NEW ISSUE - Book-Entry Only

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

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with the covenants described herein, the portion of the Base Rentals paid by the State which is designated and paid as interest (including any original issue discount properly allocable to certain Series 2009A Certificates), as provided in the Lease, and received by the Owners of the Series 2009A Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and, under existing Colorado statutes, such portion of the Base Rentals paid by the State which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Series 2009A Certificates, is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. The portion of the Base Rentals paid by the State which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Series 2009B Certificates (including any original issue discount properly allocable to certain of the Series 2009B Certificates) is included in gross income for federal income tax purposes, but exempt from Colorado income tax. See "TAX MATTERS" herein.

$338,790,000
CERTIFICATES OF PARTICIPATION, SERIES 2009
(Ralph L. Carr Justice Complex and Colorado History Center Projects) Evidencing Proportionate Interests in Base Rentals and other Revenues under an Annually Renewable Master Build to Suit Lease Purchase Agreement between CHS/CJC Building, Inc., as lessor, and the State of Colorado, as lessee

$39,030,000
TAX EXEMPT CERTIFICATES OF PARTICIPATION, SERIES 2009A

$299,760,000
TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2009B
(Build America – Direct Payment)

Dated: Date of Delivery

Due: As shown on inside cover

The Series 2009A/B Certificates are being executed and delivered as fully registered certificates in denominations of $5,000 or integral multiples thereof. When delivered, the Series 2009A/B Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York. DTC initially will act as securities depository for the Series 2009A/B Certificates. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers of the Series 2009A/B 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 2009A/B Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Glossary attached as **Appendix B-1** to this Official Statement.*

The Series 2009A/B Certificates constitute proportionate interests in the assignment by the Lessor to the Trustee, pursuant to the Assignment Agreement and the Indenture described below, of the Lessor's right to receive certain revenues pursuant to an annually renewable Master Build to Suit Lease Purchase Agreement, dated as of July 1, 2009 (the "**Lease**"), entered into by and between CHS/CJC Building, Inc., a Colorado nonprofit corporation, as lessor (the "**Lessor**"), and the State of Colorado (the "**State**"), acting by and through the State Court Administrator and the President of the Colorado Historical Society (the "**Society**"), as lessee. The Trustee and the Lessor will enter into an Assignment and Assumption Agreement dated as of July 1, 2009 (the "**Assignment Agreement**") pursuant to which the Lessor will assign and the Trustee will accept the assignment of all of the Lessor's right, title, and interest in, to and under (i) the Lease, (ii) all Base Rentals, Subsidy Payments relating to the Build America Series 2009B Certificates, other Revenues and collateral, security interests and attendant rights and obligations derived under the Lease, (iii) the Site Lease, and (iv) the Leased Property and any reversion therein, and will assume the obligation to perform and satisfy all the terms, covenants, and conditions of the Lease on the part of the Lessor to be performed. The Series 2009A/B Certificates will be executed and delivered pursuant to and secured by a Mortgage and Indenture of Trust, dated as of July 1, 2009 (the "**Indenture**"), by and between the Lessor, as settlor and mortgagor, and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee and mortgagee (the "**Trustee**"). Pursuant to statutes enacted in the 2008 session of the Colorado General Assembly, for each year in which the Lease is renewed, the State will pay Base Rentals under the Lease, subject to the terms of the Lease, from certain moneys appropriated by the General Assembly for such purpose. See "SECURITY AND SOURCES OF PAYMENT – Sources of Payment" and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND."

The net proceeds of the Series 2009A/B Certificates will be used to (i) finance the design, development, equipping, construction, relocation, and interim accommodation of facilities and parking for the Ralph L. Carr Justice Complex (the "**Justice Center Project**"); (ii) finance the design, development, equipping, construction, relocation, and interim accommodation of facilities for a new Colorado History Center (the "**Colorado History Center Project**"); (iii) pay costs of issuance of the Series 2009A/B Certificates; (iv) pay capitalized interest; (v) fund a deposit to the Subsidy Stabilization Fund established under the Indenture; and (vi) make deposits to funds and accounts held by the Trustee under the Indenture. The Justice Center Project and the Colorado History Center Project are collectively referred to herein as the "**Projects**." The Colorado General Assembly, in its 2008 session, adopted Senate Bill 08-206 to authorize the Projects. The Colorado History Center Project will be constructed on real property (the "**Colorado History Center Site**") to be owned by the State on the date of execution and delivery of the Series 2009A/B Certficates. The Colorado History Center Site and the real property owned by the State on which the Justice Center Project will be located (the "**Justice Center Site**" and, together with the Colorado History Center Site, the "**Sites**") are the subject of a Master Site Lease, dated as of July 1, 2009 (the "**Site Lease**"), between the State, acting by and through the Colorado Department of Personnel and Administration, and the Lessor, as ground lessee, pursuant to which the State will lease the Sites to the Lessor.

Upon the occurrence of an Event of Lease Default or Event of Nonappropriation under the Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased pursuant to the Lease, subject to the terms of the Lease and the Indenture. The "**Leased Property**" upon issuance of the Series 2009A/B Certificates consists of the Lessor's leasehold interest in the Sites pursuant to the Site Lease, the Lessor's ownership interest in the facilities that will comprise the Projects on the Sites that will be leased by the Lessor to the State pursuant to the Lease, and any other property leased pursuant to the Lease.

Principal of and interest on the Series 2009A/B Certificates will be payable to DTC, or its nominee, as owner of the Series 2009A/B Certificates, by the Trustee. Interest on the Series 2009A/B Certificates is payable on March 15 and September 15 of each year, commencing March 15, 2010, as more fully described herein. Principal of the Series 2009A/B Certificates is payable on the dates, and interest is payable at the rates, shown on the inside cover.

Maturity Schedule on Inside Cover

The Series 2009A Certificates are not subject to optional redemption prior to maturity, but are subject to extraordinary optional redemption and extraordinary mandatory redemption under certain circumstances. The Series 2009B Certificates are subject to optional redemption, mandatory sinking fund redemption, extraordinary optional redemption, and extraordinary mandatory redemption under certain circumstances. See "THE SERIES 2009A/B CERTIFICATES – Redemption."

The Series 2009A/B Certificates are payable (except as otherwise described herein) solely from (i) all amounts payable by or on behalf of the State or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Subsidy Payments, Prepayments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals and (ii) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund).

Payment of Base Rentals and all other payments by the State under the Lease shall constitute currently budgeted expenditures of the State, if an appropriation has been effected for such purpose and the Lease has been renewed, and shall be paid from certain moneys in the State Historical Fund appropriated by the Colorado General Assembly to the Society for such purpose, certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund, and other legally available moneys appropriated by the Colorado General Assembly from any source for such purpose. Gross Base Rentals are expected to be offset by Subsidy Payments to the extent received by the Trustee on behalf of the State pursuant to the Indenture. The obligations of the State to pay Base Rentals and all other obligations of the State under the 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 Lease, the sole security available to the Lessor under the Lease shall be the Leased Property leased under the Lease, subject to the terms of the Lease, and any amounts available under the Indenture.

The Series 2009A/B Certificates constitute proportionate interests in the assignment by the Lessor to the Trustee of the Lessor's right to receive Base Rentals, Subsidy Payments and certain other Revenues under the Lease and shall be payable solely from the Trust Estate. Neither the Indenture nor the Series 2009A/B Certificates shall constitute a general corporate obligation of the Lessor, and the Lessor shall have no obligation with respect to the Series 2009A/B Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Assignment Agreement and the Indenture. Neither the Lease nor the Indenture shall create any pecuniary liability on the part of the directors or officers of the Lessor. No provision of the Lease shall be construed or interpreted as a delegation of governmental powers or as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State or a general obligation or other indebtedness of the State within the meaning of any constitutional, or statutory, debt limitation, including without limitation Article X, Section 20 of the Constitution of the State. The Lease shall not directly or indirectly obligate the State to make any payments beyond those for which an appropriation has been effected by the State for the State's then current Fiscal Year. The State shall be under no obligation whatsoever to exercise its option to purchase all or a portion of the Projects. No provision of the Lease shall be construed to pledge or to create a lien on any class or source of State moneys, nor shall any provision of the Lease restrict the future issuance of any State bonds or obligations payable from any class or source of State moneys.

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 2009A/B Certificates are offered when, as and if delivered, subject to the approving opinion of Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado, as Special Counsel, and certain other conditions. 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 Hogan & Hartson LLP, Denver, Colorado. North Slope Capital Advisors has acted as financial advisor to the State in connection with the execution and delivery of the Series 2009A/B Certificates. It is expected that the Series 2009A/B Certificates will be executed and available for delivery through the facilities of DTC, on or about July 23, 2009.

Dated: July 16, 2009

MATURITY SCHEDULE

$39,030,000
TAX EXEMPT CERTIFICATES OF PARTICIPATION, SERIES 2009A

(CUSIP six digit issuer No. 196711†)

Maturity Date (September 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2012	$5,070,000	5.00%	111.067%	1.39%	LK9
2013	5,200,000	5.00	112.594	1.83	LL7
2014	1,295,000	4.00	107.446	2.45	LM5
2014	1,915,000	3.00	102.641	2.45	MB8
2014	2,210,000	5.00	112.251	2.45	MC6
2015	250,000	4.50	109.828	2.75	LN3
2015	5,285,000	3.25	102.806	2.75	MD4
2016	525,000	4.50	109.578	3.00	LP8
2016	5,215,000	3.25	101.594	3.00	ME2
2017	225,000	5.00	112.430	3.25	LQ6
2017	4,070,000	3.50	101.773	3.25	MF9
2017	1,645,000	3.00	98.221	3.25	MG7
2018	3,875,000	4.50	108.170	3.45	LR4
2018	2,250,000	3.25	98.440	3.45	MH5

† Neither the State nor the Underwriters take responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2009A Certificates.

