCES

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

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

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

<u>Net Investment in Capital Assets</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 Construction and Highway Maintenance</u> – Article X Section 18 of the State Constitution restricts the motor fuels tax and fee portion of the Highway Users Tax Fund. The restricted portion of the fund is appropriated for highway construction and maintenance activities.

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

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

<u>Restricted for Unemployment Insurance</u> – The entire net position balance of the Unemployment Insurance Fund is reported as restricted because federal regulations limit

nearly all the balance to paying unemployment insurance claims.

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

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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

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

Committed – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default classification for the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1) (d) to reserve five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $249.2 million was committed for this purpose.

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2013-14 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2013-14, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2013-14. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2010-11 that were incorporated in State agency budgets in Fiscal Year 13-14. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on 114. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the `overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2014, were $37,747,270 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $28,752,698 of general funds and $904,633 of cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. With changes in eligibility standards, the caseload related to low income and higher income parents was higher than estimated. Growth in the base population that is funded at a 50 percent federal participation rate increased by 40,000 while the expansion population that is solely federally funded grew by 15,000 which is significantly below the level anticipated. Additionally, unanticipated caseload increases contributed to the cash overexpenditures of $149,124 in the Health Care Expansion Fund and $316,582 in the Breast and Cervical Prevention and Treatment Fund. A Large settlement payment for an appeal resulted in a cash overexpenditure of $438,927 in the Nursing Facility Provider Feed Cash Fund.

- Medicaid Mental Health Fee for Service Payments – The Department of Health Care Policy and Financing overexpended this line item by $1,594,036 of general funds and $1,381,729 of cash funds. This appropriation includes Medicaid covered mental health services that are paid on a fee-for-service basis to providers. The Department believes that the increase in expenditures was due to an unanticipated increase in utilization of services, estimated at about 4.5 percent.

- MMA 2003 State Contribution – The Department of Health Care Policy and Financing overexpended this line item by $1,285,691 of general funds. The appropriation makes the Medicare Modernization Act Clawback payment and was based on a projected caseload, including retroactive caseload. The appropriation based on actual caseload varied from actual expenditures by approximately 1.22 percent.

Approved Department of Human Services Non-Medicaid Overexpenditures Subject to the $1.0 Million Limit:

- CBMS Operating Expenses and Modernization Contract – The Department of Human Services overexpended the operating line item by $599,828 and the modernization contract line item by $154,960 of general funds. This resulted from the inability of the Department to utilize Temporary Aid to Need Families (TANF) federal funds. A high volume of billings were received in July which is past the point in time that the funding split could have been trued up with an emergency supplemental appropriation as TANF funds must be appropriated.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

- State Personnel Board Operating Expenses – The Department of Personnel and Administration overexpended this line item by $62 of general funds. The Division's expenses exceeded its spending authority in this line item due to an oversight.

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

- Legal Services Cash Fund – The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when initially determining rates. Rates have subsequently been increased and the deficit has been reduced from $1,620,644 in the prior year to $701,828.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2,283,235. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

- Registration Number Fund – The Governor's Office had a deficit fund balance related to this fund of $88,570. Pursuant to C.R.S. 42-1-407, the Department of Personnel and Administration loaned the fund $300,000 to cover start-up costs until proceeds from the auction of special license plates could be generated. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2014-15 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2014:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $1,402,598

  Adult Dental Fund - $381,574

  Medicaid Buy-In Cash Fund - $20,715

The General Fund Surplus Schedule (page 121) shows a negative reversion of $20.7 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 $20.7 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters 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 statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2013-14 ESRC of $11.85 billion. TABOR revenue was below the ESRC by $169.3 million, and over the TABOR limit by $2,116.5 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $2,116.5 million that would have occurred related to Fiscal Year 2013-14 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $9.8 billion, $3.6 billion during the initial five year revenue retention period, and an additional $6.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2013-14.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the un-refunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2013-14 that amount was $350,493,899.

At June 30, 2014, the financial net positions, or fund balance of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000. The $33,000,000 designation by the Legislature has been reduced by $2,500,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.

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- Controlled Maintenance Trust Fund, a portion of the major General Fund - $48,000,000. In addition to this amount, $9,500,000 of the Fiscal Year 2012-13 designation was carried forward into Fiscal Year 2013-14. The adjusted $57,500,000 designation by the Legislature has been reduced by $50,850,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $5,000,000.
- The 2013 legislative session Long Appropriations Act designated up to $93,600,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2013 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $20,893,899 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 2013-14, under the direction of the Governor's Executive Orders, the State transferred $50.85 million from the Controlled Maintenance Trust Fund and $2.5 million from the perpetual base account of the Severance Tax Fund of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- West Fork Fire - $12.0 million
- Front Range Flooding - $38.95 million
- El Paso County Flooding - $0.4 million
- Red Canyon Fire - $2.0 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,555.6 million ($7,561.1 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2014, the treasurer had invested $7,455.0 million (fair value) of the pool and held $7.0 million of certificates of deposit.

The State had an accounting system cash deposit balance of $1,221.6 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $115.7 million of the State's total bank balance of $1,244.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $172,393 with a bank balance of $206,878 at December 31, 2013. Of the booked amount, $250,000 was federally insured and $43,122 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name. The authority also reported as cash and cash equivalents $29.7 million held by the State Treasurer, $182.2 million held in COLOTRUST and $85.8 million held in third party, short-term, prime investment funds. COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at $1.00. Shares of COLOTRUST are not evidenced by securities, and therefore, are not subject to custodial risk classification. Both COLOTRUST and the third party investment funds have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Realized/Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains received in the form of new investments rather than in cash.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, 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 Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,363.0 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,380.1 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $213.6 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.
- $135.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $22.6 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $38.9 million recorded in nonmajor special revenue funds, of which, approximately $11.1 million is from gaming tax, $14.6 million is insurance premium tax, and $9.9 million is tobacco tax.

In addition, $58.2 million of Taxes Receivable, $50.8 million of Other Receivables, and $140.9 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $610.3 million shown on the government-wide *Statement of Net Position* are net of $285.5 million in allowance for doubtful accounts and primarily comprise the following:

- $348.1 million of student and other receivables of Higher Education Institutions.
- $95.5 million of receivables recorded in the General Fund, of which $16.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $65.5 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.1 million of patient receivables.
- $22.9 million recorded by the Resource Extraction Fund.
- $86.5 million of receivables recorded by Other Governmental Funds including $45.3 million of tobacco settlement revenues expected within the following year, $9.8 million of rent and royalty receivables recorded by the State Lands Funds and $4.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2013. During 2013, the authority made new loans of $33.4 million and canceled or received repayments for existing loans of $78.4 million.

The University of Colorado Foundation contributions receivable of $24.1 million and $34.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2013, the amount reported as contributions receivable includes $68.6 million of unconditional promises to give which were offset by a $8.0 million allowance for uncollectible contributions and a $1.8 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2013, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.7 million, which were offset by $3.6 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2013, contributions from three donors represented approximately 78 percent of net contributions receivable for the foundation.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.0 million was offset by $0.7 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 49 percent of the foundation's contributions receivable at June 30, 2013, consists of pledges from two donors in 2013, and approximately $3.8 million is due from trusts held by others.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $5.8 million was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2013 consists of a pledge from one donor, and 59 percent of contributions for the year ended June 30, 2013 were from two donors.

The Venture Capital Authority, a nonmajor component unit, has receivables 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 $4.15 million of accounts receivable from insurance companies that are reported as Contributions Receivable on the *Statement of Net Position.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $107.1 million shown on the government-wide *Statement of Net Position* at June 30, 2014, primarily comprise:

- $13.8 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $66.4 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $27.8 million, and
- $19.6 million of consumable supplies inventories, of which, $8.7 million was recorded by the Higher Education Institutions, $7.3 million was recorded by the Highway Users Tax Fund, $2.1 million by the General Purpose Revenue Fund, and $1.0 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $107.9 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.4 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $9.4 million in Higher Educational Institutions, of which $5.2 million was at Colorado State University that primarily related to library subscriptions.
- $5.1 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $4.1 million of security deposits in the Department of Labor and Employment.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2013-14, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $169,768, for the Unclaimed Property Tourism Trust Fund of $15,175, for the Major Medical Fund of $72,151, for the Colorado Prepaid Tuition Fund of $1,368,687, and for the Treasurer's pooled cash of $549,549.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2014 and 2013, the treasurer had $41.3 million and $29.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $7.3 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $7.1 million as of June 30, 2014. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,373,353 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 $1,330,063 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2013-14.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 1,221,566
Investments:	
Governmental Activities	8,560,230
Business-Type Activities	2,453,941
Fiduciary Activities	5,879,808
Total	$ 18,115,545
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,476,500
Add: Warrants Payable Included in Cash	210,370
Total Cash and Pooled Cash	5,686,870
Add: Restricted Cash	2,989,733
Add: Restricted Investments	961,450
Add: Investments	8,477,492
Total	$ 18,115,545

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $257.1 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($44.2 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Center ($0.8 million reported in a Special Capital Projects Fund), and $3.4 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 4,164,291	$ -	$ 261,180	$ 4,425,471
Commercial Paper	74,998	-	-	74,998
Corporate Bonds	1,734,116	-	251,954	1,986,070
Asset Backed Securities	1,462,699	-	142,783	1,605,482
Mortgages Securities	18,933	7,322	132,467	158,722
Mutual Funds	-	-	3,971	3,971
Other	-	257,091	48,425	305,516
TOTAL INVESTMENTS	$ 7,455,037	$264,413	$ 840,780	$ 8,560,230

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($43.7 million), Absolute Return Funds ($40.5 million), Real Estate ($28.5 million), Venture Capital ($18.0 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($2.2 million), and Municipal Bonds ($9.2 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds primarily comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of $49.6 million of bond issuances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($78.3 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 322,212	$ -	$ 322,212	$ 11,277
Commercial Paper	2,802	-	2,802	-
Corporate Bonds	195,370	-	195,370	-
Corporate Securities	18,944	-	18,944	-
Repurchase Agreements	234,912	-	234,912	1,080
Asset Backed Securities	101,967	-	101,967	-
Mortgages Securities	85,204	-	85,204	-
Mutual Funds	1,234,747	16,117	1,250,864	5,789,152
Other	189,868	51,798	241,666	78,299
TOTAL INVESTMENTS	$ 2,386,026	$ 67,915	$ 2,453,941	$ 5,879,808

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 265	$ -	$ 265	$ -
Corporate Bonds	3,680	-	3,680	-
Corporate Securities	9,223	-	9,223	-
Repurchase Agreements	-	-	-	1,080
TOTAL SUBJECT TO CUSTODIAL RISK	$ 13,230	$ -	$ 13,230	$ 1,080

Credit Quality Risk

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

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

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

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

- CollegeInvest held a funding agreement valued at $78.3 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Municipal Bonds & Other	Total
Treasurer's Pool:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 91,106	$ -	$ 1,462,699	$ -	$ -	$ -	$ 1,553,805
High Grade	1,004,685	-	643,105	-	18,933	-	-	-	1,666,723
Upper Medium	-	-	959,242	-	-	-	-	-	959,242
Lower Medium	-	-	15,235	-	-	-	-	-	15,235
Short-term Ratings									
Highest	2,192,967	74,998	-	-	-	-	-	-	2,267,965
Higher Education Institutions:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 3,392	$ -	$ 32,655	$ 196,820	$ 387	$ -	$ 233,361
High Grade	69,697	-	18,106	-	56,370	5,470	4	8,399	158,300
Upper Medium	-	-	51,038	-	5,590	-	21	788	57,512
Lower Medium	-	-	33,963	-	4,216	-	342	-	38,521
Speculative	-	-	1,329	-	921	-	69	-	2,319
Very Speculative	-	-	-	-	504	-	40	-	544
High Default Risk	-	-	-	-	4,779	-	10	-	4,789
Default	-	-	-	-	1,004	-	-	-	1,004
Short-term Ratings									
Highest	-	2,002	-	-	-	-	169	-	2,171
Unrated	-	-	5,332	234,912	27,449	71,414	167,082	2,004	508,337
Fiduciary Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ -	$ 1,080	$ -	$ -	$ -	$ -	$ 1,080
High Grade	-	-	-	-	-	-	-	-	-
Short-term Ratings									
Unrated	-	-	3,430	-	-	5,789,152	-	-	5,792,582
All Other Funds:									
Long-term Ratings									
Gilt Edge	$ -	$ -	$ 24,041	$ -	$ 142,783	$ 3,543	$ -	$ -	$ 170,367
High Grade	204,708	-	155,652	-	125,361	990	-	3,364	490,075
Upper Medium	-	-	68,518	-	-	-	-	-	68,518
Lower Medium	-	-	3,742	-	-	-	-	-	3,742
Short-term Ratings									
Highest	-	-	-	-	-	-	-	-	-
Unrated	2,041	-	-	-	14,428	8,025	7,529	-	32,023

Interest Rate Risk

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

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (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 more than ten years, based on the credit quality rating.

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $78.3 million that have duration of 7.9 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.739-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,164,291	1.424	$ 11,301	0.701	$ 11,676	12.739	$ 261,180	5.873
Commercial Paper	74,998	0.043	2,002	0.500	-	-	-	-
Corporate Bonds	1,734,116	2.766	-	-	-	-	251,954	6.388
Asset Backed Securities	1,481,633	3.033	-	-	-	-	275,251	4.913
Municipal Bonds	-	-	-	-	-	-	3,364	10.460
Total Investments	$ 7,455,038		$ 13,303		$ 11,676		$ 791,749	

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 $234.9 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. The $234.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.7 years.

The University of Colorado has invested $13.8 million in U.S. Treasury Inflation Protected Securities with duration of 6.7 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.

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

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 173,875,435	4.510
U.S. Treasury Strips	999,800	0.040
U.S. Government Agency Notes	68,696,825	3.240
U.S. Government Agency Strips		
Municipal Bonds	9,204,817	7.690
Corporate Bonds	112,303,354	6.230
Certificates of Deposit	1,987,023	2.640
Asset Backed Securities	133,488,167	4.280
Bond Mutual Funds	167,132,119	2.760
Colorado State University:		
Bond Mutual Funds	$ 991,409	2.800
Colorado School of Mines:		
Bond Mutual Funds-1	$ 980,266	5.500
Bond Mutual Funds-2	952,532	1.200
Bond Mutual Funds-3	729,596	0.700
Bond Mutual Funds-4	767,335	7.700
Colorado Mesa University:		
U.S. Government Securities	$ 1,006,615	2.350
Corporate Bonds	857,163	2.014
Bond Mutual Funds	252,675	3.100
Taxable Municipal Bonds	$ 580,387	2.644
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	#########	6.800
Bond Mutual Fund-2	639,483,130	5.600
Bond Mutual Fund-3	562,374,581	5.600
Bond Mutual Fund-4	353,527,101	0.159
Bond Mutual Fund-5	338,996,335	3.000
Bond Mutual Fund-6	218,325,446	6.700
Bond Mutual Fund-7	210,093,193	5.600
Bond Mutual Fund-8	100,726,915	3.200
Bond Mutual Fund -9	1,398,596	6.900

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 also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $73.6, British Pound - $48.3, Japanese Yen - $44.0, Swiss Franc - $23.1, Brazilian Real - $10.1, Chinese Yuan - $13.4, Korean Won - $11.3, Canadian Dollar - $8.2, Australian Dollar - $6.6, Swedish Kroner - $8.3, $, Denmark Kroner - $8.2, Honk-Kong Dollar - $12.2, Indian Rupee - $6.6, South African Rand - $6.7, Taiwan Dollar - $6.4, and various other currencies totaling $25.4 million 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 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the Public School Permanent Fund. The Public School Permanent Fund has a concentration of credit risk because of the below listed corporate bond holding exceed 5 percent of the total investment in the fund category; General Electric Capital Corporation – 5.9 percent and Citigroup – 6.3 percent.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2013-14	Fiscal Year 2012-13
Governmental Activities:		
Major Funds		
General-General Purpose	$ 1,184	$ (12,770)
General-Special Purpose	1,174	(2,118)
Resource Extraction	2,468	(5,752)
Highway Users Tax	2,787	(14,367)
Capital Projects-Regular	471	(1,006)
Capital Projects-Special	11	(84)
State Education	4,116	(1,625)
NonMajor Funds:		
State Lands	(655)	(27,612)
Other Permanent Trusts	34	(112)
Labor	(1,432)	(3,598)
Gaming	335	(1,486)
Tobacco Impact Mitigation	259	(191)
Resource Management	64	(56)
Environment Health Protection	279	(1,758)
Other Special Revenue	597	(2,329)
Unclaimed Property	966	(6,773)
Information Technology	131	(172)
Highways (Internal Service)	-	(3)
Administrative Courts	3	(11)
Legal Services	13	-
Other Internal Service	-	(2)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	137,494	52,328
Lottery	103	(392)
NonMajor Funds:		
CollegeInvest	217	(1,541)
Wildlife	331	(1,328)
College Assist	259	(736)
State Fair Authority	-	(5)
Correctional Industries	15	(65)
State Nursing Homes	48	(110)
Prison Canteens	11	(21)
Petroleum Storage Tank	20	(90)
Transportation Enterprise	972	(1,097)
Other Enterprise Activities	16	(100)
Fiduciary:		
Pension/Benefits Trust	159	(781)
Private Purpose Trust	525,314	306,724
	$ 677,764	$ 270,962

Component Units

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

Component Units – Non-Foundations

Except for guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2013, were:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
U.S. Government Securities	$	104,228
Repurchase Agreements		86,234
TOTAL INVESTMENTS	$	190,462

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

Credit Quality Risk

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

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

Interest Rate Risk

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $190.5 million of investments subject to interest rate risk with the following maturities; one year or less – 10 percent, two to five years – 26 percent, six to ten years – 29 percent, eleven to fifteen years – 24 percent, and 16 years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $67.4 million of investments subject to modest interest rate risk that mature within twelve months or less.

Concentration of Credit Risk

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2013, all of its investments were placed in a single issuer and were therefore subject to concentration of credit risk.

Component Units – Foundations

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

At June 30, 2013, the University of Colorado Foundation held $254.1 million of domestic equity securities, $259.7 million of international equity securities, $167.1 million of fixed income securities and $506.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $97.3 million is net of $6.7 million of investment fees and comprises $15.0 million of interest dividends and other income, $39.1 million of realized gains, and $49.9 million of unrealized gains.

At June 30, 2013, the Colorado State University Foundation held $153.2 million of equity securities, $152.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $16.3 million of fixed income securities, and $3.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2013, the CSMF held fixed income and fixed income mutual funds totaling $22.8 million, domestic and international equities totaling $91.1 million, investments in hedge funds and venture capital totaling $92.9 million and cash equivalents totaling $17.3 million in its long-term investments pool.

Of the foundation's $249.9 million of investments, $15.5 million, or 6.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $8.4 million and several long-term trusts valued at $1.3 million which are reported as Investments on the *Statement of Net Position – Component Units.* Forty-one 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, 2013, the University of Northern Colorado Foundation held $41.3 million of equity securities, $22.9 million of fixed income securities, and $34.7 million of cash and other investments. The foundation's investment income of $8.7 million is net of $0.4 million of management fees and comprises $2.4 million of interest and dividends and $6.7 million of realized and unrealized losses

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The $777.4 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $213.8 million and $58.2 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by deferred Revenue.

The $460.1 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($7.7 million), a major special revenue fund, and the Resource Extraction Fund ($384.4 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $99.5 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2013-14 the State capitalized $33.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $21.9 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Department of Corrections decommissioned Fort Lyons Correctional Facility to implement operational efficiencies. Subsequently, the Colorado General Assembly authorized the Department of Local Affairs to prepare and operate the facility in Fiscal Year 2013-14 as a supportive residential community for the homeless. However, since its decommissioning the facility has remained idle. On June 30, 2014 it had a carrying value of $16.2 million. An asset impairment estimate has not been calculated since it is not known when the property deed transfer will occur.

The Department of Transportation recognized $18.8 in impairment (a reduction in carrying value) to roadway assets as a result of flood damage this fiscal year.

The schedule on the following page shows the capital asset activity for Fiscal Year 2013-14.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	86,938	$ 2,667	$ -	$ 3	$ 89,608
Land Improvements	6,248	-	1,028	-	7,276
Collections	11,002	-	-	(7)	10,995
Other Capital Assets	15	6,933	-	-	6,948
Construction in Progress (CIP)	1,145,432	715,450	(875,724)	(11,846)	973,312
Infrastructure	921,134	21	14,253	-	935,408
Total Capital Assets Not Being Depreciated	2,170,769	725,071	(860,443)	(11,850)	2,023,547
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	44,895	270	1,455	(64)	46,556
Buildings	2,122,112	21,692	540,924	(31,089)	2,653,639
Software	245,073	4,912	200	(386)	249,799
Vehicles and Equipment	714,869	89,648	7,210	(20,702)	791,025
Library Materials and Collections	6,031	390	-	(388)	6,033
Other Capital Assets	38,210	674	-	(45)	38,839
Infrastructure	10,406,020	54	310,654	(40,570)	10,676,158
Total Capital Assets Being Depreciated	13,577,210	117,640	860,443	(93,244)	14,462,049
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(26,746)	(1,842)	-	62	(28,526)
Buildings	(761,215)	(58,678)	-	8,434	(811,459)
Software	(146,983)	(24,053)	-	374	(170,662)
Vehicles and Equipment	(455,168)	(50,180)	-	11,905	(493,443)
Library Materials and Collections	(3,912)	(444)	-	389	(3,967)
Other Capital Assets	(28,306)	(3,012)	-	45	(31,273)
Infrastructure	(2,841,921)	(501,800)	-	21,202	(3,322,519)
Total Accumulated Depreciation	(4,264,251)	(640,009)	-	42,411	(4,861,849)
Total Capital Assets Being Depreciated, net	9,312,959	(522,369)	860,443	(50,833)	9,600,200
TOTAL GOVERNMENTAL ACTIVITIES	11,483,728	202,702	-	(62,683)	11,623,747
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	500,837	9,728	2,002	(5,408)	507,159
Land Improvements	16,625	302	(8)	(37)	16,882
Collections	22,455	1,002	-	(7)	23,450
Construction in Progress (CIP)	680,923	813,690	(681,224)	(18,179)	795,210
Other Capital Assets	-	-	-	-	-
Infrastructure	8,921	-	5,223	-	14,144
Total Capital Assets Not Being Depreciated	1,229,761	824,722	(674,007)	(23,631)	1,356,845
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	562,665	3,426	19,645	(773)	584,963
Buildings	6,938,835	13,636	409,009	(4,005)	7,357,475
Software	178,050	13,555	4,570	(1,582)	194,593
Vehicles and Equipment	921,001	80,527	11,645	(35,892)	977,281
Library Materials and Collections	502,533	20,507	-	(5,333)	517,707
Other Capital Assets	19,227	13	355	-	19,595
Infrastructure	160,526	-	228,783	(164)	389,145
Total Capital Assets Being Depreciated	9,282,837	131,664	674,007	(47,749)	10,040,759
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(290,764)	(24,282)	-	21	(315,025)
Buildings	(2,384,419)	(224,124)	-	2,280	(2,606,263)
Software	(89,842)	(29,991)	-	736	(119,097)
Vehicles and Equipment	(652,435)	(76,931)	-	29,341	(700,025)
Library Materials and Collections	(371,785)	(18,468)	-	3,340	(386,913)
Other Capital Assets	(825)	(357)	-	(95)	(1,277)
Infrastructure	(29,702)	(4,881)	-	147	(34,436)
Total Accumulated Depreciation	(3,819,772)	(379,034)	-	35,770	(4,163,036)
Total Capital Assets Being Depreciated, net	5,463,065	(247,370)	674,007	(11,979)	5,877,723
TOTAL BUSINESS-TYPE ACTIVITIES	6,692,826	577,352	-	(35,610)	7,234,568
TOTAL CAPITAL ASSETS, NET	$ 18,176,554	$ 780,054	$ -	$ (98,293)	$ 18,858,315

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	$ 17,390
Business, Community, and Consumer Affairs	4,928
Education	15,434
Health and Rehabilitation	9,939
Justice	39,725
Natural Resources	1,023
Social Assistance	12,583
Transportation	521,471
Internal Service Funds (Charged to programs and BTAs based on useage)	17,516
Total Depreciation Expense Governmental Activities	640,009
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	360,058
State Lottery	960
Other Enterprise Funds	18,016
Total Depreciation Expense Business-Type Activities	379,034
Total Depreciation Expense Primary Government	$ 1,019,043

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $140.8 million, net of accumulated depreciation of $79.1 million, at December 31, 2013. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC@Metro, Inc., a nonmajor component unit reported nondepreciable capital assets of $42.9 million related to the construction of the Hotel Learning Center.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

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

Defined Retirement Benefits

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

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

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

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

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

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

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

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

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

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

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

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2014.

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. 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. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

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. The earned service requirement is waived if a member's death is job-incurred.

B. FUNDING POLICY

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

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2013-14				
1-1-14 to 6-30-14	17.36	20.15	17.45	100
7-1-13 to 12-31-13	17.36	19.25	16.55	100
Fiscal Year 2012-13				
1-1-13 to 6-30-13	17.36	19.25	16.55	100
7-1-12 to 12-31-12	17.36	18.35	15.65	100
Fiscal Year 2011-12				
1-1-12 to 6-30-12	14.86	15.85	13.15	100
7-1-11 to 12-31-11	14.86	14.95	12.25	100

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

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

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

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

The Fiscal Year 2013-14 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, 2013, to December 31, 2013, 15.53 percent was allocated to the defined benefit plan, and
- From January 1, 2014, to June 30, 2014 16.43 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, 2013, the State Division of PERA had a funded ratio of 57.5 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

The State made the following retirement contributions:

- Fiscal Year 2013-14 – 398.5 million
- Fiscal Year 2012-13 - $368.5 million
- Fiscal Year 2011-12 - $276.3 million
- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (previously restated)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million

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

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado represents most, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2013	$495,241	20.01%	79%
2012	$393,991	16.52%	83%
2011	$326,274	13.63%	85%

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA contribution swap with employees from July 1, 2010 to June 30, 2012, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

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

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2013-14 and 2012-13, the Department of Local Affairs transferred $4.1 and $4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. 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 of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-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 $25.3 million, $24.9, million, $24.1 million, $24.3 million, and $24.6 million, in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2013.

As of December 31, 2013, there were 53,041 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2013, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a seven and on-half percent investment rate of return and discount rate, and an aggregate three and nine-tenths percent projection of salary increases, both assuming a three and two and eighth-tenths percent inflation rate productivity at one and one-tenth percent. Medical claims are projected to increase annually at various rates up to 5.91 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

University of Colorado – Other Postemployment Benefits Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2013-14, the University contributed $16.6 million to the plan. Plan members contributed 0.28 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.0 percent of covered payroll.

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

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

(Amounts In Thousands)

Annual required contribution	$ 49,553
Interest on net OPEB obligation	7,443
Adjustment to annual required contribution	(10,154)
Annual OPEB cost (expense)	46,842
Contributions made	(16,648)
Increase/(Decrease) in net OPEB obligation	30,194
Net OPEB obligation - beginning of year	165,393
Net OPEB obligation - end of year	$ 195,587

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2013-14 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 46,842	35.5%	$ 195,587

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $406.8 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $406.8 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.1 billion, and the ratio of UAAL to covered payroll was 35.6 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return, and health care trend rates ranging from 6.5 to 8.0 percent in 2014, down to 5.0 percent in 2022. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Fiscal Year 2013-14 the University transferred assets into a qualifying trust for all four plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $379 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

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

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the University in consultation with outside benefit consultants, under-writers, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2013-14, the University contributed $37.0 million to the RMPR at a contribution rate of one percent of covered earnings, $21.0 million to the RMPS at a 12.47 percent contribution rate, $0.6 million to the URX at 0.64 percent contribution rate, and $6.3 million to the LTD at a 0.40 percent contribution rate. Plan members are not required to contribute to any of the four plans. As of June 30, 2014, RMPR had 4,687 active members and 326 retired members or beneficiaries receiving benefits; the RMPSRMPS had 419 active members, 185 terminated but eligible members, and 506 retired members or beneficiaries receiving benefits; the URX had 419 active members, 543 terminated but eligible members, and 338 retired members or beneficiaries receiving benefits; and LTD had 4,608 active members and 28 retired members or beneficiaries receiving benefits.

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

As of the most recent actuarial valuation date of January 1, 2014, The RMPR was 106.8 percent funded, the RMPS was 39.3 percent funded, the URX 17.5 percent funded, and the LTD 46.2 percent funded with net assets of $36.3 million, $19.7 million, $0.5 million, and $5.4 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $34.0 million, $50.1 million, $2.8 million, and $11.6 million respectively, resulting in unfunded actuarial accrued liabilities of -$2.3 million, $30.4 million, $2.3 million and $6.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $285.0 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.8 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

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

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

At June 30, 2014, RMPR was overfunded with a negative unfunded actuarial accrued liability of $2.3 million, a funded ratio of 106.8 percent, and a one-year amortization period; RMPS had an unfunded actuarial accrued liability of $30.4 million, a funded ratio of 39.3 percent, and a 24-year amortization period; URX had an unfunded actuarial accrued liability of $2.3 million, a funded ratio of 17.5 percent, and a 24-year amortization period; and LTD had an unfunded actuarial accrued liability of $11.6 million, a funded ratio of 46.2 percent, and a 30-year amortization period.

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

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

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The

Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

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

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2011-12 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had net position of $643.6 million and 17,462 participants.

C. Other Retirement Plans

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar year 2013, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $23,000. Contributions and earnings are tax deferred. On December 31, 2013, the plan had net position of $2,509.8 million and 68,691 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). At December 31, 2013, the plan had a net position of $113.5 million and 4,719 participants.

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

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

The State made contributions to other retirement plans of $125.4 million and $112.0 million during Fiscal Years 2013-14 and 2012-13, respectively. In addition, the State paid $89.0 million and $95.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2013-14 and 2012-13, respectively.

Component Units

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

D. Termination Benefits

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2013-14 78 faculty members participated in the program at a present value accrued cost of $10.9 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

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

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

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

Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $350,000 per individual. In Fiscal Year 2013-14, the State recovered approximately $4.1 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $11.7 million of insurance recoveries during Fiscal Year 2013-14. Of that amount approximately $239,077 was related to asset impairments that occurred in prior years. The remaining $11.5 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $4.1 million, as noted above), a Pension and Other Employee Benefits Fund, and $2.0 million by Higher Education in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the University's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.0 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2013-14, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $285,000 per person and $10.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2013-14 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $181,032 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2013-14, however, the University collected $127,115 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014.

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

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $420.1 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible, with a $25,000 deductible for flood and earthquake). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $1,000,000 ($1,000 deductible). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2012-13 or 2013-14.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2013-14	29,194	9,503	3,705	34,992
2012-13	29,883	4,715	5,404	29,194
2011-12	24,733	9,981	4,831	29,883
Workers' Compensation				
2013-14	119,689	39,815	32,000	127,504
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
Group Benefit Plans:				
2013-14	12,647	162,025	160,424	14,248
2012-13	13,695	138,851	139,899	12,647
2011-12	13,904	146,285	146,494	13,695
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	10,962	11,715	8,232	14,445
2012-13	10,015	7,694	6,747	10,962
2011-12	9,977	4,722	4,684	10,015
University of Colorado Denver:				
Medical Malpractice				
2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
Graduate Medical Education Health Benefits Program				
2013-14	1,386	8,595	8,270	1,711
2012-13	1,408	6,806	6,828	1,386
2011-12	1,291	7,121	7,004	1,408
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2013-14	32,540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	101	69	89	81
2012-13	57	133	89	101
2011-12	21	108	72	57
Fort Lewis College:				
Worker's Compensation				
2013-14	3	18	-	21
2012-13	301	(298)	-	3
2011-12	315	133	147	301
General Liability				
2013-14	-	-	-	-
2012-13	167	(167)	-	-
2011-12	307	-	140	167
Adams State University				
Workers' Compensation				
2013-14	-	-	-	-
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2013-14	-	-	-	-
2012-13	11	(11)	-	-
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2013-14	67	26	76	17
2012-13	67	56	56	67
2011-12	140	(6)	67	67
General Liability				
2013-14	118	(30)	88	-
2012-13	118	259	259	118
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2013-14	110	-	96	14
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Liability				
2013-14	20	(20)	-	-
2012-13	-	20	-	20

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability.

NOTE 22 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2014, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 62,847	$ 213,706
Business-Type Activities	-	31,147	35,814
Total	$ 735	$ 93,994	$ 249,520

At June 30, 2014, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 144	$ 544	$ 688
Business-Type Activities	-	111	111
Total	$ 144	$ 654	$ 798

During the year ended June 30, 2014, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 24	$ 24
Total	$ -	$ 24	$ 24

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $745,895 in Fiscal Year 2013-14 for leased space, and at June 30, 2014 had total future lease obligations for leased space of $3.4 million. It also paid CSURF $2.5 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $8.3 million.

In Fiscal Year 2013-14, the Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2013-14, the State recorded building and land rent of $52.0 million and $21.6 million for governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $12.6 million and $39.6 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.1 million of lease interest costs for governmental activities and $1.5 million for business-type activities.

The State entered into approximately $22.3 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2014, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2015	$ 49,068	$ 21,716	$ 32,039	$ 7,842
2016	40,754	17,743	29,240	7,931
2017	27,883	12,813	26,097	7,203
2018	25,103	11,285	20,191	4,954
2019	20,630	9,057	16,396	3,316
2020 to 2024	64,621	22,590	57,089	12,408
2025 to 2029	19,371	5,465	19,352	6,069
2030 to 2034	1,624	631	4,709	683
2035 to 2039	907	631	-	-
2040 to 2044	674	631	-	-
2045 to 2049	661	400	-	-
2050 to 2054	661	-	-	-
Total Minimum Lease Payments	251,957	102,962	205,113	50,406
Less: Imputed Interest Costs			30,117	8,214
Present Value of Minimum Lease Payments	$ 251,957	$ 102,962	$ 174,996	$ 42,192

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2013 was $117,479. The total minimum rental commitment as of December 31, 2013 is $586,388.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $1.2 million at June 30, 2013. Total minimum lease payments including interest at June 30, 2013, were $1.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014. The net book value of property and equipment under the capital lease was $5.8 million net of accumulated depreciation of $4.8 million as of June 30, 2013.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2013 was $170,256. The total minimum rental commitment under the leases was $0.3 million at June 30, 2013.

NOTE 23 – SHORT-TERM DEBT

On July 10, 2013 the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2013. The notes were due and payable on June 27, 2014, at a coupon rate of 1.33 percent. The total interest related to this issuance was $6.4 million; however, the notes were issued at a premium of $5.6 million resulting in net interest costs (including the cost of issuance) of $940,274 and a yield of 0.17 percent. The notes were issued for cash management purposes and were repaid before June 27, 2014, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 16, 2013, the State Treasurer issued $130.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes were due and payable on June 27, 2014, at a coupon rate of 1.25 percent. The total interest related to this issuance was $1.5 million; however, the notes were issued at a premium of $1.3 million, resulting in net interest costs (including cost of issuance) of $431,151 or 0.17 percent. The notes matured on June 27, 2014 and were repaid.

On January 6, 2014, the State Treasurer issued $210.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B. The notes were due and payable on June 27, 2014, at a coupon rate of 2.00 percent. The total interest related to this issuance was $2.0 million; however, the notes were issued at a premium of $2.0 million, resulting in net interest costs (including cost of issuance) of $266,370 or 0.11 percent. The notes matured on June 27, 2014, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2014:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ -	340,000	$ (340,000)	-
Total Governmental Activities Short-Term Financing	-	840,000	(840,000)	-
Total Short-Term Financing	$ -	$ 840,000	$ (840,000)	$ -

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

Primary Government

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

During Fiscal Year 2013-14 the State's governmental activities had $167.3 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $1,182.4 million of available net revenue after operating expenses to meet the $752.5 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 36.)

During Fiscal Year 2013-14 the State recorded $249.3 million of interest costs, of which $78.6 million was recorded by governmental activities and $170.7 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $26.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.8 million of interest on Certificates of Participation issued by the Judicial Branch, and $25.7 of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises $146.6 million of interest on revenue bonds issued by institutions of higher education, $11.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $6.3 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $5.7 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2014, 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
2015	$ 147,225	$ 20,104	$ 2,135	$ 359	$ 38,550	$ 50,278	$ 187,910	$ 70,741
2016	157,220	10,268	2,045	317	41,710	48,223	200,975	58,808
2017	126,100	2,680	2,090	275	42,805	47,143	170,995	50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	52,550	53,586	54,725	53,773
2020 to 2024	-	-	6,805	285	229,465	204,470	236,270	204,755
2025 to 2029	-	-	-	-	306,500	163,593	306,500	163,593
2030 to 2034	-	-	-	-	259,185	100,992	259,185	100,992
2035 to 2039	-	-	-	-	140,590	49,600	140,590	49,600
2040 to 2044	-	-	-	-	68,785	16,330	68,785	16,330
2045 to 2049	-	-	-	-	18,250	738	18,250	738
Subtotals	430,545	33,052	17,385	1,654	1,242,380	780,909	1,690,310	815,615
Unamortized Prem/Discount	13,336	-	-	-	25,490	-	38,826	-
Accrued Capital Appreciation Certificates	-	-	-	-	-	-	-	-
Totals	$ 443,881	$ 33,052	$ 17,385	$ 1,654	$ 1,267,870	$ 780,909	$ 1,729,136	$ 815,615

(Amounts in Thousands)

Business-Type Activities

Fiscal Year			Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
	2015		$ 222,642	$ 171,276	$ 1,294	$ 121	$ 19,805	$ 18,545	$ 243,741	$ 189,942
	2016		226,688	166,198	1,380	104	20,749	17,686	248,817	183,988
	2017		229,637	160,452	1,389	61	21,679	16,720	252,705	177,233
	2018		106,854	154,100	609	19	22,749	15,662	130,212	169,781
	2019		112,571	149,679	71	6	23,709	14,502	136,351	164,187
2020	to	2024	590,239	673,409	76	15	138,336	52,624	728,651	726,048
2025	to	2029	669,663	524,665	7	-	110,533	17,608	780,203	542,273
2030	to	2034	696,293	348,140	-	-	24,800	1,064	721,093	349,204
2035	to	2039	594,886	168,907	-	-	-	-	594,885	168,907
2040	to	2044	288,738	35,150	-	-	-	-	288,738	35,150
2045	to	2049	11,795	677	-	-	-	-	11,795	677
Subtotals			3,750,006	2,552,653	4,826	326	382,360	154,411	4,137,191	2,707,390
Unamortized Prem/Discount			187,044	-	(16)	-	21,401	-	208,429	-
Unaccreted Interest			(10,629)	-	-	-	-	-	(10,629)	-
Totals			$ 3,926,421	$ 2,552,653	$ 4,810	$ 326	$ 403,761	$ 154,411	$ 4,334,991	$ 2,707,390

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2014, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

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

Fiscal Year			Principal	Interest	Interest Rate Swap, Net	Total
	2015		$ 625	$ 53	$ 1,398	$ 2,076
	2016		625	52	1,377	2,054
	2017		675	51	1,354	2,080
	2018		975	50	1,325	2,350
	2019		550	49	1,300	1,899
2020	to	2024	3,900	232	6,149	10,281
2025	to	2029	8,150	197	5,214	13,561
2030	to	2034	13,600	120	3,192	16,912
2035	to	2039	11,685	29	782	12,496
2040	to	2044	-	-	-	-
Totals			$ 40,785	$ 833	$ 22,091	$ 63,709

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,205	$ 1,282,685	$ 2,792,390
Business Type Activities	4,687,724	9,488	475,373	$ 5,172,585
Total	$ 6,176,224	$ 30,693	$ 1,758,058	$ 7,964,975

Component Units

In February 2011, the University of Colorado Foundation renewed a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. No amounts were outstanding at June 30, 2013.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2013, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2014	$ 50,165	$ 34,960	$ 85,125
2015	45,415	32,732	78,147
2016	46,430	30,654	77,084
2017	45,685	28,502	74,187
2018	43,720	26,353	70,073
2019 to 2023	187,050	103,460	290,510
2024 to 2028	160,210	65,102	225,312
2029 to 2033	123,800	33,857	157,657
2034 to 2038	61,255	6,292	67,547
2039 to 2043	4,680	545	5,225
Total Future Payments	$ 768,410	$ 362,457	$ 1,130,867

The original principal amount for the outstanding bonds was $1,485.4 million. Total interest paid during 2013 was $35.9 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004C, 2004D, 2004E, Series 2005A, 2005E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, 2005D, Series 2008A, Series 2009A, Series 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2013, it had $13.9 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2013, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2014	$ -	$ 3,226	$ 3,226
2015	410	3,219	3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019 to 2023	6,710	14,874	21,584
2024 to 2028	7,930	12,951	20,881
2029 to 2033	9,590	10,261	19,851
2034 to 2038	11,745	6,825	18,570
2039 to 2043	15,890	2,487	18,377
Total Future Payments	$ 54,885	$ 63,361	$ 118,246

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2013-14:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,413	$ 3,109	$ (3,405)	$ 3,117	$ 2,978
Accrued Compensated Absences	149,368	17,599	(10,505)	156,462	10,470
Claims and Judgments Payable	370,324	9,680	(16,479)	363,525	51,299
Capital Lease Obligations	151,010	47,335	(23,349)	174,996	26,941
Bonds Payable	593,460	-	(149,579)	443,881	147,225
Certificates of Participation	1,192,854	214,748	(139,732)	1,267,870	38,550
Notes, Anticipation Warrants, Mortgages	19,220	170	(2,005)	17,385	2,135
Other Long-Term Liabilities	444,118	21,125	(62,289)	402,954	-
Total Governmental Activities Long-Term Liabilities	2,923,767	313,766	(407,343)	2,830,190	279,598
Business-Type Activities					
Accrued Compensated Absences	252,938	37,985	(22,658)	268,265	18,117
Claims and Judgments Payable	38,993	3,858	(1,869)	40,982	-
Capital Lease Obligations	41,728	7,570	(7,106)	42,192	6,610
Derivative Instrument Liabilities	8,333	447	(214)	8,566	-
Bonds Payable	3,791,503	414,939	(239,237)	3,967,205	223,267
Certificates of Participation	424,954	-	(21,193)	403,761	19,805
Notes, Anticipation Warrants, Mortgages	3,521	1,978	(689)	4,810	1,294
Other Postemployment Benefits	177,176	28,960	(24,490)	181,646	-
Other Long-Term Liabilities	38,497	9,038	(978)	46,557	-
Total Business-Type Activities Long-Term Liabilities	4,777,643	504,775	(318,434)	4,963,984	269,093
Fiduciary Activities					
Deposits Held In Custody For Others	754,454	599,972	(749,748)	604,678	598,712
Accrued Compensated Absences	37	19	(1)	55	-
Other Long-Term Liabilities	645	4,065	(2)	4,708	-
Total Fiduciary Activities Long-Term Liabilities	755,136	604,056	(749,751)	609,441	598,712
Total Primary Government Long-Term Liabilities	$ 8,456,546	$ 1,422,597	$ (1,475,528)	$ 8,403,615	$ 1,147,403

The beginning balance was restated to exclude $20.0 million in governmental activities and $87.9 million in business type Activities in unamortized refunding gains and losses. With the implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, unamortized refunding losses are reported as deferred outflows.

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

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

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

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

At June 30, 2014, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $403.0 million shown for governmental activities primarily comprises:

- $237.7 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $162.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.5 million of unclaimed property liabilities estimated to be due to claimants.

The $46.6 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $21.3 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($9.8 million and $9.5 million, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes $23.4 million payable under a Transportation Infrastructure Finance and Innovation loan.

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 876,845	$ 108,290	$ (216,725)	$ 768,410	$ 50,165
Other Long-Term Liabilities	$ 162,301	$ 50,997	$ (60,643)	$ 152,655	$ 100,580

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water Fund, accounting for $13.7 million of the $31.9 million total. Other long-term liabilities of the Water Pollution Control Fund and Water Operations Fund were $9.4 million and $8.8 million respectively. Thirty-four percent of total, other long-term liabilities ($11.0 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

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

Changes in value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2013, the foundation held $41.3 million of split interest agreement investments with $18.9 million of related liabilities and reported $5.4 million of net beneficial interest in charitable trusts held by others.

At June 30, 2013, the University of Colorado Foundation held $278.9 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2013, the Colorado State University Foundation held $14.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2013, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.7 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.7 million mentioned above and total $4.8 million. At June 30, 2013, CSMF reported $19.8 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

CoverColorado, a nonmajor component unit, reserved $22.3 million for health policy claims. On the *Statement of Net Position – Component Units,* this liability is reported as Claims and Judgments Payable.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2013-14, debt was defeased in both governmental and business-type activities.

At June 30, 2014, 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	$ 134,640
Department of Treasury	$ 18,240
Department of Corrections	$ 94,330
Business-Type Activities:	
University of Colorado	$ 372,905
Colorado State University	$ 254,675
Colorado School of Mines	$ 14,975
Western State College	$ 13,280
University of Northern Colorado	$ 55,252
Colorado Mesa University	$ 45,510
Community College System	$ 4,740
Total	$ 1,008,547

The Department of Corrections issued $111,780,000 of its Certificates of Participation, Series 2013 to fully defease $71,980,000 of its Certificates of Participation, Series 2006B and $25,165,000 of its Certificates of Participation, Series 2010. The defeased debt had an interest of 3.61 percent, and the new debt had an interest rate of 2.23 percent. The remaining term of the debt was 7.6 years and the estimated debt service cash flows decreased by $1,535,926. The defeasance resulted in an economic loss of $16,248,253 and a book loss of $6,040,261 that will be amortized as an adjustment of interest expense over the remaining 4.2 years of the new debt.

The Board of Trustees of the Colorado School of Mines used available cash of $9,299,432 to fully defease its 2009A Enterprise Refunding Improvement Revenue Bonds. The defeased debt had an interest of 5.00 to 5.25 percent, and the new escrow deposit has an interest rate of 0.88 to 4.88 percent. The remaining term of the debt was 23.6 years and the term of the new escrow deposit is 4 years. The estimated debt service cash flows decreased by $2,048,092. The refunding resulted in an economic gain of $1,296,832 and a book loss of $1,764,700 that will be amortized as an adjustment of interest expense over 4 years.

The Board of Trustees of the University of Northern Colorado issued $52,465,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2014A to partially defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 4.96 percent, and the new debt has an interest rate of 3.45 percent. The remaining term of the debt was 21 years and the term of the new debt is 21 years. The estimated debt service cash flows decreased by $5,592,412. The refunding resulted in an economic gain of $3,955,122 and a book loss of $799,172 that will be amortized as an adjustment of interest expense over 21 years.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

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

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

The State's total amount of pollution remediation obligations as of June 30, 2014 was $172.4 million ($9.6 million of which was a current liability). Superfund sites account for approximately $165.8 million ($3.1 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $82.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $3.4 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2013, the State has received $7.4 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $52.7 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.2 million through 2016. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.4 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $16.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- The University of Colorado recorded a liability for remediation activities at its Boulder Campus of approximately $6.2 million related to water damage to many structures caused by excessive rain. In September 2013, the campus incurred damage to 110 of its buildings, two of its parking lots, one of its pedestrian bridges, and several of its underground tunnels. An environmental firm assessed the facilities and determined that the damage be considered an environmental hazard. The accrued liability is based upon the estimate provided by environmental firm and the University's Facilities Management project managers. Insurance recoveries are expected to cover the full cost and a receivable of $6.2 million has been recorded for the recoveries.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

DEFERRED INFLOWS

A. NONEXCHANGE TRANSACTIONS

With the implementation of GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, certain items previously recognized as assets and liabilities were reclassified to a deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2014.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivatives	-	997
Refunding Loss	18,289	118,849
	18,289	**119,846**
Deferred Inflow of Resouces		
Nonexchange Transactions	338	-
Unavailable Governmental Revenue	4,321	-
	4,659	**-**

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2014, the Department of Health Care Policy and Financing held $0.3 million in receipts awaiting the passage of time.

B. UNAVAILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. On the Balance Sheet - Governmental Funds total $226.9 million and primarily include $213.3 million related to long-term taxes receivable in the Department of Revenue and $8.2 million in the Department of Local Affairs related to a grant revolving loan fund program.

DEFERRED OUTFLOWS

C. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflows $1.0 million as of June 30, 2014.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $41.4 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan

Stanley), which was 0.13 percent at June 30, 2014. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2014 was $8.3 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School does not consider this a significant risk due to the counterparty's credit quality rating.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

D. REFUNDING LOSSES

Losses on debt refunding transactions are recorded as deferred outflows and generally amortized over the life of the new debt. On June 30, 2014, deferred outflows in governmental activities related to unamortized refunding losses included $12.3 million in the Department of Transportation and $6.0 in the Department of Corrections. All of the unamortized refunding losses in business-type activities were in Higher Education Institutions.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $4.5 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded $0.7 million in deferred inflows of resources for bond refunding gains.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

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

	Government-Wide Statements		Fund-Level Statements		
			Major Governmental Fund	Major Proprietary Fund	
Subject	Governmental Activities	Business-Type Activities	Other Special Revenue Funds	Higher Education Institutions	Internal Service Funds
Healthy Forest	285,000	(285,000)	285,000	(285,000)	
Fleet Management	1,433,302				1,433,302
	1,718,302	(285,000)	285,000	(285,000)	1,433,302

A total of $285,000 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when the Department of Public Safety transferred the Healthy Forests and Vibrant Communities Fund to the Wildfire Preparedness Fund. The transfer also required a decrease of $285,000 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

Governmental activities increased by $1,433,302 in Internal Service Funds when Central Services within the Department of Personnel and Administration, failed to record accumulated depreciation related to its fleet management activities in prior years.

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

B. ACCOUNTING CHANGES

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. As a result of this implementation, certain items previously reported as assets or liabilities were expensed or reclassified as deferred outflows of resources or deferred inflows of resources.

The table below shows the reclassified item and the effect of these changes to the beginning fund balance or beginning net position on the government-wide Statement of Activities and the fund-level statements as listed.

	Government-Wide Statements		Fund-Level Statements			
			Major Governmental Fund	Major Proprietary Fund		
Reclassified Item	Governmental Activities	Business-Type Activities	Resource Extraction	Higher Education Institutions	Other Enterprise	Internal Service Funds
Prepaid Expenses Related to Debt Issuance	-	9,975		9,975		
Long-Term Loans Receivable for Loan Commitment Fee	850,683		850,683			
Deferred Debt Issuance Costs	(9,142,551)	(30,338,542)		(26,687,555)	(3,650,987)	(64,075)
Adjustment Related to the Accounting Change	(8,291,868)	(30,328,567)	850,683	(26,677,580)	(3,650,987)	(64,075)

UNAUDITED

NOTE 30 – FUND BALANCE

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

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 263,740	$ 374,571	$ 25,732
Business, Community and Consumer Affairs	-	36,590	-
Education	196,922	-	-
Justice	8,096	-	-
Natural Resources	-	196	-
TOTAL	$ 468,758	$ 411,357	$ 25,732
RESOURCE EXTRACTION:			
General Government	$ 63,500	$ 252	$ -
Business, Community and Consumer Affairs	-	166,881	-
Education	-	15,299	-
Natural Resources	13,870	879,540	-
TOTAL	$ 77,370	$ 1,061,972	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,608	$ 2,752	$ -
Health and Rehabilitation	12	2,179	-
Justice	-	1,778	-
Transportation	1,077,768	28,121	-
TOTAL	$ 1,086,388	$ 34,830	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 262,651	$ -
Education	-	6,482	-
Health and Rehabilitation	-	36	-
Justice	3,298	1,130	-
Natural Resources	-	49	-
TOTAL	$ 3,298	$ 270,348	$ -
STATE EDUCATION:			
Education	$ 1,087,814	$ -	$ -
TOTAL	$ 1,087,814	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 143,344	$ 297,241	$ -
Business, Community and Consumer Affairs	57,005	$ 222,240	-
Education	25,351	$ 48,246	-
Health and Rehabilitation	11,417	$ 121,596	-
Justice	32,988	$ 185,379	-
Natural Resources	10,210	$ 17,163	-
Social Assistance	-	$ 41,109	-
Transportation	13,634	$ 1,012	-
TOTAL	$ 293,949	$ 933,986	$ -

The significant fund balances held for restricted purposes as of June 30, 2014, include:

- $253.1 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- $177.6 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $1,086.4 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $1,087.8 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $83.0 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund, $44.2 million of investments recorded in Building Excellent Schools Today Fund and $9.9 million recorded in the Tobacco Tax Fund.

The significant fund balances held for committed purposes as of June 30, 2014, include:

- $374.6 million in the General Fund in the General Government function represents the portion of the $410.9 million representing the five percent statutory reserve available on a GAAP basis (see Note 6I).
- $137.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $211.1 million in the Resources Extraction Fund in the Natural Resources function represents severance tax receipts held by the Department of Natural Resources, $384.0 million represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board, $178.7 million in cash and $205.3 million in loans, and $138.2 million represents long term severance tax loans receivables.
- $297.2 million primarily in the Other Governmental Funds in the General Government function represents $113.3 million in the Unclaimed Property Fund, $62.4 million in Lottery Funds, $26.1 million in Medical Marijuana License Fund, and $5.1 million in Energy Efficiency Project Fund.
- $222.2 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $94.7 million in the Major Medical Fund, $42.0 million in the Clean and Renewable Energy Fund, and $27.9 million in the Workmen's Compensation Fund.
- $121.6 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $33.2 million in the Natural Resources Damage Recovery Fund, $24.4 million in the Hazardous Substances Response Fund, $14.1 million in the Medical Marijuana Cash Fund, and $12.4 million in the Nutrients Grant Fund.
- The $185.4 million in Other Governmental Funds in the Justice function primarily represents $$83.5 million in the Disaster Emergency Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2013-14 there was no use of the reserve. As of June 30, 2014, on a legal budgetary basis the reserve was $410.9 million. On a GAAP basis only $ 249.2 million was available for the reserve (see Note 6I).

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

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2013-14 the maximum that could be held in reserve was $38.5 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

UNAUDITED

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2014, were:
.

SELLER'S / LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ 6,914	$ -	$ 1,217	$ -
Special Purpose	15,046	-	-	-
Resource Extraction	30,028	-	-	82
Highway Users	547	-	-	-
Regular Capital Projects	135,336	-	-	-
Special Capital Construction	-	-	-	-
State Education	79,752	-	-	-
Higher Education Institutions	2,447	245	92	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	70,132	-	-	-
Tobacco Impact Mitigation	68	-	-	-
Environment and Health Protection	10,000	10,000	-	-
Unclaimed Property	-	-	-	-
Other Special Revenue	102	-	-	-
PERMANENT FUNDS:				
State Lands Trust	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	25	-
Correctional Industries	10	-	-	-
State Nursing Homes	1,185	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Information Technology	1,042	-	14	-
Public Safety	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	24,005	-	1	-
Treasurer's Private Purpose	-	-	-	-
College Savings Plan	-	-	-	-
College Opportunity	12	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 376,626	$ 10,245	$ 1,349	$ 82

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 174	$ -	$ 22,452	$ 30,757
-	16,939	7,965	39,950
-	-	5,258	35,368
-	-	4,731	5,278
-	-	-	135,336
-	-	222	222
-	-	-	79,752
-	-	2,698	5,482
-	-	-	70,132
-	-	2,157	2,225
-	-	461	20,461
-	-	3	3
-	-	2,008	2,111
-	-	14,084	14,084
-	-	7,607	7,607
208	3,051	212	3,496
1,338	-	-	1,348
-	-	-	1,185
4	-	-	4
-	-	-	1,056
4	-	-	4
386	-	-	24,392
-	-	801	801
-	-	5,700	5,700
-	-	-	12
-	10,519	-	10,519
$ 2,114	$ 30,509	$ 76,359	$ 497,285

Except for the transfer of General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages 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.

General Fund Surplus transfers in the amount of $210.8 million are comprised of the following: $135.3 million to the Capital Projects Fund; $34.5 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund. The remainder of the transfers will occur after the publication date of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

The General Purpose Revenue Fund receivable of $22.5 million from All Other Funds primarily includes $11.8 million of receivables from the Limited Gaming Fund, $7.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of $15.0 million primarily includes $3.3 million legislative reversions and $10.7 million in personal services and operating line item reversions, payable to the Legislative Department Cash Fund and State Employee Reserves Fund, respectively.

The Special Purpose General Fund receivable of $16.9 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $12.2 million, and in the Building Excellent Schools Today Grant Program in the amount of $4.7 million.

The Labor Fund receivable of $70.1 million from the General Purpose Revenue Fund includes $70.0 million transferred into the Disaster Emergency Fund.

The Group Benefits Plan Fund receivable of $24.0 million from the General Purpose Revenue 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 State Lands Trust receivable of $14.1 million represents the transfers from the Land Board into the Building Excellent Schools Today Grant Program in the amount of $6.5 million and into the Public School Permanent Fund in the amount of $6.5 million.

The Other Fiduciary Fund receivable of $10.5 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2014, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,167,113	$ 30,000	$ -
Special Purpose	65,914	-	-
Resource Extraction	84,157	-	-
Highway Users Tax	53,713	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	3	-	-
State Education	561	-	-
Higher Education Institutions	3,911	-	-
Unemployment	3,441	-	-
Lottery	57,268	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	29,453	605	-
Gaming	16,413	600	-
Tobacco Impact Mitigation	74,628	-	-
Resource Management	525	-	-
Environment and Health Protection	632,240	-	5,000
Unclaimed Property	2,717	-	-
Other Special Revenue	118,154	-	5,462
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	1,167	-	-
State Lands Trust Expendable	102,378	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	21	-	-
Wildlife	12,801	298	-
College Assist	60	-	-
State Fair	108	-	-
Correctional Industries	641	-	-
State Nursing Homes	1,815	-	-
Prison Canteens	80	-	-
Petroleum Storage	1,240	-	-
Other Enterprise	317	-	-
INTERNAL SERVICE FUNDS:			
Central Services	877	-	-
Information Technology	627	-	-
Capitol Complex	2,453	-	-
Public Safety	11	-	-
Administrative Courts	171	-	-
Legal Services	3,264	-	-
Other Internal Service	2,148	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	60	-	-
Other Fiduciary	101	-	-
TOTAL	$ 4,440,551	$ 31,503	$ 10,962

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 325,566	$ 79,752	$ 143,129	$ 160,073	$ 3,905,633
-	-	-	62,141	128,055
507	-	3,730	22,594	110,988
1,500	-	-	171,838	227,051
-	-	31,768	22,008	54,276
1,493	-	-	10,757	12,253
-	-	6,735	18,001	25,297
-	-	-	-	3,911
-	-	-	-	3,441
-	-	-	13,011	70,279
-	-	-	-	30,058
1,754	-	5,811	2,215	26,793
7,262	-	13,720	1,477	97,087
-	-	-	75	600
166	-	-	17,210	654,616
-	-	-	2,159	4,876
248	`	-	15,805	139,669
1,152	-	1,026	456	3,801
-	-	108	22	102,508
-	-	-	7	7
-	-	-	-	21
-	-	-	225	13,324
-	-	-	-	60
-	-	-	-	108
-	-	-	-	641
-	-	-	-	1,815
-	-	-	-	80
313	-	-	-	1,553
-	-	-	-	317
-	-	-	-	877
-	-	-	-	627
-	-	-	133	2,586
-	-	-	-	11
-	-	-	-	171
-	-	-	1,737	5,001
-	-	-	-	2,148
-	-	-	-	60
-	-	-	52	153
$ 339,961	$ 79,752	$ 206,027	$ 521,996	$ 5,630,752

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund (a Special Purpose General Fund) of $2,985.3 million, and into the Higher Education Institutions of $143.1 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2013-14, a portion of the General Fund Surplus was accrued in the amount of $210.8 million and are comprised of the following: $135.3 million to the Capital Projects Fund; $34.5 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund transfer which will be distributed at the completion of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

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

Transfers-out from the General Purpose Revenue Fund include $186.7 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund includes $45.3 million to the State Education Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily includes $15.4 million to support the Children's Basic Health Plan, $11.7 million for deposit into the Correctional Treatment Cash Fund, $7.7 million deposited into the Marijuana Cash Fund, $15.0 million transferred into the Nutrients Cash Fund, and $9.8 million transferred into the Wildfire Risk Reduction Fund. Also included is $70.0 transferred to the Disaster Emergency Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $58.9 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the Special-Purpose Funds to All Other Funds primarily includes $50.9 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire and flood expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $73.1 million transfer from the Mineral Leasing Fund to the State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $41.7 million transferred to the Department of Revenue and $9.1 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

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

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $52.0 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $24.4 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $71.2 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $630.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($575.5 million) and the Medicaid Nursing Facility Cash Fund ($45.0 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $105.8 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfer.

The State Lands Trust Expendable transfer-out to the General Fund includes $101.9 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments appreciation totaled $11.2 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $9.9 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported $0.99 million of net appreciation on its donor-restricted endowments primarily held by its foundation that was available for spending. The university reported a portion of the related net position in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout 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 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

NOTE 36 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2013-14, the following pledges were in place:

The Department of Transportation pledged $167.3 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 13.0 percent of the total revenue stream, and $463.6 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $111.4 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $661.7 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $374.9 million of Unemployment Insurance (UI) Premium collections to secure $387.3 of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $387.3 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $704.6 million. Individually significant Higher Education Institution pledges include:

- $296.1 million pledged by the University of Colorado to secure $120.9 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 48.0 percent of the revenue stream, and $2.3 billion of the pledge (principal and interest) remains outstanding.
- $207.7 million pledged by Colorado State University to secure $41.5 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 100 percent of the total revenue stream, and $1,165.0 billion of the pledge (principal and interest) remains outstanding.
- $38.6 million pledged by the Colorado School of Mines to secure $16.0 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents approximately 81.0 percent of the total revenue stream and $368.1 million of the pledge (principal and interest) remains outstanding.

- $26.9 million pledged by Metropolitan State University of Denver to secure $5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $116.1 million of the pledge (principal and interest) remains outstanding.
- $21.6million pledged by Colorado Mesa University to secure $10.0 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 57.2 percent of the revenue stream and $332.8 million of the pledge (principal and interest) remains outstanding.
- $29.2 million pledged by the University of Northern Colorado to secure $8.2 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 34.8 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $223.3 million of the pledge (principal and interest) remains outstanding.
- $18.2 million pledged by Colorado State University – Pueblo to secure $4.0 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $176.1 million of the pledge (principal and interest) remains outstanding.
- $9.5 million pledged by the Fort Lewis College to secure $4.3 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents 40.9 percent of the revenue stream, and $85.8 million of the pledge (principal and interest) remains outstanding.
- $7.8 million pledged by the Western State Colorado University to secure $6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The related debt was originally issued in Fiscal Year 2008-09 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 43.8 percent of the revenue stream, and $194.3 million of the pledge (principal and interest) remains outstanding.

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

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Department of Transportation	$ 1,240,588	$ (1,073,259)	$ 167,329	$ 147,225	$ 20,104	$ 167,329
Higher Education Institutions	1,170,939	(557,627)	613,312	94,581	138,121	232,702
Labor - Unemployment Insurance	374,885	-	374,885	374,885	12,386	387,271
Statewide Bridge Enterprise	111,365	-	111,365	-	18,234	18,234
	$ 2,897,777	$ (1,630,886)	$ 1,266,891	$ 616,691	$ 188,845	$ 805,536

NOTE 37 – SEGMENT INFORMATION

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

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

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

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

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 181,671	$ 11,229	$ 10,441
Other Assets	171,795	5,027	48
Capital Assets	45,166	46,138	24,928
Total Assets	398,632	62,394	35,417
LIABILITIES:			
Current Liabilities	45,905	3,299	4,362
Noncurrent Liabilities	14,879	43,066	25,844
Total Liabilities	60,784	46,365	30,206
NET POSITION:			
Net Investment in Capital Assets	29,224	4,530	(2,361)
Restricted for Permanent Endowments:			
Expendable	-	-	-
Restricted Net Position	-	4,354	2,047
Unrestricted	308,624	7,145	5,525
Total Net Position	$ 337,848	$ 16,029	$ 5,211

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,263
Sales of Goods and Services	621,303	9,333	18,877
Other	-	-	56
Total Operating Revenues	621,303	9,333	24,196
OPERATING EXPENSES:			
Depreciation	3,944	1,693	1,947
Other	564,322	4,950	21,267
Total Operating Expenses	568,266	6,643	23,214
OPERATING INCOME (LOSS)	53,037	2,690	982
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	25,175	381	51
Gifts and Donations	(9,889)	-	-
Other Nonoperating Revenues	12	-	-
Debt Service	(24)	(2,021)	(954)
Other Nonoperating Expenses	-	-	-
Total Nonoperating Revenues(Expenses)	15,274	(1,640)	(903)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Total Contributions, Transfers, and Other	-	(1,094)	(1,456)
CHANGE IN NET POSITION	68,311	(44)	(1,377)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	269,536	16,073	6,588
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 337,847	$ 16,029	$ 5,211

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 53,175	$ 4,233	$ 2,785
Noncapital Financing Activities	(9,889)	(966)	(111)
Capital and Related Financing Activities	(4,353)	(17,866)	(2,133)
Investing Activities	(38,711)	389	51
NET INCREASE (DECR.) IN CASH AND POOLED CASH	222	(14,210)	592
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	66,903	24,744	5,802
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 67,125	$ 10,533	$ 6,394

NOTE 38 – COMPONENT UNITS

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

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State $7.9 million during 2013 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to 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 2012-13, it received $5.1 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, 2012, the foundation distributed $116.3 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2012-13, the foundation transferred $41.3 million to the University.

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

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2012-13, the foundation granted $0.9 million to the University. At June 30, 2013 the Foundation owed the University $1.2 million.

B. NONMAJOR COMPONENT UNITS

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

CoverColorado 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. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will continue to pay claims through 2014 and will cease operations by March 31, 2015.The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to 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 Position - Component Units to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2013, the VCA has contributed approximately $25.1 million or 115 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2013, the VCA has contributed approximately $7.8 million or 70 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver (now Metropolitan State University of Denver) established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at MSU Denver. The facility includes a fully functioning hotel and learning laboratory for the University's Hospitality, Tourism, and Events department. The construction is being financed though $54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the University's unconditional guarantee. The hotel opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with the University of Colorado Hospital Authority (UCHA) under contracts that support the University's medical education mission. During Fiscal Year 2013-14, under these contracts, UCHA paid the University $47.5 million and the University paid UCHA $11 million. Not included in these amounts are $0.7 million in reimbursements during the fiscal year made by UCHA to the University for salaries and benefits of state classified employees who work at UCHA, and for whom the University is responsible. At June 30, 2014 the University had accounts receivable from UCHA for $2.9 million, and had accounts payable to UCHA for $30,000.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, the University of Colorado Hospital Authority and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2013-14 the Trust paid medical claims on behalf of the University of $121. 7 million. The University contributed $135.5 million to the Trust and its employees contributed $16.1 million. At June 30, 2014 the University had accounts receivable from the Trust for $302,000 and accounts payable to the Trust for $396,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $1.9 million in cash and $39,689 in in-kind assets to the University in Fiscal Year 2013-14. At June 30, 2014 the University had an account receivable from the Foundation for $1.7 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.2 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2013-14.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2013-14, the Foundation awarded $747,100 in scholarship funds directly to students. Also in Fiscal Year 2013-14, the Colorado Mesa University Real Estate Foundation donated $4.4 million in property to the University. At June 30, 2014 Colorado Mesa University has an account receivable of $96,280 with the Colorado Mesa University Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2013-14 the Foundation funded $1.0 million for scholarships and passed through $1.3 million in grants for program support. At June 30, 2014 the Fort Lewis College Foundation owed the College $210,823.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.1 million of funding to the University in Fiscal Year 2013-14. The foundation also reimbursed the University $186,469 for services provided by University employees. At June 30, 2014 the Foundation owed the University $361,658 and the University owed the Foundation $204,592.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $3.9 million to the University in Fiscal Year 2013-14.

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

In Fiscal Year 2013-14 the Community College of Aurora Foundation provided grants and scholarships totaling $404,913 to the Community College of Aurora, and the College reimbursed the Foundation for administrative salaries and other expenses totaling $1.2 million.

The Pueblo Community College Foundation provided Pueblo Community College $819,610 in the form of scholarships, grants, construction funds, program funding and discretionary funds. At June 30, 2014 the Foundation owed the Community College $25,253.

The Red Rocks Community College Foundation provided $588,632 to Red Rocks Community College. Of this amount, the Foundation provided $316,723 for scholarships and $169,047 in pass through grants from various private foundations. The remainder was given for various special programs teaching chair grants and operating expenses. At June 30, 2014 the Foundation owed the Community College $55,969 and the Community College owed the foundation $9,815.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2013-14, the board funded $18.6 million of wildlife and parks programs at the Department of Natural Resources. The Division was also awarded $162,000 in administrative costs. At June 30, 2014, GOCO owed the Department of Natural Resources $5.4 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. At the end of Fiscal Year 2013-14, History Colorado had billed the Colorado Historical Foundation $0.9 million and has an account receivable from the Foundation for that amount.

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

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds four CHFA bonds with a face value of $7.1 million as of June 30, 2014. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums.

Component Units

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2013, VCA's investments in Colorado Fund I and Colorado Fund II totaled $24.1 million and $18.1 million respectively.

NOTE 40 - SERVICE CONCESSION ARRANGEMENTS

The High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). Plenary will finance, design and construct US-36 Phase I and Phase II tolled and managed lanes with completion expected in spring of 2015. As of June 30, 2014, construction in progress totaled $94.4 million.

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

Upon completion of the US-36 lanes, Plenary will assume the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. In addition, Plenary will be responsible to maintain the managed lanes.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $60.1 million and $1,218.9 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – UNUSUAL OR INFREQUENT TRANSACTIONS

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

In Fiscal Year 2013-14, Board of Governors of the Colorado State University System, a portion of the major Higher Education Institutions proprietary fund, transferred assets related to its post employment Retiree Medial Premium Subsidy Insurance Plan into a qualifying trust. As a result, the amortization factor was reduced from 30 years to one year. The change in amortization factors resulted in a gain of $22.2 million that is reported as a special item.

NOTE 43 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees approved the incorporation of a special purpose nonprofit corporation to be known as HLC@Metro, Inc. The HLC@Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State University of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds on October 1, 2010, loaning the proceeds to HLC@Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open the general public. Should HLC@Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2014, no liability was recorded by the University as HLC@Metro Inc. was deemed fully capable of making its debt payments.

NOTE 44 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act (CGIA) 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. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds $128.0 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

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

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

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.3 billion, of the $9.3 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $79.8 million.

At June 30, 2014, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $276.7 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims in exceeding $5.0 million include a claim for a refund of $13.3 million income taxes. The Department of Revenue will vigorously defend this claim. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.48 billion are outstanding. Of this amount, $2.1 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $6.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

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

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $13.4 million in federal matching funds. CMS alleges that administrative costs related to out stationing eligibility functions at Denver Health were unallowable. The State is contesting this disallowance and the case is pending before the federal Department of Appeals Board. The likelihood of an unfavorable outcome is uncertain.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that $300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from State grants. The plaintiff is seeking an order declaring the surcharge and bonds unconstitutional. Approximately $390 million has been collected in surcharges, in addition to the $300 million bond issuance. On August 14, 2014, the Colorado Court of Appeals affirmed the earlier trial court's ruling in favor of the State. The TABOR Foundation has until September 25, 2014 to appeal. If the case proceeds to the Colorado Supreme Court, the Colorado Bridge Enterprise will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

Colorado State University has received forty claims for damages related to a fire in July of 2011 in its Equine Reproduction Laboratory. The fire destroyed the building and property of approximately 175 clients stored at the facility. The trial court ruled that claims are not barred by the Colorado Governmental Immunity Act, and the Colorado Court of Appeals overruled the ruling of the trial court. Given the unique circumstances of each case, the likelihood of an unfavorable outcome is uncertain, with the potential loss ranging from $650,000 to $30.0 million.

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

NOTE 45 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2014, the University of Northern Colorado entered into an agreement for $19,960,000 with Wells Fargo Bank, National Association to continue holding 100 percent of the Series 2011B Bonds for another term of three years, ending June 30, 2017. The interest rate is 70 percent of the one-month London Interbank Offered Rate with a projected annual interest rate of 3.5 percent. The principal maturities remained the same as the original issue and continue through June 1, 2036.

On July 15, 2014, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2014A. The notes were issued with a premium of $1,409,100, a coupon rate of 1.00 percent, and a true interest cost of 0.11 percent. The notes mature on June 29, 2015. The total due at maturity includes $165.0 million in principal and $1,576,667 in interest. By statute, interest on the notes is payable from the General Fund.

On July 22, 2014, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were issued with a premium of $7,819,000, an average coupon rate of 1.80 percent, and a true interest cost of 0.11 percent. The notes mature on June 26, 2015. The total due on that date includes $500 million in principal and $8,350,000 in interest.

On August 21, 2014, the Board of Regents of the University issued $203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the university issued $100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2014A has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2046. Series 2104B has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

B. OTHER

On July 28, 2014, under the provisions of Senate Bill 14-233, the State paid $18.2 million related to 21 parties impacted by the North Fork fires. Additionally, since July 1, 2014 the State has settled claims beyond payments made under Senate Bill 12-233 totaling $1.0 million.

Component Units

After its financial reporting year ended December 31, 2013 the Venture Capital Authority made equity investments totaling $2.7 million in four entities. The Authority’s share was $2.6 million and the general partner’s share was approximately $0.1 million.