Piper Jaffray & Co. **George K. Baum & Company**
RBC Capital Markets

MATURITY SCHEDULE

$299,760,000
TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2009B
(Build America – Direct Payment)

(CUSIP six digit issuer No. 196711†)

Maturity Date (September 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2019	$6,635,000	5.27%	100%	5.27%	LS2
2020	6,815,000	5.42	100	5.42	LT0
2021	7,060,000	5.57	100	5.57	LU7
2022	7,325,000	5.74	100	5.74	LV5
2023	7,610,000	5.97	100	5.97	LW3
2024	7,915,000	6.12	100	6.12	LX1

$44,770,000 6.25% Term Certificate Due September 15, 2029, Price: 99.198%, Yield: 6.32% CUSIP: LY9
$122,905,000 6.45% Term Certificate Due September 15, 2039, Price 99.070%, Yield: 6.52% CUSIP: LZ6
$88,725,000 6.65% Term Certificate Due September 15, 2045, Price 99.042%, Yield: 6.72% CUSIP: MA0

† Neither the State nor the Underwriters take responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2009B Certificates.

George K. Baum & Company **Piper Jaffray & Co.**
RBC Capital Markets

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 2009A/B 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 2009A/B Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, 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 2009A/B 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 2009A/B 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 2009A/B Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2009A/B 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 information set forth in this Official Statement with respect to the State, the Series 2009A/B Certificates and the terms of the offering, including the merits and risks involved. The Series 2009A/B 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 2009A/B 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 2009A/B CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2009A/B CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$39,030,000
TAX EXEMPT CERTIFICATES OF PARTICIPATION, SERIES 2009A

$299,760,000
TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2009B (Build America – Direct Payment)

INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of $338,790,000 aggregate principal amount of Certificates of Participation, Series 2009 (Ralph L. Carr Justice Complex and Colorado History Center Projects) consisting of $39,030,000 aggregate principal amount of Tax Exempt Certificates of Participation, Series 2009A (the "**Series 2009A Certificates**") and $299,760,000 aggregate principal amount of Taxable Certificates of Participation, Series 2009B (Build America – Direct Payment) (the "**Series 2009B Certificates**" and, together with the Series 2009A Certificates, the "**Series 2009A/B Certificates**"). The Series 2009A/B Certificates are being delivered pursuant to a Mortgage and Indenture of Trust (the "**Indenture**"), dated as of July 1, 2009 by and between The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee and mortgagee (the "**Trustee**"), and the Lessor (described below), as settlor and mortgagor. The Series 2009A/B Certificates will be paid and secured and will constitute proportionate interests in the assignment by the Lessor to the Trustee, pursuant to the Assignment Agreement (defined below) and the Indenture, of the Lessor's right to receive the Base Rentals (defined below) under the annually renewable Master Build to Suit Lease Purchase Agreement dated as of July 1, 2009 (the "**Lease**") between CHS/CJC Building, Inc., a Colorado nonprofit corporation, as lessor (the "**Lessor**"), and the State of Colorado (the "**State**"), acting by and through the State Court Administrator and the President of the Colorado Historical Society, as lessee, the Subsidy Payments, and other Revenues (defined below). Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached as **Appendix B-1** hereto.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside 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 2009A/B Certificates to potential investors is made only by means of the entire Official Statement.

Authority for Delivery

The Series 2009A/B Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including statutes enacted in the 2008 session of the Colorado General Assembly as further described herein. Pursuant to Senate Bill 08-206 (the "**Authorizing Legislation**") and Sections 24-82-102(1), and 24-82-801, Colorado Revised Statutes, as amended, the General Assembly has authorized the execution by the State Court Administrator and the President of the State Historical Society of lease-purchase agreements and related instruments in order to fund the costs of the Projects described herein, to pay the costs of issuance of the Series 2009A/B Certificates, and to make deposits to funds and accounts held by the Trustee under the Indenture. See "PLAN OF FINANCING." For purposes of complying with the limitations on Maximum Aggregate Annual Lease Payments (defined below) under the Lease, the Colorado Recovery and Reinvestment Finance Act of 2009, Title 11, Article 59.7, Colorado Revised Statutes (the "**CRRFA**"), permits the Base Rentals due under the Lease to be netted against, and reduced by, the Subsidy Payments (defined below) with respect to the Series 2009B Certificates expected to be received by the Trustee on behalf of the State pursuant to the Indenture, as a result of the designation of the Series 2009B Certificates as "Build America" certificates. See "Terms of the Series 2009A/B Certificates – Designation of the Series 2009B Certificates as "Build America" Certificates" under this caption.

The State

The Series 2009A/B Certificates will be payable from amounts annually appropriated by the Colorado General Assembly to make payments under the Lease, and certain other Revenues. The Authorizing Legislation provides that payments by the State under the Lease be made, to the extent appropriated by the Colorado General Assembly, from (i) certain moneys in the State Historical Fund appropriated by the Colorado General Assembly to the Society for such purpose and not reserved for the Statewide Grant Program for Preservation, (ii) certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund for such purpose, and (iii) other legally available moneys of the State that may be appropriated by the Colorado General Assembly from any source for such purpose. Gross Base Rentals are expected to be offset by Subsidy Payments to the extent received by the Trustee on behalf of the State pursuant to the Indenture. See "BASE RENTALS," "THE SERIES 2009A/B CERTIFICATES – Designation of the Series 2009B Certificates as "Build America" Certificates," and "TAX MATTERS."

Investors should closely review the financial and other information included in this Official Statement regarding the State, including the State Historical Fund, the Justice Center Cash Fund, and the State General Fund, to evaluate any risks of nonappropriation by the Colorado General Assembly. See "STATE FINANCIAL INFORMATION" and Appendices A, E, F, and G hereto.

The Trustee, the Lessor, and the Assignment Agreement

The Trustee and the Lessor will enter into an Assignment and Assumption Agreement dated as of July 1, 2009 (the "**Assignment Agreement**") pursuant to which the Lessor will assign to the Trustee and the Trustee will accept all of the Lessor's right, title, and interest, in, to and under (i) the Lease, (ii) all Base Rentals, Subsidy Payments, other Revenues and collateral, security interests and attendant rights and obligations derived under the Lease, (iii) the Site Lease, and (iv) the Leased Property and any reversion therein, and will assume the obligation to perform and satisfy all the terms, covenants, and conditions of the Lease on the part of the Lessor to be performed.

Purposes of the Series 2009A/B Certificates

Proceeds from the sale of the Series 2009A/B Certificates will be used to (i) finance the design, development, construction, equipping, relocation, and interim accommodation of facilities and parking for the Ralph L. Carr Justice Complex (the "**Justice Center Project**"); (ii) finance the design, development, equipping, construction, relocation and interim accommodation of facilities and offices for a new Colorado History Center (the "**Colorado History Center Project**"); (iii) pay costs of issuance of the Series 2009A/B Certificates; (iv) pay capitalized interest; (v) fund a deposit to the Subsidy Stabilization Fund established under the Indenture; and (vi) make deposits to funds and accounts held by the Trustee under the Indenture. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2009A/B Certificates. The Justice Center Project and the Colorado History Center Project are collectively referred to herein as the "**Projects**."

The State Court Administrator and the President of the Colorado Historical Society

On behalf of the State, the State Court Administrator and the President of the Colorado Historical Society will execute the Lease, and the Colorado Department of Personnel and Administration will execute the Master Site Lease dated as of July 1, 2009 (the "**Site Lease**") pursuant to which the State will lease to the Lessor (i) the real property to be owned by the State on which the Colorado History Center Project will be constructed (the "**Colorado History Center Site**") and (ii) the real property owned by the State on which the Justice Center Project will be located (the "**Justice Center Site**" and, together with the "**Colorado History Center Site**," the "**Sites**"). The State will lease the Leased Property (defined below) from the Lessor pursuant to the Lease. The State, acting through the Colorado Historical Society (the "**Society**") and the Colorado Judicial Department (the "**Department**"), respectively, will enter into one or more Use Agreements (each, a "**Use Agreement**") pursuant to which the Society and the Department will manage the design, construction, and relocation of the Colorado History Center Project and the Justice Center Project, respectively. The Society and the Department will also operate and maintain the Colorado History Center Project and the Justice Center Project, respectively, upon completion.

The Leased Property

The "**Leased Property**" upon issuance of the Series 2009A/B Certificates consists of the Lessor's leasehold interest in the Sites pursuant to the Site Lease, the Lessor's ownership interest in the facilities that will comprise the Projects on the Sites that will be leased by the Lessor to the State pursuant to the Lease, and any other property leased pursuant to the Lease. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." **Upon any decision of the State not to appropriate and thereby terminate the Lease, the State would relinquish its right to use all of the Leased Property through the term of the Site Lease.** The State shall have the option under certain circumstances to purchase all of the Leased Property, or only the Colorado History Center Project or, if the Colorado History Center Project has been purchased by the State, the Justice Center Project, but only if there is not then an Event of Lease Default, or so long as an Event of Nonappropriation has not occurred and is then continuing.