In July 2014, Funds I and II sold a portion of their combined investment in one entity for a total of $14 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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,759,878	
Income Taxes			5,938,012	
Other Taxes			240,111	
Federal Grants and Contracts			11	
Sales and Services			513	
Interest Earnings			14,347	
Other Revenues			20,912	
Transfers-In			345,913	
TOTAL REVENUES AND TRANSFERS-IN			9,319,697	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,724	$ 7,724	7,695	$ 29
Corrections	664,149	683,537	673,879	9,658
Education	3,199,208	3,199,162	3,198,863	299
Governor	22,074	23,085	22,699	386
Health Care Policy and Financing	2,068,864	2,070,617	2,092,269	(21,652)
Higher Education	659,108	659,437	658,901	536
Human Services	714,794	722,386	709,575	12,811
Judicial Branch	383,079	387,197	384,531	2,666
Law	12,168	12,168	11,951	217
Legislative Branch	38,593	38,593	38,593	-
Local Affairs	17,699	17,711	14,737	2,974
Military and Veterans Affairs	7,379	7,374	7,083	291
Natural Resources	24,979	25,127	25,098	29
Personnel & Administration	16,233	31,430	12,056	19,374
Public Health and Environment	53,444	55,186	53,137	2,049
Public Safety	97,434	168,572	165,270	3,302
Regulatory Agencies	1,703	1,703	1,698	5
Revenue	184,947	187,729	204,938	(17,209)
Treasury	141,047	241,934	241,902	32
Transfers Not Appropriated by Department	210,767	210,767	210,767	-
SUB-TOTAL OPERATING BUDGETS	8,525,492	8,751,538	8,735,691	15,847
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,470	398	1,072
Corrections	31,124	30,337	21,608	8,729
Education	569	1,422	111	1,311
Governor	20,558	6,687	4,551	2,136
Higher Education	188,649	133,034	43,824	89,210
Human Services	19,870	7,324	3,372	3,952
Military and Veterans Affairs	5,105	612	311	301
Personnel & Administration	8,959	21,716	11,594	10,122
Public Safety	7,995	805	23	782
Revenue	41,021	4,946	1,078	3,868
Transportation	500	500	500	-
Treasury	18,588	18,588	16,882	1,706
Budgets/Transfers Not Recorded by Department	186,715	186,715	186,715	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	529,653	414,156	290,967	123,189
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,055,145	$ 9,165,694	9,026,658	$ 139,036
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 293,039	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 766,530	
Income Taxes			478,798	
Other Taxes			1,240,569	
Tuition and Fees			507,251	
Sales and Services			2,322,447	
Interest Earnings			309,325	
Other Revenues			2,880,209	
Transfers-In			7,026,119	
TOTAL REVENUES AND TRANSFERS-IN			15,531,248	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,623	$ 32,957	29,474	$ 3,483
Corrections	104,993	102,612	87,067	15,545
Education	4,247,039	4,245,852	4,169,486	76,366
Governor	422,828	453,161	286,639	166,522
Health Care Policy and Financing	1,679,965	1,779,494	1,626,498	152,996
Higher Education	1,624,621	1,623,467	1,400,500	222,967
Human Services	400,217	380,501	339,494	41,007
Judicial Branch	297,523	291,147	266,010	25,137
Labor and Employment	920,558	925,507	692,709	232,798
Law	55,281	89,913	55,686	34,227
Legislative Branch	8,354	8,823	3,730	5,093
Local Affairs	259,450	279,793	200,892	78,901
Military and Veterans Affairs	8,241	8,205	7,557	648
Natural Resources	1,041,506	998,977	571,320	427,657
Personnel & Administration	503,420	503,620	488,821	14,799
Public Health and Environment	204,032	214,040	172,213	41,827
Public Safety	392,476	392,019	222,559	169,460
Regulatory Agencies	83,656	83,656	75,762	7,894
Revenue	976,912	974,873	783,393	191,480
State	23,297	23,796	19,897	3,899
Transportation	2,640,894	2,650,968	976,091	1,674,877
Treasury	1,891,194	1,891,512	1,724,579	166,933
Budgets/Transfers Not Recorded by Department	-	-	(3,659)	3,659
SUB-TOTAL OPERATING BUDGETS	17,820,080	17,954,893	14,196,718	3,758,175
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	6,800	8,194	6,859	1,335
Corrections	113,640	113,838	112,433	1,405
Education	-	356	75	281
Governor	48,288	49,373	37,147	12,226
Higher Education	65,417	56,540	23,049	33,491
Human Services	490	2,013	1,243	770
Judicial Branch	24,993	28,005	18,610	9,395
Labor and Employment	5,933	645	563	82
Military and Veterans Affairs	-	298	-	298
Natural Resources	71,850	65,573	18,284	47,289
Personnel & Administration	111	1,812	1,812	-
Public Health and Environment	1,367	34,927	3,207	31,720
Public Safety	2,246	4,768	1,602	3,166
Transportation	500	500	500	-
Treasury	18,588	18,588	18,507	81
Budgets/Transfers Not Recorded by Department	7,272	7,272	7,265	7
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	367,495	392,702	251,156	141,546
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,187,575	$ 18,347,595	14,447,874	$ 3,899,721
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,083,374	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,861,156	
TOTAL REVENUES AND TRANSFERS-IN			7,861,156	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,138	$ 8,844	4,548	$ 4,296
Corrections	3,370	7,425	5,369	2,056
Education	625,525	838,983	593,684	245,299
Governor	6,706	56,679	41,793	14,886
Health Care Policy and Financing	3,599,456	3,735,050	3,492,438	242,612
Higher Education	20,290	418,691	385,308	33,383
Human Services	649,523	1,734,112	1,462,811	271,301
Judicial Branch	9,825	19,542	11,834	7,708
Labor and Employment	97,293	426,460	313,332	113,128
Law	1,770	2,351	1,841	510
Local Affairs	69,956	173,551	69,141	104,410
Military and Veterans Affairs	214,440	22,940	13,471	9,469
Natural Resources	30,713	77,061	39,682	37,379
Personnel & Administration	-	812	599	213
Public Health and Environment	291,261	450,840	290,516	160,324
Public Safety	65,131	378,504	178,830	199,674
Regulatory Agencies	1,324	10,061	3,248	6,813
Revenue	824	3,848	1,212	2,636
State	-	3,146	774	2,372
Transportation	548,525	1,126,905	757,263	369,642
Treasury	-	185,841	185,840	1
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	6,240,070	9,681,646	7,853,534	1,828,112
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 6,240,070	$ 9,681,646	7,853,534	$ 1,828,112
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 7,622	

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

UNAUDITED

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 8,988,915	$ -	$ -	$ 330,781	$ -	$ -
Cash	5,241,553	502,114	1,860,118	141,543	566,314	2,915,362
Federal	6,100,498	182,704	742,749	10,198	-	182,749
Sub-Total Revenues and Transfers-In	20,330,966	684,818	2,602,867	482,522	566,314	3,098,111
Expenditures/Expenses and Transfers-Out						
General Funded	8,922,407	-	-	104,253	-	-
Cash Funded	5,154,521	325,381	2,043,487	142,138	739,784	2,451,835
Federally Funded	6,096,032	182,691	742,749	10,198	-	179,978
Expenditures/Expenses and Transfers-Out	20,172,960	508,072	2,786,236	256,589	739,784	2,631,813
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	158,006	176,746	(183,369)	225,933	(173,470)	466,298
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	2,357	2,468	2,788	482	4,117	446
Increase for Budgeted Non-GAAP Expenditures	-	25,316	-	-	-	7,002
Increase/(Decrease) for GAAP Expenditures Not Budgeted	119,159	1,406	113,410	(4,766)	-	72,754
Increase/(Decrease) for GAAP Revenue Adjustments	(125,528)	(1,327)	-	(2,180)	-	(245,203)
Increase/(Decrease) for Non-Budgeted Funds	4	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	153,998	204,609	(67,171)	219,469	(169,353)	301,297
GAAP BASIS FUND BALANCES/NET POSITION:						
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543	54,181	1,257,167	1,802,472
Prior Period Adjustments (See Note 29A)	-	-	-	-	-	285
Accounting Changes (See Note 29B)	-	851	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 953,103	$ 1,195,211	$ 1,130,372	$ 273,650	$ 1,087,814	$ 2,104,054

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

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 9,319,696
613,715	757,987	546,684	487,540	323,809	1,574,507	15,531,246
15,018	195,367	-	431,056	816	-	7,861,155
628,733	953,354	546,684	918,596	324,625	1,574,507	32,712,097
-	-	-	-	-	-	9,026,660
604,515	561,796	546,722	380,858	342,420	1,154,417	14,447,874
30,036	195,367	-	415,670	816	-	7,853,537
634,551	757,163	546,722	796,528	343,236	1,154,417	31,328,071
(5,818)	196,191	(38)	122,068	(18,611)	420,090	1,384,026
36	-	104	(1,709)	147	525,473	536,709
-	-	18	24,097	4,913	-	61,346
20,410	(11,816)	(802)	(26,795)	33,078	(18)	316,020
-	-	-	(480)	1,009	-	(373,709)
307,283	-	-	-	-	-	307,287
321,911	184,375	(718)	117,181	20,536	945,545	2,231,679
5,296,037	218,076	3,792	1,170,801	17,548	5,169,990	17,976,463
(285)	-	-	-	1,434	-	1,434
(26,677)	(1,863)	-	(1,788)	(64)	-	(29,541)
$ 5,590,986	$ 400,588	$ 3,074	$ 1,286,194	$ 39,454	$ 6,115,535	$ 20,180,035

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $325.4 million of the GAAP General Fund balance of $953.1 million on the *Balance Sheet – Governmental Funds.*

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

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

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

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

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards 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 unrestricted 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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,527,200	$ 2,614,600	$ 2,666,090		
Other Excise Taxes	92,400	94,000	93,788		
Individual Income Tax, net	5,099,800	5,217,600	5,272,649		
Corporate Income Tax, net	677,700	711,300	665,363		
Estate Tax	-	-	434		
Insurance Tax	209,100	235,300	239,059		
Parimutuel, Courts, and Other	26,200	23,300	24,530		
Investment Income	16,100	22,100	12,886		
Gaming	14,100	10,800	11,820		
TOTAL GENERAL PURPOSE REVENUES	8,662,600	8,929,000	8,986,619		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,724	7,724	7,695	$ 29	$ -
Corrections	665,543	683,084	673,377	9,707	1
Education	3,055,216	3,153,843	3,153,543	300	528
Governor	19,513	23,067	22,782	285	596
Health Care Policy and Financing	2,071,307	2,069,422	2,091,330	(21,908)	52
Higher Education	658,479	659,108	658,901	207	53
Human Services	696,786	717,347	704,974	12,373	3,282
Judicial Branch	378,170	387,198	384,532	2,666	41
Labor and Employment	-	99	50	49	11
Law	13,473	12,169	11,951	218	49
Legislative Branch	38,416	38,593	38,593	-	255
Local Affairs	15,058	17,710	17,532	178	15
Military and Veterans Affairs	7,379	7,379	7,084	295	-
Natural Resources	24,479	25,127	25,099	28	-
Personnel & Administration	9,154	31,441	31,408	33	606
Public Health and Environment	39,423	54,169	53,510	659	157
Public Safety	90,384	168,465	165,163	3,302	4,171
Regulatory Agencies	1,703	1,703	1,698	5	3
Revenue	76,836	179,909	197,117	(17,208)	73
State	-	-	-	-	50
Treasury	129,271	218,699	218,667	32	38
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,998,314	8,456,256	8,465,006	$ (8,750)	$ 9,981
Variance Between Actual and Estimated Budgets	204,783	19,944	-		
TOTAL ESTIMATED BUDGET	8,203,097	8,476,200	8,465,006		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	459,503	452,800	521,613		
EXCESS AUGMENTING REVENUES			9,981		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	2,400	2,400	2,296		
Transfers-Out To Various Cash Funds	(23,100)	(39,700)	(30,903)		
Transfer-Out to Capital Projects - General Fund	(186,200)	(186,200)	(186,215)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	(45,300)	(45,300)	(45,321)		
General Fund Surplus Transfers-Out Per C.R.S. 24-75-220	(143,600)	(120,600)	(210,767)		
TOTAL TRANSFERS	(396,300)	(389,900)	(471,410)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	63,203	62,900	60,184		
BEGINNING GENERAL FUND SURPLUS	-	-	-		
Release of Prior Year Statutory Reserve (5.0%)	373,000	373,000	372,965		
Establish Current Year Statutory Reserve (5.0%)	(398,400)	(410,900)	(410,935)		
Release of Contractually Restricted Energy Performance Leases			552		
GAAP Revenues/(Expenditures) Not Budgeted			10,330		
Contractually Restricted Energy Performance Leases			(8,096)		
ENDING GENERAL FUND SURPLUS	$ 37,803	$ 25,000	25,000		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2014-15 for Budget			(144,142)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2014-15 for Budget			(93,986)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2014-15 for Budget			(976)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			90,736		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			4,011		
Restricted			8,097		
Committed			249,248		
Assigned			25,732		
Shortfall in GAAP Basis Statutory Reserve			161,687		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 325,407		

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

UNAUDITED

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 114 to 116). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes $1.9 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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 until appropriated by the General Assembly.

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children’s Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation’s portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

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

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2013-14, the Department of Transportation capitalized project expenditures of $480.6 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act 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. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 118) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 114 to 116) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 8 to 25).

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

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

E. OUTSTANDING ENCUMBRANCES

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

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

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

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

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 68 for additional information regarding the plans listed in the schedule.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2013-14	7/1/2012		$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,089,502,474	31.5%
2010-11	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
2009-10	7/1/2008	$ -	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
2008-09	7/1/2008	$ -	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
Colorado State University:							
RMPR							
2013-14	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
2012-13	7/1/2012	$ -	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
2011-12	1/1/2011	$ -	$ 28,917,402	$ 28,917,405	0.0%	$ 246,619,145	11.7%
2010-11	1/1/2011	$ -	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
2009-10	1/1/2009	$ -	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
RMPS							
2013-14	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
2012-13	7/1/2012	$ -	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 54,685,666	$ 54,695,666	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
URX							
2013-14	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
2012-13	7/1/2012	$ -	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 2,751,623	$ 2,751,623	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
2009-10	1/1/2011	$ -	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
LTD							
2013-14	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A
2012-13	7/1/2012	$ -	$ 15,465,978	$ 15,465,978	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 13,058,876	$ 13,058,876	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
2009-10	1/1/2011	$ -	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A

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

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In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans. The Statement of Net Assets, Statement of Changes in Plan Net Assets, and Schedule of Employer Contributions follow.

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET ASSETS				
Assets:				
Cash and Pooled Cash	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
Liabilities:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
STATEMENT OF CHANGES IN PLAN NET ASSETS				
Additions:				
Contributions from Employers	36,329,003	19,696,918	497,968	5,350,150
Deductions:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contriubtion	$ 35,809,410	$ 4,188,504	$ 207,001	$ 1,337,935
Percent Contributed	103.3%	500.5%	273.1%	470.3%

APPENDIX B-1

Glossary

This Glossary is a summary of the Glossary attached to the Master Indenture, as such Glossary has been amended by the 2009 Supplemental Indenture, the HB 12-1357 Supplemental Indenture and the Series 2014A Supplemental Indenture, the Glossary attached to the Master Indenture, as so amended, which may vary in certain respects from this summary. A copy of the Master Indenture, the 2009 Supplemental Indenture, the HB 12-1357 Supplemental Indenture and the Series 2014A Supplemental Indenture are 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 or a law enacted by the State General Assembly.

"*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 financed with the proceeds of a Series of Certificates (a) that are incurred in connection with the preparation, negotiation, execution and delivery of any Deed, Site Lease, Lease, Sublease or Participation Agreement, the Indenture, Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects that are financed with the proceeds of 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 and costs of immediately available funds; and (b) (i) if proceeds of such Series of Certificates are deposited into one or more Project Accounts, such costs are incurred prior to the last Completion Date for a Project that is to be funded from one of such Project Accounts and (ii) if proceeds of such Series of Certificates are used to defease Certificates, such costs are incurred in connection with the defeasance of such Certificates.

"*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.

"*HB 12-1357 Participation Agreement*" means a Participation Agreement between the State and a Participating Institution executed and delivered in connection with the execution and delivery of the HB 12-1357 Supplemental Indenture.

"*HB 12-1357 Supplemental Indenture*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program HB-1357 Supplemental Indenture dated as of November 21, 2012 by the Trustee.

"*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 Installment on the Series 2008 Certificates Funded in 2009*" means the portion of the installment of interest on the Series 2008 Certificates that has been funded pursuant to the 2009 Escrow Agreement, as such portion of such installment of interest is more particularly described in the 2009 Escrow Agreement.

"*Interest Payment Date*" means (a) with respect to the Series 2008 Certificates, each May 1 and November 1 of each year, commencing on May 1, 2009; (b) with respect to the Series 2009 Certificates, each May 1 and November 1 of each year, commencing on May 1, 2010; (c) with respect to the Series 2014A Certificates, each May 1 and November 1 of each year, commencing on May 1, 2015; and (d) 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.

"*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 2009 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 Certificates*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation Series 2008 authorized by the Series 2008 Supplemental Indenture.

"*Series 2008 Certificates Refunded in 2009*" means the Series 2008 Certificates that have been defeased pursuant to the 2009 Escrow Agreement, as such Certificates are more particularly described in the 2009 Escrow Agreement.

"*Series 2008 Certificates Refunded in 2014*" means the Series 2008 Certificates that have been defeased (as defined in Section 9.01(b) of the Master Indenture) pursuant to the 2014 Escrow Agreement, as such Certificates are more particularly described in the 2014 Escrow Agreement.

"*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.

"*Series 2009 Certificates*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation Series 2009 authorized by the Series 2009 Supplemental Indenture.

"*Series 2009 Supplemental Indenture*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2009 Supplemental Trust Indenture dated as of December 17, 2009 by the Trustee.

"*Series 2014A Certificates*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation Series 2014A authorized by the Series 2014A Supplemental Indenture.

"Series *2014A Escrow Agreement*" means the Escrow Agreement dated as of November _, 2014 among the State, Wells Fargo Bank, National Association, as escrow agent, and the Trustee.

"*Series 2014A Supplemental Indenture*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2014A Supplemental Trust Indenture dated as of November 6, 2014 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, as amended by the 2009 Amendment to 2008 Lease and the 2014 Amendment to 2008 Lease and as it may be further amended from time-to-time in accordance with its terms.

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

"*2008 Participating Institutions*" means the Participating Institutions for which Projects were 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 were 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.

"*2009 Amendment to 2008 Lease*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2009 Amendment to 2008 Lease Purchase Agreement dated as of December 17, 2009 between the Trustee and the State.

"*2009 Escrow Agreement*" means the Escrow Agreement dated as of December 17, 2009 among the State, Wells Fargo Bank, National Association, as escrow agent, and the Trustee.

"*2014 Amendment to 2008 Lease*" means the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2014 Amendment to 2008 Lease Purchase Agreement dated as of November 6, 2014 between the Trustee and the State as previously amended by the 2009 Amendment to 2008 Lease.

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APPENDIX B-2

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

This Appendix summarizes certain provisions of the 2008 Site Leases, the 2008 Lease, the 2008 Subleases, the Participation Agreements 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 2014A Certificates," "THE SERIES 2014A 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, the Participation Agreements 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 2014A Certificates," "THE SERIES 2014A 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, the Participation Agreements 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, the Participation Agreements and the Indenture are available from the Underwriter 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 2008 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 of 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 three 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 loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) 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 Cash 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 of 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 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 loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Participation Agreements

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.

For the 2008 Participation Agreement Only - No Institution Share or All of Institution Share Financed with Series 2008 Certificates (Section 4.01 of 2008 Participation Agreement)

If (i) the Project of a Participant that has entered into the 2008 Participation Agreement 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 2008 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.

For the 2008 Participation Agreement Only - Cash Funded Institution Share (Section 4.02 of 2008 Participation Agreement)

If the Project of an Institution that has entered into the 2008 Participation Agreement 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 2008 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 2008 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.

For the 2008 Participation Agreement Only - Additional Financed Costs (Section 4.03 of 2008 Participation Agreement)

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 2008 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.

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

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 2008 Participation Agreement if an Event of Default or Event of Nonappropriation has occurred and is continuing under the 2008 Lease or the Participation Agreement.

For the 2008 Participation Agreement Only - More than One Project of Participant Financed with Proceeds of Series 2008 Certificates (Section 4.05 of 2008 Participation Agreement)

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 2008 Participation Agreement will be applied to each such Project separately.

For the HB 12-1357 Participation Agreements Only - Requisition by Participant and Direction by State Treasurer (Section 4.01 of HB 12-1357 Participation Agreement)

Upon receipt by the State Treasurer of a requisition a Participant that has entered into an HB 12-1357 Participation Agreement in the form attached to the HB 12-1357 Participation Agreement, the State Treasurer, by signing a direction to the Trustee in the form attached to the HB 12-1357 Participation

Agreement and submitting it to the Trustee, shall direct the Trustee to disburse to such Participant or to others identified in the requisition money from the Participant's HB 12-1357 Project Account of the State Expense Fund to pay Costs of the Project of the Project to be funded from such Project Account in an aggregate amount (for all such requisitions) that does not exceed the amount set forth for the Participant in the "cost" column in Table 1 of the CDC letter (defined in the HB 12-1357 Supplemental Indenture).

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 to 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 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.

(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 of 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; and

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

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 loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) 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 of 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.

(f) Notwithstanding any other provision of the Indenture, the Certificates shall be delivered 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 Certificates and principal of, premium, if any and interest on the 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 Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the 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 Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso 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 Certificates are reregistered.

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.

(d) *HB 12-1357 Project Accounts*. Separate accounts of the State Expense Fund shall be created for each institution of higher education listed in Table 1 of the September 6, 2012 letter from the State General Assembly's Capital Development Committee to the State Treasurer (the "CDC letter"), a copy of which is attached hereto as Exhibit A to the HB 12-1357 Supplemental Indenture (each such account is referred to as a "HB 12-1357 Project Account"). The Trustee shall transfer moneys held in the State Expense Fund into the HB 12-1357 Project Account of each such institution in the dollar amount set forth across from the name of such institution in the "cost" column in Table 1 of the CDC letter. The Trustee shall disburse moneys in the HB 12-1357 Project Account of an institution upon receipt of, and in accordance with the instructions set forth in, a Direction from the State Treasurer in the form attached as Exhibit B to the Participation Agreement between the State Treasurer and such institution. Upon receipt by the Trustee of written notice from the State Treasurer that the project of the institution described in the CDC letter is complete, the Trustee shall transfer any balance in such institution's HB 12-1357 Project Account to the State Expense Fund for use in accordance with subsection (c) of this section.

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) of 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 to 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 of 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) of the Master Indenture. Any escrow account established pursuant to Section 9.01 of 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 4.02)

(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.

Redemption in Whole Upon the Occurrence of an Event of Nonappropriation or Event of Default (Section 4.06)

The provisions of the Series 2008 Supplemental Indenture and the Series 2009 Supplemental Indenture providing that the Series 2008 Certificates and the Series 2009 Certificates will be called for redemption in whole upon the occurrence of an Event of Nonappropriation or Event of Default from, together with other sources, the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or Event of Default shall apply only if the Trustee has exercised its remedy to terminate the applicable Lease.

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 of 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 of 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 of 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 of the Master Indenture, cause the Trustee to be removed and replaced by a successor trustee; and subject to Section 7.05 of 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) of the Master Indenture, or of which by Section 6.02(g) of 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 that would have been paid if the amount available had been sufficient. 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, add 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.

APPENDIX C

Form of Continuing Disclosure Undertaking

$110,485,000

STATE OF COLORADO
HIGHER EDUCATION CAPITAL CONSTRUCTION
LEASE PURCHASE FINANCING PROGRAM
CERTIFICATES OF PARTICIPATION, SERIES 2014A

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by THE STATE OF COLORADO (the "**State**"), acting by and through the State Treasurer, in connection with the issuance of the above-referenced Certificates of Participation (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, as amended by the 2009 Amendment to Lease Purchase Agreement dated as of December 17, 2009 and by the 2014 Amendment to Lease Purchase Agreement dated as of November 6, 2014, as it may be further amended from time to time in accordance with its terms (collectively, the "**2008 Lease**"), and other annually renewable lease-purchase agreements to be entered into in the future by and between the State and Wells Fargo Bank, National Association, solely in its capacity as Trustee (the "**Trustee**") under the Master Trust Indenture, dated as of November 6, 2008 (the "**Master Indenture**") as supplemented by a 2008 Supplemental Indenture dated as of November 6, 2008 (the "**2008 Supplemental Indenture**"), a Series 2009 Supplemental Trust Indenture dated as of December 17, 2009 (the "**2009 Supplemental Indenture**"), and an HB 12-1357 Additional Projects Supplemental Trust Indenture dated as of November 21, 2012 (the "**HB 12-1357 Supplemental Indenture**"), and as further supplemented by a 2014 Supplemental Trust Indenture dated as of November 6, 2014 (the "**2014 Supplemental Indenture**" and, collectively such Supplemental Indentures with the Master Indenture referred to as the "**Indenture**"), by Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "**Trustee**").

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State 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**, **Appendix G** – "HIGHER EDUCATION FEDERAL MINERAL LEASE REVENUES FUND," and **Appendix I** – "STATE PENSION SYSTEM."

"**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 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.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.

"**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.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2014, and annually while the Certificates remain outstanding, the State shall provide to the MSRB Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State 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 270 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 State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB 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 State 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, if material.

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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.

7. Modifications to the rights of the security holders, if material.

8. Certificate calls (other than mandatory sinking fund redemption), if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under subsection (a)(2), (7), (8) (with respect to calls, but not tender offers), (10), (13) or (14) would constitute material information for Owners of Certificates.

(c) At any time the Certificates are outstanding, the State shall provide, in a timely manner, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Format, Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution 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 State 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 State, including by an opinion of any attorney or firm of attorneys experienced in federal securities laws selected by the State. The State shall file a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State 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 State to 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 State shall provide notice of any such amendment or waiver to the MSRB.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State 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 State shall not be required to do so. If the State 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 State 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 9. Default and Enforcement. If the State 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 State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days' prior written notice to the State of the State's failure (giving reasonable details of such failure), following which notice the State 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 State 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 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, 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, 2014.

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

____________ __, 2014

State of Colorado, acting by and through the State Treasurer
Wells Fargo Bank, National Association
RBC Capital Markets, LLC
J.P. Morgan Securities, Inc.
Stifel, Nicolaus & Company, Inc.

$_________________
State of Colorado
Higher Education Capital Construction
Lease Purchase Financing Program
Certificates of Participation Series 2014A

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 2014A Certificates"). The Series 2014A Certificates are being executed and delivered pursuant to the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Master Trust Indenture dated as of November 6, 2008, as amended by State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2009 Supplemental Indenture dated as of December 17, 2009, the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program HB 12-1357 Additional Projects Supplemental Trust Indenture dated as of November 21, 2012 (the "Master Indenture") and the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Series 2014A Supplemental Trust Indenture dated as of __________ _, 2014 (the "Series 2014A Supplemental Indenture" and, together with the Master Indenture, 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 the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "Original 2008 Lease"), as amended by the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2009 Amendment to 2008 Lease Purchase Agreement dated as of December 17, 2009 (the "2009 Amendment to 2008 Lease") and the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program 2014 Amendment to 2008 Lease Purchase Agreement dated as of _________ __, 2014 (the "2014 Amendment to 2008 Lease"; the Original 2008 Lease, as amended by the 2009 Amendment to 2008 Lease and the 2014 Amendment to 2008 Lease, is referred to as 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 Glossary attached to the Master Indenture, as such Glossary is amended by the Series 2009 Supplemental Indenture, the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program HB 12-1357 Additional Projects Supplemental Trust Indenture dated as of November 21, 2012 and the Series 2014A Supplemental 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; the Indenture, the 2008 Lease, the Series 2014A Escrow Agreement dated as of __________ __, 2014 among the State, Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), and the Trustee (together with all exhibits thereto, the "Escrow Agreement"), the 2008 Subleases, the Participation Agreements, the Tax Compliance Certificate executed and delivered by the State in connection with the execution and delivery of the Series 2014A Certificates and the other documents, certificates, opinions and papers included in the transcript relating to the execution and delivery of the Series 2014A Certificates; and such other items as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon certifications of public officials and others included in the items examined without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the 2008 Lease, the Indenture, the Series 2014A Certificates and the Escrow Agreement by the Trustee, the due authorization, execution and delivery of the Escrow Agreement by the Escrow Agent 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, the Escrow Agreement 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 2014A Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2014A 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 2014A Certificates, is excludable 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; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence assume the accuracy of certain representations and continuing compliance by the State, the Participating Institutions and the Trustee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the delivery of the Series 2014A 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 2014A Certificates. We express no opinion regarding other federal tax

consequences arising with respect to the Series 2014A 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 2014A Certificates subsequent to such termination.

5. Under existing State statutes, 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 2014A Certificates, is exempt from Colorado income tax. We express no opinion regarding other tax consequences arising with respect to the Series 2014A 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 2014A Certificates subsequent to such termination.

The rights of the Owners of the Series 2014A Certificates and the enforceability of the Series 2014A 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 2014A 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 2014A 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 2014A 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

This Appendix contains a discussion of the General Fund, including the estimated cash flows for the General Fund for Fiscal Years 2014-15 and 2015-16. See also **Appendix F** – "OSPB SEPTEMBER 2014 REVENUE FORECAST."

General

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. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Unaudited Fiscal Year 2013-14 Basic Financial Statements as the General Purpose Revenue Fund.

General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2014-15 and 2015-16. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix F** – OSPB SEPTEMBER 2014 REVENUE FORECAST," as well as "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" regarding forward-looking statements.

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State of Colorado
General Fund Revenue Sources

(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB September 2014 Revenue Forecast			
	Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14*		Fiscal Year 2014-15		Fiscal Year 2015-16	
Revenue Source	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Excise Taxes:														
Sales Tax [1]	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,424.6	9.6%	$2,581.7	6.5%	$2,708.4	4.9%
Use Tax	155.7	(11.9)	190.1	22.0	200.6	5.6	242.7	21.0	241.5	(0.5)	255.6	5.8	271.3	6.2
	1,980.7	(6.0)	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,666.1	8.6	2,837.3	6.4	2,979.7	5.0
Cigarette Tax	40.8	(6.0)	39.3	(3.8)	39.5	0.5	38.3	(3.1)	36.6	(4.5)	36.9	0.9	34.6	(6.2)
Tobacco Products [2]	16.1	22.4	13.8	(14.2)	16.0	16.1	15.6	(2.9)	16.9	8.4	17.2	2.1	17.6	2.0
Liquor Tax	35.4	1.3	36.4	2.8	38.4	5.3	39.2	2.2	40.3	2.9	42.9	6.4	42.8	(0.3)
	92.3	0.7	89.5	(3.0)	93.9	4.9	93.1	(0.9)	93.8		97.0		95.0	
Total Excise Taxes	2,073.1	(5.7)	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,759.9	8.3	2,934.3	6.3	3,074.8	4.8
Income Taxes:														
Net Individual Income Tax	4,083.8	(5.8)	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,696.1	1.8	6,187.0	8.6	6,626.7	7.1
Net Corporate Income Tax	372.1	27.2	393.9	5.9	486.5	23.5	636.3	30.8	720.7	13.3	757.6	5.1	820.5	8.3
Total Income Taxes	4,455.9	(3.7)	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,416.8	3.0	6,944.6	8.2	7,447.2	7.2
Less State Education Fund Diversion[2]	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(478.8)	(1.6)	(520.8)	8.8	(558.5)	7.2
Total Income Taxes to the General Fund	4,126.9	(3.7)	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,938.0	3.3	6,423.8	8.2	6,888.6	7.2
Other Revenues:														
Estate	0.2	--	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--	--	--
Insurance	186.9	(2.9)	189.7	1.5	197.2	4.0	210.4	6.7	239.1	13.6	243.6	1.9	250.5	2.8
Interest Income	10.1	7.7	7.9	(21.6)	13.6	71.5	17.4	28.6	12.9	(26.1)	15.9	23.3	18.9	19.0
Pari-Mutuel	0.5	17.0	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(8.8)	0.6	(9.7)	0.5	(5.0)
Court Receipts	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	2.3	(9.0)	2.6	9.5	2.7	3.9	2.5	(5.0)
Gaming	16.2	476.3	20.4	25.9	20.3	(0.5)	12.1	(40.4)	--	--	--	--	--	--
Other Income	26.2	(7.4)	21.2	(18.8)	23.1	8.8	18.1	(21.6)	21.3	17.9	20.1	(5.7)	21.4	6.4
Total Other	257.7	0.1	243.2	(5.6)	257.6	5.9	261.1	1.3	276.9	11.2	282.9	2.2	293.9	3.9
Gross General Fund	**$6,457.7**	**(4.2)%**	**$7,085.8**	**9.7%**	**$7,736.0**	**9.2%**	**$8,554.8**	**10.6%**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**

[1] State voters approved Proposition AA in November of 2013, which included the imposition of a sales tax of 10% on retail marijuana effective January of 2014. Under current law, the revenue from this sales tax first goes to the General Fund and is then transferred to a cash fund. A portion of this revenue is also distributed to local governments where retail marijuana sales occur. Also approved by Proposition AA was the imposition by the State of an excise tax of 15% on retail marijuana that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects.

[2] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See Note 10 to the table in "General Fund Overview" hereafter.

* Unaudited

Source: Office of State Planning and Budgeting

General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2009-10 through Fiscal Year 2013-14 and the forecasts for Fiscal Years 2014-15 and 2015-16 from the OSPB September 2014 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2014 Revenue Forecast for Fiscal Years 2014-15 and 2015-16. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix F** – OSPB SEPTEMBER 2014 REVENUE FORECAST," as well as "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2009-10 through 2015-16
(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
REVENUE:							
Beginning Reserve	$ 326.9	$ 443.8	$ 137.4	$ 156.6	$ 373.0	$ 435.9	$ 802.4
Gross General Fund Revenue	6,742.7	6,457.7	7,085.8	7,736.0	8,974.8	9,641.0	10,257.3
Transfers to the General Fund	813.8	418.5	158.1	142.1	14.2	30.2	15.4
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,883.4	7,320.0	7,381.2	8,034.7	9,361.9	10,107.1	11,075.0
EXPENDITURES:							
Appropriation Subject to Limit [2]	7,410.7	6,631.6	6,811.1	7,027.8	8,218.7	8,765.3	9,685.2
Dollar Change From Prior Year	322.9	(779.1)	179.5	216.7	759.5	546.5	919.9
Percent Change From Prior Year	4.2%	(10.2)%	2.7%	3.2%	10.2%	6.6%	10.5%
Spending Outside Limit:	54.4	601.5	151.5	189.0	545.5	539.5	760.3
TABOR Refund	--	--	--	--	--	--	136.7
Rebates and Expenditures [3]	221.6	143.2	127.6	134.8	250.2	254.7	267.6
Transfer to Capital Construction [4]	39.4	0.2	12.0	49.3	186.7	225.5	177.8
Transfers to Highway Users Tax Fund [4]	29.0	N/A	N/A	N/A	N/A	N/A	102.6
Transfers to State Education Fund per SB 13-234 [5]	N/A	N/A	N/A	N/A	45.3	25.3	25.3
Transfers to Other Funds [6]	2.3	458.1	--	5.0	30.9	33.9	50.3
Other Expenditures Exempt from General Fund Appropriations Limit [7]	(237.9)	--	12.0	--	32.4	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,465.1	7,233.1	6,962.6	7,216.8	8,764.3	9,304.7	10,445.5
Percent Change from Prior Year	(6.2)%	(3.1)%	(3.7)%	3.7%	10.8%	6.2%	12.3%
Reversions and Accounting Adjustments	25.4	50.5	26.9	36.9	(49.0)	--	--
RESERVES							
Year-End General Fund Balance	443.8	137.4	445.5	854.8	646.7	802.4	629.5
Year-End General Fund as a % of Appropriations	6.0%	2.1%	6.5%	12.2%	7.9%	9.2%	6.5%
General Fund Statutory Reserve Amount	148.2	132.6	156.6	281.1	410.9	569.7	629.5
Unappropriated Reserve Percentage [8]	2.0%	2.0%	2.3%	4.0%	--	--	--
Amount Above (Below) Statutory Reserve	295.6	4.8	288.9	573.7	235.8	232.6	--
Transfer of Excess Reserve to State Education Fund/Other Funds [9]	--	--	--	--	(210.8)	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	443.8	137.4	156.6	795.8	25.0	232.6	--

[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

[2] Per SB 09-228, commencing with Fiscal Year 2009-10 this appropriation limit was revised from: (a) the lesser of (i) 5% of Colorado Personal Income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year; to (b) 5% of Colorado Personal Income.

[3] This generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension.

[4] Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0%. This is projected to occur in 2014, which will trigger the transfers in Fiscal Year 2015-16. Expected and budgeted transfers to capital construction are occurring each Fiscal Year regardless of the requirement.

[5] SB 13-234 requires annual General Fund transfers to the State Education Fund in Fiscal Years 2013-14 through 2018-19.

[6] State law requires transfers of General Fund money to various State cash funds. Starting in Fiscal Year 2013-14, this line item includes transfers of General Fund money from the new 10% retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above.

[7] Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

[8] Per HB 14-1337, for Fiscal Year 2014-15 and subsequent Fiscal Years, the Unappropriated Reserve has been increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

[9] In recent years, all or a portion of the amount in excess of the statutory reserve was required by law to be credited to other funds, mostly the State Education Fund. For example, per HB 12-1338, all of the Fiscal Year 2012-13 excess was transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess reserves, except for $25 million that is to remain in the General Fund, are to be transferred to various other State Funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342 and SB 14-223. The amount remaining in the General Fund will become part of the beginning reserve and funds available in Fiscal Year 2014-15.

Source: Office of State Planning and Budgeting

Discussion of Recent General Fund Operations

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" above.

Fiscal Year 2013-14. General Fund revenues increased by 5.1% in Fiscal Year 2013-14 compared to an increase of 10.7% in Fiscal Year 2012-13. In Fiscal Year 2013-14, sales and use tax revenues increased by 8.6% compared to an increase of 7.0% in Fiscal Year 2012-13. Other excise tax revenues increased 0.8% compared to a decrease of 0.9% in Fiscal Year 2012-13. Corporate and individual income tax collections increased 3.0% compared to an increase of 13.4% in Fiscal Year 2012-13. Other revenues increased by 11.2% in Fiscal Year 2013-14 compared to an increase of 4.9% in Fiscal Year 2012-13. Total available funds for Fiscal Year 2013-14 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into the General Fund) were $9,361.9 million and total obligations were $8,764.3 million. The required reserve was $410.9 million, or 5.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $235.8 million. In accordance with Amendment 23 and other State laws, $1,605.1 million was credited to the State Education Fund.

Fiscal Year 2012-13. General Fund revenues increased by 10.6% in Fiscal Year 2012-13 compared to an increase of 9.2% in Fiscal Year 2011-12. In Fiscal Year 2012-13, sales and use tax revenues increased by 7.0% compared to an increase of 2.7% in Fiscal Year 2011-12. Other excise tax revenues decreased 0.9% compared to an increase of 4.9% in Fiscal Year 2011-12. Corporate and individual income tax collections increased 13.4% compared to an increase of 12.4% in Fiscal Year 2011-12. Other revenues increased by 1.3% in Fiscal Year 2012-13 compared to an increase of 5.9% in Fiscal Year 2011-12. Total available funds for Fiscal Year 2012-13 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into or out of the General Fund) were $9,351.0 million and total obligations were $7,911.6 million. The required reserve was $373.0 million, or 5.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $1,073.5 million. In accordance with Amendment 23 to the State constitution ("**Amendment 23**") and other State laws, $548.5 million was credited to the State Education Fund.

Fiscal Year 2011-12. General Fund revenues increased by 9.2% in Fiscal year 2011-12 compared to an increase of 9.7% in Fiscal Year 2010-11. In Fiscal Year 2011-12, sales and use tax revenues increased by 2.7% compared to an increase of 12.8% in Fiscal Year 2010-11. Corporate and individual income tax collections increased 12.4% compared to an increase of 9.7% in Fiscal Year 2010-11. Other excise tax revenues increased 4.9% compared to a decrease of 3.1% in Fiscal Year 2010-11. Other revenues increased 5.9% in Fiscal Year 2011-12 compared to a decrease of 5.6% in Fiscal Year 2010-11. Total funds available for expenditure in Fiscal Year 2011-12 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $8,034.7 million and total obligations were $7,216.8 million. The required reserve was $281.1 million, or 4.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $573.7 million. In accordance with Amendment 23 and other State laws, $644.4 million was credited to the State Education Fund.

Fiscal Year 2010-11. General Fund revenues increased by 9.7% in Fiscal Year 2010-11 compared to a decline of 4.2% in Fiscal Year 2009-10. In Fiscal Year 2010-11, sales and use tax revenues increased by 12.8% compared to a decrease of 6.0% in Fiscal Year 2009-10. Other excise tax revenues decreased 3.0% compared to an increase of 0.7% in Fiscal Year 2009-10. Corporate and individual income tax collections increased 9.7% compared to a decrease of 3.7% in Fiscal Year 2009-10. Other revenues declined 5.6% in Fiscal Year 2010-11 compared to an increase of 0.1% in Fiscal Year 2009-10. Total funds available for expenditure in Fiscal Year 2010-11 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $7,381.3 million and total obligations were $6,962.6 million. The required reserve was $156.6 million, or 2.3% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $288.9 million. In accordance with Amendment 23 and other State laws, $376.8 million was credited to the State Education Fund.

Fiscal Year 2009-10. General Fund revenues declined by 4.2% in Fiscal Year 2009-10 compared to a decline of 12.9% in Fiscal Year 2008-09. In Fiscal Year 2009-10, sales and use tax revenues decreased by 6.0% compared to a decrease of 9.1% in Fiscal Year 2008-09. Other excise tax revenues increased 0.9% compared to a decline of 1.7% in Fiscal Year 2008-09. Corporate and individual income tax collections decreased 3.7% compared to a decrease of 15.6% in Fiscal Year 2008-09. Other revenues increased 0.1% in Fiscal Year 2009-10 compared to a decline of 0.2% in Fiscal Year 2008-09. Total funds available for expenditure in Fiscal Year 2009-10 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into the General Fund) were $7,320.0 million and total obligations were $7,233.1 million. The required reserve was $132.6 million, or 2.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $4.8 million. In accordance with Amendment 23 and other State laws, $339.5 million was credited to the State Education Fund.

Revenue Estimation; OSPB Revenue and Economic Forecasts

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 a General Fund revenue estimate. 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 State 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 most recent OSPB Revenue Forecast was issued on September 22, 2014, and is included in this Official Statement as **Appendix F** – OSPB SEPTEMBER 2014 REVENUE FORECAST." The OSPB September 2014 Revenue Forecast projects revenues for Fiscal Years 2014-15 through 2016-17. The amounts forecast for Fiscal Years 2014-15 and 2015-16 are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB September 2014 Revenue Forecast was provided by Moody's Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's 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 data 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 and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, 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. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

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.

The next OSPB revenue forecast will be released in December 2014. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2014 Revenue Forecast if economic conditions change markedly. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast. Such volatility may be reflected in subsequent OSPB revenue forecasts. If a revenue shortfall is projected for Fiscal Year 2014-15 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See "CERTAIN RISK FACTORS – State Budgets and Revenue Forecasts."

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State 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.

Fiscal Years 2012-13 and 2013-14 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2012-13 and 2013-14 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2012-13
(Amounts expressed in millions)[1]

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	April 2013	May 2013	June 2013
Agency CMOs	$ 94.0	$ 90.0	$ 85.0	$ 76.8	$ 71.9	$ 67.4	$ 62.6	$ 59.1	$ 55.9	$ 49.0	$ 42.4	$ 36.4
Commercial Paper	50.0	50.0	0.0	50.0	40.0	100.0	100.0	60.0	0.0	100.0	127.0	75.0
U.S. Treasury Notes	703.9	718.9	674.0	713.9	713.9	773.9	794.0	784.0	799.0	769.2	809.2	824.0
Federal Agencies	4,631.2	4,450.3	4,493.7	4,128.0	3,824.6	3,886.1	4,275.0	3,800.5	3,889.5	4,526.5	4,160.8	3,798.5
Asset-Backed Securities	366.4	439.1	533.7	701.8	764.3	764.2	853.6	977.1	991.1	1,066.6	1,125.4	1,131.4
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	0.0
Corporates	1,042.5	1,106.2	1,123.2	1,135.2	1,170.1	1,235.0	1,265.0	1,292.1	1,336.0	1,341.0	1,378.9	1,375.9
Certificates of Deposit	1.3	0.9	0.9	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0
Totals	$6,889.3	$6,855.4	$6,910.5	$6,806.6	$6,585.3	$6,827.1	$7,350.7	$6,973.3	$7,097.0	$7,852.8	$7,644.2	$7,243.2

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.
Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2013-14
(Amounts expressed in millions)[1]

	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	April 2014	May 2014	June 2014
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 27.1	$ 25.7	$ 24.5	$ 23.4	$ 22.4	$ 21.4	$ 20.4	$ 19.4	$ 18.5
Commercial Paper	250.0	173.0	170.0	185.0	80.0	0.0	158.2	636.9	230.0	305.0	150.0	75.0
U.S. Treasury Notes	823.9	824.0	848.5	858.5	858.5	888.2	888.4	908.8	949.1	974.3	1,003.9	959.1
Federal Agencies	3,853.1	3,818.7	3,818.9	3,675.7	3,514.6	3,708.1	4,175.5	3,354.2	3,792.1	4,203.1	4,087.1	3,195.3
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,267.6	1,287.3	1,294.5	1,303.1	1,329.4	1,353.9	1,420.9	1,435.0	1,459.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,437.7	1,491.6	1,533.4	1,531.4	1,538.4	1,621.0	1,636.0	1,656.0	1,708.8
Certificates of Deposit	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	6.5	7.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,455.6	$7,261.7	$7,452.7	$8,084.0	$7,794.1	$7,971.5	$8,565.7	$8,357.9	7,423.6

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.
Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The State Treasurer has certain administrative powers to remedy negative cash balances, including the ability to issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and to use Borrowable Resources. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The State Treasurer."

The following tables present on a cash basis the actual cash flows of the General Fund for Fiscal Year 2013-14, and the estimated cash flows for the General Fund for Fiscal Year 2014-15, by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the State Treasurer to arrive at a cash basis presentation, and should be read in conjunction with the information set forth above in this Appendix.

Monthly cash flow projections for Fiscal Year 2014-15 are based upon (i) the General Fund appropriations for Fiscal Years 2013-14 and 2014-15 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the OSPB June 2014 Revenue Forecast discussed in "Revenue Estimation; OSPB Revenue and Economic Forecasts" above. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of estimated cash flows. Additionally, the timing of transactions from month to month may vary from the forecasts. Therefore, there are likely to be differences between the forecasted and actual results, and such differences may be material. See "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" regarding forward-looking statements.

State of Colorado
Actual General Fund Cash Flow
Fiscal Year 2013-14
Current Law

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

	Actual												
	July 2013	**Aug 2013**	**Sept 2013**	**Oct 2013**	**Nov 2013**	**Dec 2013**	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**	**Total**
Beginning Cash and Investments Balance	$1,161.2												$ 1,161.2
Revenues:													
General Fund Revenue:													
Sales and Use Tax	209.4	$ 220.0	$ 223.0	$ 211.9	$ 212.3	$ 208.4	$ 245.9	$ 197.2	$ 201.1	$ 232.8	$ 215.4	$ 244.8	2,622.2
Individual Income Tax	361.4	344.4	478.1	415.8	349.2	417.2	622.1	215.2	297.4	841.2	402.8	480.2	5,225.0
Corporate Income Tax	12.7	79.0	118.3	41.4	3.6	106.8	15.4	(6.4)	94.9	119.2	10.2	145.0	740.1
Other	50.5	24.1	10.0	55.6	17.0	9.9	16.5	63.7	36.2	45.8	28.6	10.7	368.6
Total General Fund Revenue	634.0	588.5	829.4	724.7	582.1	742.3	899.9	469.7	629.6	1,239.0	657.0	880.7	8,876.9 [1]
Federal Revenue	364.0	560.8	530.7	527.6	523.5	661.8	529.0	563.3	779.8	599.5	598.5	857.5	7,096.0
Total Revenues	998.0	1,149.3	1,360.1	1,252.3	1,105.6	1,404.1	1,428.9	1,033.0	1,409.4	1,838.5	1,255.5	1,738.2	15,972.9
Expenditures:													
Payroll	128.2	123.4	133.2	125.3	126.7	125.1	140.3	127.0	125.6	126.1	128.2	127.0	1,536.1
Medical Assistance	454.2	499.8	444.7	418.6	458.4	486.1	456.0	499.5	599.8	500.6	500.8	620.6	5,939.1
Public School Distribution	752.6	30.1	1,120.5	102.1	34.1	916.3	46.7	50.2	360.0	110.8	46.2	80.9	3,650.5
Higher Education Distribution	2.1	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	4.6	106.7
Grants and Contracts	32.5	225.8	213.7	204.1	202.4	220.4	188.1	190.4	237.7	313.0	183.7	(443.8)	1,768.0
Other	450.8	142.0	153.2	116.5	129.1	230.8	127.5	91.9	173.8	112.6	101.7	798.7	2,628.6
Total Expenditures:	(1,633.7)	(1,066.2)	(2,067.4)	(970.7)	(954.9)	(2,021.3)	(958.9)	(959.4)	(1,497.3)	(1,058.3)	(961.0)	(1,188.0)	(15,337.1)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	525.5	83.1	(707.3)	281.6	150.7	(617.2)	470.0	73.6	(87.9)	780.2	294.5	550.2	1,797.0
Revenue Accrual Adjustment	130.6	(61.9)	39.7	79.8	(60.1)	22.9	41.7	(34.6)	(132.9)	61.4	66.5	(229.5)	(76.4)
Expenditure Accrual Adjustment	(144.6)	18.3	33.2	(40.5)	56.8	(2.1)	(61.9)	20.7	72.4	112.6	(217.7)	161.2	8.4
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(105.2)	--	--	(105.2)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(1,093.8)	--	--	--	--	--	--	(1,093.8)
Actual/Projected Monthly Cash Change	824.8	39.5	(634.4)	320.9	147.4	(1,690.2)	449.8	59.7	(148.4)	849.0	143.3	(18.9)	342.5
General Fund Cash Balance End of Month	**$ 824.8**	**$ 864.3**	**$ 229.9**	**$ 550.8**	**$ 698.2**	**$ (992.0)**	**$ (542.2)**	**$ (482.5)**	**$ (630.9)**	**$ 218.1**	**$ 361.4**	**$ 342.5**	

[1] Based on June 2014 OSPB estimate.

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2014-15[1]
Current Law

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

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	Total
Beginning Cash and Investments Balance	$ 342.5												$ 342.5
Revenues:													
General Fund Revenue													
Sales and Use Tax	209.4	$ 237.3	$ 246.7	$ 237.9	$ 223.7	$ 226.7	$ 271.8	$ 205.9	$ 208.9	$ 233.3	$ 225.6	$ 242.3	2,769.5
Individual Income Tax	361.4	396.1	555.1	507.1	452.0	479.9	638.9	175.3	246.6	705.4	488.2	646.3	5,652.3
Corporate Income Tax	12.7	7.1	168.9	63.3	(48.7)	68.9	58.1	9.2	94.8	153.1	31.2	157.9	776.5
Other	50.5	15.5	(31.6)	(46.1)	17.3	(49.0)	13.1	72.3	28.9	201.8	(28.1)	157.9	402.6
Total General Fund Revenue	634.0	656.0	939.1	762.4	644.3	726.5	981.9	462.7	579.2	1,293.6	716.9	1,204.4	9,601.0
Federal Revenue	434.0	510.5	653.1	415.8	558.4	645.5	538.4	554.3	665.6	475.4	561.7	1,173.0	7,185.7
Total Revenues	1,068.0	1,166.5	1,592.1	1,178.1	1,202.7	1,372.0	1,520.3	1,017.0	1,244.8	1,769.0	1,278.6	2,377.4	16,786.7
Expenditures:													
Payroll	128.2	138.9	139.4	140.3	139.0	130.6	136.2	131.5	133.2	129.1	130.8	141.2	1,618.4
Medical Assistance	433.0	504.0	366.3	361.4	546.4	462.8	312.5	501.6	397.5	665.3	662.7	443.6	5,657.2
Public School Distribution	748.5	(15.3)	977.2	0.3	2.1	971.2	3.5	0.4	971.6	0.4	0.3	2.5	3,662.7
Higher Education Distribution	3.0	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.2
Grants and Contracts	41.0	257.3	305.6	204.2	236.3	291.7	248.7	238.9	270.7	236.3	242.9	273.6	2,847.3
Other	433.1	352.5	175.8	130.2	82.6	356.2	169.4	83.8	145.6	(91.7)	(163.6)	310.9	1,984.8
Total Expenditures:	(1,786.8)	(1,282.5)	(1,966.3)	(840.5)	(1,010.7)	(2,255.2)	(870.7)	(956.5)	(1,919.1)	(939.8)	(873.5)	(1,171.0)	(15,872.5)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(376.3)	(116.0)	(374.2)	337.7	192.0	(883.2)	649.6	60.5	(674.3)	829.2	405.2	1,206.4	1,256.6
Revenue Accrual Adjustment	130.6	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	31.4
Expenditure Accrual Adjustment	(144.6)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0	67.9	(20.4)	(282.8)	(324.6)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(110.0)	--	--	(110.0)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(501.0)	(1.0)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(210.8)	--	--	--	--	--	--	(210.8)
Actual/Projected Monthly Cash Change	(77.0)	(95.5)	(373.0)	316.4	190.2	(1,098.8)	677.6	43.5	(663.2)	797.3	332.3	405.1	455.0
General Fund Cash Balance End of Month	**$ (77.0)**	**$ (172.5)**	**$ (545.5)**	**$ (229.1)**	**$ (38.8)**	**$ (1,137.6)**	**$ (460.0)**	**$ (416.5)**	**$ (1,079.8)**	**$ (282.4)**	**$ 49.9**	**$ 455.0**	

[1] General Fund revenues in this table are derived from the OSPB June 2014 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" regarding forward-looking statements.

Source: State Treasurer's Office

APPENDIX F

OSPB September 2014 Revenue Forecast

As discussed in **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2014-15 through 2016-17. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. 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 September 22, 2014, and is presented in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" regarding forward-looking statements.

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COLORADO
Office of State Planning
& Budgeting

September | 2014

The Colorado Economic Outlook

Economic and Fiscal Review

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COLORADO
It's our nature.

Summary

- Projections for General Fund revenue for FY 2014-15 are 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion. General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16.

- The State's General Fund reserve ended FY 2013-14 with $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

- TABOR revenue is forecast to be $48 million, or just 0.4 percent, below the Referendum C cap in the current fiscal year, which is within the normal range of possible forecast adjustments. TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers is required under this forecast, unless voters allow the State to retain the revenue.

- Though a TABOR refund is projected, the money forecasted to be available in the General Fund in FY 2015-16 would allow for a 10.5 percent increase in appropriations. Meanwhile, under current law, as a result of the TABOR refunds in FY 2015-16 and FY 2016-17, SB 09-228 transfers will be reduced by half.

- Under this forecast, in FY 2015-16, revenue above the Referendum C cap would be refunded through the State Earned Income Tax Credit to qualified taxpayers and the sales tax refund to all taxpayers. In FY 2016-17, revenue above the Referendum C cap would be refunded through a temporary income tax rate reduction and the sales tax refund.

- Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength.

- Many indicators point to a continued economic expansion. A special set of unique circumstances, however, could result in an economic slowdown. One risk is less accommodative monetary policy. Also, current weaker global economic conditions, as well as continued geo-political tensions, are concerns. Unexpected events surrounding these issues could have negative implications for the economy and result in revenue collections that are substantially different from this forecast. It is also important to note that even relatively small changes in the projected growth rate of revenue can materially impact the budget outlook.

- Cash fund revenue subject to TABOR in FY 2014-15 will be at essentially the same level as collections in FY 2013-14. Cash fund revenue subject to TABOR is forecast to grow close to four percent in FY 2015-16 and FY 2016-17. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

THE ECONOMY: ISSUES, TRENDS, AND FORECAST

Each quarter, we assess economic conditions to determine their influence on State tax collections, the demand for certain State services, and the overall prospects for the State's budget condition. The following section discusses overall economic conditions in Colorado and around the world, as well as specific issues affecting economic performance. The analysis focuses on conditions specific to Colorado and provides broader context on national and global conditions because of how they can affect the state's economy. The discussion includes:

Trends and forecasts for key economic indicators — At the end of this section on page 22 is a summary of key economic indicators with their recent trends and statistics, as well as forecasts. This summary is intended to provide a snapshot of the performance of the broad economy and OSPB's economic projections, which are formed by the following analysis of the economy.

Summary — Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength. Housing market and employment growth remain more modest in certain regions. We project the statewide unemployment rate to fall below five percent this year — the first time below this level since the middle of 2008.

The national economy's expansion has accelerated in recent months. The labor market is showing more sustained momentum; though the recent report for the nation's job market in August was less strong than in prior months. Economic indicators associated with the business cycle currently point to continued expansion. Business loan demand and investment have picked up and consumer and business confidence have improved. These trends will lower unemployment further and sustain consumer spending and housing market growth. Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession. Continued improvement in the labor market is needed to bolster employment levels and overall economic growth.

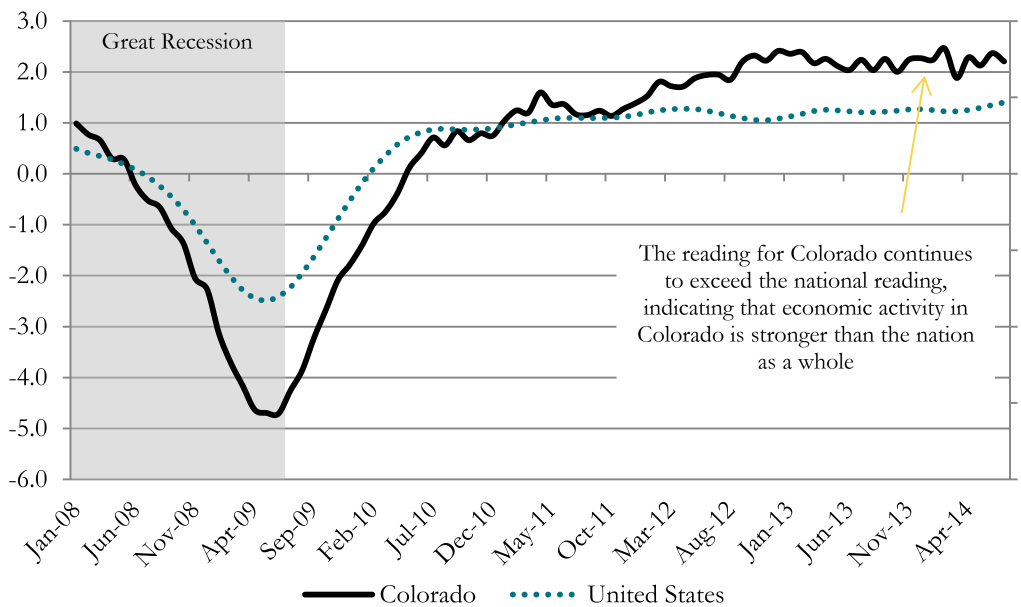
Economic risks — Many indicators point to a continued economic expansion. We find that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. One risk is less accommodative monetary policy. The economy could respond unfavorably as the Federal Reserve ends its large-scale asset purchases and begins to target increases in the federal funds rate, which currently is expected to occur next year. Additionally, due to the interconnected nature of the global economy and financial system, current economic conditions in Europe and parts of Asia, as well as continued geo-political tensions in the Middle East and Russia, are concerns.

Colorado Economy Overview

Colorado continues to be one of the top performing states in the nation — Colorado's economy remains among the top performing state economies in the country as it continues to experience solid growth in several key sectors. Colorado benefits from having a relatively high concentration of individuals and businesses focused on products that are in high demand in today's economy, such as those involving information, technology, bioscience, engineering, and aerospace. The state also has strong agriculture and energy sectors that continue to feed economic growth in Colorado.

The State Coincident Economic Activity Index published by the Federal Reserve Bank of Philadelphia provides timely information about the overall performance of state economies by combining four state-level economic indicators: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. This index tends to correlate reliably with states' GDP growth over time and provides good insight into the overall health of a state economy. As shown in Figure 1, Colorado's reading in this index has exceeded the national index throughout most of the economic recovery.

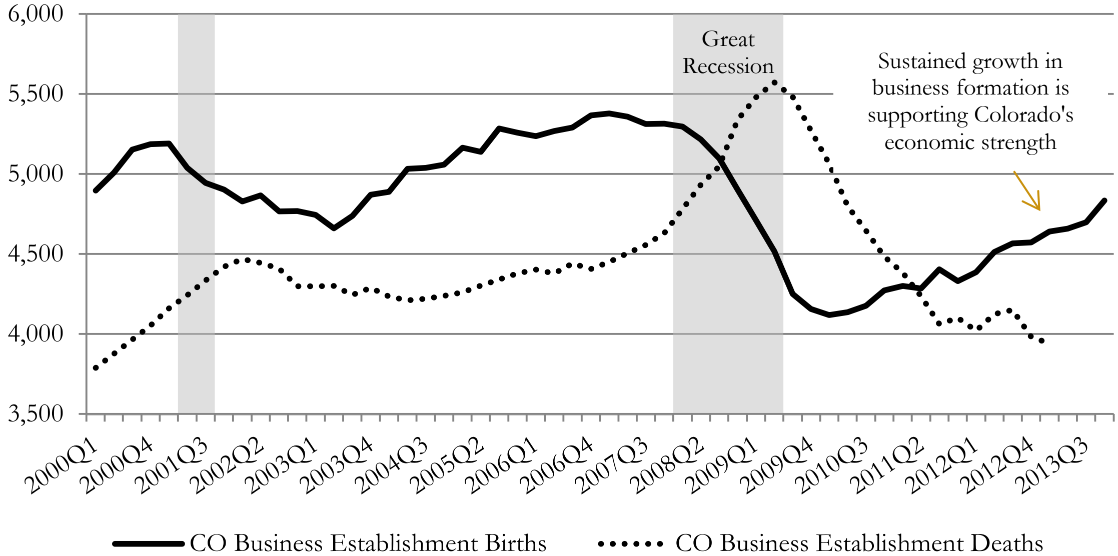
Figure 1. Coincident Economic Activity Index for the United States and Colorado, Seasonally-Adjusted 6-Month Percent Change, 2008 through July 2014



Source: Philadelphia Federal Reserve Branch

Growing new business formation is both a cause and result of Colorado's strong recovery — One factor contributing to Colorado's economic strength is a high degree of business dynamism as characterized by high rates of new business formation, as well as a growing culture for innovation and collaboration among individuals and firms. The state has been recognized as a place that currently has a high incidence of start-up activity, a term that describes the formation of new businesses, often focused on technology-related products. Figure 2 shows new business formation in Colorado since 2000 and illustrates the sustained growth in births of new businesses since the end of the recession. Successful new business formation attracts ideas, people, and investments to Colorado, which in turn creates a more favorable environment for further new business formation.

Figure 2. New and Closing Businesses in Colorado, 2000 to 2013 4th Quarter*



*Data on business closings is only available through the 1st quarter of 2013 as it takes longer to determine whether a business has permanently closed.
Source: Business Employment Dynamics, U.S. Bureau of Labor Statistics

***Strength in the labor market and other sectors attracts people to Colorado, contributing to a high rate of in-migration* —** Colorado's favorable mix of industries and dynamic business climate has supported strong employment growth during the recovery. The unemployment rate declined to 5.1 percent in August, the lowest rate in nearly six years. Further discussion of Colorado's employment market is found in the *Labor Market Conditions* section beginning on page 12.

The growing labor market has helped to attract many people to the state. In recent years, a greater proportion of migrants to Colorado have possessed advanced education degrees, helping to further strengthen the state's pool of workers with skills and abilities that are currently in high demand.

> Colorado's economy is attracting many migrants that have the skills employers need in today's technology-focused economy.

***Colorado is benefitting from a strong housing recovery and increased tourism spending as both the state and national economies grow* —** Colorado's housing market also continues to build momentum, as prices and construction of new homes rise throughout the state. Colorado's housing market is described in further detail in the *Housing and Construction Market Conditions* section on page 18.

As the state and national economy recover, spending on tourism also has increased. This trend, combined with favorable weather conditions for both winter and summer attractions, has helped boost tourism activity in Colorado and contributed to the state's expansion.

***Though momentum is strong, some areas of the State are lagging* —** Although Colorado's economic recovery has been solid in recent months, not all parts of the state are experiencing such a high degree of economic strength. In certain regions, home prices and employment remain weaker, but it is also the case that the drop during the recession was not as precipitous. These conditions are found mostly at larger distances from major metropolitan areas where there is a higher concentration of the workers and businesses that are fueling the majority of new economic activity.

Over the past couple of years, much of the state has recovered from drought conditions, though parts of southern Colorado are still experiencing moderately dry to extreme drought conditions as reported by the National Drought Mitigation Center. These conditions are negatively affecting the agricultural economy in these regions.

National Economy Overview

The national economy's expansion has picked up in recent months. Higher confidence and improved financial conditions among businesses and consumers will help produce continued economic growth.

The national economy continues to improve overall, with ingredients for future growth – Information from businesses and other contacts across the economy indicated a continued pickup in activity across most of the nation during the period from mid-July through late-August, according to the Federal Reserve's most recent "Beige Book." Furthermore, businesses in several sectors and regions of the country reported more optimism for the future. Higher business expectations for the future, along with measures of consumer confidence returning to pre-Great Recession levels, will help produce continued economic growth. Further improvement in household finances combined with favorable credit and financial conditions for businesses will also help bolster economic activity going forward.

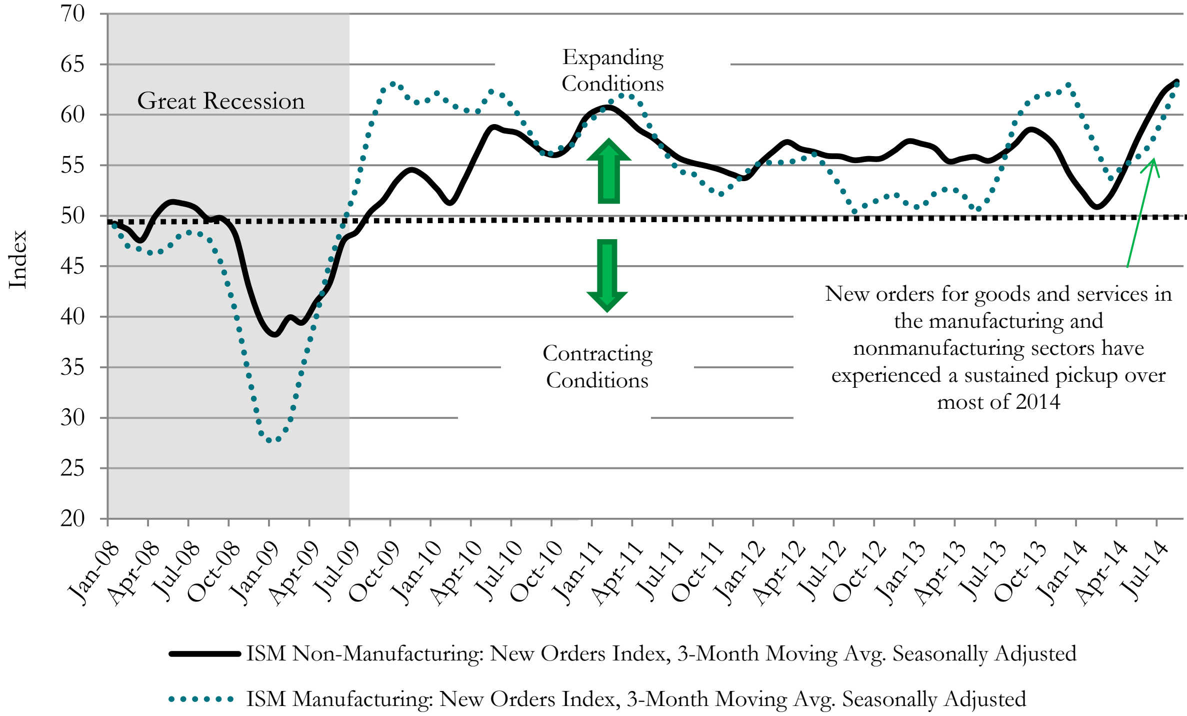
Two indicators reflecting a broad pickup in the economy are new orders activity reported from surveys of supply managers conducted by the Institute for Supply Management (ISM) in both manufacturing and nonmanufacturing businesses. Increasing new orders signals heightened demand for products and services, which indicates continued production and sales in the future.

Representatives from many of the industries in both the manufacturing and nonmanufacturing sectors in the August ISM surveys had positive comments about business activity and the economic outlook. However, some businesses cited slow global economic conditions and geopolitical tensions as concerns.

New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion.

Figure 3 shows the pickup in new orders activity for both the manufacturing and nonmanufacturing sectors that have occurred this year through August. New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion; the manufacturing sector reported the highest new orders activity in August since 2004.

Figure 3. ISM Manufacturing and Non-Manufacturing New Orders Indices,*
January 2008 to August 2014



* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

***Most sectors of the economy continue to improve* —** Amidst the broad-based improvement in the economy, the labor market is showing more sustained momentum, though the August report on the job market was less strong than in prior months. Although consumer spending growth generally remains modest, auto sales continue to be strong and tourism spending appears to have picked up over the summer. Additionally, the housing sector mostly continues to experience rising construction, sales, and prices across many areas of the country.

Banks are reporting increased loan demand and business spending and investment has picked up, signaling further business expansion. These trends will help economic conditions continue to improve, which will lower unemployment further and sustain consumer spending and the housing market.

> Business loan demand and investment has picked up, which will help economic conditions continue to improve.

***Overall the current economic expansion remains modest and uneven* –** Although economic growth has picked up and conditions have improved, the overall national economy continues to generate modest but uneven growth. This is most notably seen in the labor market. Unemployment remains at higher levels than the period preceding the Great Recession and wage growth for some occupations remains flat.

> Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession.

The Great Recession resulted in severe economic disruptions from which recovery is difficult. Recoveries from long and deep recessions, especially those associated with housing market contractions and financial crises, have historically tended to be slower than average recessions. Also, heightened levels of uncertainty, lower labor force participation, and less new business formation have contributed to the economy's more modest growth rate since the recession.

Some areas of the nation have more favorable ingredients that are producing stronger growth despite these factors. Areas with clusters of people and institutions engaged in economic activity involving knowledge, ideas, and innovations, as well as centers of energy production, are experiencing faster growth and lower unemployment.

Select economic data associated with the business cycle indicate the economy is expected to continue to expand — Changes in certain economic sectors and activities historically have tended to precede broader changes in overall economic conditions. For example, growth in new business formation indicates that entrepreneurs are undertaking more projects that often lead to new jobs and a broader increase in economic activity. Conversely, a slowdown in new business formation can indicate that entrepreneurs see fewer opportunities for profitable projects and less growth will ensue. In addition, information from financial markets reflects investors' and risk managers' assessments of current and future economic conditions. Higher expectations can influence future economic activity through the increased supply of credit and investment money.

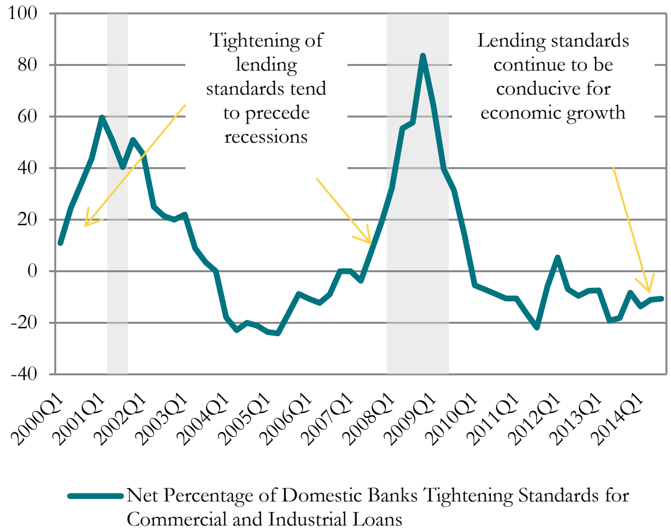
Other economic data also tend to display specific characteristics at various points in the business cycle, such as the beginning of a recovery or the late stages of an expansion. For example, corporate profits tend to rise at the beginning of business cycles when interest rates, labor and other production costs are low. Corporate profits diminish as costs rise and earnings begin to slow while the business cycle matures.

We can use this type of data as a guide to help understand where the economy may be in the business cycle and whether any change in momentum is likely in the near future. Though it is important to note that business cycles are extremely difficult to predict and no information can reliably determine the point in the business cycle in real time.

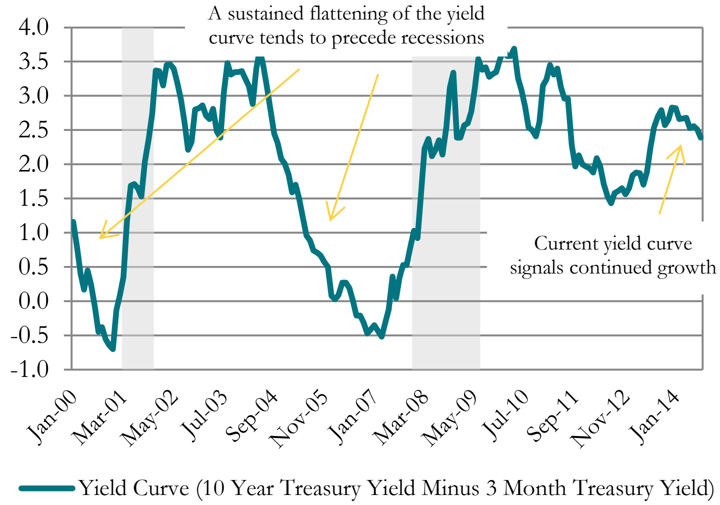
> Economic indicators associated with the business cycle, such as business lending practices and the hiring of temporary workers, currently point to continued expansion.

Indicators associated with the business cycle across sectors of the economy, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. Figure 4 shows graphs depicting the behavior of four such economic indicators that can provide information on future economic conditions.

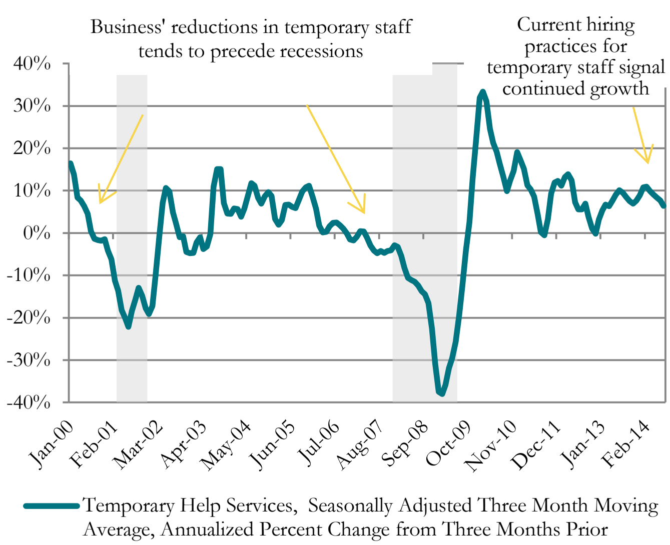
Figure 4. Selected Indicators on Business Cycle, 2000 to Present



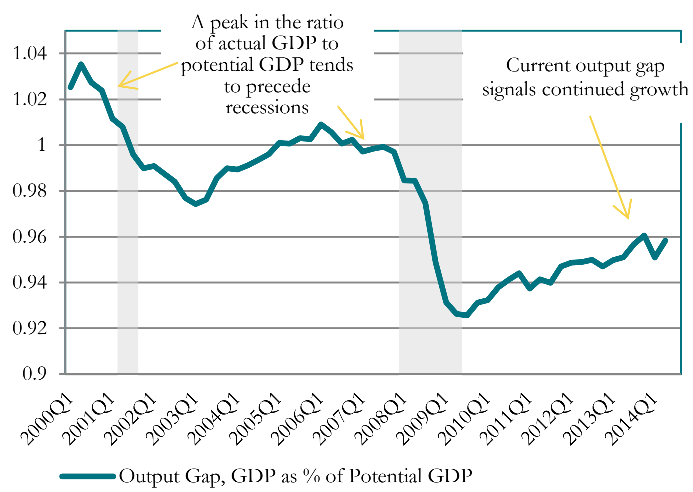
Source: Federal Reserve



Source: Federal Reserve



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Economic Analysis; Congressional Budget Office

*Shading Indicates Recessionary Periods

The top left graph shows banks continuing to have more accommodative lending standards for commercial and industrial (business) loans. This indicates a rise in the supply of credit to borrowers that helps sustain economic growth. The top right graph shows that the "yield curve" — the difference between the yield on the three-month Treasury bill and the ten-year Treasury bond — indicates continued modest to moderate growth. The yield curve helps gauge risk appetite in financial markets as well as expectations of future inflation. The yield curve statistically has been found to signal the future rate of growth in the economy as well as potential recessions.

The bottom left graph shows businesses continuing to increase their hiring of temporary employees, indicating a continued ramp up of economic activity. Businesses tend first to reduce their temporary workers before permanent staff when they experience slower business activity. The bottom right graph shows the "output gap" – measured by the current level of U.S. gross domestic product (GDP) compared with "potential GDP" as estimated by the Congressional Budget Office. The current gap shows that the national economy has been operating below potential, indicating a low level of the large scale excesses that have tended to precede economic downturns in the past.

There currently appears to be a low level of the large scale excesses in the economy that have tended to precede downturns in the past.

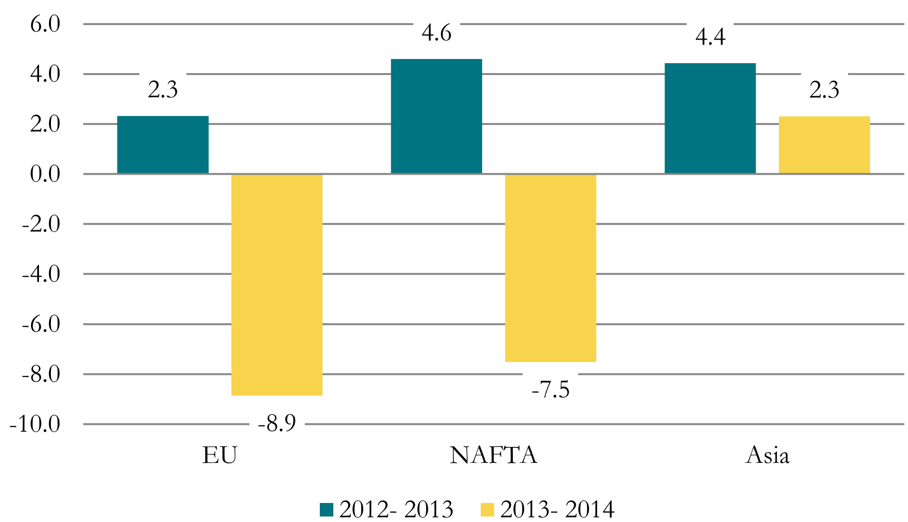
International Economic Conditions and Trade

The world economy continues to struggle to grow — Because the global economy is highly connected, slower conditions in China, Japan, and Europe, increased tension in the Middle East, and conflict in Russia and Ukraine are affecting the state and national economy. According to Eurostat, the statistical office of the European Union, Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

International trade is softer due to weaker global conditions — Exports reflect U.S. and Colorado competitiveness in world markets as well as the types of products the state and nation specialize in producing. In July, U.S. goods exports grew 3.1 percent, while Colorado goods exports declined 4.4 percent over the same period the prior year. This data reflects economic weakness across Colorado's major trading partners. Figure 5 shows the trends in Colorado's goods exports to major trading partners over the past couple of years. Colorado's trade with euro zone countries through July decreased 8.9 percent from a year ago. Colorado exports that saw decreases to these trading partners include plastics; industrial and electrical machinery; mineral fuel and oil; and optic, photo and medical instruments.

Figure 5. Colorado Exports to Major Trade Partners, Percent Change, 2013 and 2014 July Year-to-Date over levels the prior year

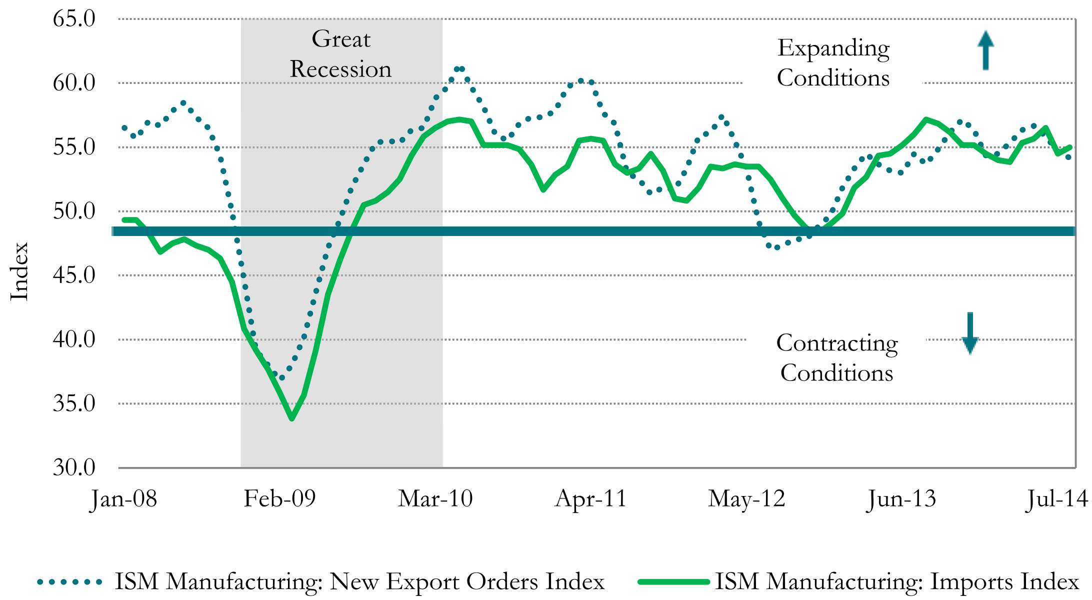


Source: Wiser Trade Data

Despite weaker global conditions, trade continues to grow **—** The August ISM Manufacturing Index, a survey of businesses in the manufacturing sector, registered 55 for new export orders and 56 for import orders. A reading above 50 indicates expanding activity as shown in Figure 6.