Terms of the Series 2009A/B Certificates

Payments

The Series 2009A/B Certificates will be dated the date of delivery and bear interest from such date to maturity, payable semiannually on March 15 and September 15 of each year, commencing March 15, 2010. Interest on the Series 2009A/B Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The Series 2009A/B Certificates will mature as shown, and shall bear interest at the per annum rates set forth, on the inside cover of this Official Statement. See "THE SERIES 2009A/B CERTIFICATES – Generally." For each year in which the Lease is renewed, the State will pay Base Rentals under the Lease as described in "BASE RENTALS," subject to the terms of the Lease, from certain moneys in the State Historical Fund appropriated by the Colorado General Assembly to the Society for such purpose and not reserved for the Statewide Grant Program for Preservation, certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund for such purpose, and other legally available moneys of the State that may be appropriated by the Colorado General Assembly from any source for such purpose. Gross Base Rentals are expected to be offset by Subsidy Payments to the extent received by the Trustee on behalf of the State pursuant to the Indenture. See "BASE RENTALS," "THE SERIES 2009A/B CERTIFICATES - Designation of the Series 2009B Certificates as "Build America" Certificates," "SECURITY AND SOURCES OF PAYMENT – Sources of Payment," and "TAX MATTERS."

Designation of the Series 2009B Certificates as "Build America" Certificates

The State has elected to treat the Series 2009B Certificates as "Build America" certificates for purposes of the federal American Recovery and Reinvestment Act of 2009 (the "**Federal Recovery Act**") and to receive cash subsidy payments (the "**Subsidy Payments**") from the United States Treasury in connection therewith. Such Subsidy Payments, to the extent received by the State from the United States Treasury and held by the Trustee on behalf of the State, are expected to be used to offset a portion of the Gross Base Rentals due each Fiscal Year under the Lease. See "BASE RENTALS," "THE SERIES 2009A/B CERTIFICATES - Designation of the Series 2009B Certificates as "Build America" Certificates," and "TAX MATTERS." The Trustee is required under the Indenture to request, on behalf of the State, the Subsidy Payments from the United States Treasury. See "THE SERIES 2009A/B CERTIFICATES – Designation of the Series 2009B Certificates as "Build America" Certificates" and "CERTAIN RISK FACTORS – Build America Subsidy Payments."

Denominations

The Series 2009A/B Certificates are deliverable in the authorized denomination of $5,000 or integral multiples thereof, provided that no Series 2009A/B Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Series 2009A/B Certificate may be executed and delivered for more than one maturity.

Redemption

The Series 2009A Certificates are not subject to optional redemption prior to maturity, but are subject to extraordinary optional redemption and extraordinary mandatory redemption under certain circumstances. The Series 2009B Certificates are subject to optional redemption, mandatory sinking fund redemption, extraordinary optional redemption, and extraordinary mandatory redemption under certain circumstances. See "THE SERIES 2009A/B CERTIFICATES – Redemption."

Book-Entry System

The Series 2009A/B 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 2009A/B Certificates and principal of, premium, if any and interest on the Series 2009A/B Certificates shall be paid by wire transfer to DTC; provided, however, that if at any time the Lessor, at the written direction of 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 2009A/B Certificates, the Lessor, at the written direction of the State, may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Series 2009A/B Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Series 2009A/B 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 2009A/B Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Series 2009A/B Certificates or any other person for (A) any determination made by the Lessor, at the written direction of 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 2009A/B Certificates are reregistered. For a more complete description of the book entry system, see "THE SERIES 2009A/B CERTIFICATES – Book-Entry System."

Additional Certificates

The Indenture permits the execution and delivery of a Series of Certificates in addition to the Series 2009A/B Certificates secured by the Trust Estate on parity with the Series 2009A/B Certificates, without notice to or approval of the owners of the Outstanding Series 2009A/B Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Indenture. For a description of these conditions, see "THE SERIES 2009A/B CERTIFICATES – Additional Series of Certificates." If any Certificates in addition to the Series 2009A/B Certificates are executed and delivered, the Lease must be amended 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 2009A/B Certificates, the Lease, the Site Lease, and the Indenture pursuant to which such Series 2009A/B Certificates are being executed and delivered, see "THE SERIES 2009A/B CERTIFICATES" and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE" in Appendix B-2 hereto.

Security and Sources of Payment for the Series 2009A/B Certificates

The principal of, premium, if any, and interest on the Series 2009A/B Certificates are payable solely from Base Rentals, which, to the extent appropriated by the Colorado General Assembly, are payable from (i) certain moneys in the State Historical Fund appropriated by the Colorado General Assembly to the Society for such purpose and not reserved for the Statewide Grant Program for Preservation, (ii) certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund for such purpose, (iii) other legally available moneys of the State that may be appropriated for the payment of Base Rentals, (iv) other Revenues received by the Trustee pursuant to the Lease, (v) Subsidy Payments received by the Trustee on behalf of the State pursuant to the Indenture, and (vi) other moneys in the Trust

Estate in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT" and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND."

The term "**Base Rentals**" is defined in the Lease as follows: the rental payments payable by the State during the Lease Term, which constitute payments for and in consideration of the right to possess and use the Projects, and refers to Net Base Rentals in the event that Subsidy Payments are paid or are payable to the Trustee, and to Gross Base Rentals in the event that Subsidy Payments are not paid or payable to the Trustee, as further provided in this Lease. The term Base Rentals does not include Additional Rentals. The "Net Base Rentals" and "Gross Base Rentals" due under the Lease are set forth in the Lease and summarized in "BASE RENTALS" herein. The amount of Base Rentals expected to be included in the annual budget proposal submitted to the Colorado General Assembly will be either the Net Base Rentals or Gross Base Rentals due in any such year depending on whether or not Subsidy Payments are paid to the Trustee. Failure by the State to pay from funds which have been specifically appropriated by the General Assembly for such purpose any (i) Gross Base Rentals or Net Base Rentals, whichever is required under the Lease to be appropriated at such time, during the Initial Term or any Renewal Term, or (ii) Additional Rentals on the date on which they are due, constitutes an Event of Lease Default. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Events of Lease Default" in **Appendix B-2** hereto. If a Subsidy Payment is not received before an Interest Payment Date, moneys in the Subsidy Stabilization Fund shall be transferred to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund."

The State Historical Fund was established by amendment to Article XVIII, Section 9 of the Constitution of the State. The Authorizing Legislation provides that, beginning on July 1, 2011 and for each fiscal year thereafter through the fiscal year beginning on July 1, 2045, so long as there are payments due on the Lease, the Colorado General Assembly may appropriate to the Society from moneys in the State Historical Fund not reserved for the Statewide Grant Program for Preservation an amount equal to the Base Rentals or other payments due from State funds, except that the amount shall not exceed $4,998,000 in any given Fiscal Year (which, for the State, is each annual period ending June 30). See "PLAN OF FINANCING," "SECURITY AND SOURCES OF PAYMENT – Sources of Payment" and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND."

The Justice Center Cash Fund was established pursuant to the Authorizing Legislation. The Authorizing Legislation increases docket and other civil court fees, and provides for the deposit, subject to annual appropriation by the Colorado General Assembly, of a portion of such docket and civil court fees, and any lease payments received by the Judicial Department from agencies occupying the State Justice Center, into the Justice Center Cash Fund for the purpose of paying the costs of the Justice Center Project (described below) and Base Rentals on the Lease. See "SECURITY AND SOURCES OF PAYMENT – Sources of Payment" and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND." The Maximum Aggregate Annual Lease Payments (defined below) shall not exceed $19,000,000 for the Justice Center Project. See "PLAN OF FINANCING."

The Lease provides that the obligation of the State to pay Base Rentals and Additional Rentals during the Lease Term shall, subject only to the other terms of the Lease, be absolute and unconditional and shall not be abated through accident or unforeseen circumstances, or any default by the Lessor under the Lease, or under any other agreement between the State and the Lessor, or for any other reason, including, without limitation, any nonpayment by the United States Treasury of the Subsidy Payment or setoff of all or any part of the Subsidy Payment by the United States Treasury for any amounts due and owing to it by the State, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects, commercial frustration of purpose, or failure of the Lessor to perform and observe any agreement, any duty, liability or obligation arising out of or connected with the Lease, it being the intention of the parties that the payments required by the Lease will be paid in full when due without any delay or diminution whatsoever, subject only to the annually renewable nature of the State's obligation to make payments thereunder. Notwithstanding any dispute between the State and the Trustee or the Lessor, the State shall, during the Lease Term, pay all Base Rentals and Additional Rentals when due and shall not withhold any Base Rentals or Additional Rentals payable during the Lease Term for which an appropriation has been made by the General Assembly pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Base Rentals and Additional Rentals; provided, however, that the payment of any Base Rentals or Additional Rentals 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 Base Rentals during the Lease Term.

The Lease provides that an Event of Nonappropriation shall be deemed to have occurred if the State, no later than June 15 of the then current Initial Term or Renewal Term, gives written notice that the State has determined, for any reason, not to renew the Lease for the ensuing Fiscal Year.

In the event the Trustee does not receive the written notice of renewal provided for by the Lease or evidence that an Appropriation has been effected by the State on or before June 30 of a Fiscal Year, then the Trustee, as the Lessor's assignee, shall declare an Event of Nonappropriation on the first Business Day of the August following such Fiscal Year, or such declaration shall be made on any earlier date on which the Trustee receives official, specific written notice from the State that this Lease will not be renewed.

The Trustee shall waive any Event of Nonappropriation which is cured by the State, within 30 days of the receipt of notice by the Trustee described above, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term. The Trustee may waive any Event of Nonappropriation which is cured by the State within a reasonable time in accordance with the procedure described in the preceding sentence.