A higher reading of imports suggests that U.S. businesses and consumers are increasing spending with continued growth in the economy, while a lower reading for exports is a result of slower activity in the economies of U.S. trading partners. The data does not appear to suggest a material slowdown in exports. A business owner in the wood products industry noted that "International markets were slower due to euro holidays, political unrest and slowing Chinese markets." Industries that indicated growth in both exports and imports include apparel and leather products; plastics and rubber products; petroleum and coal products; and food, beverage and tobacco products.

Figure 6. ISM Manufacturing New Export Orders and Imports Indices,*
3-month moving average, 2008 through August 2014

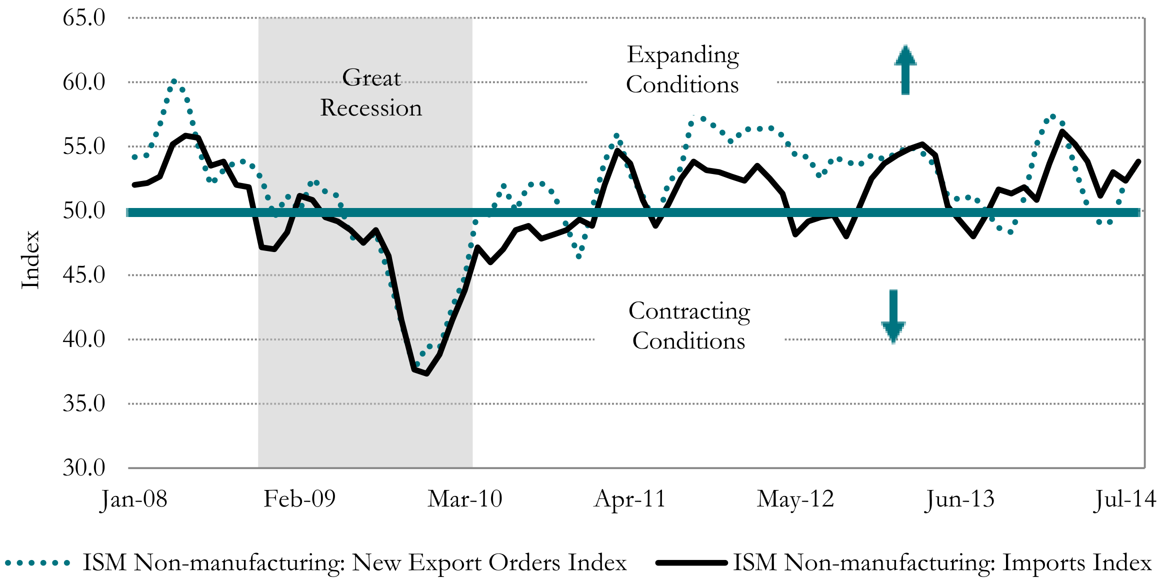


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.

Source: Institute for Supply Management

The August ISM Non-manufacturing Index, a survey of businesses in the non-manufacturing sector, showed some weakening in new export orders and imports registering 52.5 and 51.0, respectively, as shown in Figure 7. Still, both indices remain above 50, the level that indicates expansion in activity. The non-manufacturing sector includes service industries. Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal, and consulting as well as the finance, insurance, and information sectors. A business owner in professional, scientific and technical services noted that "International orders have been slow to match U.S. growth but appear to be increasing slightly as well." Industries that report new orders for export growth include retail and trade; scientific and technical services; and transportation and warehousing.

Figure 7. ISM Non-Manufacturing New Export Orders and Imports Indices,*
3-month moving average, 2008 through August 2014

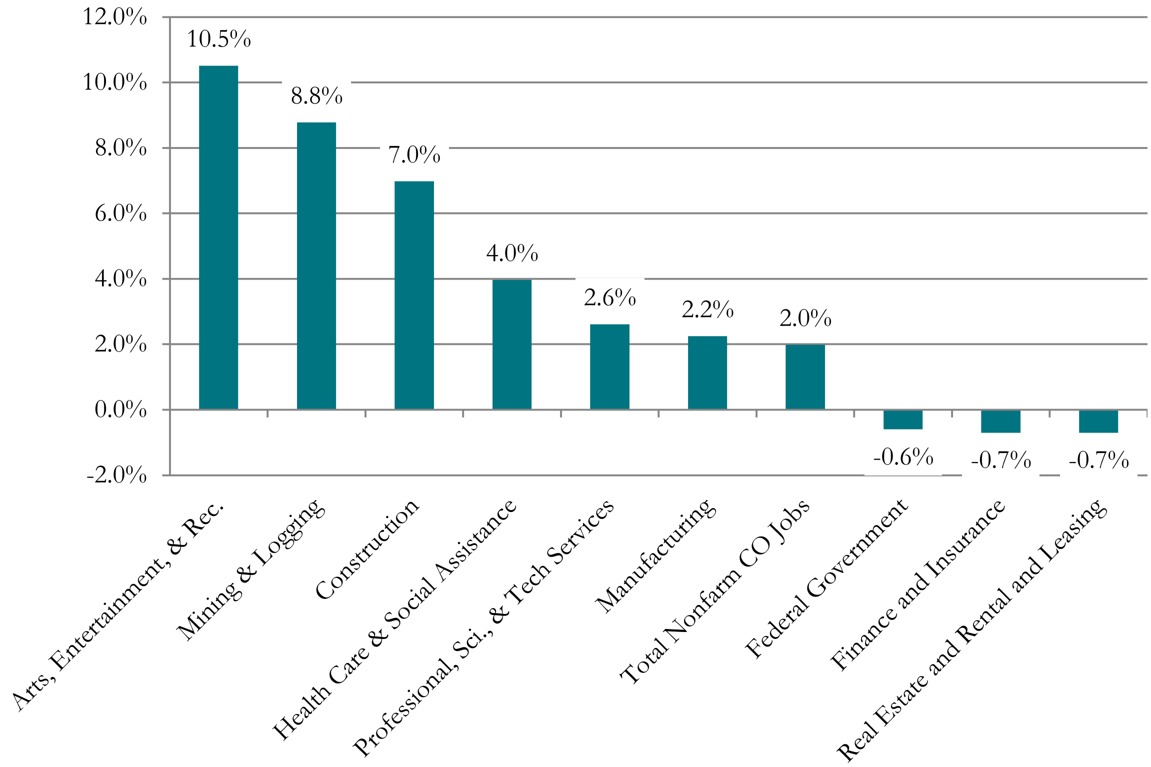


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

Labor Market Conditions

Colorado's labor market continues to make progress – In 2014, the state added 47.8 thousand jobs through July, a growth rate of 2.0 percent. Through August, the U.S. has added 1.7 million jobs, growing 1.3 percent. As shown in Figure 8, much of Colorado's job growth has occurred in the following major industries: arts, entertainment and recreation; mining (mostly oil and gas); construction; healthcare and social assistance; professional, scientific, and technical services; and manufacturing. Notable areas with weak growth or job losses include the federal government, finance and insurance and real estate and rental and leasing. It should be noted that an industry can expand faster than job growth may suggest. This generally occurs in industries that use high levels of equipment and technology to boost worker productivity.

Figure 8. Colorado Industry Job Growth in 2014, through July



Source: Colorado Department of Labor, U.S. Bureau of Labor Statistics, and calculations from the Governor's Office of State Planning and Budgeting (OSPB). Includes OSPB's estimates of forthcoming revisions to jobs data using Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on surveys of employers.

> The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the Great Recession.

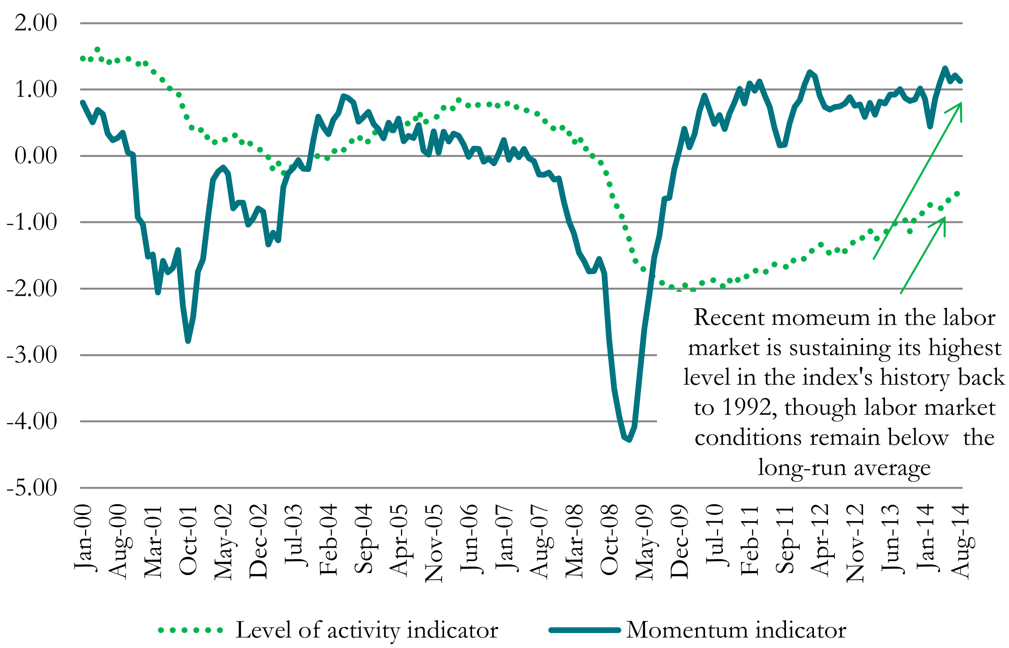
The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the recession. Industries such as mining, manufacturing, and professional and technical services, are considered "tradable sectors", or those that sell some portion of their goods and services to visitors or in markets outside the state.

Selling products and services outside Colorado helps generate higher levels of output and brings in new money to the state for hiring, investing, and spending. Businesses in these sectors tend to be more competitive with other businesses as they vie for market share with businesses in other states and countries. This heightened competition drives businesses to innovate and strive for improvement in their products and business practices. Over time, this leads to higher productivity and stronger economic growth.

In addition to growth in these tradable industries, the level of job growth in the construction industry in Colorado is a clear indicator of economic expansion. The housing market continues to grow and an increase in new and expanding businesses are building or expanding facilities. Public infrastructure projects surrounding the growing economy are also supporting construction industry job growth.

***National labor market conditions are showing more momentum* –** The Kansas City Federal Reserve Bank's Labor Market Conditions Indicators (LMCI) provides monthly tracking of two measures designed to assess overall labor market conditions — labor market activity and labor market momentum. Recent improvement in national labor market activity parallels labor market momentum that is approaching its highest level in the LMCI series history back to 1992. The labor market activity measure in July increased to -0.52 as shown on the graph below. A positive value indicates that labor market conditions are above their long-run average, while a negative value signifies that labor market conditions are below their long-run average. Although national conditions are improving, continued slack in the labor market suggests that more progress is needed.

Figure 9. Kansas City Fed Labor Market Conditions Indicators (LMCI), January 2000 to August 2014

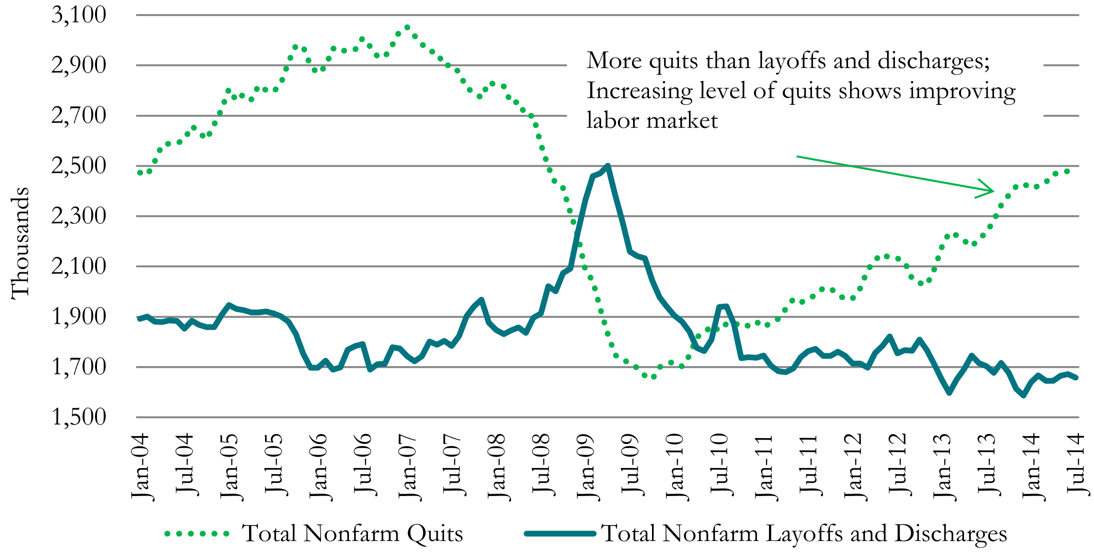


Source: Kansas City Federal Reserve

Over the past six months, the main contributors to overall improvement in the activity indicator include businesses' plans to increase employment, decreases in the unemployment rate, and increases in the quit rate, or voluntary separations initiated by the employee.

***The growing rate of quits indicates improvement in the labor market* –** As workers become more confident in their job prospects, they are more likely to leave their job to pursue other opportunities. The number of quits historically tends to exceed the number of layoffs and discharges, which are involuntary separations initiated by the employer. During the Great Recession, this relationship changed as layoffs and discharges outnumbered quits. There were 2.5 million nonfarm quits in July, increasing 53 percent since the nadir in August 2009. However, the level of quits remains below the December 2007 pre-recession peak of 2.8 million as shown in Figure 10.

Figure 10. Quits and Layoffs, 3-Month Moving Average, 2004 through July 2014



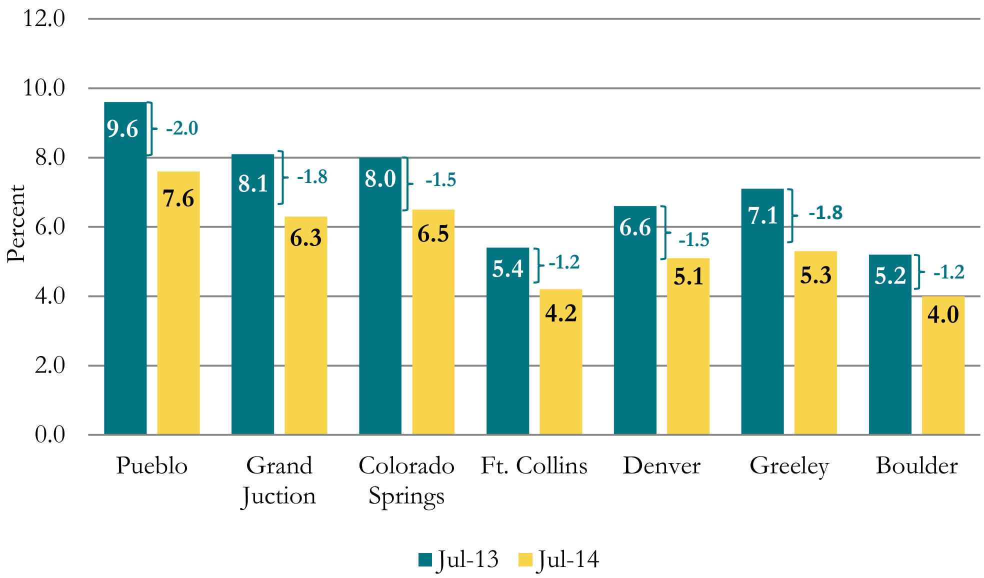
Source: Bureau of Labor and Statistics

The rate of job creation in Colorado has absorbed job seekers and new entrants into the labor force – The stronger job growth in Colorado has absorbed job seekers, while reducing the state's overall unemployment rate, or "U-3" rate. The U-3 rate is the traditionally-reported unemployment rate that represents individuals who are unemployed and are seeking work as a percentage of the civilian labor force.

> The unemployment rate in Colorado decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent.

Colorado's unemployment rate decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent. Though progress has occurred across Colorado and the nation, certain segments of the labor market still face difficult adjustments from the Great Recession. Figure 11 shows the unemployment rate for various regions of Colorado, depicting the unevenness of the economic performance during the current expansion.

Figure 11. Unemployment Rate (U-3) by Region of Colorado, July 2010 to July 2014



Source: Bureau of Labor and Statistics

In addition to the U-3 unemployment rate, the Bureau of Labor and Statistics publishes a broader measure of labor-market conditions called "U-6". This rate includes the total number of unemployed workers measured in the U-3, as well as marginally attached workers, defined as individuals who want to be employed but have not recently looked for work, including those discouraged by job prospects. The U-6 rate also includes individuals who want to work full time but are employed part time for economic reasons, or involuntary part-time workers.

In Colorado, the U-6 rate of unemployment averaged 10.9 percent in the third quarter of 2013 through the second quarter of 2014; the most recent data available, while the national U-6 rate was 12.9 percent over that same time period. Colorado's U-6 rate has declined 4.5 percentage points from its 2010 average level. Colorado's lower U-6 rate indicates that the state has proportionally fewer discouraged and involuntary part-time workers making up the labor force compared with the nation overall.

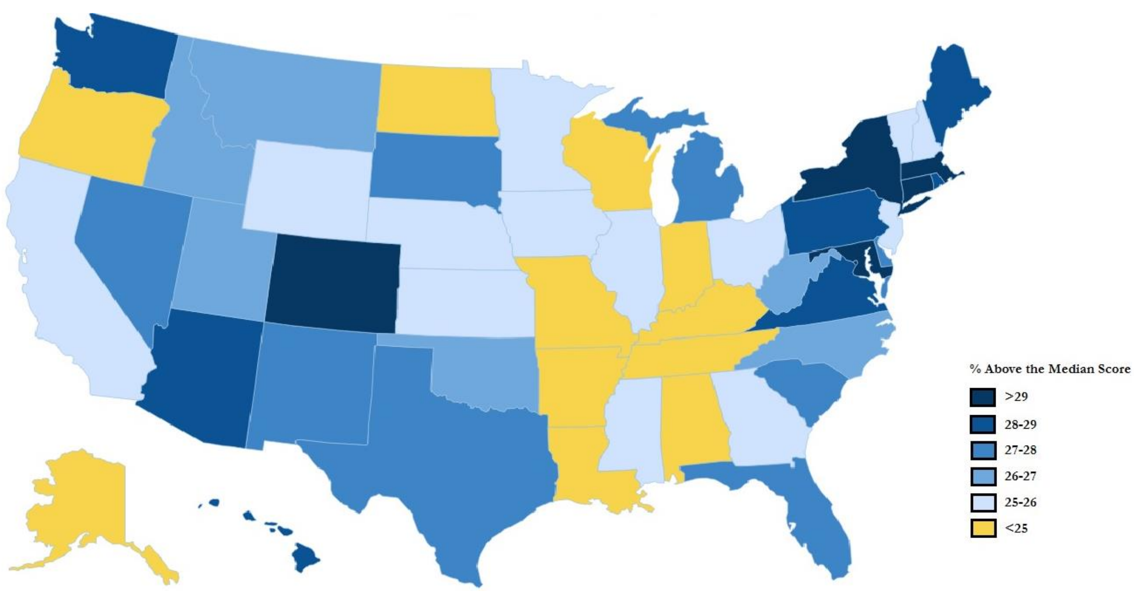
> Colorado's higher participation rate in the labor market provides further evidence of the state's stronger expansion marked with greater economic opportunity and activity.

The labor force participation rate – the number of people working or seeking work as a percent of the population – for both Colorado and the nation began to decline around 2000 mostly due to demographic reasons. However, in 2008 the participation rate fell more sharply as the economy shed jobs and work opportunities declined.

Improved labor market conditions have recently begun to halt this trend. The nation's labor force participation rate has remained flat since the beginning of this year and was 62.8 percent in August. Colorado's rate has increased slightly this year and was 68.0 percent in July. Colorado's higher participation rate provides further evidence of the state's stronger expansion marked with greater economic opportunity and activity. A higher labor force participation rate will sustain stronger economic growth for Colorado in relation to the nation.

***Colorado's favorable economic performance is influenced by its workers with skills and abilities that are in higher demand in today's information- and technology-intensive economy* –** The U.S. economy's demand for specific skills and abilities has changed over time due to technological innovation and globalization. Today's information- and technology-intensive economy requires more "non-routine" analytical and interpersonal skills that are not susceptible to computerization. This includes creativity, social perceptiveness, critical thinking, learning strategies, persuasion and negotiation abilities, and resource management. Workers engaged in work involving innovation, technology, analysis, and human relations use these types of skills and abilities. Better performing economies tend to have a high proportion of these workers. They are also likely to perform better in the future as technology advances.

Figure 12. Proportion of Workers with Skills Most in Demand in Today's Information- and Technology-Intensive Economy, 2013



Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics; Occupational Information Network; Autor, David & Price, Brendan (2013). The Changing Task Composition of the U.S. Labor Market: An Update of Autor, Levy, and Murnane (2003); OSPB Calculations

Figure 12 shows the proportion of individuals in occupations utilizing higher in-demand skills and abilities in today's information and technology-intensive economy described above. To determine the makeup of occupations using these types of skills and abilities, each individual occupation was scored based on the degree to which it utilized non-routine interpersonal and analytical skills compared with routine manual and cognitive tasks that are increasingly being performed by technology. The median occupation score was treated as a benchmark that separates occupations with higher in-demand skills in today's economy from those with lower demand.[1] Occupations that score high typically require high levels of non-routine

[1] Information regarding the level of skills and abilities required for each occupation were acquired from the Occupational Information Network (ONET), while the demand for each type of skill and ability was based on research by academic economists David Autor and Brendan Price.

interpersonal and analytical skills and abilities. Examples of such occupations include certain medical professionals, robotics engineers, and computer and information systems managers.

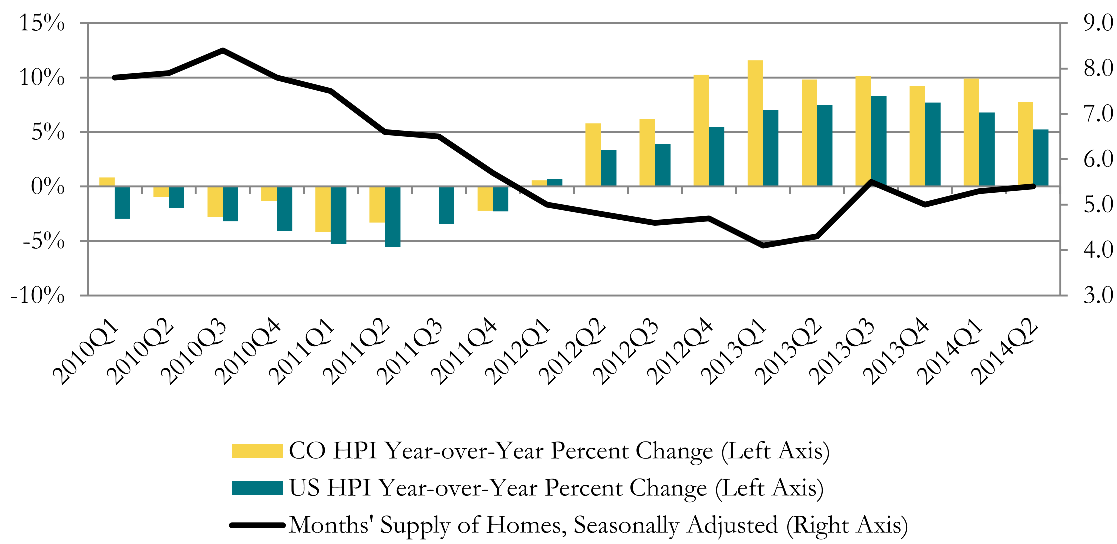
Based on 2013 data, 29 percent of Colorado's workforce utilizes the skills and abilities that are higher in demand in today's economy. This is the 5th highest proportion among states, which helps explain Colorado's better economic performance. The state is positioned favorably in the sectors experiencing the most opportunities for growth. The metropolitan areas of Boulder, Colorado Springs, and Fort Collins-Loveland are among the top 15 metros in the nation with the highest proportions. San Jose-Sunnyvale-Santa Clara, California has the highest proportion among metro areas, at 36 percent, followed by Boulder, at 35 percent. Both of these areas have vibrant tech communities with high innovative activity. The San-Jose-Sunnyvale-Santa Clara, California metro area includes Silicon Valley, which is well-known for its entrepreneurial start-up activity and innovative technology.

Housing and Construction Market Conditions

The housing market continues to grow in most parts of the United States and Colorado, with prices continuing to rise, although at a slowing rate. More positive expectations for the future are encouraging home buyers to enter the market, a phenomenon that supports home values and helps build further market strength. Additionally, improvement in the overall economy supports the housing market as more workers find jobs that allow them to afford housing and qualify for a mortgage loan.

Figure 13 shows the seasonally-adjusted Home Price Index (HPI) published by the Federal Housing Finance Agency (FHFA), as well as the inventory of homes for sale as reported by the US Census Bureau. Prices overall have grown for ten consecutive quarters at both the state and national level, though growth rates have slowed recently at the same time that the inventory of homes for sale has risen.

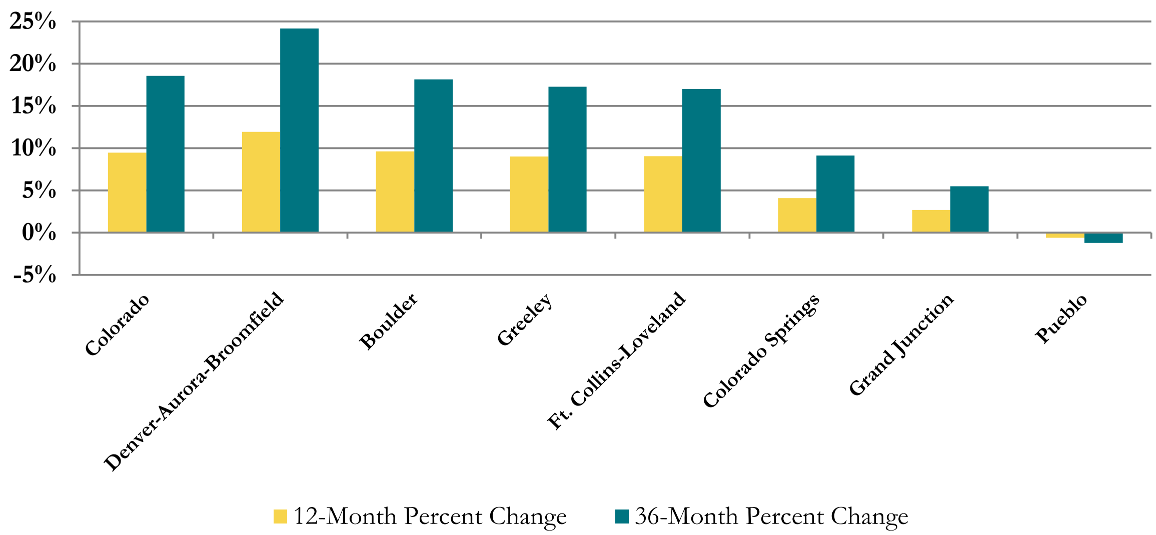
Figure 13. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through Second Quarter of 2014



Source: Federal Housing Finance Agency and U.S. Census Bureau

Home price growth is not even across all regions. Prices in some housing markets in the United States, including the Denver metro area, are growing at a fast pace. Some regions continue to struggle, however. While average housing prices across Colorado surpassed their pre-recession peak around the end of 2012, average home prices at the national level remain lower than the peak reached in early 2007. Figure 14 shows the percentage change in home prices over the last 12 months and the last 36 months in each region of Colorado for which the FHFA publishes its Home Price Index. This figure illustrates the uneven performance of housing markets even within the state.

Figure 14. Changes in FHFA House Price Index for Regions of Colorado, as of the Second Quarter of 2014



Source: Federal Housing Finance Agency

Fewer institutional buyers could restrain price growth going forward **–** In recent months, the proportion of home sales that occur without a mortgage loan, called "cash sales," has decreased, indicating that fewer properties are being purchased by individuals and institutions as investments. The result is a higher proportion of purchases being made by the individuals and families that actually will occupy the home. These types of buyers generally require a mortgage loan, which could result in slower price growth going forward as individuals are constrained by lending standards that have remain tightened since the Great Recession.

> Recent declines in the number of cash sales indicate that the housing market continues its transition from slump to full recovery. A growing portion of purchases are being made by individuals and households as their primary home.

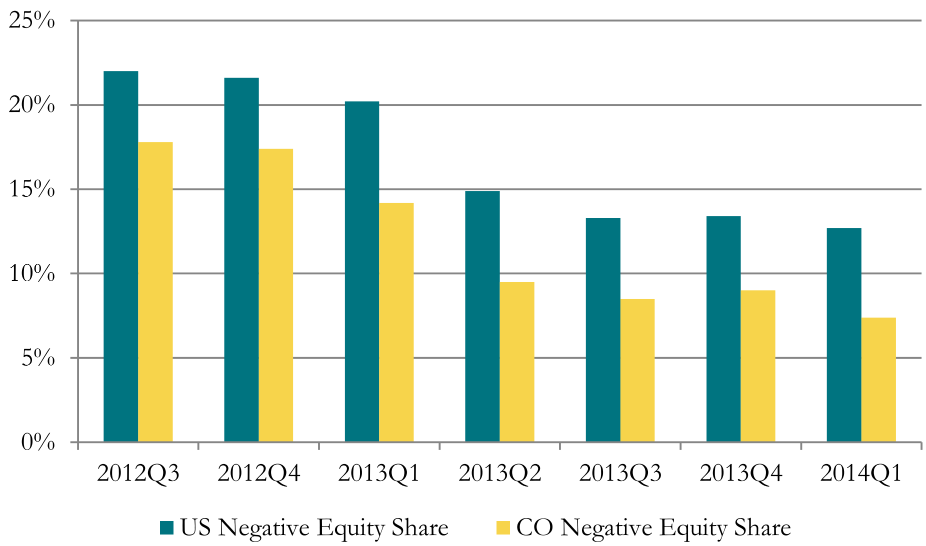
Additionally, home sales that depend on a mortgage loan are more sensitive to changes in mortgage interest rates, which have been rising slightly as the economy recovers. According to survey data from the Mortgage Bankers Association, the number of new mortgage applications has been inconsistent in recent weeks as interest rates fluctuate in response to various financial and geopolitical influences.

Other factors contributing to health in housing markets include new home construction and declining negative equity **–** Price appreciation and improved employment have elevated confidence among homebuilders, supporting continued construction of both single family homes and multi-family projects for sale or rent. The National Association of Home Builders and Wells Fargo publish a Housing Market Index (HMI) based on survey data that gauges builder confidence. A reading of 55 in August 2014 indicates expectations for continued growth and the highest level of confidence in seven months.

> The number of underwater mortgages continues to fall in both Colorado and the United States, allowing more homeowners to list their property for sale or refinance their mortgage. This will support increased economic activity.

Price appreciation has reduced the number of homes that are "underwater," meaning that the home's value is less than the balance owed on the mortgage loan. According to data published by real estate data firm, CoreLogic, Colorado's share of underwater mortgages fell to 7.4 percent in the first quarter of 2014, while the nationwide share fell to 12.7 percent. Fewer underwater mortgages means that more people who want to sell their home will be able to list it on the market. Additionally, declining negative equity indicates that more homeowners are able to refinance their mortgage in order to lower their interest rate or borrow additional money to make purchases, home improvements, or start a business.

Figure 15. Share of Mortgage Loans with Negative Equity, U.S. and Colorado, Third Quarter of 2012 through First Quarter of 2014



Source: Core Logic

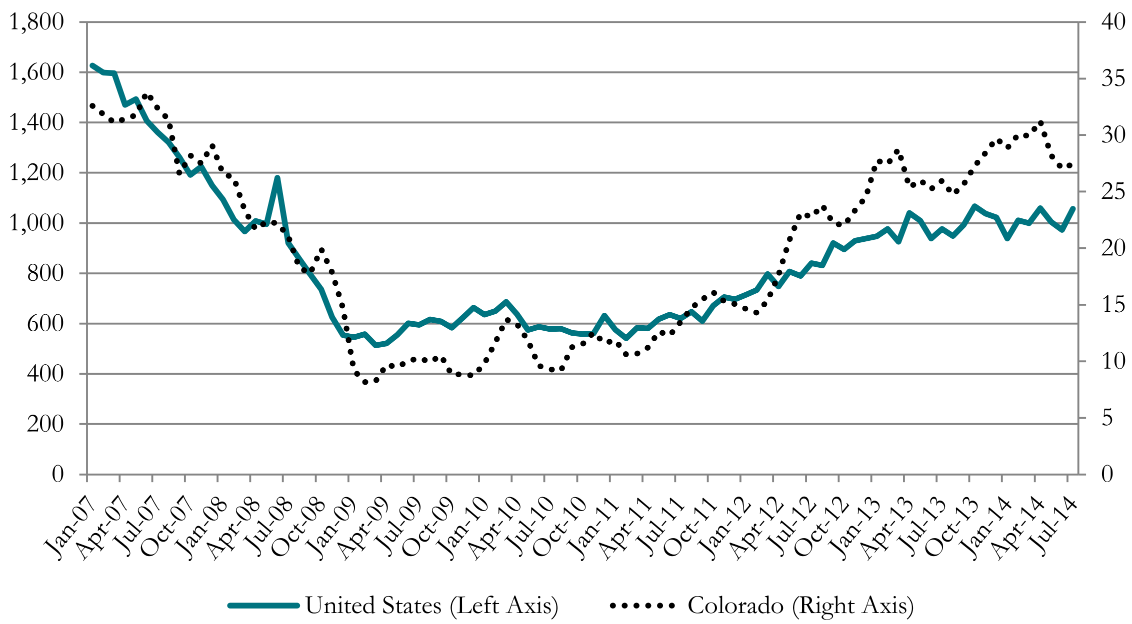
> Strong home price appreciation may not be positive for everyone, as higher purchase prices and rent make housing less affordable for those wanting to enter the market.

Amid rising prices and rent, housing affordability is declining – Growing home prices have made it difficult for some individuals and families to purchase a home. Combined with tighter lending standards, lower affordability could moderate Colorado's housing recovery as many would-be buyers find it more difficult to enter the market. Additionally, low vacancy rates among rental properties and apartments has driven significant increases in rent for most of the state, making housing affordability an issue for some job seekers and young people who are prepared to form new households.

Combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

Housing market strength is supporting increased construction, especially of apartments and condominiums **–** The number of homes under construction is increasing in both the United States and Colorado as more buyers enter the housing market and builder confidence grows. Figure 16 shows the number of permits obtained for new residential construction projects since 2007. Despite the solid growth in housing construction that has accompanied Colorado's expansion, the total number of permits remains below pre-recession levels, which were likely unsustainable. All factors considered, combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

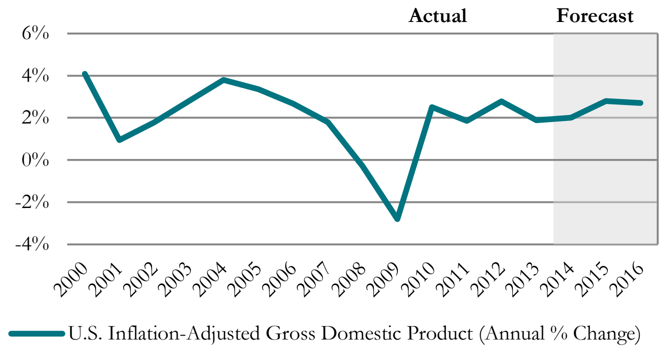
Figure 16. Residential Construction Permits for the United States and Colorado, Seasonally-Adjusted 3-Month Moving Average, Annualized, in Thousands January 2007 through July 2014



Source: U.S. Census Bureau

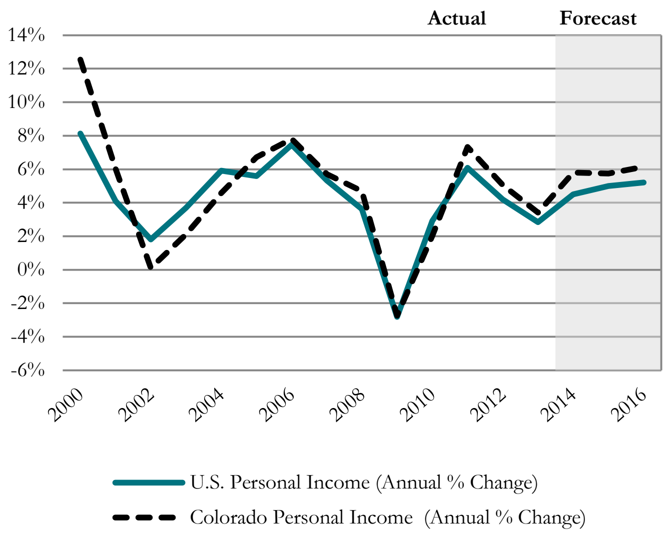
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



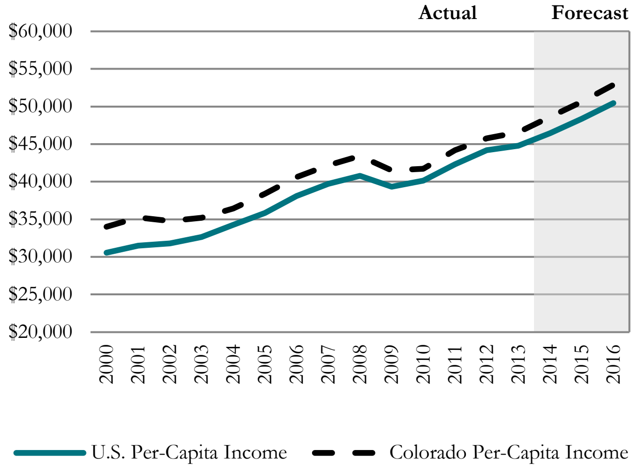
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- GDP grew 2.2 percent in 2013 and will grow 2.0 percent in 2014.

U.S. and Colorado Personal Income



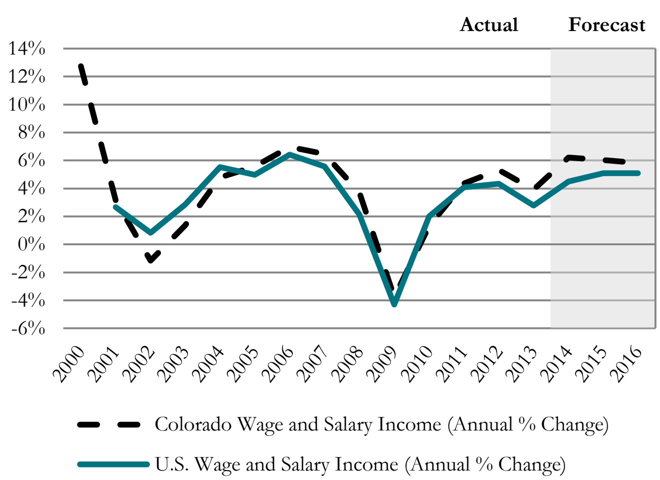
- Personal income grew in Colorado at a rate of 3.4 percent in 2013 and will grow 5.8 percent in 2014.
- Personal income for the nation grew 2.0 percent in 2013 and will grow 4.5 percent in 2014.
- The lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Per-Capita Income



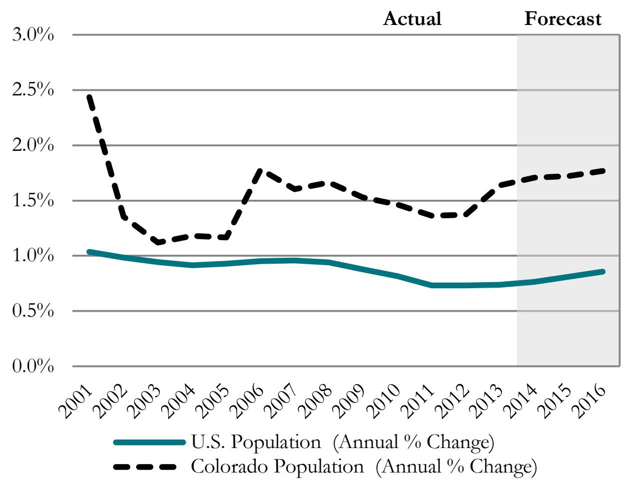
- Per-capita income in Colorado grew to $46,640 in 2013 and will grow to $48,603 in 2014.
- Nationally, per-capita income increased in 2013 to $44,779 and will grow in 2014 to $46,439.

U.S. and Colorado Wage and Salary Income



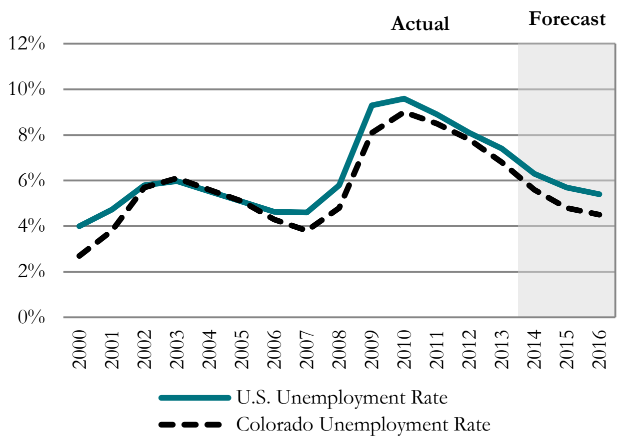
- Total wages and salaries paid to workers grew in Colorado at a rate of 3.9 percent in 2013 and will accelerate to 6.2 percent in 2014.
- Wage and salary income for the nation increased 2.8 percent in 2013 and will grow 5.8 percent in 2014.
- As with personal income, the lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Population



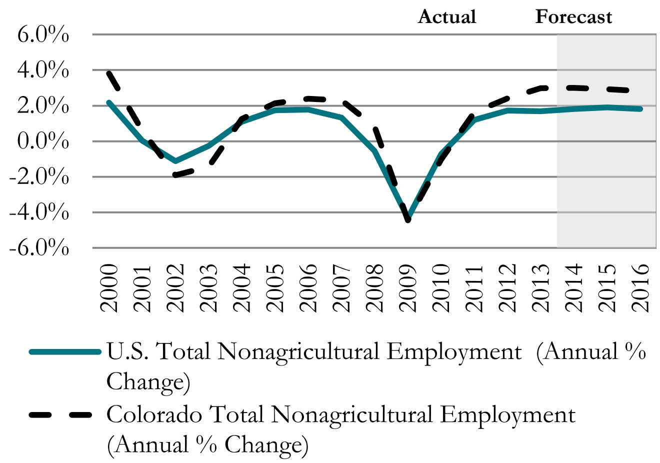
- The state's average population growth rate from 2008 to 2013 was approximately 1.5 percent. Nationally, average population growth was slightly less than one percent.
- Colorado's population is expected to grow 1.5 percent and reach 5.3 million in 2014.
- The nation's population will continue to grow less than one percent throughout the forecast period.

U.S. and Colorado Unemployment



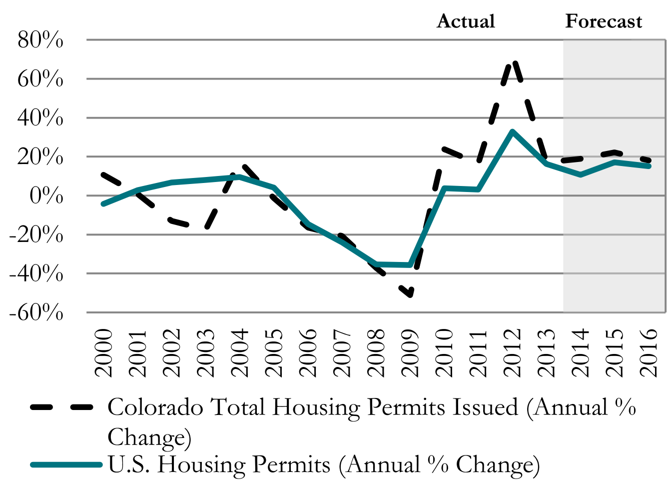
- The unemployment rate continues to fall.
- After averaging 6.8 percent in 2013, OSPB forecasts Colorado's unemployment rate at 5.5 percent in 2014 and 4.7 percent in 2015.
- After an average rate of 7.4 percent in 2013, the national unemployment rate will average 6.3 percent in 2014 and average 5.7 percent in 2015.

U.S. and Colorado Total Nonagricultural Employment



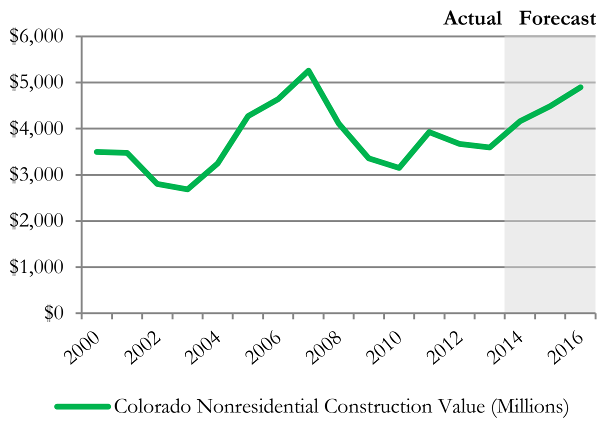
- Colorado nonfarm jobs grew 3.0 percent in 2013, with broad growth across industries.
- Payroll jobs from Colorado employers will increase another 3.0 percent in 2014 and grow 2.9 percent in 2015.
- U.S. nonfarm payroll jobs will increase 1.8 percent in 2014 and 1.9 percent in 2015, after growing 1.7 percent in 2013.

U.S. and Colorado Housing Permits Issued



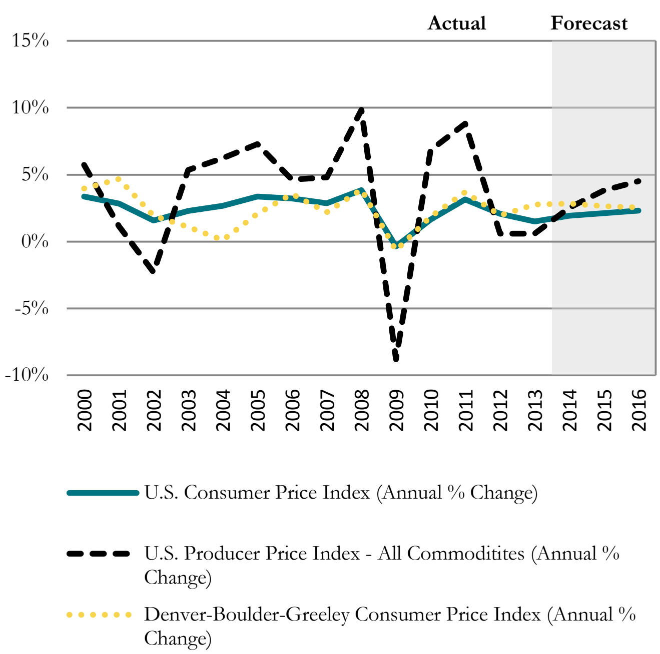
- Colorado residential construction permits grew 18.0 percent in 2013 and will grow 18.9 percent in 2014. Growth will continue throughout the forecast period.
- Housing permits for the nation increased 16.3 percent in 2013 and will grow 10.6 percent in 2014.

Colorado Nonresidential Construction Permits



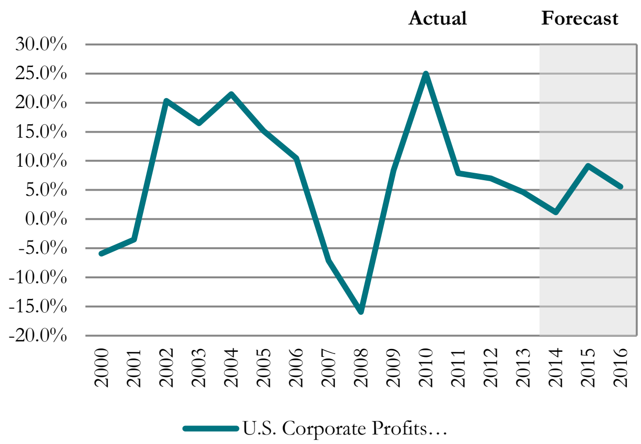
- Non-residential construction has begun to strengthen recently in Colorado. Momentum in the economic recovery is encouraging businesses to invest in new facilities and locations.
- In Colorado, the total value of nonresidential construction projects will grow 15.7 percent in 2014 and 7.9 percent in 2015.

Consumer Price Index and Producer Price Index



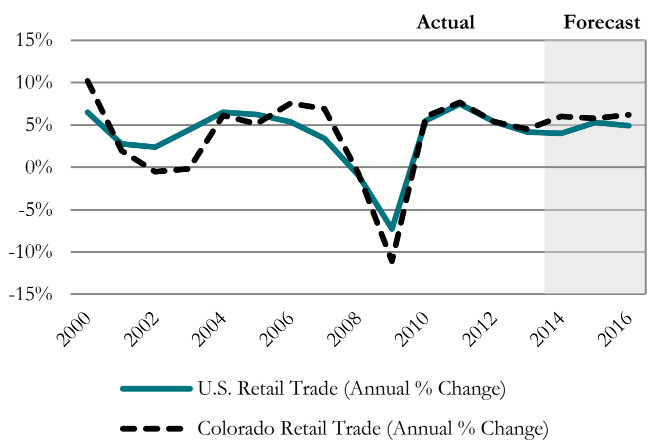
- The Denver-Boulder-Greeley Consumer Price Index (CPI) increased 2.8 percent in 2013 and will increase 2.8 percent in 2014 and 2.6 percent in 2015, driven largely by higher housing costs.
- Nationally, increases in consumer price levels remain modest. The national CPI will grow 1.9 percent in 2014 and 2.1 percent in 2015 after increasing 1.5 percent in 2013.
- The more volatile producer prices in the U.S. were flat in 2013 and will increase 2.5 percent in 2014 and 3.8 percent in 2015 with more economic activity.

U.S. Corporate Profits



- Corporate profits at the national level increased 4.6 percent in 2013 and will grow 1.2 percent in 2014 and 9.2 percent in 2015. The slower growth in 2014 is mostly due to changes in federal tax provisions affecting deductions and expensing for business investment.

Retail Trade



- Retail trade sales in Colorado will grow 6.0 percent in 2014 and 5.8 percent in 2015 after increasing 4.5 percent in 2013.
- Nationwide retail trade grew 4.1 percent in 2013 and will grow 4.0 percent in 2014 and 5.3 percent in 2015.

General Fund and State Education Fund Revenue Forecast

General Fund Revenue Forecast

Projections for General Fund revenue for FY 2014-15 are 0.8 percent higher compared with the June 2014 forecast. This translates to an $80.9 million higher forecast for this fiscal year. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher compared with June.

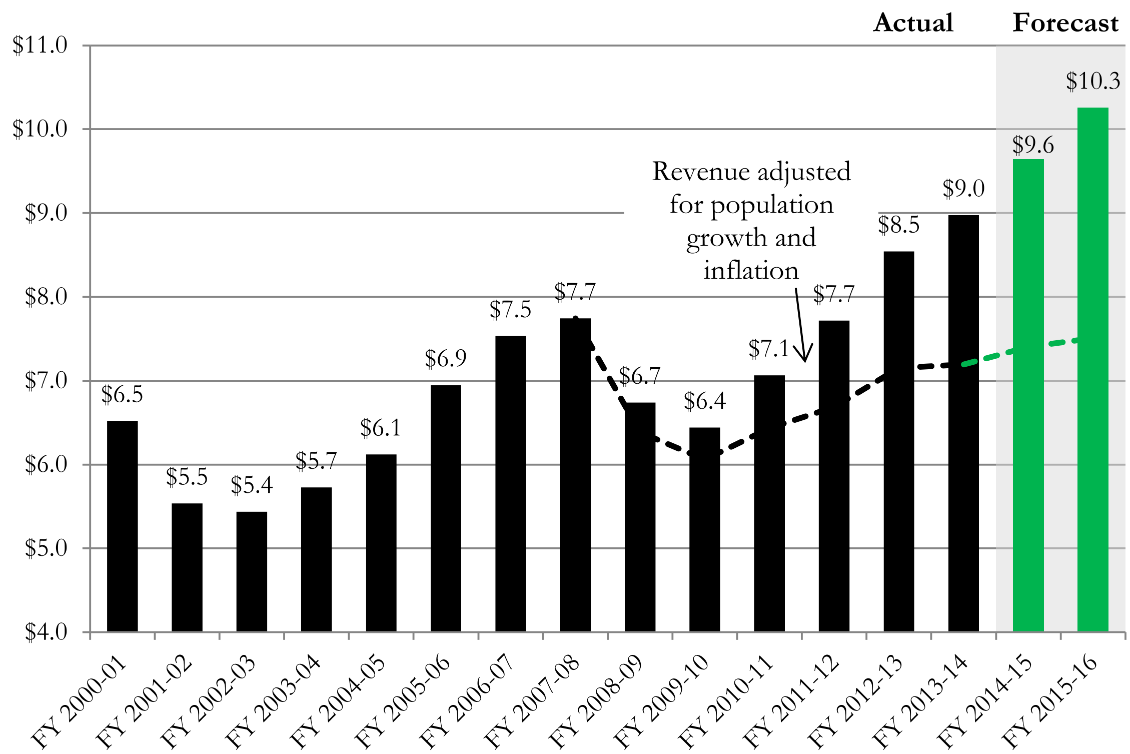
General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion.

After growing 5.1 percent in FY 2013-14, General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections – the State's largest sources of General Fund revenue – continue to grow at a solid pace due to Colorado's economic expansion. A rebound in tax collections from investment income is helping produce higher General Fund revenue growth this fiscal year; slower growth for this revenue source is anticipated in FY 2015-16. Less robust corporate income tax revenue collections over the forecast period compared with past fiscal years will prevent General Fund revenue from reaching the growth rates experienced from FY 2010-11 to FY 2012-13.

The General Fund is the State's main account for funding its core programs and services such as education, health and human services, public safety, and courts. It also funds capital construction and maintenance needs for State facilities, and in some years, transportation projects. The largest revenue sources for the General Fund are income and sales taxes paid by households and businesses in the state, which are heavily influenced by the performance of the economy.

Figure 17 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2015-16. The figure includes revenue adjusted for inflation and population growth since FY 2007-08. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix.

Figure 17. General Fund Revenue, Actual and Forecast, with Revenue Adjusted for Population Growth and Inflation, FY 2000-01 to FY 2015-16, $s in Billions



Source: Office of the State Controller and OSPB.

Forecast Discussion of Major General Fund Revenue Sources

The following discusses the forecasts for the three major General Fund revenue sources that make up 95 percent of the total: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the remaining group of miscellaneous sources — such as taxes paid by insurers on premiums and excise taxes on tobacco products and liquor — will continue to grow modestly over the forecast period.

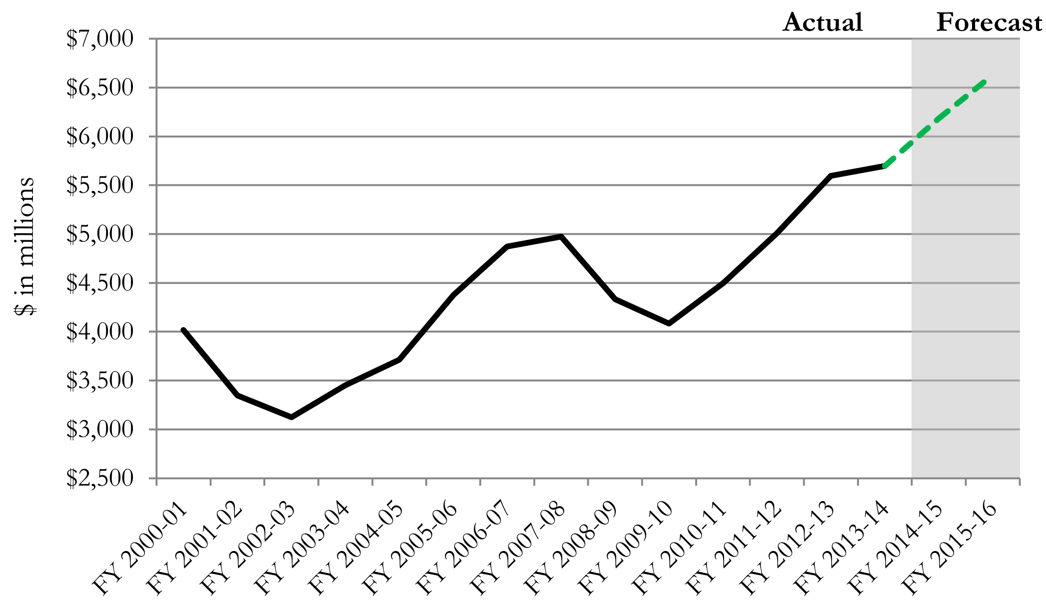
Individual income tax – Individual income tax collections will grow 8.6 percent FY 2014-15, rebounding from a substantial slowdown in FY 2013-14. Collections will moderate slightly in FY 2015-16 and grow 7.1 percent.

> The resumption in growth in capital gains income will help boost individual income tax revenue 8.6 percent in FY 2014-15. Collections will moderate slightly in FY 2015-16 when individual income tax revenue is expected to grow 7.1 percent.

This fiscal year's increase is from the resumption in growth in capital gains income along with continued increases in other income categories such as wages, rental income, and business income resulting from the economic expansion. Estimated income tax payments declined 8.6 percent in FY 2013-14 as taxpayers shifted investment gains to avoid the higher tax liabilities from federal tax increases that took effect at the beginning of 2013. This one-time shifting of investment income will not be a factor in FY 2014-15 when estimated payments are expected to increase 24.8 percent. After the rebound this fiscal year, growth in estimated income tax payments in FY 2015-16 will moderate and will help temper the increase in overall individual income tax collections.

Changes in tax deductions and credits at both the state and federal level[2] are affecting revenue collections over the forecast period. Tax credits for low-income housing development, child care, business personal property taxes, historic preservation, alternative-fuel trucks, and brownfield cleanup that were adopted during the 2014 legislation session will lower revenue by an estimated $16 million in FY 2014-15 and $29.4 million in FY 2015-16. Also, after becoming a TABOR refund mechanism in FY 2015-16, the state earned income tax credit will become available on an ongoing basis starting in tax year 2017. This will lower FY 2016-17 collections by an estimated $47 million, which is half of the full year impact of the credit. Other changes will increase revenue in the forecast period. The expiration of higher federal tax deductions for business investments, as well as the adoption of limits on federal tax deductions and exemptions for higher income earners that started in 2013 is bolstering income tax collections.

Figure 18. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Corporate income tax – Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Corporate tax revenue growth has moderated after being the fastest growing source of General Fund revenue over the past several fiscal years.

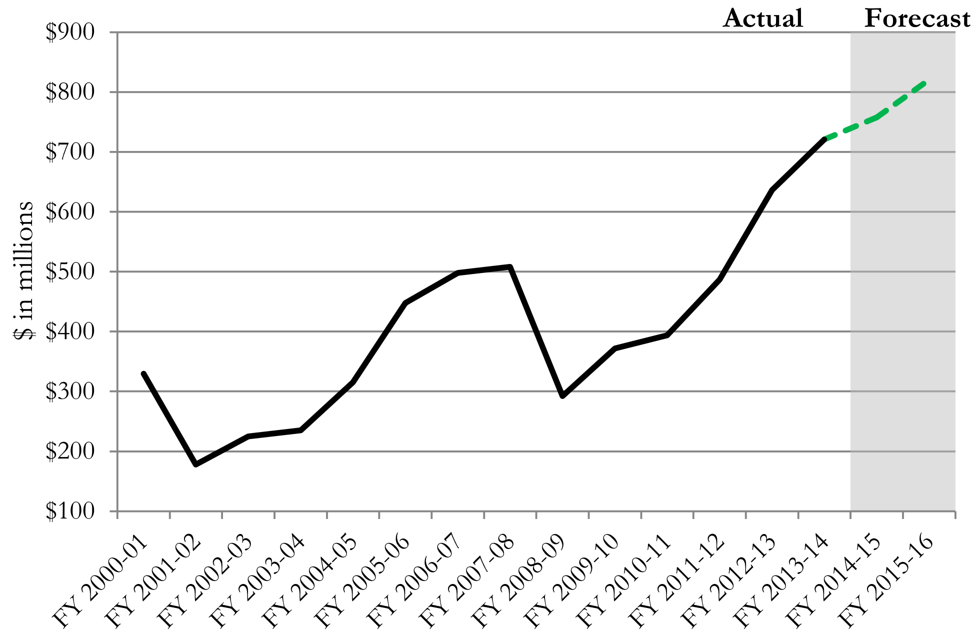
Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Higher business costs and tax policies are tempering collections over the forecast period.

The slowing in corporate tax revenue growth appears to be in part due to rising business costs that are lowering profit margins as the economic expansion matures. Also, tax policies are tempering corporate tax collections over the forecast period, such as

[2] Because taxable income for State income tax purposes is based on federal taxable income, certain federal tax policy changes that affect deductions and exemptions can affect Colorado income tax collections.

the ending of the cap on the amount of net operating losses that corporations could deduct and the tax credit for businesses undertaking job creation projects.

Figure 19. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Sales and use tax – Sales tax revenue will grow 6.5 percent in FY 2014-15 and 4.9 percent in FY 2015-16. Sales tax revenue has picked up in recent months in the midst of the state's economic expansion that is producing sustained consumer and business spending. Vehicle purchases and a growing housing market are particularly fueling solid sales tax collections. In addition, job growth and higher tourist activity and business travel are boosting sales taxes from restaurants.

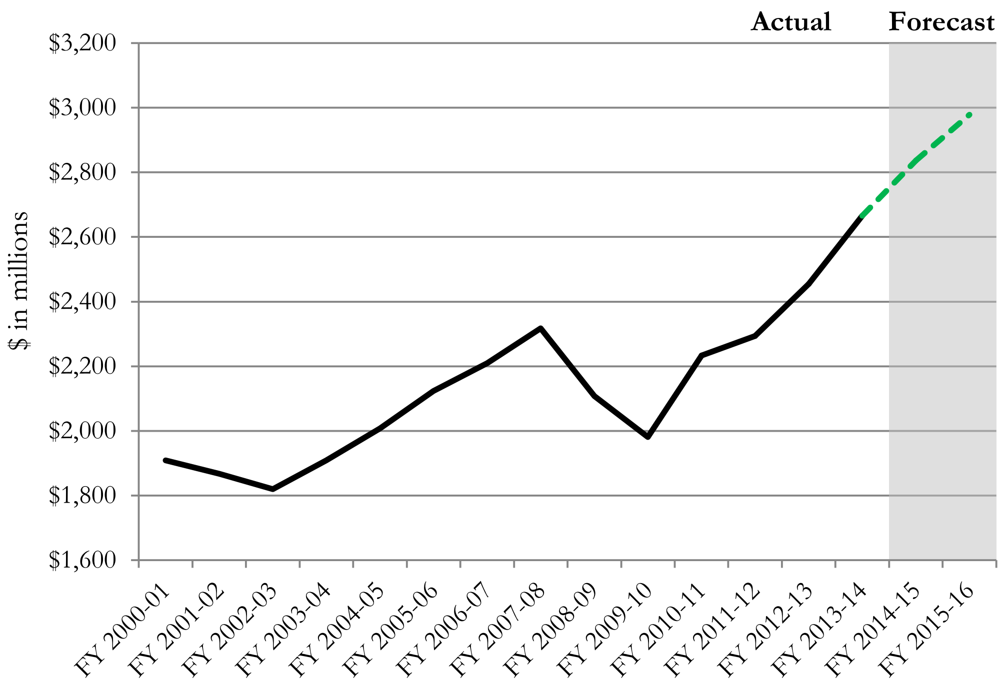
> Vehicle sales, spending activity associated with the housing market, and restaurant spending are particularly generating solid sales tax growth.

The reinstatement of the vendor discount to its traditional higher level in FY 2014-15 will temper sales tax revenue collections. The vendor discount allows a portion of sales tax revenue to be retained by retailers who collect and remit the tax to the State. This tax policy change, set in 2011 with the adoption of SB 11-223, is estimated to reduce sales tax collections by about $29 million this fiscal year and similar amounts going forward. The vendor discount was eliminated during the recession to increase revenue to the State, and was then brought back on a partial basis in FY 2011-12.

Sales tax revenue is being bolstered by the State's collection of a new sales tax of 10 percent on retail marijuana from the passage of Proposition AA by voters last November. (Voters also approved an excise tax of 15 percent on retail marijuana that is mostly credited to a cash fund for public school capital construction projects.) Revenue from the retail marijuana 10 percent sales tax goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — but then is transferred to the Marijuana Tax Cash Fund to support regulation and enforcement of the retail marijuana industry. Also, a portion is distributed to local governments where retail marijuana sales occur. This tax is projected to generate $32.5 million this fiscal year and $49.7 million in FY 2015-16. Projections for this revenue source are highly uncertain and revisions will occur when more information becomes available.

Use tax revenue is expected to increase 5.8 percent in FY 2014-15 and 6.2 percent in FY 2015-16 after a temporary pause in growth in FY 2013-14. Continued construction activity, business investment, and the growing oil and gas industry will contribute to this growth. The use tax is a companion to the sales tax that brings in a much smaller amount of revenue and is often more volatile. Most of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Figure 20. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

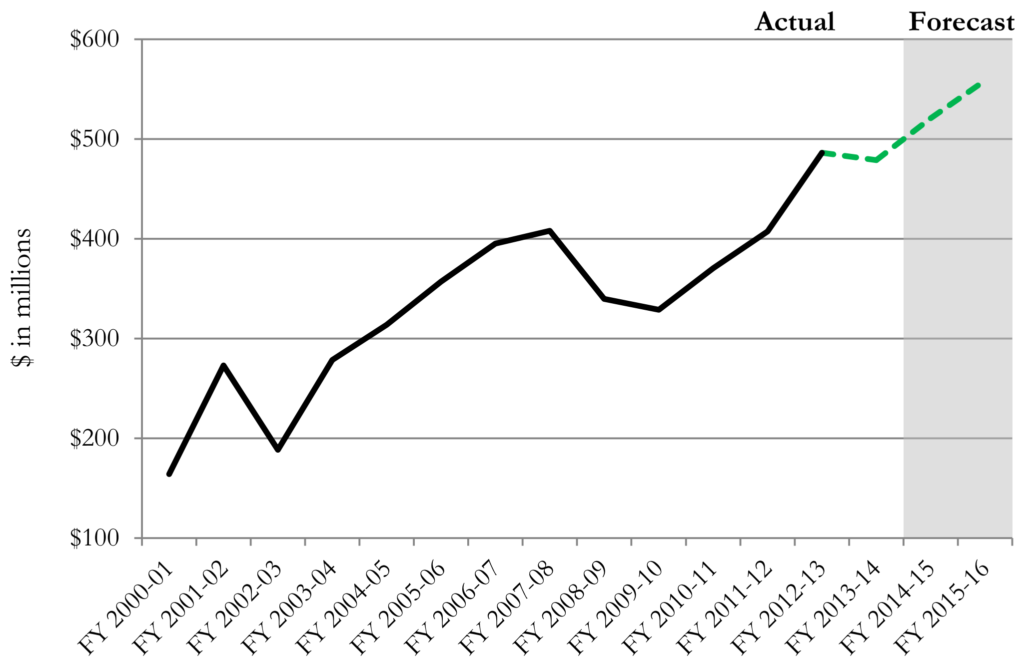
State Education Fund Revenue Forecast

Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16. Similar to individual income tax collections, resumption in growth in capital gains income is helping this revenue source rebound this fiscal year after declining slightly in FY 2013-14.

> Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16 from growth in taxable income.

As shown on page 42 in the *General Fund with the State Education Fund Overview* section, the state constitution requires that one third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because this revenue comes from taxable income, it largely follows the trends discussed above in individual income and corporate income tax revenue collections. In addition to receiving the percentage of taxable income that is dedicated to the State Education Fund by the state constitution, recent policies have transferred other General Fund money to the Fund, which is shown in detail in Figure 30 on page 42.

Figure 21. State Education Fund Revenue from One Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

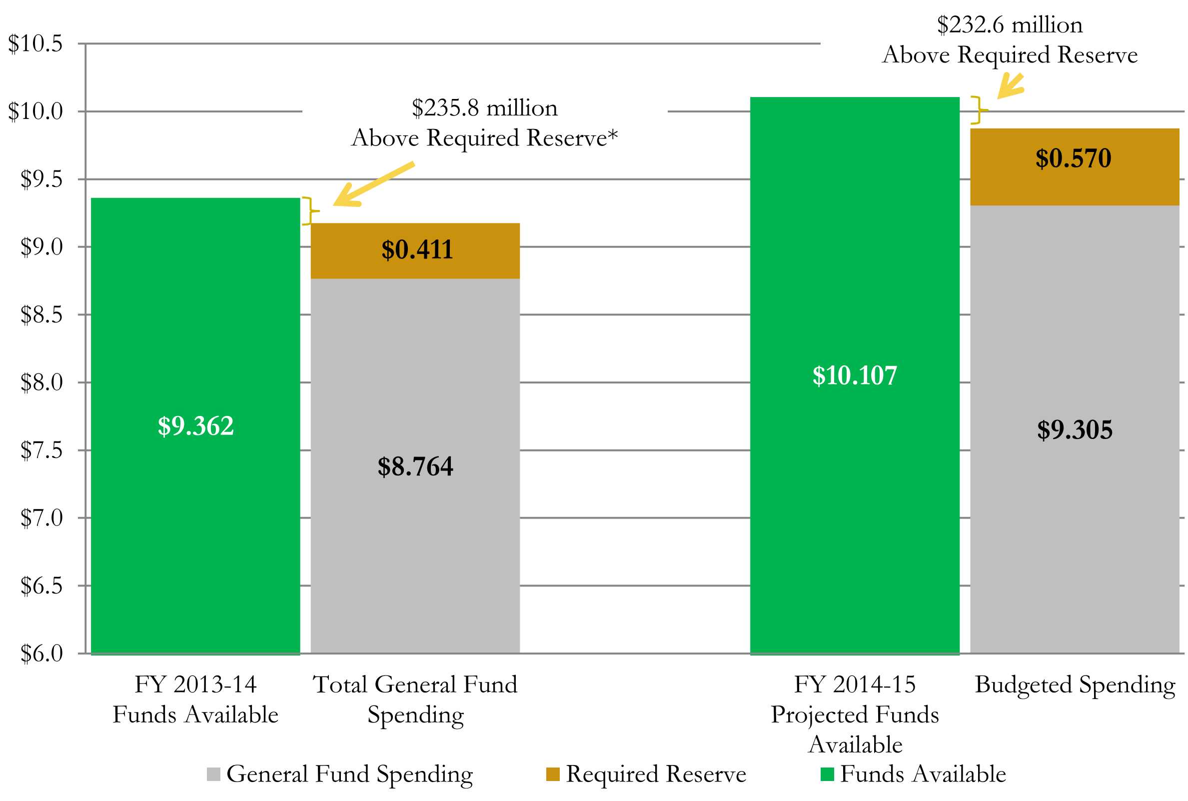
General Fund and State Education Fund Budget

Summary

General Fund – As discussed in the *General Fund Revenue Forecast* section starting on page 28, this forecast projects that General Fund revenue for FY 2014-15 will be 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

Figure 22 below summarizes total General Fund revenue available, total spending, and reserve levels for FY 2013-14 and FY 2014-15 based on the forecast and current law.

Figure 22. General Fund Money, Spending, and Reserves, FY 2013-14 and FY 2014-15, $ in Billions

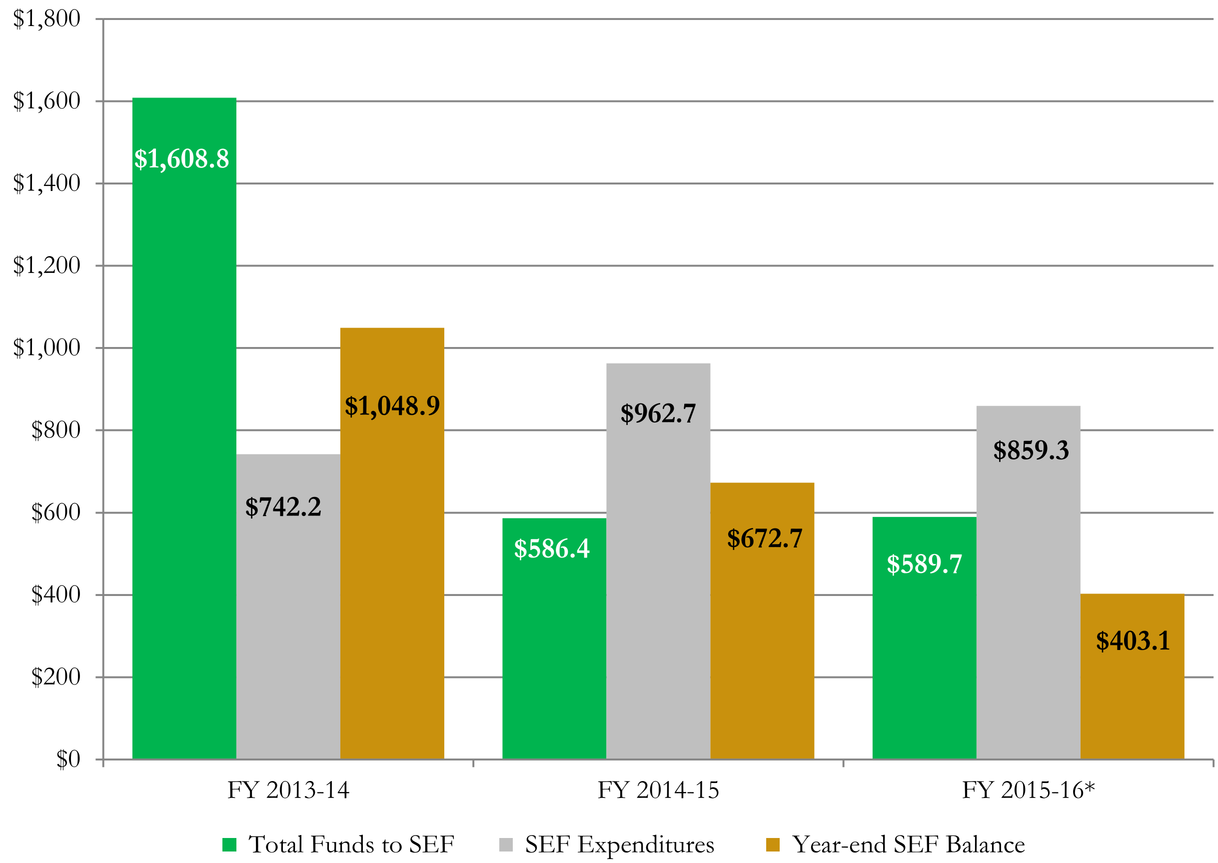


* All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds, including $135.3 million to the Capital Construction Fund.

State Education Fund – The State Education Fund is supporting a larger share of education funding than it has historically, which will draw down its fund balance. Figure 23 summarizes total

State Education Fund revenue available, total spending, and balance levels from FY 2013-14 through FY 2015-16 based on the forecast. The FY 2015-16 expenditures amount reflects projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures.

Figure 23. State Education Fund Money, Spending, and Reserves
FY 2013-14 through FY 2015-16, $ in Millions



*Actual expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections for FY 2015-16 are illustrative only.

Detailed Overview Tables – A detailed overview on the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document. These overviews are discussed starting on page 37.

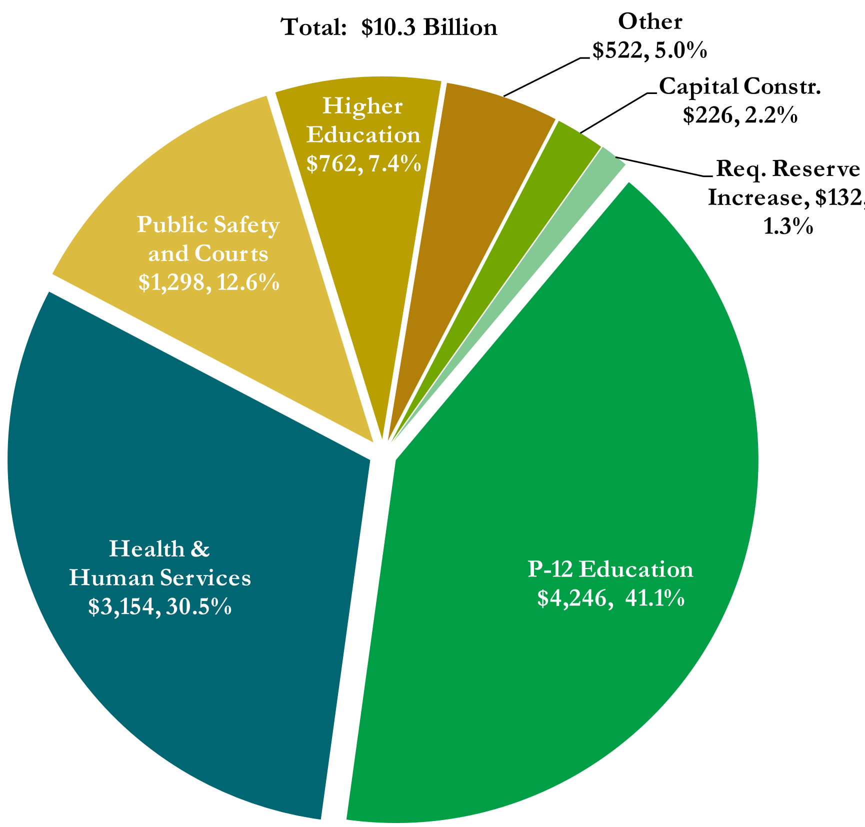
Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th-grade and higher education, assistance to low-income populations, the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. Under the state constitution, the State

Education Fund helps fund preschool through 12th-grade education and annually receives a portion of income taxes. In recent years, it has also received supplemental money from the General Fund.

Figure 24, shows the allocation of General Fund revenues as enacted into law, incorporating spending on education from the State Education Fund and reserve increases, for FY 2014-15 by major department or program area. As noted above, the current forecast shows $232.6 million above the required General Fund reserve that is currently unallocated.