In the event that during the Initial Term or any Renewal Term, any Additional Rentals shall become due which were not included in a duly effected Appropriation and moneys are not specifically budgeted and appropriated or otherwise made available to pay such Additional Rentals within 60 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation shall be deemed to have occurred, upon notice by the Trustee to the State to such effect (subject to waiver by the Trustee as hereinbefore provided).

If an Event of Nonappropriation occurs, the State shall not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments provided for herein which accrue after the last day of the Initial Term or any Renewal Term during which such Event of Nonappropriation occurs; provided, however, that, subject to the limitations of the Lease, the State shall continue to be liable for Base Rentals and Additional Rentals allocable to any period during which the State shall continue to occupy, use or retain possession of the Projects.

Subject to the provisions of the Lease, the State shall in all events vacate or surrender possession of the Projects by September 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred. After September 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred, the Trustee, as the Lessor's assignee, may proceed to exercise all or any Lease Remedies.

The State acknowledges that, upon the occurrence of an Event of Nonappropriation (a) the Trustee shall be entitled to all moneys then being held in all funds created under the Indenture to be used as described therein and (b) all property, funds and rights acquired by the Trustee upon the termination of the Lease by reason of an Event of Nonappropriation are to be held by the Trustee as set forth in the Indenture.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Remedies on Default" in **Appendix B-2** hereto, including the sale or lease of the Trustee's interest in the Leased Property. The net proceeds from the exercise of such remedies will be applied toward the payment of the Series 2009A/B Certificates as described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Indenture – Application of Moneys in Event of Indenture Default" in **Appendix B-2** hereto. **There can be no assurance that such proceeds will be sufficient to pay all of the principal and interest due on the Series 2009A/B Certificates.**

The State has the option to terminate the Lease and release all or a portion of the Leased Property from the Indenture by paying the State's Purchase Option Price described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Purchase Option" in **Appendix B-2** hereto. The State also has the option to purchase a portion of the Leased Property affected by damage, destruction or condemnation 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 as described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Damage, Destruction, and Condemnation" in **Appendix B-2** hereto.

Payment of Base Rentals and all other payments by the State under the Lease shall constitute currently budgeted expenditures of the State, if an appropriation has been effected for such purpose and the Lease has been renewed, and shall be paid from certain moneys in the State Historical Fund appropriated by the Colorado General Assembly to the Society for such purpose, certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund for such purpose, and other legally available moneys appropriated by the Colorado General Assembly from any source for such purpose. Gross Base Rentals are expected to be offset by Subsidy Payments to the extent received by the Trustee on behalf of the State pursuant to the Indenture. The obligations of the State to pay Base Rentals and all other obligations of the State under the 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 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 that the State does not renew the Lease, the sole security available to the Lessor under the Lease shall be the Leased Property leased under the Lease, subject to the terms of the Lease, and any amounts available under the Indenture. Neither the Indenture nor the Series 2009A/B Certificates shall constitute a general corporate obligation of the Lessor, and the Lessor shall have no obligation with respect to the Series 2009A/B Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Assignment Agreement and the Indenture. Neither the Lease nor the Indenture shall create any pecuniary liability on the part of the directors or officers of the Lessor.

Certain Risks to Owners of the Series 2009A/B Certificates

Certain factors described in this Official Statement could affect the payment of Base Rentals under the Lease and could affect the market price of the Series 2009A/B Certificates to an extent that cannot be determined at this time. *Each prospective investor should read the Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."*

Availability of Continuing Information

Upon delivery of the Series 2009A/B Certificates, the State will execute a Continuing Disclosure Undertaking, a form of which is attached hereto as **Appendix C**, in which it will agree, for the benefit of the owners of the Series 2009A/B Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE."

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated July 6, 2009, including, without limitation, the maturities, interest rates, and yields of the Series 2009A/B Certificates and certain other terms of the Series 2009A/B Certificates, such as prior redemption provisions, descriptions of the Projects under the caption "THE PROJECTS," descriptions of construction risks with respect to the Projects under the caption "CERTAIN RISK FACTORS – Construction Risks," and ratings of the Series 2009A/B Certificates. Purchasers of the Series 2009A/B Certificates should read this Official Statement in its entirety.

Other Information

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

The quotations from, and summaries and explanations of, the statues, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Authorizing Legislation) may be obtained during the offering period, upon request to Piper Jaffray & Co., as representative of the Underwriters with respect to the Series 2009A Certificates, at 1200 Seventeenth Street, Suite 1250, Denver, Colorado 80202, telephone number: (303) 820-5865, or to George K. Baum & Company, as Representative of the Underwriters with respect to the Series 2009B Certificates, at 1400 Wewatta Street, Suite 800, Denver, Colorado 80202, Attention: Public Finance Department, telephone number: (303) 292-1600.

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 and the purchasers or holders of any of the Series 2009A/B Certificates.

THE TRUSTEE, THE LESSOR AND THE ASSIGNMENT AGREEMENT

The Trustee and the Lessor will enter into the Assignment Agreement pursuant to which the Lessor will assign to the Trustee and the Trustee will accept all of the Lessor's right, title, and interest of the Lessor, in, to and under (i) the Lease, (ii) all Base Rentals, Subsidy Payments, other Revenues and collateral, security interests and attendant rights and obligations derived under the Lease, (iii) the Site Lease, and (iv) the Leased Property and any reversion therein, and will assume the obligation to perform and satisfy all the terms, covenants, and conditions of the Lease on the part of the Lessor to be performed. *The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2009A/B Certificates. The Trustee 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.*

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PLAN OF FINANCING

Generally

The Series 2009A/B Certificates are being delivered pursuant to the Indenture and under authority granted by the Authorizing Legislation. The Colorado General Assembly, in its 2008 legislative session, adopted the Authorizing Legislation to authorize the funding of the Projects. The Authorizing Legislation authorizes the State Court Administrator and the President of the Society to enter into lease purchase agreements for the Projects on behalf of the State, provided that the annual State-funded payments for the principal and interest components of the amounts payable from State funds under such lease purchase agreements (the "**Maximum Aggregate Annual Lease Payments**") shall not exceed $19,000,000 for the Justice Center Project and $4,998,000 for the Colorado History Center Project.

Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2009A/B Certificates are set forth in the following table.

	Estimated Amount
SOURCES OF FUNDS:	
Par amount of Series 2009A Certificates	$ 39,030,000.00
Par amount of Series 2009B Certificates	299,760,000.00
Original issue premium (1)	2,292,363.10
Original issue discount (1)	(2,352,057.40)
TOTAL SOURCES OF FUNDS	$338,730,305.70
USES OF FUNDS:	
Deposit to Colorado History Center Account of the Project Fund	$ 76,375,000.00
Deposit to Justice Center Account of the Project Fund	216,141,404.09
Deposit to Base Rentals Fund to Pay Capitalized Interest (2)	38,013,568.61
Deposit to Subsidy Stabilization Fund (3)	4,500,000.00
Costs of issuance, including Underwriters' discount (4)	3,700,333.00
TOTAL USES OF FUNDS	$338,730,305.70

(1) See "TAX MATTERS."

(2) Capitalized Interest on the Series 2009A Certificates in the amount of $4,060,337.97, representing a portion of the interest expected to accrue on the Series 2009A Certificates through March 15, 2012, shall be deposited in the 2009A Capitalized Interest Account of the 2009A Account of the Base Rentals Fund. Capitalized Interest on the Series 2009B Certificates in the amount of $33,953,230.64, representing a portion of the interest expected to accrue on the Series 2009B Certificates through September 15, 2012, shall be deposited in the 2009B Capitalized Interest Account of the 2009B Account of the Base Rentals Fund.

(3) Such amount shall be deposited in the Subsidy Stabilization Fund and be used in accordance with the terms of the Indenture in the event that a Subsidy Payment is not paid to the Trustee before an Interest Payment Date. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund."

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

THE PROJECTS

Generally

The Projects will be located on the Sites leased to the Lessor by the State pursuant to the Site Lease. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Site Lease" in **Appendix B-2** hereto. Trammell Crow Company, with the assistance of the Department and the Society, will manage the design, construction, and relocation of the Justice Center Project and the Colorado History Center Project, respectively, pursuant to the terms of the Use Agreements. The Society and the Department will also operate and maintain the Colorado History Center Project and the Justice Center Project, respectively, upon completion.

Trammell Crow Company, a development subsidiary of CB Richard Ellis, was hired by the State in 2006 as Program Manager (the "**Program Manager**") of the Projects responsible for, among other things, managing feasibility studies, site procurement, developing financing alternatives, preparing technical performance criteria for design and construction, and providing design and renovation or new construction management services in connection with the design, development, equipping, construction, relocation and interim accommodation of facilities for the Justice Center Project and the Colorado History Center Project. Trammell Crow Company personnel have, among other things, previously served as Development Manager for the Wellington E. Webb Municipal Office Building for the City of Denver, the Civic Center Cultural Parking facility, and, most recently, the Denver Newspaper Agency Building, all located in the Civic Center District of Downtown Denver. A representative of Trammell Crow Company currently serves as CEO of the Denver Convention Center Hotel Authority.

The existing Colorado Judicial Building and Colorado History Museum currently share the Colorado Judicial Heritage Center in Denver, Colorado, which was constructed in 1977 on a full-block site adjacent to the State Capitol and the Denver Civic Center complex. Based on numerous studies, the State has determined that the Colorado Judicial Heritage Center does not meet the operational needs of either the Colorado Judicial Department or the Colorado History Museum because of a lack of space, significant required maintenance, and security and safety shortfalls. The Judicial Department and other related agencies described below are currently operating in ten different locations across the Denver metropolitan area, costing the State approximately $8 million in lease payments each year. The Colorado History Museum also lacks adequate exhibit and storage space, environmental controls, and life safety protections.

The Justice Center Project and the Colorado History Center have been designed to address the needs summarized above and other deficiencies in the existing Colorado Judicial Heritage Center.

Justice Center Project

The Justice Center Project involves the design, development, equipping, construction, relocation, and interim accommodation of facilities for the Ralph L. Carr Justice Complex (the "**Ralph L. Carr Complex**"). The Ralph L. Carr Complex will house new courtrooms and consolidated office space for the State Supreme Court, the State Court of Appeals, the Attorney General's Office, the Office of the State Public Defender, the Office of the Child's Representative, Office of the Alternate Defense Counsel, and other State legal staff. The current and future capacity requirements of these agencies result in the need for a new facility of approximately 603,000 gross square feet ("**GSF**"). State courts and legal staff are presently located in the existing Colorado Supreme Court building, which will be demolished to make space available for the Justice Center Project, and several other public and private office buildings in the downtown Denver area. The Ralph L. Carr Complex will feature state of the art security, consolidated office space for current staff as well as additional office space to accommodate future staffing needs.

The Ralph L. Carr Complex will be constructed on one full-block site, bounded by 14th Avenue, Broadway, 13th Avenue, and Lincoln Street, which is owned by the State and currently occupied by the existing Colorado Judicial Heritage Center. An open plaza at the center of the block between the two existing buildings is constructed over below-grade space currently shared by the Judicial Building and the Colorado History Museum. This full-block site contains 560,000 GSF of above grade allowable Floor Area Ratio ("FAR") and another 90,000 GSF of below grade allowable FAR for parking and other miscellaneous uses. This total of 650,000 GSF is more than enough space to accommodate the Ralph L. Carr Complex's expected space requirements through the year 2030.

It is expected that the consolidation of court staff in office space at the new Justice Center Project will save the State more than $60,000,000 in private lease and deferred maintenance costs and personnel savings as a result of consolidation of overlapping duties over the term of the Series 2009A/B Certificates. Lease payments received by the Judicial Department from agencies occupying the State Justice Center will be used to defray the costs of the Justice Center Project and Base Rentals on the Lease. It is anticipated that the Justice Center Project will be completed in 2013.

Beginning on July 1, 2014, and for each fiscal year thereafter so long as there are any payments due under the Lease, the Authorizing Legislation requires the Executive Director of the Department of Personnel and Administration to calculate the net savings to the State by locating the Judicial Department and any other State executive branch agency in the Justice Center Project. The Colorado General Assembly is required to appropriate from the General Fund the amount of such net savings calculated by the Executive Director of the Department of Personnel and Administration, which moneys shall be used to pay any obligations due pursuant to the Lease.

The Justice Center Project has been studied for several years, primarily through a Space Needs Study (the "**Justice Center Study**") completed in December, 2006, by Trammell Crow Company, with assistance from Steinmann Facility Development Consultants ("**Steinmann**"), a consulting firm with judicial programming expertise, and Cumming, LLC, an independent cost estimating firm. The Justice Center Study identified both the condition of the existing facilities of the Judicial Department and the future growth requirements for all of its various departments. In cooperation with Louis Acosta Architects, Steinmann, and Cumming, LLC, Trammell Crow Company developed conceptual space plans and construction specifications for the proposed Justice Center Project building, building elevations and building sections so that quantity take-offs used in the construction estimate could be more accurately determined.

The proposed building was assumed to contain 560,000 gross square feet of above grade construction, renovation of 55,000 square feet ("**SF**") of existing below grade space to provide 143 parking spaces and the rehabilitation of approximately 35,000 SF of below grade building support functions. The resulting documents were then priced by Cumming, Inc. at $186.2 million, which assumed 2006 costs escalated by 5% per year to a mid-point of construction in 2011.

In the intervening time period, the Justice Center Study and an Estimate of Probable Construction Costs have been re-evaluated and, where appropriate, updated by the project management team. Detailed refinements of the space needs of the Justice Center Project will be part of the ongoing design process; however, the overall size and scope of the building will remain in the range of that identified in the 2006 study. Trammell Crow Company used the prior cost study and verified the assumptions made at that time against current market conditions to estimate a Justice Center Project gross maximum price in an approximate amount of $184.8 million. Since then, Trammell Crow Company and the State have selected Fentress Architects and M.A. Mortenson Company, as architect and general contractor, respectively, for the Justice Center Project. Both firms have, subject to increases in response to an excusable delay or a change in scope as requested by the Lessor, committed to the proposed $180 million guaranteed maximum price described below. The State, the Lessor, and Trammell Crow Company expect to have entered into a guaranteed maximum price contract with M.A. Mortenson Construction Company by July 22, 2009, which will provide that the total costs associated with the completion of the Justice Center Project will not exceed $180.0 million, subject to increases in response to an excusable delay or a change in scope as requested by the Lessor. See "CERTAIN RISK FACTORS – Construction Risks."

A separate parking garage facility on the block immediately south of the Justice Center Project block and adjacent to the Colorado History Center Project has been conceptually designed by Tryba Architects, the architect for the Colorado History Center Project. The 150,000 SF parking facility was priced by Hensel Phelps Construction Company, the contractor for the Colorado History Center Project, in November, 2008, at a cost of approximately $55 per SF, for a total parking garage cost of approximately $8.2M.

Colorado History Center Project

The Colorado History Center Project involves the design, development, construction, equipping, relocation and interim accommodation of facilities for a new Colorado History Center. In order to accommodate the new Justice Center Project, the existing Colorado History Museum and offices will be relocated a block south, at the southern half of the block bordered by 13th Avenue, Broadway, 12th Avenue and Lincoln Street. The Colorado History Center Project will include space for museum exhibit halls, storage facilities for State objects and artifacts held in trust, the Stephen H. Hart Library, the office of the State Archaeologist, offices of the Society and the State Historical Fund Grant Program, and classrooms. The Colorado History Center Project is currently designed through the 100% design development phase, and a final guaranteed maximum price of $69,351,811, subject to increases in response to an excusable delay or a change in scope as requested by the Lessor, has been confirmed by Hensel Phelps (defined below). Work on the Project commenced in June 2009 with the acquisition of the land on which the Colorado History Center Project will be constructed and the relocation of utilities for the necessary alley vacation process. Full construction activities are expected to commence no later than September 1, 2009 and be completed in the Fall of 2011.

In December, 2006, Trammell Crow Company completed a Space Needs Study with respect to the Colorado History Center Project (the "**Colorado History Center Space Needs Study**"). The Colorado History Center Space Needs Study included an estimate prepared by Cumming, LLC in cooperation with Tryba Architects and Steinmann Facility Development Consultants. These three consultants used their experience with similar projects and the current market construction costs to estimate costs of construction of a 202,480 GSF new Colorado History Center facility at $70 million.

In July, 2008, Tryba Architects initiated design of the new Colorado History Center Project. Hensel Phelps Construction Company ("**Hensel Phelps**") was selected in August, 2008, to serve in a CM/GC role. A detailed cost estimate was completed by Hensel Phelps at the completion of 100% schematic design. An initial guaranteed maximum price estimate of $69,969,541 was prepared at 50% design development. The project management team recently finished 100% design development. The Lessor has entered into a guaranteed maximum price construction contract with Hensel Phelps. The parties expect to amend the guaranteed maximum price construction contract by July 22, 2009 to reflect a final schedule and a final guaranteed maximum price of $69,351,811, subject to increases in response to an excusable delay or a change in scope as requested by the Lessor, for construction of the Colorado History Center. See "CERTAIN RISK FACTORS – Construction Risks."

Combined Project Sources and Uses of Funds

The estimated combined sources and uses of State moneys and proceeds of the Series 2009A/B Certificates to be used to fund the Projects are set forth in the following table:

Project Sources of Funds	**Estimated Amounts**
State Historical Fund Contributions (1)	$ 7,000,000
Court Fee Contributions - for History Center Land/Relocation & Storage (2)	25,000,000
Court Fee Contributions - for Judicial Heritage Center Demolition/Relocation & Building (2)	33,140,000
Court Fee Contributions - for Capital Reserve Fund (2)	3,000,000
Project Fund Interest (3)	7,431,000
Proceeds of Series 2009A/B Certificates (4)	338,730,305
Total Uses of Funds	**$414,301,305**

Project Uses of Funds	
Capitalized Interest and Costs of Issuance	$41,714,000
Subsidy Stabilization Fund	4,500,000
Construction of Colorado History Center (building and relocation) (5)	110,640,000
Construction of Ralph L. Carr Justice Complex (building and relocation) (6)	257,447,305
Total Uses of Funds	**$414,301,305**

(1) Made available pursuant to Section 12-47.1-1201(5), as added by the Authorizing Legislation, to fund with moneys in the State Museum Cash Fund of the State Historical Fund a portion of the costs of the Colorado History Center Project.
(2) Contributions authorized by Authorizing Legislation.
(3) Estimated interest earned on funds during period of construction.
(4) The aggregate amount of proceeds of Series 2009A/B Certificates is to be used as set forth in "PLAN OF FINANCING – Sources and Uses of Funds."
(5) See "Colorado History Center Project" under this caption.
(6) See "Justice Center Project" under this caption.

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THE SERIES 2009A/B CERTIFICATES

Generally

General information describing the Series 2009A/B 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 Site Lease, the Lease, the Indenture, and the forms of Series 2009A/B Certificates included in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE" in **Appendix B-2** hereto.