Figure 24. Composition of FY 2014-15 General Fund and State Education Fund Budget, $ in Millions



Risks to the Budget Outlook

This budget outlook is based on OSPB's economic analysis and forecast, discussed in the section titled, *The Economy: Important Issues, Trends, and Forecast*, beginning on page 3. Changes in the overall Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many State services, including higher education, Medicaid, and other human services. In times of weaker economic conditions, the use of government services increases as income declines, more are unemployed, or an increased number of individuals seek more education to better their career prospects.

Currently, it appears that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. Nevertheless, downside risks should be considered. Unexpected events, such as the impact of global conflicts or adverse changes in financial and monetary conditions, could have negative implications for the economy. Such events could spur a pullback in investing, hiring, and spending that would slow the economy and result in revenue collections that are substantially different from this forecast.

Even relatively small changes in the projected growth rate of revenue sources can materially impact the budget outlook. For example, each percentage point difference from the current General Fund projected growth rate for FY 2014-15 amounts to a $90 million change in General Fund revenue collections.

Any future adjustments in forecasted revenue could have potentially large impacts on the amount of revenue collected in relation to the TABOR revenue cap. The State is within 0.4 percent of reaching its TABOR revenue cap in FY 2014-15, well within the bounds of typical forecast adjustments. It is possible that a future forecast will show the State exceeding the cap. If that were to happen, the State would need to refund excess revenue to taxpayers or ask voters for permission to retain it.

Additionally, this forecast projects TABOR revenue will exceed the cap in FY 2015-16 and FY 2016-17. Slower-than-expected revenue growth may result in future forecasts showing revenue falling below the cap. In contrast, higher-than-expected revenue collections would result in more revenue above the cap. These changes would have implications for the budget, such as on the amount of General Fund money available for spending and the amount required to be transferred to transportation and capital construction.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the September 2014 OSPB revenue forecast, providing details on the amount of money forecasted to be available in the General Fund, expenditures, and end-of-year-reserves. The following section discusses the information presented in Table 4. To aid understanding, the discussion includes figures showing each section of the detailed overviews found in the Appendix.

Revenue

The top portion of the overview, shown in the figures below, indicates the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 28.

The 8.0 percent increase in total General Fund available for FY 2014-15 is attributable to revenue growth and a larger beginning fund balance from the prior year. Additionally, higher revenue growth and a larger beginning balance in FY 2015-16 will result in an increase of 9.6 percent in funds available.

Figure 25. General Fund Revenue Available under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
1	Beginning Balance	$435.9	$802.4	$629.5
2	General Fund Revenue	$9,641.0	$10,257.3	$10,795.9
3	Transfers to the General Fund	$30.2	$15.4	$16.8
4	**Total General Funds Available**	**$10,107.1**	**$11,075.0**	**$11,442.2**
	Dollar Change from Prior Year	$745.1	$967.9	$367.2
	Percent Change from Prior Year	8.0%	9.6%	3.3%

Expenditures

Spending subject to the appropriations limit – The middle portion of the General Fund overview in Table 4 shows General Fund spending. Most General Fund spending is subject to a limit that cannot exceed five percent of the level of personal income received by Coloradans. The limit is projected to be $11.9 billion in FY 2014-15. Thus, the $8.8 billion in General Fund appropriations for these programs under current law are $3.1 billion under the limit. The amount of appropriations subject to the limit is shown in the figure below.

Figure 26. General Fund Spending Subject to the Appropriations Limit under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15
5	Appropriations	$8,765.3
6	Dollar Change from Prior Year	$546.5
7	Percent Change from Prior Year	6.6%

The General Fund appropriation amount for FY 2014-15 in Figure 26 reflects current law. The FY 2015-16 and FY 2016-17 amounts are subject to change based on future budget decisions. The amounts for FY 2015-16 and FY 2016-17 in Table 4 in the Appendix reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

Spending not subject to the appropriations limit – General Fund spending that does not count under the General Fund appropriations limit is summarized in Figure 27. More information about these spending lines is discussed below.

Figure 27. General Fund Spending Not Subject to the Appropriations Limit Under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
9	TABOR Refund	$0.0	$136.7	$239.4
	Cigarette Rebate to Local Governments	*$8.6*	*$8.1*	*$7.8*
	Marijuana Rebate to Local Governments	*$4.9*	*$7.4*	*$7.5*
	Old-Age Pension Fund/Older Coloradans Fund	*$111.8*	*$116.2*	*$120.2*
	Aged Property Tax & Heating Credit	*$8.4*	*$8.4*	*$8.3*
	Homestead Exemption	*$115.1*	*$121.5*	*$127.0*
	Interest Payments for School Loans	*$0.8*	*$0.9*	*$1.1*
	Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
	Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
10	**Total Rebates and Expenditures**	**$254.7**	**$267.6**	**$277.0**
11	Transfers to Capital Construction	$225.5	$177.8	$71.1
12	Transfers to Highway Users Tax Fund	$0.0	$102.6	$108.0
13	Transfers to State Education Fund per SB 13-234	$25.3	$25.3	$25.3
14	Transfers to Other Funds	$33.9	$50.3	$49.6
15	Other	$0.0	$0.0	$0.0
	Total	**$539.5**	**$760.3**	**$770.3**
	Dollar Change from Prior Year	-$6.1	$220.8	$10.0
	Percent Change from Prior Year	-1.1%	40.9%	1.3%

Spending not subject to the limit includes any TABOR refunds funded from the General Fund, which occur when State revenue exceeds its cap as defined in Article X, Section 20 of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur for each of those years under this forecast, unless voters allow the State to retain the revenue. Under this forecast, TABOR revenue will be just $48 million, or 0.4 percent, below the cap this fiscal year, which is within the normal range of possible forecast adjustments. Page 60 and Table 7 in the Appendix provide further detail on TABOR revenue and refunds.

As shown, "Rebates and Expenditures" account for a large portion of General Fund spending not subject to the appropriations limit. The largest of these programs are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Marijuana Rebate, which distributes 15 percent of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, or rent assistance to qualifying low-income disabled or elderly individuals; and (5) the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans.

General Fund money transferred for State capital construction and facility maintenance, as well as transportation projects, also is not subject to the limit. Transfers for these purposes can be made through legislation. The FY 2014-15 budget includes a total transfer of $225.5 million for capital construction projects. The capital construction amounts in FY 2015-16 and FY 2016-17 reflect the needed funding level for specific "certificate of participation" (COP) financing agreements used for capital projects, "Level I," building-maintenance projects, as well as the continuation of projects funded in prior years.

Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This five percent trigger and the associated transfers are referred to as "228" transfers because they were put into law by Senate Bill 09-228. This forecast projects that personal income growth will exceed five percent in 2014, which would trigger required transfers in FY 2015-16. However, these transfers are reduced or suspended in years where there is a TABOR refund as projected in this forecast.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16 and from $215.9 million to $108.0 million in FY 2016-17 under this forecast.

Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB09-228 transfer amount, they are unaffected by TABOR refunds. The amount needed for capital construction in FY 2015-16 and FY 2016-17 shown in Table 4 for COP payments, priority facility maintenance projects, and continuation projects exceed the required Senate Bill 09-228 transfer amounts.

Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The FY 2013-14 transfer was $45.3 million, while the amount in FY 2014-15 through FY 2016-17 is $25.3 million. In addition, state law requires transfers of General Fund money to various State cash funds. This line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

In some years, State programs may need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are called "overexpenditures" and are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit." Any over-expended amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid over-expenditures," is usually the largest amount for this line.

Reserves

The final section of the overview table in the Appendix ("Reserves") shows General Fund remaining at the end of each fiscal year — the "Year-End General Fund Balance." This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the amount of funds is above or below the requirement ("Above (Below) Statutory Reserve"). Figure 28 provides information on the General Fund ending balance.

Figure 28. General Fund Reserves under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
19	Year-End General Fund Balance	$646.7	$802.4	$629.5	$651.3
20	Balance as a % of Appropriations	7.9%	9.2%	6.5%	6.5%
21	**General Fund Required Reserve**	**$410.9**	**$569.7**	**$629.5**	**$651.3**
22	Money Above/Below Req. Reserve	$235.8	$232.6	$0.0	$0.0
23	Excess Reserve to Other Funds	$210.8	$0.0	$0.0	$0.0
24	**Balance After Any Funds Above Statutory Reserve are Allocated**	**$25.0**	**$232.6**	**$0.0**	**$0.0**

The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary figures from the State Controller. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

All but $25 million of the FY 2013-14 excess reserves, which remains in the General Fund, is transferred to various cash funds in a specified order of priority listed in Figure 29 pursuant to HB 14-1339, HB 14-1342, and SB 14-223. The extent of the transfers is contingent upon the amount of excess reserves available. The $235.8 million in excess reserves currently expected by the State Controller will allow for all of the transfers to occur, including the full $135.3 million transfer to the Capital Construction Fund. However, only $113.9 million of the transfer for capital construction — an amount sufficient to cover all the projects slated to receive funding except the Level II Controlled Maintenance projects — has occurred. The rest of the transfer will occur when the final excess reserves amount is known in December or January when the State Controller publishes the Comprehensive Annual Financial Report (CAFR) for FY 2013-14. The State Education Fund receives the remainder of the FY 2013-14 excess, which is currently expected to be $14.4 million. The final amount will be determined when the CAFR is published.

Figure 29. FY 2013-14 Excess General Fund Reserve Transfers, Preliminary, $ in Millions

Total General Fund Excess	**$235.8**
Transfers in order of Priority:	
Colorado Water Conservation Board Construction Fund	$30.0
State Education Fund	$20.0
Remains in General Fund	$25.0
Economic Development Fund	$1.0
Hazardous Substance Site Response Fund	$10.0
Capital Construction Fund (up to $135.3)	$135.3
State Education Fund	$14.4
Total Transfers	$235.8

General Fund with the State Education Fund Overview

The State Education Fund plays an important role in the State's General Fund budget. Under the state constitution, the State Education Fund helps fund preschool through 12th-grade education, the largest General Fund program. Therefore, higher or lower spending from the State Education Fund generally means that General Fund appropriations can subsequently be lower or higher to support the targeted level of funding for schools. Decisions in one year, however, affect the range of choices in the next year because they impact the available balance in the State Education Fund for future spending and General Fund available for other programs.

Table 5 in the Appendix incorporates all of the same information from the General Fund overview request in Table 4, but also includes spending, revenue, and fund-balance information for the State Education Fund. Because of the budget implications of the balance between funding from the State Education Fund and General Fund, a unified and multi-year view provides important insight to the sustainability of budgeting decisions.

Figure 30 summarizes State Education Fund annual revenue and spending. It includes each year's actual or projected beginning and ending fund balance. State Education Fund expenditures for FY 2014-15 reflect current law. The expenditures shown for FY 2015-16 and FY 2016-17 reflect projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation; thus, fund-balance projections are illustrative only.

Transfers of excess reserves in recent years, especially the excess reserves from FY 2012-13, have caused a significant increase in the balance of the State Education Fund. The fund is expected to receive an additional $34.4 million of the FY 2013-14 excess reserves. Still, as shown, a combination of higher spending and lower amounts of projected revenue will draw down the balance.

Figure 30. State Education Fund Revenue, Spending, and Reserves
FY 2013-14 through FY 2015-16 (from Tables 4 and 5 in Appendix), $ in Millions

	FY 2014-15	FY 2015-16	FY 2016-17
Beginning Balance	***$1,048.9***	***$672.7***	***$403.1***
One-third of 1% of State Taxable Income	*$520.8*	*$558.5*	*$589.1*
Money from Prior Year-end Excess Reserves	*$34.4*	*$0.0*	*$0.0*
Transfers under SB 13-234	*$25.3*	*$25.3*	*$25.3*
Other	*$5.8*	*$5.8*	*$6.1*
Total Funds to State Education Fund	**$586.4**	**$589.7**	**$620.6**
State Education Fund Expenditures	**$962.7**	**$859.3**	**$603.4**
Year-end Balance	**$672.7**	**$403.1**	**$420.3**

CASH FUND REVENUE FORECAST

Cash fund revenue supports a wide array of State programs that collect fees, fines, and interest to deliver services. When fees or other revenue are designated for a particular program, they often are directed to a cash fund that is established to fund the program. Cash fund revenue subject to TABOR collected by the State in FY 2014-15 will be at essentially the same level as collections in FY 2013-14, with mostly modest changes to prior year levels across the major revenue categories.

Cash fund revenue subject to TABOR is forecast to grow about four percent in FY 2015-16 and FY 2016-17, the remaining two fiscal years of the forecast period. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix. Table 6 shows only the outlook for revenue that is subject to the TABOR provisions in the Colorado Constitution that place a limit on the amount of revenue retained by the State each year. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises which receive most of their money from sources other than the State, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 48.

Transportation-related cash funds — Transportation-related cash funds subject to TABOR will grow modestly during the forecast period, rising 0.4 percent to $1.14 billion in FY 2014-15. They will grow to $1.16 billion, or 1.7 percent, in FY 2015-16.

Transportation-related cash funds are expected to grow slowly over the forecast period, reflecting stability in vehicle sales, registrations, and fuel consumption by Colorado drivers.

The relatively flat forecast for transportation-related cash funds comes after an increase of 3.4 percent, or $37 million, in FY 2013-14 as vehicle registrations and fuel consumption grew along with the overall economy. Revenue from taxes on gasoline and diesel fuel grew last fiscal year after falling for two consecutive years prior, reflecting the growing momentum of Colorado's economy.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. Funds in this category receive revenue from fuel taxes, vehicle registrations and permits, other fines and fees related to transportation, and interest on fund balances. Funds in the HUTF, which accounts for the large majority of revenue in this category, are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Limited Gaming — Limited gaming revenue will grow by $2.2 million, or 2.0 percent, in FY 2014-15, after increasing just 0.6 percent in FY 2013-14. It will grow an additional $2.6 million to $112.7 million in FY 2015-16.

This forecast reflects increasing gaming activity in Colorado, which has only recently begun to recover from the sluggishness that set in during the Great Recession. Gaming activity has lagged the broader economic recovery, taking time to return to pre-recession levels even as employment and household financial positions have improved. It is possible that discretionary activities like gaming could simply take longer to reflect the broader recovery.

Beginning in the spring of 2014, spending on gaming started to grow, reflected in the modest growth in revenue from gaming taxes and fees in FY 2013-14. This growth is expected to accelerate as the economic recovery continues to improve employment and household income in Colorado.

Of the total expected limited gaming revenue for FY 2014-15, $101.3 million will be subject to TABOR, as reflected in Table 6, "Cash Fund Revenue Subject to TABOR." Approximately $97.1 million of this amount is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50. This revenue is distributed by formula in state statute to the State General Fund, the State Historical Society, cities and counties that are affected by gaming activity, and economic development-related programs.

Gaming revenue of $8.5 million attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges with a smaller portion going to local governments with communities affected by gaming. Figure 31 below shows the anticipated distribution of limited gaming revenues in further detail.

Figure 31. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17
A. Total Limited Gaming Revenues	**$107.9**	**$110.1**	**$112.7**	**$116.0**
Annual Percent Change	0.6%	2.0%	2.4%	2.9%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.2**	**$97.1**	**$99.4**	**$102.3**
Annual Percent Change	0.7%	2.0%	2.4%	2.9%
C. Gaming Revenue Subject to TABOR	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Annual Percent Change	0.2%	3.0%	2.4%	2.9%
D. Total Amount to Base Revenue Recipients	**$83.8**	**$87.4**	**$89.9**	**$92.8**
Amount to State Historical Society	*$23.5*	*$24.5*	*$25.2*	*$26.0*
Amount to Counties	*$10.1*	*$10.5*	*$10.8*	*$11.1*
Amount to Cities	*$8.4*	*$8.7*	*$9.0*	*$9.3*
Amount to Distribute to Remaining Programs (State Share)	*$41.9*	*$43.7*	*$45.0*	*$46.4*
Amount to Local Government Impact Fund	*$5.0*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$15.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.5*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*$5.5*	*N/A*	*N/A*	*N/A*
Advanced Industries Acceleration Fund	*N/A*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$2.1*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$11.8*	*$13.7*	*$15.0*	*$16.4*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.4**	**$8.5**	**$8.7**	**$8.9**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.6*	*$6.8*	*$7.0*
Counties (12%)	*$1.0*	*$1.0*	*$1.0*	*$1.1*
Cities (10%)	*$0.8*	*$0.8*	*$0.9*	*$0.9*

Hospital Provider Fee — Hospital Provider Fee (HPF) revenue is expected to decline 6.1 percent in FY 2014-15, but increase every year in the remainder of the forecast period. The largest increase will occur in FY 2015-16, when HPF revenue will increase 24.8 percent to $664.4 million.

The growth in FY 2015-16 reflects an upward revision from OSPB's June forecast that is primarily the result of sooner-than-anticipated growth among certain populations of Medicaid patients. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for some Medicaid populations. Recent data shows that growth in these populations is occurring sooner than previously forecast, so the anticipated HPF revenue that will be calculated by the formula will also grow sooner.

The projections for HPF revenue are influenced by federal funding levels associated with the Affordable Care Act as well as changes in the population receiving medical care support under the Medicaid program. An increase in federal funding is reducing the HPF that must be collected from hospitals to support Colorado's Medicaid program for FY 2014-15. Increasing populations receiving medical services, however, will generate higher HPF revenue starting in FY 2015-16.

The Hospital Provider Fee is paid by Colorado hospitals and is calculated based on the amount of inpatient days and outpatient revenue. Revenue collected from the fee is matched by the federal government to help cover the cost of the Medicaid program.

Severance tax revenue — Severance tax revenue will grow 6.7 percent, or $17.6 million, to $278.2 million in FY 2014-15 after nearly doubling to $261 million in FY 2013-14. The recent strong growth in severance tax revenue is primarily the result of increasing prices in both natural gas and oil. As prices for these resources decrease, severance tax revenue will fall by 21.1 percent to $219.5 million in FY 2015-16.

Producers of oil, gas, coal, and other mineral resources pay taxes to the State of Colorado, based partially on the sales volume and price of the resources. The tax is called severance tax because the resources are severed from the state's deposits of natural resources.

The price of natural gas and oil are the main factors determining the amount of severance tax revenue collected by the State because severance taxes are based on a percentage of the income received from selling these resources. The price of natural gas grew rapidly in the first several months of 2014 as an especially cold winter resulted in high demand for heating homes and businesses. Prices have fallen significantly over the summer months as producers replenish inventories and the demand for natural gas has returned to average levels. Another particularly harsh winter could cause natural gas prices to rise again, which would result in severance tax collections in FY 2015-16 to exceed this forecast.

> Higher natural gas prices due to weather conditions and lower inventories in the first portion of 2014 contributed to severance tax revenue growth in FY 2013-14. Growth will continue, though more moderately, in FY 2014-15 before severance tax revenue fall again in FY 2015-16.

Compared with natural gas prices, oil prices have remained much more stable in recent years and are not expected to drive large differences in severance tax revenue over the forecast period. However, geopolitical tensions in Ukraine and the Middle East have recently caused oil prices to rise. While this forecast does not predict that the price of oil will grow substantially, continued global conflict could result in higher oil prices and thus greater severance tax revenue than predicted.

In addition to price moderation in 2015, the impact of ad valorem tax credits will contribute to the decline of severance tax revenue in FY 2015-16. Severance taxpayers claim "ad valorem" tax credits based on the local property taxes they paid on mineral extraction in the prior year. As the price of natural gas and oil declines through 2015, taxpayers will claim ad valorem credits based on revenue generated in 2014, when prices were higher. This dynamic exacerbates the impact of smaller prices, helping generate the 21 percent forecast decline for severance taxes in FY 2015-16. The annual calendar year filing of taxes versus State fiscal year accrual accounting also affects these dynamics.

The production volume of oil and natural gas also impact severance tax revenue, although changes in production tend to be more moderate than fluctuations in prices. Oil production is growing more rapidly than natural gas production in Colorado, as many producers have stopped drilling for the resource amid relatively low natural gas prices compared with several years ago. Most new oil production in Colorado is occurring in Weld County, where property taxes are higher than in many other counties with oil and gas production, meaning that larger ad valorem tax credits limit severance tax revenue the State collects from production growth in Weld County.

Other mineral resources, including coal, gold, and molybdenum, generate severance tax revenue, though the combined revenue from these sources is much smaller compared with revenue from oil and natural gas production. Severance tax revenue from coal production is expected to fall 5.0 percent, to $7.7 million, in FY 2014-15 after falling 9.4 percent, to $8.1 million the prior year.

Federal Mineral Leasing revenue **–** Colorado's share of Federal Mineral Lease (FML) revenue will grow 6.4 percent, to $184.7 million in FY 2014-15, after growing by nearly 44 percent, to $173.6 million, in FY 2013-14. Growth will moderate further in FY 2015-16, to 1.2 percent, when FML revenue collections reach $187.0 million.

The growth in FML revenue is mostly due to increased prices for oil and natural gas as well as increased production. FML royalties are assessed as a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. Revenue earned by producers on leased federal lands is not subject to local property taxes, thus there is no impact of ad valorem tax credits to exaggerate price fluctuations the way they do with regard to severance tax revenue. This is a major reason that FML revenue is not expected to fall in FY 2015-16 when natural gas prices are forecast to decline slightly.

The federal government sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred. The federal fiscal policy known as "sequestration" temporarily reduced collection of FML revenue to Colorado in FY 2012-13, contributing to the large increase in FY 2013-14. The impact of sequestration-related federal adjustments to FML revenue is expected to be small over the forecast period.

Figure 32. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2013-14	$2.0	$171.6	$173.6	43.7%
FY 2014-15	$3.7	$181.0	$184.7	6.4%
FY 2015-16	$3.7	$183.2	$187.0	1.2%
FY 2016-17	$4.9	$192.3	$197.2	5.5%

Dollars are in millions. FY 2013-14 figures reflect actual collections, and FY 2014-15 through FY 2016-17 are projections.

Other cash funds — Cash fund revenue to regulatory agencies will grow 2.7 percent to $70.3 million in FY 2014-15 after growing 5.3 percent the year before. This growth is reflective of increased demand for permits and licenses by individuals and firms that do business in regulated industries. The Department of Regulatory Agencies (DORA) oversees businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. The Department is responsible for oversight of a wide variety of professions, such as counselors, land surveyors, and limousines. Revenue from licensing fees and other services fund many of the Department's activities. Cash fund revenue related to regulatory agencies will grow 2.8 percent to $72.3 million in FY 2015-16.

Insurance-related cash fund revenue in FY 2014-15 will increase slightly to $21.1 million. Revenue to these cash funds decreased 21.7 percent in FY 2013-14 after the Division of Worker's Compensation lowered the surcharge on workers' compensation insurance premiums from 1.73 percent in the first half of 2013 to 1.13 percent in the first half of 2014. The surcharge is used to fund the Division of Worker's Compensation, as well as the Major Medical Insurance Fund and Subsequent Injury Fund. These two funds were created to absorb costs for individuals injured during a period prior to 1981. Revenue to these cash funds will growth further in FY 2015-16, increasing 6.4 percent to $22.5 million.

> Miscellaneous Cash Funds grew by $60 million in FY 2013-14 as the economic recovery supported increased fee revenue and higher interest rates. This trend will moderate in FY 2014-15.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from a variety of smaller cash funds that collect revenue generated by interest earnings as well as fines and fees. Revenue from these cash funds is expected to be $531 million in FY 2014-15, an increase of $5.7 million. Continued growth in the miscellaneous cash funds reflects Colorado's growing economy, which generates higher amounts of fees and interest earnings. These factors will contribute to growth of an additional 3.0 percent in FY 2015-16.

Revenue from the 2.9 percent sales tax on retail and medical marijuana, as well as fees related to regulation of the marijuana industry, are reflected in the miscellaneous cash funds category in Table 6. Proceeds from marijuana taxes that were authorized by Proposition AA in November 2013 are transferred to the Marijuana Tax Cash Fund, local governments, and school construction. However, Colorado voters exempted revenue from these taxes from TABOR limitations when they approved Proposition AA; therefore the revenue shown in Table 6 does not include revenue from those new taxes.

Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth in a large portion of State revenue to the sum of inflation plus population growth in the previous calendar year. Revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue.

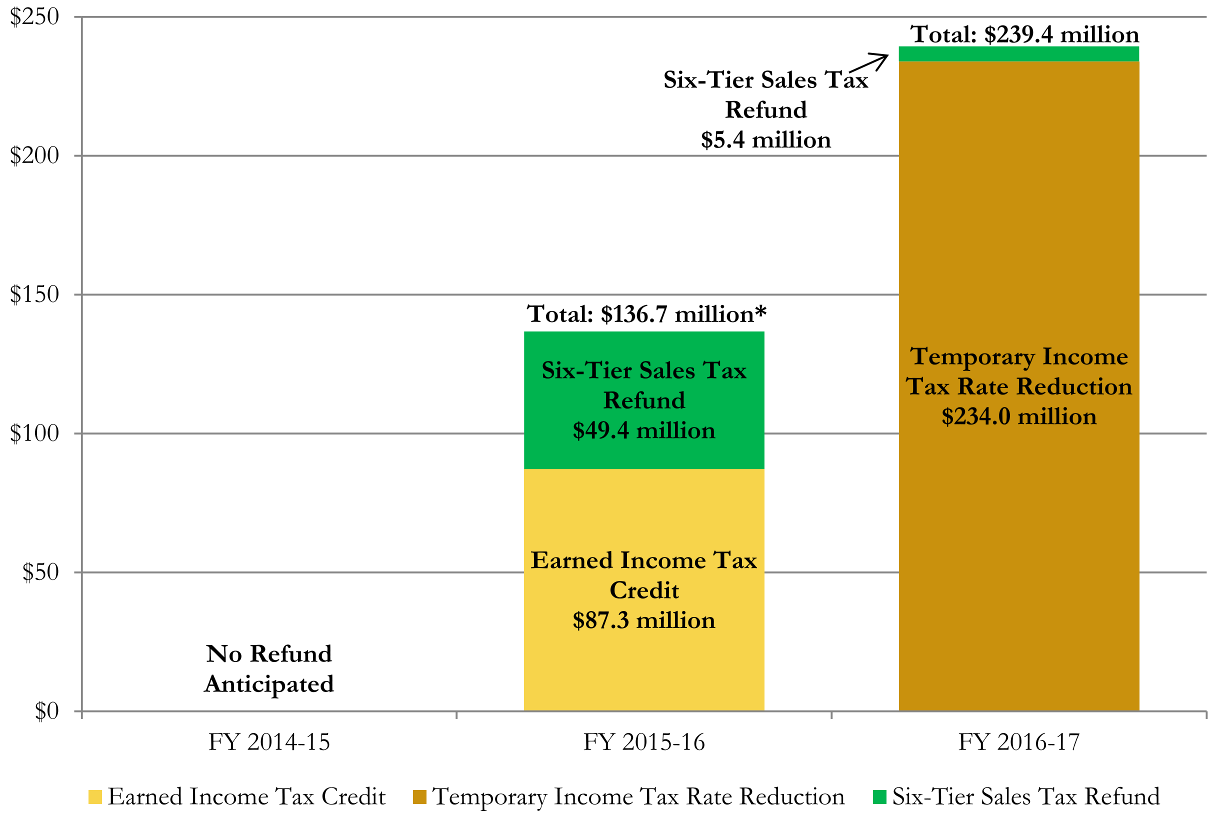
In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year.

Most General Fund revenue and a large portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR refunds are projected in FY 2015-16 and FY 2016-17 – TABOR revenue is forecast to be just $48 million, or 0.4 percent, below the cap in the current fiscal year, which is within the normal range of possible forecast adjustments.

TABOR revenue is forecast to exceed the Referendum C cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur under this forecast, unless voters allow the State to retain the revenue. Colorado law currently specifies three mechanisms by which revenue in excess of the cap is refunded to taxpayers: a sales tax refund to all taxpayers ("six-tier sales tax refund"), the Earned Income Tax Credit to qualified taxpayers, and a temporary income tax rate reduction. The amount that needs to be refunded determines which refund mechanisms are used. Figure 33 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

Figure 33. Projected Distribution of Revenue in Excess of the Referendum C Cap (Dollars in Millions)



*This amount includes $133.1 million in revenue above the Referendum C Cap forecast for FY 2015-16, as well as $3.6 million in pending amounts owed related to refunds from prior years. These amounts are the result of either (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, or (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers.

In FY 2015-16, revenue above the cap will exceed the threshold amount that activates the State Earned Income Tax Credit (EITC), as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC will be able to claim up to ten percent of the amount they claim on their federal tax return on their state tax return for the 2016 tax year. The amount refunded through this mechanism is estimated to be $87.3 million. The State EITC is only a TABOR refund mechanism for one year because it becomes permanent after the year it is used as a TABOR refund mechanism. After the projected use of the EITC as a refund mechanism in FY 2015-16, it will be available to qualifying taxpayers on an ongoing basis and will no longer be considered a TABOR refund mechanism.

The six-tier sales tax refund will distribute the remaining $49.4 million of the refund in FY 2015-16 as specified by Section 39-22-2002, C.R.S. The amount of the refund that can be claimed by each taxpayer is partially determined by which one of six tiers, defined by a formula specified in statute, includes their adjusted gross income. The actual refund amount that can be claimed by each taxpayer will be calculated according to a statutory formula that considers the adjusted gross income tiers and the total amount to be refunded to all taxpayers expected to claim the refund.

The revenue in excess of the cap in FY 2016-17, estimated at $239.4 million in this forecast, will meet the refund threshold amount to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. This refund mechanism will reduce the state income tax rate from 4.63 percent to 4.5 percent for tax year 2017. The amount refunded through this mechanism is estimated to be $234.0 million, which will account for most of the required TABOR refund from FY 2016-17. The remaining $5.4 million will be refunded through the six-tier sales tax refund mechanism.

TABOR refunds impact SB 09-228 transfers to transportation and capital construction – In addition to activating distributions of refunds to taxpayers, the forecast revenue in excess of the Referendum C cap affects the transfers to transportation created by SB 09-228, as specified by Section 24-75-219, C.R.S. Because total personal income in Colorado is expected to grow by more than five percent in 2014, this statute requires transfers of General Fund revenue to the Highway Users Tax Fund and the Capital Construction Fund for five years starting in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in the same fiscal year in an amount between one and three percent of total General Fund revenue. The transfers are suspended in full if there is a TABOR refund in excess of three percent of total General Fund revenue. Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB 09-228 transfer amount, they are not affected by TABOR refunds.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16, and from $215.9 million to $108.0 million in FY 2016-17 – under this forecast.

TABOR election provisions and Proposition AA – TABOR also has provisions regarding estimates of revenue from new taxes approved by voters. In November of 2013, voters approved excise and special sales taxes on retail marijuana in Proposition AA on the election ballot. Revenue generated from these taxes was estimated at $67 million in the "Blue Book" voting guide that was distributed to voters prior to the election, as specified by the Colorado Constitution. A forecast for retail marijuana tax collections provided in June of 2014 estimated that retail marijuana tax revenue would be less than this amount, though projections are highly uncertain and are subject to substantial revisions. Based on a legal analysis of the Office of Legislative Legal Services, if the excise and special sales tax revenue exceed $67 million, as estimated in the Blue Book, the excess would have to be refunded to voters – unless voters decide that the State can retain the revenue – and the tax rate reduced.

A legal analysis of the Office of Legislative Legal Services also concludes that the provisions of TABOR indicate a refund must occur if revenue subject to TABOR that is collected by the State in FY 2014-15 exceeds the estimate of $12.08 billion that was shown in the Blue Book analysis of Proposition AA. This forecast indicates that revenue will exceed that estimate by $207.5 million, meaning that a refund to taxpayers should occur unless voters decide that the State can retain the revenue. The legal analysis, however, specifies that any refund associated with the estimates for Proposition AA should not exceed the actual amount of new marijuana tax revenue collected, which will likely be below this amount. State law does not currently stipulate how any refund for this money to taxpayers must occur.

Governor's Revenue Estimating Advisory Committee

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- Tucker Hart Adams – Senior Partner, Summit Economics LLC
- Elizabeth Garner - State Demographer, Colorado Department of Local Affairs
- Alexandra Hall - Labor Market Information Director, Colorado Department of Labor and Employment
- Ronald New – Capital Markets Executive
- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History And Forecast For Key Colorado Economic Variables
Calendar Year 2007-2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Income										
1	Personal Income (Billions) /A	$202.7	$212.2	$206.4	$210.6	$226.0	$237.5	$245.6	$259.8	$274.7	$291.6
2	Change	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.4%	5.8%	5.7%	6.1%
3	Wage and Salary Income (Billions) /A	$112.5	$116.7	$112.3	$113.8	$118.7	$125.1	$130.0	$138.1	$146.4	$154.9
4	Change	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	3.9%	6.2%	6.0%	5.8%
5	Per-Capita Income ($/person) /A	$42,042	$43,298	$41,477	$41,707	$44,170	$45,767	$46,640	$48,603	$50,609	$52,865
6	Change	4.0%	3.0%	-4.2%	0.6%	5.9%	3.6%	1.9%	4.0%	4.3%	4.5%
	Population & Employment										
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,117.4	5,188.5	5,264.9	5,345.4	5,428.4	5,516.0
8	Change	1.6%	1.7%	1.5%	1.5%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%
9	Net Migration (Thousands)	35.0	40.5	36.3	37.0	33.7	39.2	45.3	49.5	51.9	55.9
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.5%	7.8%	6.8%	5.5%	4.7%	4.4%
11	Total Nonagricultural Employment (Thousands) /B	2,331.3	2,350.3	2,245.6	2,222.3	2,258.6	2,313.0	2,382.1	2,453.7	2,525.5	2,596.9
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.0%	2.9%	2.8%
	Construction Variables										
13	Total Housing Permits Issued (Thousands)	29.5	19.0	9.4	11.6	13.5	23.3	27.5	32.7	39.9	47.2
14	Change	-23.1%	-35.6%	-50.8%	23.9%	16.5%	72.6%	18.0%	18.9%	22.1%	18.1%
15	Nonresidential Construction Value (Millions) /C	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,595.1	$4,160.6	$4,487.6	$4,897.5
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.0%	15.7%	7.9%	9.1%
	Prices & Sales Variables										
17	Retail Trade (Billions) /D	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.6	$88.6	$93.8	$99.6
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.5%	6.0%	5.8%	6.2%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.8	237.3	243.5	249.7
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	2.6%	2.5%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

/C Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/D Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 2. History And Forecast For Key National Economic Variables
Calendar Year 2007 – 2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Inflation-Adjusted & Current Dollar Income Accounts										
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,024.5	$16,473.2	$16,918.0
2	Change	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.3%	2.2%	2.0%	2.8%	2.7%
3	Personal Income (Billions) /B	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,804.4	$15,544.6	$16,353.0
4	Change	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%	4.5%	5.0%	5.2%
5	Per-Capita Income ($/person)	$39,731	$40,791	$39,325	$40,129	$42,322	$44,207	$44,779	$46,439	$48,369	$50,452
6	Change	4.3%	2.7%	-3.6%	2.0%	5.5%	4.5%	1.3%	3.7%	4.2%	4.3%
7	Wage and Salary Income (Billions) /B	$6,395	$6,532	$6,251	$6,378	$6,633	$6,932	$7,124.7	$7,537.9	$8,005.3	$8,493.6
8	Change	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%	5.8%	6.2%	6.1%
	Population & Employment										
9	Population (Millions)	301.9	304.7	307.4	309.7	311.9	314.2	316.4	318.8	321.4	324.1
10	Change	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
11	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.3%	5.7%	5.4%
12	Total Nonagricultural Employment (Millions)	137.9	137.2	131.2	130.3	131.8	134.1	136.4	138.8	141.5	144.0
13	Change	1.3%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.8%	1.9%	1.8%
	Price Variables										
14	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.0	237.4	242.4	248.0
15	Change	2.9%	3.8%	-0.4%	1.6%	3.1%	2.1%	1.5%	1.9%	2.1%	2.3%
16	Producer Price Index - All Commodities (1982=100)	172.7	189.6	172.9	184.7	201.1	202.2	203.4	208.5	216.5	226.3
17	Change	4.9%	9.8%	-8.8%	6.8%	8.9%	0.5%	0.6%	2.5%	3.8%	4.5%
	Other Key Indicators										
18	Corporate Profits (Billions)	1,748.4	1,382.4	1,472.6	1,840.7	$1,806.8	$2,136.1	$2,235.3	$2,261.8	$2,468.9	$2,606.2
19	Change	-5.6%	-20.9%	6.5%	25.0%	-1.8%	18.2%	4.6%	1.2%	9.2%	5.6%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.624	0.829	0.964	1.066	1.249	1.437
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	16.3%	10.6%	17.1%	15.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,627.8	$4,869.0	$5,067.9	$5,271.0	$5,550.8	$5,823.3
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.4%	5.2%	4.1%	4.0%	5.3%	4.9%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2013-14	% Chg	September 2014 Estimate by Fiscal Year FY 2014-15	% Chg	FY 2015-16	% Chg	FY 2016-17	% Chg
	Excise Taxes:								
1	Sales	$2,424.6	9.6%	$2,581.7	6.5%	$2,708.4	4.9%	$2,840.6	4.9%
2	Use	$241.5	-0.5%	$255.6	5.8%	$271.3	6.2%	$288.1	6.2%
3	Cigarette	$36.6	-4.5%	$36.9	0.9%	$34.6	-6.2%	$33.3	-3.7%
4	Tobacco Products	$16.9	8.4%	$17.2	2.1%	$17.6	2.0%	$18.1	2.9%
5	Liquor	$40.3	2.9%	$42.9	6.4%	$42.8	-0.3%	$43.7	2.2%
6	**Total Excise**	**$2,759.9**	**8.3%**	**$2,934.3**	**6.3%**	**$3,074.8**	**4.8%**	**$3,223.9**	**4.8%**
	Income Taxes:								
7	Net Individual Income	$5,696.1	1.8%	$6,187.0	8.6%	$6,626.7	7.1%	$6,963.1	5.1%
8	Net Corporate Income	$720.7	13.3%	$757.6	5.1%	$820.5	8.3%	$891.8	8.7%
9	**Total Income**	**$6,416.8**	3.0%	**$6,944.6**	8.2%	**$7,447.2**	**7.2%**	**$7,854.9**	**5.5%**
10	*Less: State Education Fund Diversion*	*$478.8*	*-1.6%*	*$520.8*	*8.8%*	*$558.5*	*7.2%*	*$589.1*	*5.5%*
11	**Total Income to General Fund**	**$5,938.0**	**3.3%**	**$6,423.8**	**8.2%**	**$6,888.6**	**7.2%**	**$7,265.8**	**5.5%**
	Other Revenue:								
12	Insurance	$239.1	13.6%	$243.6	1.9%	$250.5	2.8%	$257.1	2.6%
13	Interest Income	$12.9	-26.1%	$15.9	23.3%	$18.9	19.0%	$20.0	6.0%
14	Pari-Mutuel	$0.6	-8.8%	$0.6	-9.7%	$0.5	-5.0%	$0.5	-5.0%
15	Court Receipts	$2.6	9.5%	$2.7	3.9%	$2.5	-5.0%	$2.4	-5.0%
16	Other Income	$21.3	17.9%	$20.1	-5.7%	$21.4	6.4%	$26.1	22.0%
17	**Total Other**	**$276.9**	**11.2%**	**$282.9**	**2.2%**	**$293.9**	**3.9%**	**$306.2**	**4.2%**
18	**GROSS GENERAL FUND**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**	**$10,795.9**	**5.3%**

Table 4. General Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserve**	**$373.0**	**$435.9**	**$802.4**	**$629.5**
2	**Gross General Fund Revenue**	**$8,974.8**	**$9,641.0**	**$10,257.3**	**$10,795.9**
3	*Transfers to the General Fund*	*$14.2*	*$30.2*	*$15.4*	*$16.8*
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,361.9**	**$10,107.1**	**$11,075.0**	**$11,442.2**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$8,218.7**	**$8,765.3**	**$9,685.2**	**$10,020.5**
6	*Dollar Change (from prior year)*	*$759.5*	*$546.5*	$919.9	$335.4
7	*Percent Change (from prior year)*	10.2%	6.6%	10.5%	3.5%
8	**Spending Outside Limit**	**$545.5**	**$539.5**	**$760.3**	**$770.3**
9	*TABOR Refund /B*	*$0.0*	*$0.0*	*$136.7*	*$239.4*
10	*Rebates and Expenditures /C*	*$250.2*	*$254.7*	$267.6	$277.0
11	*Transfers to Capital Construction /D*	*$186.7*	*$225.5*	$177.8	$71.1
12	*Transfers to Highway Users Tax Fund /D*	$0.0	$0.0	$102.6	$108.0
13	*Transfers to State Education Fund under SB 13-234*	$45.3	$25.3	$25.3	$25.3
14	*Transfers to Other Funds /E*	$30.9	$33.9	$50.3	$49.6
15	*Other Expenditures Exempt from General Fund Appropriations Limit /F*	$32.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$8,764.3**	**$9,304.7**	**$10,445.5**	**$10,790.9**
17	*Percent Change (from prior year)*	10.8%	6.2%	12.3%	3.3%
18	Reversions and Accounting Adjustments	*-$49.0*	*$0.0*	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$646.7**	**$802.4**	**$629.5**	**$651.3**
20	*Year-End General Fund as a % of Appropriations*	*7.9%*	*9.2%*	6.5%	6.5%
21	*General Fund Statutory Reserve /G*	$410.9	$569.7	$629.5	$651.3
22	*Above (Below) Statutory Reserve*	$235.8	$232.6	$0.0	$0.0
23	*Transfer of Excess Reserve to Other Funds /H*	-$210.8	$0.0	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2013-14 and FY 2014-15 reflect current law. The FY 2015-16 and FY 2016-17 amounts represents the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount; these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for FY 2015-16 includes $133.1 million in revenue above the Referendum C cap shown in Table 7, as well as $3.6 million in pending amounts owed related to refunds from prior years. See pages 48-50 for further information. The refund mechanisms projected in FY 2015-16 and FY 2016-17 will reduce revenue to the General Fund. The refund mechanisms are not shown as reducing revenue in this forecast, however, only as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same.