The Series 2009A/B 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 2009A/B 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 2009A/B Certificates will be payable to the registered owner (initially, Cede & Co.) upon presentation and surrender of the Series 2009A/B Certificates to the Trustee in Denver, Colorado. Interest on the Series 2009A/B 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 2009A/B Certificates will be the first day of the calendar month next preceding the month of each Interest Payment Date (or the Business Day immediately preceding such first day, if such first day is not a Business Day), irrespective of any transfer of ownership of Series 2009A/B Certificates subsequent to the Record Date and prior to such Interest Payment Date, or on a special record date, which shall be fixed by the Trustee for such purpose, irrespective of any transfer of ownership of Series 2009A/B Certificates subsequent to such special record date and prior to the date fixed by the Trustee for payment of such interest. For so long as Cede & Co., nominee of DTC, is the registered owners of the Series 2009A/B Certificates, payments of principal, premium, if any, and interest will be made as described in "Book-Entry System" under this caption.

Designation of the Series 2009B Certificates as "Build America" Certificates

Pursuant to the CRRFA, the State has elected to treat the Series 2009B Certificates as "Build America" certificates for purposes of the Federal Recovery Act and to receive cash subsidy payments from the United States Treasury in connection therewith. Pursuant to the Federal Recovery Act, the State expects to receive cash subsidy payments ("**Subsidy Payments**") from the United States Treasury equal to 35% of the interest payable on the Series 2009B Certificates provided that it complies with certain covenants and subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States. Such Subsidy Payments, to the extent received from the United States Treasury and deposited with the Trustee, and in accordance with the terms of the CRRFA (enacted pursuant to HB 09-1346), will be netted against, and reduce, the interest portion of the gross Base Rentals due each Fiscal Year under the Lease. See "BASE RENTALS," "SECURITY AND SOURCES OF PAYMENT – Subsidy Payments," "CERTAIN RISK FACTORS – Build America Subsidy Payments" and "TAX MATTERS."

To receive the Subsidy Payment, the Trustee, on behalf of the State, will prepare and file a Form 8038-CP with the Internal Revenue Service no less than 45 to 90 days prior to each of the dates on which the payment of Base Rentals is required to be paid by the State to the Trustee pursuant to the Lease. Such payments of Base Rentals are due to the Trustee each February 15 and August 15, which is approximately 30 days before each Interest Payment Date, respectively. Subsidy Payments are expected to be received on or before each Interest Payment Date. Depending on the timing of the filing and other factors, the

Subsidy Payment may, however, be received before or after the corresponding Interest Payment Date. See "CERTAIN RISK FACTORS – Build America Subsidy Payments" and "TAX MATTERS." If a Subsidy Payment is not received before an Interest Payment Date, moneys in the Subsidy Stabilization Fund shall be transferred to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund."

Book-Entry System

DTC will act as securities depository for the Series 2009A/B Certificates. The Series 2009A/B 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 2009A/B Certificates bearing interest at the same rate, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009A/B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A/B Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2009A/B 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 2009A/B 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 2009A/B Certificates, except in the event that use of the book-entry system for the Series 2009A/B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2009A/B 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 2009A/B 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 2009A/B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A/B Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009A/B 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 Trustee or the Lessor 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 2009A/B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption proceeds on the Series 2009A/B 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 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 or the State, 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 2009A/B Certificates at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009A/B Certificates are required to be printed and delivered as described in the Indenture.

The Lessor, at the written direction of the State, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to any Series 2009A/B Certificates if it determines that DTC is unable to discharge its responsibilities with respect to such Certificates or that continuation of the system of book-entry transfers through DTC is not in the best interests of the Beneficial Owners. In such a case, the Lessor shall mail notice of such termination to the Paying Agent and the Trustee.. In that event, Series 2009A/B Certificates will be printed and delivered as described in the Indenture.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions of DTC in respect of the Series 2009A/B Certificates can be found which, in the opinion of the Lessor, is willing and able to undertake such functions upon reasonable or customary terms, or if the Lessor determines that it is in the best interests of the Beneficial Owners of the Certificates that they be able to obtain certificated Series 2009A/B Certificates, the Series 2009A/B Certificates shall no longer be restricted to being registered in the registration books of the Paying Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with the Indenture. To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with the Indenture, the Series 2009A/B Certificates will be delivered to the Beneficial Owners.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2009A/B Certificates, payment of principal, interest, and other payments on the Series 2009A/B Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2009A/B 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 believes to be reliable, but the State takes 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 no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions as provided in the Indenture. The principal of any Additional Certificates shall mature no later than September 15, 2045 and Interest Payment Dates therefor shall be the same as the Interest Payment Dates for the Series 2009A/B Certificates.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates to provide moneys to pay:

(a) the costs of completing either component of the Projects or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Projects; or

(b) for the purpose of refunding or refinancing all or any portion of Outstanding Certificates.

In such case, the costs of execution and delivery of the Additional Certificates, costs reasonably related to the purposes for which Additional Certificates are being executed and delivered may be included by the Corporation.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee the following:

(a) Originally executed counterparts of the related:

(i) supplemental Indenture; and

(ii) amendment to the Lease;

(b) A written opinion of Special Counsel, acceptable to the Lessor and the Trustee, to the effect that:

(i) the execution and delivery of Additional Certificates have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled;

(ii) the exclusion of interest from gross income for federal income tax purposes on Outstanding Tax-Exempt Certificates, including any Tax-Exempt Additional Certificates theretofore executed and delivered, will not be adversely affected by the execution and delivery of the Additional Certificates being executed and delivered; and

(iii) the sale, execution and delivery of the Additional Certificates, in and of themselves, will not constitute an Event of Indenture Default or an Event of Lease Default nor cause any violation of the covenants or representations in the Indenture or in the Lease; and

(c) Written directions from the Lessor to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered pursuant to the Indenture shall evidence a proportionate interest in the assignment of the rights to receive the Revenues under the Indenture and shall be ratably secured with all Outstanding Certificates and, in respect of all Revenues, shall be ranked *pari passu* with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

Redemption

Optional Redemption

Series 2009A Certificates. The Series 2009A Certificates are not subject to optional redemption prior to maturity.

Series 2009B Certificates. If the State exercises its rights to purchase all or a portion of the Projects or otherwise prepay all or a portion of the Base Rentals under the Lease with the Approval of Special Counsel, the Series 2009B Certificates are subject to redemption prior to maturity, in whole or in part, on any date, at a redemption price equal to the Make-Whole Redemption Price. "**Make-Whole Redemption Price**" means, with respect to the Series 2009B Certificates to be redeemed, an amount equal to the greater of (i) 100% of the principal amount of such Series 2009B Certificates; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2009B Certificates, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Certificates are to be redeemed, discounted to the date on which such Series 2009B Certificates are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 0.40%; plus, in each case, accrued and unpaid interest on such Series 2009B Certificates on such redemption date. The Make-Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense to calculate such redemption price (the "**Redemption Price Advisor**"). The determination by the Redemption Price Advisor of the Make-Whole Redemption Price will be conclusive and binding on the Trustee, the Corporation, the State and the Owners of the Series 2009B Certificates. "**Treasury Rate**" means, as of any redemption date of any Series 2009B Certificates, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such Series 2009B Certificates; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Such optional redemption shall be made from moneys deposited therefor in the Base Rentals Fund and, if Certificates are to be redeemed in part, the schedule of Base Rentals due under the Lease is to be recalculated by the Trustee.

If part, but not all, of the Series 2009B Certificates are called for optional redemption, the Series 2009B Certificates to be redeemed are to be selected by the Trustee on a reasonably proportionate basis from the remaining maturity dates, including mandatory sinking fund redemption dates, determined and effectuated as nearly as practicable by the Trustee by multiplying the total principal amount of the Series 2009B Certificates to be redeemed pursuant to such optional redemption by the ratio which the principal amount of all Series 2009B Certificates maturing or required to be redeemed on each remaining maturity date, including mandatory sinking fund redemption dates, bears to the principal amount of all of the Certificates outstanding before such optional redemption. Series 2009B Certificates within each maturity date are to be selected for redemption by the Trustee by lot.

Extraordinary Optional Redemption

Upon the occurrence of an Extraordinary Event (as defined below) and the State's exercise of its right to purchase all or a portion of the Projects under the Lease or otherwise prepay Base Rentals, (a) the Series 2009A Certificates are subject to extraordinary optional redemption, in whole or in part, on any date, at a redemption price ("**Series 2009A Certificates Extraordinary Optional Redemption Price**") equal to 100% of the principal amount of the Series 2009A Certificates to be redeemed plus accrued and unpaid interest on the Series 2009A Certificates to be redeemed to the redemption date, and (b) the Series 2009B Certificates shall be subject to extraordinary optional redemption, in whole or in part, on any date at a redemption price ("**Series 2009B Extraordinary Optional Redemption Price**") equal to the greater of (i) the Issue Price of the principal amount of the Series 2009B Certificates to be redeemed, plus interest accrued to the redemption date, and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009B Certificates to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Certificates are to be redeemed, discounted to the date on which such Series 2009B Certificates are to be redeemed on a semi-annual basis, assuming 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 1.00% and plus interest accrued to the redemption date. Such redemption may be made from the moneys deposited therefor in the Base Rentals Fund.

"**Extraordinary Event**" means any event whereby Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to "Qualified Build America Bonds") is modified, amended or interpreted in a manner pursuant to which the Subsidy Payments are reduced or eliminated.

Selection of maturities and the amounts of the Series 2009A Certificates and the Series 2009B Certificates of each maturity to be redeemed shall be determined by the Trustee in such equitable manner as it may determine.

The Trustee shall recalculate the Base Rentals due under the Lease in the case of a Prepayment in part of Base Rentals under the Lease in a manner which is consistent with the manner in which the Certificates are redeemed as described above under "Optional Redemption."

Mandatory Sinking Fund Redemption

Series 2009B Certificates. The Series 2009B Certificates maturing on September 15, 2029, are subject to mandatory sinking fund redemption prior to maturity, in part, by lot, at 100% of the principal amount thereof plus interest accrued to the redemption date, on the following dates and in the following amounts:

Mandatory Sinking Fund Redemption Date (September 15)	Principal Amount
2025	$8,240,000
2026	8,585,000
2027	8,940,000
2028	9,310,000
2029(1)	9,695,000

(1) Final Maturity

The Series 2009B Certificates maturing on September 15, 2039, are subject to mandatory sinking fund redemption prior to maturity, in part, by lot, at 100% of the principal amount thereof plus interest accrued to the redemption date, on the following dates and in the following amounts:

Mandatory Sinking Fund Redemption Date (September 15)	Principal Amount
2030	$10,105,000
2031	10,535,000
2032	10,985,000
2033	11,460,000
2034	11,950,000
2035	12,460,000
2036	12,995,000
2037	13,550,000
2038	14,130,000
2039(1)	14,735,000

(1) Final Maturity

The Series 2009B Certificates maturing on September 15, 2045, are subject to mandatory sinking fund redemption prior to maturity, in part, by lot, at 100% of the principal amount thereof plus interest accrued to the redemption date, on the following dates and in the following amounts:

Mandatory Sinking Fund Redemption Date (September 15)	Principal Amount
2040	$15,375,000
2041	16,055,000
2042	16,765,000
2043	17,505,000
2044	18,280,000
2045(1)	4,745,000

(1) Final Maturity

The Trustee is required to credit against any mandatory sinking fund redemption obligation the principal amount of outstanding Certificates theretofor delivered to the Trustee for such purpose.

If, not less than sixty (60) days prior to any Mandatory Sinking Fund Redemption Date, the Lessor or the State has delivered to the Trustee for cancellation any Certificates owned by it and subject to mandatory Sinking Fund Redemption on such Mandatory Sinking Fund Redemption Date, the Trustee shall credit against such Mandatory Sinking Fund Redemption obligation 100% of the principal amount of the Certificates so delivered and shall correspondingly reduce (a) the principal portion of the Base Rentals payment next due from the State under the Lease and (b) the principal amount of outstanding Certificates to be called for redemption on such Mandatory Sinking Fund Redemption Date.

Extraordinary Mandatory Redemption

If the Lease is terminated by reason of the occurrence of an Event of Nonappropriation or an Event of Lease Default or the Lessor, with the written consent of the State, fails to repair or replace the Leased Property if: (1) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty; (2) title to, or the temporary or permanent use of, the Leased Property, or any portion thereof, has been taken by eminent domain by any governmental body; (3) breach of warranty or any material defect with respect to the Leased Property becomes apparent; or (4) title to or the use of all or any portion of the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds (as defined in the Lease) of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property, made available by reason of such occurrences, are insufficient to pay in full, the cost of repairing or replacing the Leased Property and the State does not appropriate sufficient funds for such purpose, the Certificates in accordance with the terms of the Indenture, including the Series 2009A/B Certificates, are required to be called for redemption. If called for redemption, the Certificates are to be redeemed in whole on such date or dates as may be determined, for a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date (subject to the availability of funds as described below).

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the Lease, otherwise received and other moneys then available under the Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding, and upon indemnification as to costs and expenses as provided in the Indenture, without any further demand or notice, is to exercise all or any combination of Lease Remedies as provided in the Lease, except as otherwise described above concerning the application of Net Proceeds and the Certificates are to be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates.

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are to be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys are to be paid to the State as an overpayment of the Purchase Option Price in respect of the Leased Property. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such Lease Remedies, the Trustee is entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs arid expenses, including reasonable attorneys' fees and expenses, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys.

IF THE CERTIFICATES, INCLUDING THE SERIES 2009A/B CERTIFICATES, ARE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT IS DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES, INCLUDING THE SERIES 2009A/B CERTIFICATES, SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE LESSOR, THE TRUSTEE OR THE STATE.

Partial Redemption

If less than all of the Series 2009A/B Certificates are to be redeemed, the Series 2009A/B Certificates are to be redeemed only in integral multiples of $5,000. The Trustee is to treat any Series 2009A/B Certificate of denomination greater than $5,000 as representing that number of separate Series 2009A/B Certificates each of the denomination of $5,000 as can be obtained by dividing the actual principal amount of such Series 2009A/B Certificate by $5,000. Upon surrender of any Series 2009A/B Certificate for redemption in part, the Paying Agent is to execute and deliver to the Owner thereof, at no expense to the Owner, a new Series 2009A/B Certificate or Series 2009A/B Certificates of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2009A/B Certificates so surrendered.

Notice of Redemption

Whenever Series 2009A/B Certificates are to be redeemed or when directed to do so by the Lessor, the Trustee is required, not less than thirty (30) and not more than sixty (60) days prior to the redemption date (except for notice of extraordinary mandatory redemption which is required to be immediate), to mail notice of redemption to all Owners of all Series 2009A/B Certificates to be redeemed at their registered addresses, by first class mail, postage prepaid. Any notice of redemption is to (1) be given in the name of the Lessor, (2) identify the Series 2009A/B Certificates to be redeemed, (3) specify the redemption date and the redemption price, (4) (in the event of an optional redemption) state that the State has given notice of its intent to exercise its option to purchase or prepay Base Rentals under the Lease, (5) state that the redemption is subject to the deposit of the fund dated to such option by the State on or before the stated redemption date, and (6) state that on the redemption date the Series 2009A/B Certificates called for redemption will be payable at the corporate trust office of the Paying Agent and that from that date interest will cease to accrue.

State's Purchase Option Price

State's Option to Purchase all or a Portion of the Leased Property

The State has been granted in the Lease the option to purchase either all of the Leased Property or only the Colorado History Center Project or the Justice Center Project, by paying to the Trustee the "State's Purchase Option Price," but only if there is not then an Event of Lease Default, or an Event of Nonappropriation has not occurred and is then continuing. *The Justice Center Project may not be purchased by the State unless the State has already purchased the Colorado History Center Project.*

In order to exercise its option to purchase the Leased Property as described in the previous paragraph, the State must have either:

(A) (i) paid the then applicable Purchase Option Price which shall equal the sum of the amount necessary to defease and discharge all, or a portion, of the Indenture, as the case may be, as may be provided therein (*i.e.*, provision for payment of all, or the applicable portion of, as the case may be, principal and interest portions of any and all, or the applicable portion of, as the case may be, certificates of participation which may have been executed and delivered pursuant to the Indenture shall have been made in accordance with the terms of the Indenture) plus any fees and expenses then owing to the Lessor and the Trustee; or

(ii) paid all Base Rentals due under the Lease for the entire maximum Lease Term, and all then current Additional Rentals required to be paid under the Lease; or

(B) If only the Colorado History Center Project is to be purchased, the amount of the Purchase Option Price which is necessary to defease and discharge a portion of the Indenture shall be equal to twenty-six and eleven-one-hundredth percent (26.11%) of (i) the Base Rentals Principal Portion, as set forth in the Lease, which has not been paid as of the date of exercise of the Purchase Option, and (ii) the accrued but unpaid Base Rentals Interest Portion, as set forth in the Lease, to the date of the exercise of the Purchase Option.

The State shall give the Trustee notice of its intention to exercise its option to purchase all or a portion of the Leased Property not less than 35 days in advance of the date of exercise and shall deposit the required moneys with the Trustee on or before the Purchase Option Date. If the State exercises its option to purchase all of the Projects or only the Justice Center Project, pursuant to the Lease, any amount then on hand in the Base Rentals Fund shall be applied toward the payment of the applicable Purchase Option Price to be paid by the State. If the State exercises its option to purchase the Colorado History Center Project, then twenty-six and eleven-one-hundredth percent (26.11%) of the amounts then on hand in the Base Rentals Fund shall be applied toward the payment of the applicable Purchase Option Price to be paid by the State. If the State shall have given notice to the Trustee of its intention to purchase all of the Leased Property, or only the Colorado History Center Project or the Justice Center Project, if the State has already purchased the Colorado History Center Project, or to prepay Base Rentals, but shall not have deposited the amounts with the Trustee on the date specified in such notice, the State shall continue to pay Base Rentals, which have been specifically Appropriated by the State for such purpose, as if no such notice had been given.

The State also has the option to purchase a portion of the Leased Property affected by damage, destruction or condemnation 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 as described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Damage, Destruction, and Condemnation" in **Appendix B-2** hereto.

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BASE RENTALS

The following table sets forth the State's combined Base Rentals obligations after execution and delivery of the Series 2009A/B Certificates scheduled under the Lease with respect to the Leased Property (assuming that the State chooses, in its sole discretion, to renew the Lease on an annual basis during the Lease Term) and the Subsidy Payments expected to be received with respect to the Series 2009B Certificates.