/C Includes the Cigarette and Marijuana Rebates to Local Governments, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 39.

/D SB09-228 transfers to capital construction and the Highway Users Tax Fund are expected in FY 2015-16. The expected and budgeted transfers to capital construction that are occurring each fiscal year in the table exceed the required transfer amount, however. The amounts for FY 2013-14 and FY 2014-15 reflect the budgeted transfers under current law. The FY 2015-16 and FY 2016-17 amounts mostly reflect the needed level to fund the continuation of projects funded in prior years, specific "certificate of participation" financing agreements used for capital projects, and priority, or "Level I," building maintenance projects. Because TABOR refunds of a certain amount are projected in FY 2015-16 and FY 2016-17, the required transfers for transportation are reduced by 50 percent in those years. See page 50 for further details.

/E Under current law, General Fund money is transferred to various State cash funds. Starting in FY 2013-14, this line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

/F Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.

/G HB 14-1337 requires the reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/H All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

Table 5. General Fund and State Education Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserves**	**$556.3**	**$1,484.9**	**$1,475.1**	**$1,032.6**
2	*State Education Fund*	$183.4	$1,048.9	$672.7	$403.1
3	*General Fund*	$373.0	$435.9	$802.4	$629.5
4	**Gross State Education Fund Revenue**	**$1,605.1**	**$586.4**	**$589.7**	**$620.6**
5	**Gross General Fund Revenue /A**	**$8,989.0**	**$9,671.2**	**$10,272.7**	**$10,812.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,150.4**	**$11,742.4**	**$12,337.4**	**$12,465.9**
Expenditures					
7	General Fund Expenditures /B	$8,764.3	$9,304.7	$10,445.5	$10,790.9
8	State Education Fund Expenditures /C	*$742.2*	*$962.7*	*$859.3*	*$603.4*
9	**TOTAL OBLIGATIONS**	**$9,506.4**	**$10,267.4**	**$11,304.8**	**$11,394.3**
10	*Percent Change (from prior year)*	12.9%	8.0%	10.1%	0.8%
11	*Reversions and Accounting Adjustments*	*($51.7)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$1,695.7**	**$1,475.1**	**$1,032.6**	**$1,071.6**
13	State Education Fund /C	$1,048.9	$672.7	$403.1	$420.3
14	General Fund /D	$646.7	$802.4	$629.5	$651.3
15	*Transfer of Excess General Fund Reserve to Other Funds /E*	-$210.8	$0.0	$0.0	$0.0
16	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This amount includes transfers to the General Fund shown in line 3 in Table 4.

/B General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

/C State Education Fund expenditures, and consequently, fund balance information, through FY 2014-15 reflect current law. The expenditures for FY 2015-16 and FY 2016-17 reflect projected spending that can occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation. Thus, the expenditures and fund balance projections are illustrative only.

/D HB 14-1337 requires the General Fund reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/E All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary	September 2014 Estimate by Fiscal Year		
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Transportation-Related /A	**$1,135.7**	**$1,140.8**	**$1,159.9**	**$1,180.6**
Change	3.4%	0.4%	1.7%	1.8%
Limited Gaming Fund /B	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Change	0.2%	3.0%	2.4%	2.9%
Capital Construction - Interest	**$2.4**	**$4.0**	**$2.2**	**$1.6**
Change	139.1%	66.5%	-43.8%	-29.9%
Regulatory Agencies	**$68.5**	**$70.4**	**$74.4**	**$76.5**
Change	5.3%	5.8%	2.8%	2.9%
Insurance-Related	**$20.7**	**$21.1**	**$22.5**	**$23.6**
Change	-21.7%	2.3%	6.4%	4.8%
Severance Tax	**$260.6**	**$278.2**	**$219.5**	**$229.8**
Change	88.1%	6.7%	-21.1%	4.7%
Hospital Provider Fees /C	**$566.7**	**$532.3**	**$664.4**	**$717.6**
Change	-13.2%	-6.1%	24.8%	8.0%
Other Miscellaneous Cash Funds	**$525.2**	**$530.9**	**$544.7**	**$563.5**
Change	12.9%	0.7%	3.0%	3.5%
TOTAL CASH FUND REVENUE	***$2,678.1***	***$2,679.1***	***$2,791.3***	***$2,899.8***
Change	5.2%	0.0%	4.2%	3.9%

* CAAGR: Compound Annual Average Growth Rate.

/A Includes revenue from SB 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the

/C Figures include the impact of SB 13-200 which put into statute the expansion of Colorado's Medicaid program beginning on January 1, 2014, as allowed by the federal Affordable Care Act.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
	TABOR Revenues:				
1	General Fund /A	$8,959.7	$9,608.4	$10,207.6	$10,745.9
	Percent Change from Prior Year	4.9%	7.2%	6.2%	5.3%
2	Cash Funds /A	$2,723.4	$2,679.1	$2,791.3	$2,899.8
	Percent Change from Prior Year	6.0%	-1.6%	4.2%	3.9%
3	**Total TABOR Revenues**	**$11,683.1**	**$12,287.5**	**$12,999.0**	**$13,645.7**
	Percent Change from Prior Year	5.2%	5.2%	5.8%	5.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.5%	1.5%	1.6%
5	Previous calendar year inflation	1.9%	2.8%	2.8%	2.6%
6	**Allowable TABOR Growth Rate**	3.3%	4.2%	4.3%	4.2%
7	TABOR Limit /B	$9,566.6	$9,953.7	$10,381.7	$10,817.7
8	General Fund Exempt Revenue Under Ref. C /C	$2,116.5	$2,333.8	$2,617.3	$2,827.9
9	**Revenue Cap Under Ref. C /B, D**	**$11,852.4**	**$12,335.5**	**$12,865.9**	**$13,406.3**
10	***Amount Above/(Below) Cap***	**-$169.3**	**-$48.0**	**$133.1**	**$239.4**
11	TABOR Reserve Requirement	$350.5	$368.6	$386.0	$402.2

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C Cap for FY 2013-14 and FY 2014-15 is adjusted to account for changes in the enterprise status of various State entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.

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APPENDIX G

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 Fiscal Year 2008-09 through Fiscal Year 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 Fiscal Year 2011-12, the cap on the amount transferred to this fund is allowed to grow by 4% annually. Similarly for Fiscal Year 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 Fiscal Year 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% or higher 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. The General Assembly raised the required reserve to six and one-half percent beginning with Fiscal Year 2014-15.

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. The federal fiscal policy known as "sequestration" temporarily reduced collection of Federal Mineral Lease Revenues in federal fiscal year 2013 as shown on the following table. Federal Mineral Lease Revenues rebounded substantially in the following year. According to the September 2014 Revenue Forecast attached as **Appendix F** to this Official Statement, the impact of sequestration-related federal adjustments to such Federal Mineral Lease Revenues in the forecast period is expected to be small.

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
2009	$165.39	$25.49	$(3.45)	$126.18	$61.14	$187.32
2010	106.41	29.73	(2.51)	128.31	5.32	133.63
2011	129.65	30.12	(2.95)	154.51	2.30	156.81
2012	130.22	30.31	(2.71)	153.24	4.58	157.82
2013	123.34	15.51	(9.19)	127.07	2.59	129.66

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 and oil production on federal lands in the State. These revenues have also been cycling with the business cycle in the price of natural gas and oil. In future years, the State believes that production of natural gas and oil on federal leases will increase and that the market price of this natural gas and oil will mostly follow 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, as has occurred in recent years. 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 2014-2015, 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. The State of Colorado's Office of State Planning and Budgeting ("**OSPB**") projects in its September 2014 Revenue Forecast dated September 22, 2014 attached as **Appendix F** to this Official Statement that the State will receive approximately $184.7 million (consisting of $3.7 million of bonus payments and $181 million of non-bonus payments) of Federal Mineral Lease Revenues in Fiscal Year 2014-15. The table below presents the OSPB's projection, as of September 2014, of estimated spillover amount deposits to, annual payments from, and balances in, the Higher Education Federal Mineral Lease Revenues Fund for Fiscal Years 2013-14 through 2016-17. See page following the inside cover of this Official Statement regarding forward-looking statements. The OSPB currently forecasts that amounts in the Higher Education Federal Mineral Lease Revenues Fund will have to be supplemented with moneys from the State's General Fund to cover payments expected to be made therefrom.

Higher Education Federal Mineral Lease Revenues Fund*
Projection of Estimated Spillover Amount Deposits Pursuant to Mineral Revenues Act
As of September 2014

Fiscal Year	Spillover Projection	Projected Annual Payments*	General Fund Needed*	Final Projected Balance*
FY 2013-14	$ 9,896,826	$18,587,975	$18,095,181	$ 9,970,114
FY 2014-15	11,769,685	18,587,556	8,617,443	11,769,685
FY 2015-16	9,425,388	18,587,813	6,818,128	9,425,388
FY 2016-17	10,693,146	18,589,938	9,164,550	10,693,146

* Subject to change. Projected annual payments in this table are forecasted by the State of Colorado Office of State Planning and Budgeting based on the assumption, as of September 2014 before the pricing of the Series 2014A Certificates, that the refunding of all or a portion of the Series 2008 Certificates will be completed. Actual annual payments in Fiscal Years 2013-14, 2014-15, 2015-16, and 2016-17 with respect to the Unrefunded Series 2008 Certificates, the Series 2009 Certificates and the Series 2014A Certificates may differ significantly from the projected annual payments used for purposes of this table, and are set forth under the caption "BASE RENT" in the body of this Official Statement. See page following the inside cover of this Official Statement regarding forward-looking statements.

Source: State of Colorado Office of State Planning and Budgeting.

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APPENDIX H

Certain State Economic and Demographic Information

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of September 2014 from the sources indicated; however, since certain information is released with a significant time lag, the information in some 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 or any officer or employee of or advisor to the State*. See also **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and **Appendix F** – OSPB SEPTEMBER 2014 REVENUE FORECAST."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open, and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

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's capital, is the economic center of the State and the Rocky Mountain region. About 56 percent of the State's population and 62 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities, and professional and business services. The aerospace, bioscience, and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the state as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "**Appendix E** – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts."

Population and Age Distribution

The following table provides population figures for Colorado and the United States for the past 10 years.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	**% Change**	**Population (millions)**	**% Change**
2003	4.6	1.1%	290.1	0.9%
2004	4.6	1.2%	292.8	0.9%
2005	4.7	1.2%	295.5	0.9%
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6%	301.2	1.0%
2008	4.9	1.7%	304.1	1.0%
2009	5.0	1.5%	306.8	0.9%
2010	5.0	1.5%	309.3	0.8%
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	313.9	0.7%
2013	5.3	1.6%	316.1	0.7%

Note: Figures for 2003 through 2012 are estimates. The U.S. 2013 count is an estimate, and the 2013 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2013		United States, 2012	
	Population (millions)	**% of total**	**Population (millions)**	**% of total**
Under 18	1.26	23.8%	73.73	23.5%
18 to 24	0.51	9.7%	31.36	10.0%
25 to 44	1.47	27.9%	82.83	26.4%
45 to 64	1.39	26.3%	82.85	26.4%
65+	0.65	12.3%	43.15	13.7%
Total	5.27	100.0%	313.91	100.0%
Median Age	36.7		37.4	

Note: Totals may not add due to rounding. The U.S. 2012 count is an estimate, and the Colorado 2013 count is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	**% Change**	**Income**	**% Change**	**Income**	**% Change**
2009	$41,515		$37,178		$39,357	
2010	$41,717	0.5%	$37,519	0.9%	$40,163	2.0%
2011	$44,179	5.9%	$39,687	5.8%	$42,298	5.3%
2012	$45,775	3.6%	$41,135	3.6%	$43,735	3.4%
2013	$46,610	1.8%	$41,944	2.0%	$44,543	1.8%

[1]Per capita personal income is total personal income divided by the July 1 population estimate.
[2]The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.
Source: U.S. Bureau of Economic Analysis

Employment

The following table provides total employment, labor force, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2009	2,734.6		2,512.9		8.1%	9.3%
2010	2,722.9	-0.4%	2,478.3	-1.4%	9.0%	9.6%
2011	2,725.8	0.1%	2,493.5	0.6%	8.5%	8.9%
2012	2,746.2	0.8%	2,531.1	1.5%	7.8%	8.1%
2013	2,754.9	0.3%	2,568.2	1.5%	6.8%	7.4%
Year-to-date averages through April:						
2013	2,738.6		2,537.3		7.4%	7.8%
2014	2,771.8	1.2%	2,595.3	2.3%	6.4%	6.7%

[1] Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.
Sources: Colorado Department of Labor and Employment, Local Area Unemployment Statistics; U.S. Bureau of Labor Statistics.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Annual Number of Employees by Industry

Industry	2009	2010	2011	2012	2013	Most Recent Quarter: 2012Q4	Most Recent Quarter: 2013Q4	% Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	13,737	13,670	14,015	14,513	14,348	13,709	14,038	2.4%
Mining	24,004	24,232	27,789	30,225	30,433	30,017	31,479	4.9%
Utilities	8,404	8,266	8,138	8,037	7,832	7,959	7,929	-0.4%
Construction	131,001	115,111	112,232	115,753	127,597	120,784	135,361	12.1%
Manufacturing	129,635	125,499	129,165	131,978	132,691	133,109	133,721	0.5%
Wholesale Trade	93,275	90,853	92,192	94,262	96,636	95,881	97,873	2.1%
Retail Trade	238,417	236,726	239,985	243,699	249,235	251,499	257,204	2.3%
Transportation and Warehousing	59,072	57,134	57,863	59,850	62,398	62,204	64,017	2.9%
Information	74,679	71,694	71,950	69,733	69,817	69,569	69,841	0.4%
Finance and Insurance	100,856	98,229	98,056	99,754	103,136	101,331	103,770	2.4%
Real Estate and Rental and Leasing	42,930	41,348	41,194	41,895	42,849	42,399	43,409	2.4%
Professional and Technical Services	169,561	167,505	172,096	178,313	188,984	182,057	191,772	5.3%
Management of Companies and Enterprises	28,550	28,818	29,914	31,761	34,591	32,344	34,832	7.7%
Administrative and Waste Services	132,028	133,522	137,331	145,383	148,745	149,517	152,220	1.8%
Educational Services	28,049	28,979	30,145	31,494	31,997	32,010	32,652	2.0%
Health Care and Social Assistance	225,933	232,262	239,967	246,951	250,654	250,886	255,261	1.7%
Arts, Entertainment, and Recreation	44,555	44,621	45,564	46,704	47,166	44,513	44,330	-0.4%
Accommodation and Food Services	217,785	217,976	225,702	232,875	242,100	232,399	240,421	3.5%
Other Services	65,701	65,278	66,134	67,988	69,554	68,352	69,462	1.6%
Unclassified	761	434	492	745	1,388	754	2,654	252.0%
Government	372,472	374,911	373,154	374,628	383,637	379,108	388,247	2.4%
Total*	**2,201,406**	**2,177,069**	**2,213,075**	**2,266,539**	**2,335,786**	**2,300,401**	**2,370,492**	**3.0%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2014. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,900
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
Centura Health	Healthcare	12,500
HCA - HealthONE LLC	Healthcare	12,200
University of Colorado Health[2]	Healthcare	11,000
SCL Health System	Healthcare	8,900
Safeway Inc	Supermarkets	8,900
Lockheed Martin	Aerospace & Defense Related Systems	8,700
Target Corporation	General Merchandise	7,200
CenturyLink	Telecommunications	7,000
Home Depot	Building Materials Retailer	6,800
Wells Fargo	Banking/Financial Services	6,600
Kaiser Permanente	Health Maintenance Organization	6,300
University of Denver	Private University	6,000
Vail Resorts	Leisure & Hospitality	6,000
Comcast Corporation	Telecommunications	6,000
Children's Hospital Colorado	Healthcare	5,600
United Airlines	Air Transportation	4,900
Banner Health	Healthcare	4,600
DISH Network LLC	Satellite TV & Equipment	4,400
Oracle Corporation	Software & Network Computer Systems	4,400
JBS Swift & Company	Beef Processing/Corporate Office	4,200
IBM Corporation	Computer Systems & Services	4,200
Xcel Energy	Utility	3,700
Walgreen Company	General Merchandise	3,700

[1] Includes both full- and part-time employees.
[2] Some workers are also included in the employment count for the University of Colorado System (next table).
Source: Compiled by Development Research Partners from various sources, May 2014.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2014.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	47,200
Federal Government (except USPS)	43,200
University of Colorado System[2]	17,400
Denver Public Schools	14,500
Jefferson County Public Schools	11,300
City & County of Denver	10,900
U.S. Postal Service	10,300
Cherry Creek School District No 5	7,500
Colorado State University	6,900
Douglas County School District RE-1	6,800
Denver Health	5,700
Aurora Public Schools	5,000
Adams 12 Five Star Schools	4,900
Colorado Springs School District 11	4,500
City of Aurora	4,200
Boulder Valley School District RE-2	4,100
Colorado Springs Memorial Hospital	4,100
Poudre School District R-1	4,000
St. Vrain Valley School District RE-1J	3,800
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,000
Jefferson County	2,800
City of Colorado Springs	2,500
Regional Transportation District (RTD)	2,500
Thompson School District R2J	2,400

[1] Includes both full- and part-time employees.
[2] Some workers are also included in the employment count for University of Colorado Health (previous table).
Source: Compiled by Development Research Partners from various sources, May 2014.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	% Change	Amount (billions)	% Change
2009	$184.56		$134.17	
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$225.12	5.4%	$164.57	6.1%
2013	$234.06	4.0%	$171.11	4.0%
Year-to-date totals through Feb:				
2013	$29.74		$23.30	
2014	$31.36	5.4%	$24.22	4.0%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

Industry	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	Change	Year-to-date totals 2013	2014	% Change
Agriculture/Forestry/Fishing	283.6	-6.7%	336.3	18.6%	411.7	22.4%	406.2	-1.3%	393.3	-3.2%	31.0	28.4	-8.5%
Mining	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,815.6	22.6%	4,601.2	20.6%	558.9	742.7	32.9%
Utilities	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,332.9	-0.3%	7,612.2	3.8%	1,397.7	1,499.8	7.3%
Construction	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,396.0	20.0%	3,443.8	1.4%	380.7	480.0	26.1%
Manufacturing	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	18,192.1	14.3%	19,168.4	5.4%	2,460.2	2,540.6	3.3%
Wholesale Trade	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	14,012.4	7.1%	14,995.2	7.0%	1,630.8	1,782.0	9.3%
Retail Trade													
Motor Vehicle and Auto Parts	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,435.4	11.2%	15,644.7	8.4%	2,174.9	2,309.4	6.2%
Furniture and Furnishings	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,265.5	10.6%	2,447.4	8.0%	351.1	366.8	4.5%
Electronics and Appliances	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,077.8	-6.6%	1,983.9	-4.5%	279.3	308.3	10.4%
Building Materials/Nurseries	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,824.6	6.9%	5,289.6	9.6%	650.9	688.5	5.8%
Food/Beverage Stores	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,298.5	6.0%	15,698.7	2.6%	1,896.3	1,893.5	-0.1%
Health and Personal Care	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,886.9	6.4%	3,093.3	7.1%	421.6	494.4	17.3%
Gas Stations	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	6,011.1	4.0%	5,870.8	-2.3%	830.2	852.3	2.7%
Clothing and Accessories	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,510.2	5.2%	3,554.4	1.3%	473.7	472.0	-0.4%
Sporting/Hobby/Books/Music	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,674.0	-0.2%	2,753.1	3.0%	433.9	432.2	-0.4%
General Merchandise/Warehouse	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,185.7	4.0%	12,401.7	1.8%	1,774.8	1,769.4	-0.3%
Misc Store Retailers	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,147.8	7.1%	3,622.5	15.1%	459.6	531.1	15.6%
Non-Store Retailers	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,456.0	-6.1%	1,545.1	6.1%	228.2	267.9	17.4%
Total Retail Trade	**58,477.1**	**-12.3%**	**61,770.7**	**5.6%**	**66,927.5**	**8.3%**	**70,773.7**	**5.7%**	**73,905.2**	4.4%	**9,974.5**	**10,385.9**	**4.1%**
Transportation/Warehouse	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	710.2	19.7%	806.1	13.5%	100.4	113.6	13.1%
Information	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,242.2	-1.3%	5,787.9	-7.3%	857.4	802.4	-6.4%
Finance/Insurance	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,130.7	1.5%	2,331.6	-25.5%	396.9	149.1	-62.4%
Real Estate/Rental/Lease	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,240.7	2.7%	3,540.1	9.2%	553.2	615.1	11.2%
Professional/Scientific/Technical	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,818.2	0.7%	7,114.2	4.3%	842.8	781.0	-7.3%
Admin/Support/Waste/Remediation	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,866.1	-0.9%	1,965.1	5.3%	231.9	242.7	4.7%
Education	421.8	-8.6%	480.0	13.8%	487.1	1.5%	490.8	0.8%	459.7	-6.3%	66.0	61.8	-6.2%
Health Care/Social Assistance	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,318.5	1.5%	6,452.9	2.1%	1,048.2	1,065.4	1.6%
Arts/Entertainment/Recreation	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,036.6	5.0%	1,092.7	5.4%	161.3	169.1	4.8%
Accommodation	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,199.2	6.1%	3,365.8	5.2%	543.5	588.8	8.3%
Food/Drinking Services	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,474.1	6.7%	9,891.5	4.4%	1,510.8	1,603.8	6.2%
Other Services	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,867.8	2.8%	3,936.5	1.8%	520.8	533.5	2.4%
Government	242.5	-2.9%	262.4	8.2%	268.2	2.2%	244.5	-8.8%	250.7	2.5%	35.9	37.4	4.4%
Total All Industries	**134,166.8**	**-12.2%**	**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**164,568.4**	**6.1%**	**171,114.1**	4.0%	**23,302.6**	**24,223.1**	**4.0%**

Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		Conventions[2]: *Conventions*		*Delegates*		*Spending*		Skier Visits[3]	
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2009	5.44		66		244.7		$487.4		11.86	
2010	5.64	3.5%	75	13.6%	267.6	9.4%	$533.1	9.4%	11.86	0.1%
2011	5.82	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.81	-0.1%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%
2013	5.39	-7.2%	N/A		N/A		N/A		11.45	3.9%

[1] Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[2] Includes only those conventions held at the Colorado Convention Center.
[3] Count of skier visits for the season ending in the referenced year.
Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2009	7,261	142	93	1,859	9,355	
2010	8,790	276	136	2,389	11,591	23.9%
2011	8,723	266	127	4,386	13,502	16.5%
2012	12,617	304	97	10,283	23,301	72.6%
2013	15,772	408	148	11,189	27,517	18.1%
Year-to-date totals through April:						
2013	5,011	98	8	3,382	8,499	
2014	5,699	148	43	3,506	9,396	
% change	*13.7%*	*51.0%*	*437.5%*	*3.7%*	*10.6%*	

Source: U.S. Census Bureau.

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2009	46,394		20,437	
2010	42,692	-8.0%	23,891	16.9%
2011	31,975	-25.1%	19,617	-17.9%
2012	28,579	-10.6%	15,903	-18.9%
2013	15,333	-46.3%	9,318	-41.4%
Year-to-date totals through first quarter:				
2013	4,571		2,935	
2014	3,441	-24.7%	1,718	-41.5%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing.

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APPENDIX I

State Pension System

*The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("**PERA**") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2013 (the "**PERA 2013 CAFR**"), which is the most current PERA CAFR available. The PERA CAFR is prepared by PERA staff employees and the firm Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and is audited by KPMG, LLP, PERA's independent public accounting firm. The valuation and other assessments of PERA constitute forward-looking information as described in* "CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" *because they are based on assumptions about future events. The assumptions underlying the valuation and assessment may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments.*

The following information, as well as information in the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements regarding PERA, is derived from the PERA 2013 CAFR.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (for State employees) (the "**State Division**"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "Plan." As described in more detail under the caption "Funding and Contributions" below, the Plan is funded with payments made by the State and by each employee, the amount of which are determined and established by statute. Benefits provided through the Plan are paid from the State Division. State employees hired after 2005 may, in lieu of participating in the Plan, elect to participate in a defined contribution plan (the "**DC Plan**") which is also administered by PERA. However, the majority of State employees participate in the Plan. See Notes 1 and 8 to the PERA 2013 CAFR for a discussion of the membership in the Plan and in the DC Plan, respectively. The State has no obligation to make contributions or fund benefits in divisions other than the State Division and Judicial Division of PERA. Because the majority of State employees participate in the Plan and not in the DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the Plan. See Note 20 to the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement and Note 8 to the PERA 2013 CAFR for a discussion of the DC Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State (as further described in Article 51 of Title 24, C.R.S. (the "**PERA Act**"). Management of PERA is vested in a 16-member Board of Trustees (the "**PERA Board**"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. The reference to the website of PERA is included herein for informational purposes only, and information available at such website or in PERA's financial statements, or any information provided by PERA, is not incorporated in this Official Statement by reference or otherwise. The State makes no representations regarding the accuracy of the information available at such website.

Plan Provisions

In response to funding challenges, the General Assembly has enacted changes to Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement, the PERA 2013 CAFR and Title 24, Article 51, C.R.S., for a discussion of the various tiers of benefits under the Plan.

Funding and Contributions

Statutorily Required Contribution. The State's contributions to the Plan are based on percentages of employee wages, which percentages are set by statute. Such contribution percentages are referred to herein as the "**Statutorily Required Contribution**," or the "**SRC**," of the State. The baseline SRC that is made by the State for most State employees is 10.5% of each employee's salary for Fiscal Years 2009-10 and 2010-11. As discussed under "Annual Required Contribution" below, the SRC is lower than the actuarially computed Annual Required Contribution ("**ARC**"). The State has paid 100% of the SRC for each of Fiscal Years 2007-08 through 2012-13. See Note 18 to the State's Fiscal Year 2012-13 CAFR appended to this Official Statement for a summary of the SRC percentages payable by, and percentage amounts paid by, the State for such Fiscal Years. As required by statute, State employees generally contribute 8.0% of their wages to the Plan, although for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for these Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 2.5% as part of the SRC. No assurance can be given regarding whether the General Assembly, through legislative action, will or will not further modify the amounts required to be contributed to the Plan by the State and its employees in any given year.

The State enacted legislation in 2004 and 2006 to gradually increase employer contributions to the Plan by authorizing the Amortization Equalization Disbursement (the "**AED**") and the Supplemental Amortization Equalization Disbursement (the "**SAED**") to reduce the amount of time over which funding shortfalls in the Plan would remain outstanding. Both the AED and SAED are paid by the State as contributions to the Plan, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. When and if the scheduled increases in

AED and SAED are fully implemented at the end of 2017, the total State contribution to the Plan will be equal to 20.15% of employee wages. See Note 18 to the State's Fiscal Year 2012-13 CAFR and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement for a discussion of the AED and SAED.

Annual Required Contribution. The Annual Required Contribution, or "**ARC**," is the amount required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the Plan plus an annual amortization of the unfunded actuarial accrued liability ("**UAAL**"), assuming that the UAAL will be fully funded over a 30-year period. The ARC is designed to quantify the current liability for future benefit payments associated with a defined benefit plan, and is based on accounting standards which generally allow a maximum period of 30 years to fund shortfalls in the market or actuarial value of the Plan's assets. As a result, the ARC is greater than the SRC because it results in a 30-year amortization period of the UAAL instead of a 60-year amortization period (at December 31, 2013, based on contribution rates as of the date of calculation). The ARC amount varies from year-to-year as the investment market changes and the value of Plan assets changes, and is different from the SRC which, as described above, is set by statute and changed only when the General Assembly determines that the SRC will result in overfunding or underfunding of the Plan over the long term. As shown in Table 1 below, the State consistently makes the SRC, but in recent years it has not contributed the ARC.

Historical State Contributions. The following table shows (i) the ARC and SRC for the Plan over each of the ten years through December 31, 2013, (ii) the State's contributions expressed as a percentage of the ARC and (iii) the difference between the ARC and the State's actual contributions.

Table 1
Employer Contributions
State and School Division 2004 through 2005; State Division 2006 through 2013
(Dollar amounts in thousands)

Plan [1]	Calendar Year	Annual Required Contribution (ARC) [2]	Statutory Required Contribution (SRC) [3]	Actual Employer Contribution	Actual Contribution as a Percent of ARC	Amount Unfunded ARC-Actual Employer Contribution
State Division	2013	$495,241	$401,658 [4]	$401,658	79.00%	$98,500
State Division	2012	393,991	335,073 [5]	335,073	83.00	58,918
State Division	2011	326,274	283,222 [6]	283,222	86.81 [7]	43,052
State Division	2010	452,821	287,624 [8]	287,624	63.52	165,197
State Division	2009	426,999	297,240	297,240	69.61	129,759
State Division	2008	437,537	270,353	270,353	61.79	167,184
State Division	2007	385,352	232,997	232,997	60.46	152,355
State Division	2006	405,800	208,795	208,795	51.45	197,005
State and School Division	2005	918,466	491,031	491,031	53.46	427,435
State and School Division	2004	918,025	452,991	452,991	49.34	465,034

[1] Prior to 2006 the State Division and School Division of PERA were combined and actuarial valuations were not done separately for the State or for schools.
[2] In accordance with GAAP, results in amortization of UAAL over 30 years. Based on the annual actuarial valuation two years prior to the calendar year shown.
[3] The SRC for the State Division is higher for State troopers than for other State employees. However, the number of State troopers employed by the State is small in comparison to the number of other State employees, so the State contribution for these employees is combined with other State Division employees in this table.
[4] Results in amortization of UAAL over 60 years as of December 31, 2013.
[5] Results in amortization of UAAL over 53 years as of December 31, 2012, based upon an investment return assumption of 8%. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed interest rates.
[6] Results in amortization of UAAL over 56 years as of December 31, 2011.
[7] Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.
[8] Results in amortization of UAAL over 47 years as of December 31, 2010.
Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010, 2011 and 2012

Plan Assets, Liabilities and Funding Levels

At December 31, 2013, based on PERA's 2013 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately $13.1 billion and $22.8 billion, respectively, resulting in a UAAL of approximately $9.7 billion and a funded ratio of 57.5%, assuming an investment rate of return of 7.5%. The UAAL would amortize over a 60-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.5%. At December 31, 2013, the funded ratio of the Plan based on the market value of assets was 61.0%, representing a UAAL of $8.9 billion. Table 2 below sets forth for each of the ten years through December 31, 2013, the UAAL, funded ratio and related information for the Plan based on the actuarial value of Plan assets. Table 3 below sets forth for each of the ten years through December 31, 2013, the UAAL, funded ratio and related information for the Plan based on the market value of Plan assets.

When calculating the funding status of the Plan as summarized in Table 2 below, the PERA 2013 CAFR indicates that the following actuarial assumptions, among others, were used: (1) the actuarial cost method is based on the entry age of participants; (2) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (3) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period; (4) projected salary increases are expected to range from 3.9% to 9.57%; (5) the rate of inflation is assumed to be 2.80% and the rate of productivity increase is 1.10%; however, both are included in the assumed 7.50% rate of investment return and in the projected salary increases; (6) an 7.50% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2013 CAFR for a discussion of the actuarial methods and assumptions used in calculating the funding status of the Plan. No assurance can be given that any of the assumptions underlying the actuarial valuations of the Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of plan assets, the AAL, the UAAL, the funded ratio or the ARC.

Table 2
Historical Funding Progress
Actuarial Value of Plan Assets
State and School Division 2004; State Division 2005 through 2013
(Dollar Amounts in Thousands)

Plan[1]	Date Ending December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2013	$13,129,460	$22,843,725	$9,714,265	57.5%	$2,474,965	392.5%
State Division	2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
State Division	2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
State Division	2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
State Division	2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
State Division	2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
State Division	2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
State Division	2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
State Division	2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4
State and School Division	2004	28,594,699	40,783,531	12,188,832	70.1	5,303,439	229.8

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for Schools.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010, 2011 and 2013

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2004 through 2005; State Division 2006 through 2013

(Dollar Amounts in Thousands)

Plan[1]	Valuation Date (December 31)	Market Value of Assets[2]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2013	$13,935,754	$22,843,725	$8,907,971	61.0%	$2,474,965	392.5%
State Division	2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	362.8
State Division	2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
State Division	2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
State Division	2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
State Division	2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
State Division	2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
State Division	2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
State and School Division	2005	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7
State and School Division	2004	30,019,896	40,783,531	10,763,635	73.6	5,303,439	203.0

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.
[2] Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.
Source: PERA Comprehensive Annual Financial Reports for calendar years 2003 through 2013

The following table sets forth PERA's change in net position for Fiscal Years 2004 through 2013.

Table 4
PERA Changes in Net Position[1]
(Dollar Amounts in Thousands)

State and School Division Trust Fund[2]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ADDITIONS										
Employer contributions	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222	$ 335,073	$ 401,658
Member contributions	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678	227,058	202,799
Purchased service	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277	16,358	22,241
Investment income (loss)	3,663,632	2,827,871	1,921,863	1,388,265	(3,745,843)	1,742,571	1,553,142	232,669	1,511,244	1,931,658
Other	30	(9)	1	4	7	3	1	331	150	4,869
Total additions	4,720,068	3,957,521	2,340,104	1,809,496	(3,270,687)	2,242,812	2,076,503	786,177	2,089,883	2,563,225
DEDUCTIONS										
Benefit payments	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707	1,231,922	1,295,780
Refunds	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090	69,221	68,735
Disability insurance premiums	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685	1,570	2,229
Administrative expenses	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685	8,568	9,780
Other	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)	3,911	3,593
Total deductions	1,824,008	2,020,755	927,904	998,727	1,073,041	1,139,355	1,201,156	1,250,621	1,315,192	1,380,117
Change in net position available	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)	774,691	1,183,108
Net position at beginning of year	27,123,836	30,019,896	12,629,060	14,041,260	14,852,029	10,508,301	11,611.758	12,487,105	12,022,661	12,797,352
Net position at end of year	$30,019,896	$31,956,662	$14,041,260	$14,852,029	$10,508,301	$11,611,758	$12,487,105	$12,022,661	$12,797,352	$13,980,460

[1] The above table is presented on a cash basis.
[2] The State and School Division Trust Funds merged on July 1, 1997, and separated on January 1, 2006.
Source: PERA Comprehensive Annual Financial Report for calendar year 2013

Investment of Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds, and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 and the Investment Section of the PERA 2013 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Current Litigation Affecting the PERA Act

The State, PERA and others are defendants in a class action lawsuit brought in Denver District Court by several PERA retirees challenging the constitutionality of a provision of SB 10-001 which amended the PERA Act to reduce the annual cost of living adjustment increase payable to existing and future PERA retirees in an effort to reach a 100% funded ratio within 30 years. See "Plan Assets, Liabilities and Funding Levels" above. In June of 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October of 2012, the Colorado Court of Appeals reversed the District Court decision, finding the plaintiffs have a contractual right to the cost of living adjustment increases, and remanded the case back to the District Court to determine if the reduction was a substantial impairment and whether the reduction was reasonable and necessary to serve a significant and legitimate public purpose. In November of 2012, both the plaintiff and defendants filed appeals to the Colorado Supreme Court regarding the decision of the Court of Appeals. The Colorado Supreme Court agreed to review the case, which has been briefed by the parties and is scheduled for oral argument on June 4, 2014.

PERA is a defendant in a legal proceeding brought in 2012 by the Memorial Health System and the City of Colorado Springs concerning the sale of the System and the City's withdrawal liability from PERA. PERA estimates that Memorial's share of the unfunded liability is in the range of approximately $200-$250 million. On February 10, 2014, the Denver District Court granted summary judgment in favor of PERA, finding that the City and the System are required by statute to pay into PERA a reserve to fund retirement benefits for vested employees and former employees who are presently or in the future will receive retirement benefits from PERA. The decision of the District Court is being appealed.

See Note 7 to the PERA 2013 CAFR for a discussion of this litigation.

Future Accounting Standards

Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division has an unfunded accrued actuarial liability of approximately $9.7 billion as of December 31, 2013. However, at June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See Note 1 to the State's and Unaudited Fiscal Year 2013-14 Basic Financial Statements appended to this Official Statement.

Effect of Pension Liability on the Series 2014A Certificates

For a discussion of the State's current pension liability, see the Management's Discussion and Analysis in the Financial Section of the State's Fiscal Year 2012-13 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions." No assurances can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement including this **Appendix I** or the State's ability to fully pay the Series 2014A Certificates. **The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay the Series 2014A Certificates.**

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