Fiscal Year (ended June 30) (1)	Base Rentals Principal Component	Base Rentals Interest Component	Total Fiscal Year Gross Base Rentals	Less Subsidy Payment (5) (6)	Total Fiscal Year Net Base Rentals (2) (3) (4)
2010	$ --	$13,312,343	$13,312,343	$ (4,307,470)	$ 9,004,873
2011	--	20,657,085	20,657,085	(6,684,006)	13,973,079
2012	--	20,657,085	20,657,085	(6,684,006)	13,973,079
2013	5,070,000	20,530,335	25,600,335	(6,684,006)	18,916,329
2014	5,200,000	20,273,585	25,473,585	(6,684,006)	18,789,579
2015	5,420,000	20,033,710	25,453,710	(6,684,006)	18,769,704
2016	5,535,000	19,832,328	25,367,328	(6,684,006)	18,683,322
2017	5,740,000	19,644,266	25,384,266	(6,684,006)	18,700,260
2018	5,940,000	19,446,185	25,386,185	(6,684,006)	18,702,179
2019	6,125,000	19,220,910	25,345,910	(6,684,006)	18,661,904
2020	6,635,000	18,922,327	25,557,327	(6,622,815)	18,934,513
2021	6,815,000	18,562,809	25,377,809	(6,496,983)	18,880,826
2022	7,060,000	18,181,501	25,241,501	(6,363,525)	18,877,976
2023	7,325,000	17,774,653	25,099,653	(6,221,128)	18,878,524
2024	7,610,000	17,337,267	24,947,267	(6,068,043)	18,879,223
2025	7,915,000	16,867,909	24,782,909	(5,903,768)	18,879,141
2026	8,240,000 (4)	16,368,210	24,608,210	(5,728,874)	18,879,337
2027	8,585,000 (4)	15,842,429	24,427,429	(5,544,850)	18,882,579
2028	8,940,000 (4)	15,294,773	24,234,773	(5,353,170)	18,881,602
2029	9,310,000 (4)	14,724,460	24,034,460	(5,153,561)	18,880,899
2030	9,695,000	14,130,554	23,825,554	(4,945,694)	18,879,860
2031	10,105,000 (4)	13,501,699	23,606,699	(4,725,595)	18,881,104
2032	10,535,000 (4)	12,836,059	23,371,059	(4,492,621)	18,878,438
2033	10,985,000 (4)	12,142,039	23,127,039	(4,249,714)	18,877,325
2034	11,460,000 (4)	11,418,188	22,878,188	(3,996,366)	18,881,822
2035	11,950,000 (4)	10,663,215	22,613,215	(3,732,125)	18,881,090
2036	12,460,000 (4)	9,875,993	22,335,993	(3,456,597)	18,879,395
2037	12,995,000 (4)	9,055,069	22,050,069	(3,169,274)	18,880,795
2038	13,550,000 (4)	8,198,993	21,748,993	(2,869,647)	18,879,345
2039	14,130,000 (4)	7,306,313	21,436,313	(2,557,209)	18,879,103
2040	14,735,000	6,375,416	21,110,416	(2,231,396)	18,879,021
2041	15,375,000 (4)	5,388,994	20,763,994	(1,886,148)	18,877,846
2042	16,055,000 (4)	4,343,946	20,398,946	(1,520,381)	18,878,565
2043	16,765,000 (4)	3,252,681	20,017,681	(1,138,438)	18,879,243
2044	17,505,000 (4)	2,113,204	19,618,204	(739,621)	18,878,582
2045	18,280,000 (4)	923,353	19,203,353	(323,173)	18,880,179
2046	4,745,000	157,771	4,902,771	(55,220)	4,847,551
Total	**$338,790,000**	**$495,167,649**	**$833,957,649**	**$(170,009,460)**	**$663,948,189**

(1) Payments will be made by the State to the Trustee on February 15 for the March 15 Payment Date and on August 15 for the September 15 Payment Date.

(2) There will be credited against the amount of Base Rentals otherwise payable under the Lease the amount on deposit in the Base Rentals Fund that is not restricted by the Indenture to the payment of the redemption price of Series 2009A/B Certificates or the costs of defeasing Series 2009A/B Certificates, including any Base Rentals received by the State and delivered to the Trustee with directions to deposit such Base Rentals in the Certificate Fund.

(3) Amount is shown for Fiscal Year ending June 30 of the year indicated.

(4) Payable subject to the mandatory sinking fund redemption provisions of the Indenture described in "THE SERIES 2009A/B CERTIFICATES – Redemption – Mandatory Sinking Fund Redemption."

(5) Amount of expected Subsidy Payment on the Series 2009B Certificates. The amount of Base Rentals expected to be included in the annual budget proposal submitted to the Colorado General Assembly will be either the Net Base Rentals or Gross Base Rentals due in any such year depending on whether or not Subsidy Payments are paid to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – Sources of Payment" and "– Subsidy Payments," "CERTAIN RISK FACTORS – Build America Subsidy Payments," "FORWARD LOOKING STATEMENTS," and "TAX MATTERS." If a Subsidy Payment is not received before an Interest Payment Date, moneys in the Subsidy Stabilization Fund shall be transferred to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund."

(6) The Trustee is required pursuant to the Indenture to request, on behalf of the State, the Subsidy Payments from the United States Treasury. See "THE SERIES 2009A/B CERTIFICATES – Designation of the Series 2009B Certificates as "Build America" Certificates," "CERTAIN RISK FACTORS – Build America Subsidy Payments," and "TAX MATTERS – Series 2009B Certificates - Series 2009B Certificates as "Build America" Certificates."

SECURITY AND SOURCES OF PAYMENT

Payments by the State

The Series 2009A/B Certificates constitute proportionate interests in the assignment by the Lessor to the Trustee, pursuant to the Assignment Agreement and the Indenture, of the Lessor's right to receive Base Rentals under the Lease and other Revenues. "**Revenues**" are defined in the Indenture as (i) all amounts payable by or on behalf of the State or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Subsidy Payments, Prepayments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals; (ii) any portion of the proceeds of the Series 2009A/B Certificates deposited with the Trustee in the Base Rentals Fund; and (iii) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund). All payment obligations of the State under the Lease, including but not limited to payment of Base Rentals, 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 Lessor, as the case may be, contained in the Lease are the covenants, stipulations, promises, agreements and obligations of the State or the Lessor, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Lessor 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 thereunder, against any member, director, officer, employee, servant or other agent of the State or the Lessor 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. Neither the Indenture nor the Series 2009A/B Certificates shall constitute a general corporate obligation of the Lessor and the Lessor shall have no obligation with respect to the Series 2009A/B Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Assignment Agreement and the Indenture. Neither the Lease nor the Indenture shall create any pecuniary liability on the part of the directors or officers of the Lessor.

As more fully described under the captions "CERTAIN RISK FACTORS" and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE" in **Appendix B-2**, following an Event of Nonappropriation, the Lease Term of the Lease will terminate on September 1 of the Renewal Term in respect of which the Event of Nonappropriation occurs.

Sources of Payment

Pursuant to the Authorizing Legislation, Base Rentals and Additional Rentals, for each year in which the Lease is renewed, must be paid from (i) certain amounts on deposit in the State Historical Fund appropriated by the Colorado General Assembly to the Society for that purpose and not reserved for the Statewide Grant Program for Preservation, (ii) certain moneys appropriated by the Colorado General Assembly for deposit into the Justice Center Cash Fund for such purpose, and (iii) other legally available moneys appropriated by the Colorado General Assembly from any source for such purpose. See **APPENDIX G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND" for a discussion of the State Historical Fund and the Justice Center Cash Fund. Gross Base Rentals are expected to be offset by Subsidy Payments to the extent received by the Trustee on behalf of the State pursuant to the Indenture. See "BASE RENTALS," "THE SERIES 2009A/B CERTIFICATES - Designation of the Series 2009B Certificates as "Build America" Certificates," and "TAX MATTERS."

The term "**Base Rentals**" is defined in the Lease to mean the rental payments payable by the State during the Lease Term, which constitute payments for and in consideration of the right to possess and use the Projects, and refers to Net Base Rentals in the event that Subsidy Payments are paid or are payable to the Trustee, and to Gross Base Rentals in the event that Subsidy Payments are not paid or payable to the Trustee, as further provided in this Lease. The term Base Rentals does not include Additional Rentals. The "Net Base Rentals" and "Gross Base Rentals" due under the Lease are set forth in the Lease and summarized in "BASE RENTALS" herein. The amount of Base Rentals expected to be included in the annual budget proposal submitted to the Colorado General Assembly will be either the Net Base Rentals or Gross Base Rentals due in any such year depending on whether or not Subsidy Payments are paid to the Trustee. Failure by the State to pay from funds which have been specifically appropriated by the General Assembly for such purpose any (i) Gross Base Rentals or Net Base Rentals, whichever is required under the Lease to be appropriated at such time, during the Initial Term or any Renewal Term, or (ii) Additional Rentals on the date on which they are due, constitutes an Event of Lease Default. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Events of Lease Default" in **Appendix B-2** hereto. If a Subsidy Payment is not received before an Interest Payment Date, moneys in the Subsidy Stabilization Fund shall be transferred to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund."

PAYMENT OF BASE RENTALS AND ALL OTHER PAYMENTS BY THE STATE UNDER THE LEASE SHALL CONSTITUTE CURRENTLY BUDGETED EXPENDITURES OF THE STATE, IF AN APPROPRIATION HAS BEEN EFFECTED FOR SUCH PURPOSE AND THE LEASE HAS BEEN RENEWED, AND SHALL BE PAID FROM THE MONEYS DESCRIBED ABOVE. THE OBLIGATIONS OF THE STATE TO PAY RENT AND ALL OTHER OBLIGATIONS OF THE STATE UNDER THE 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 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 THE LEASE, THE SOLE SECURITY AVAILABLE TO THE LESSOR UNDER THE LEASE SHALL BE THE LEASED PROPERTY. THE STATE'S OBLIGATIONS UNDER THE LEASE SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASE UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

Subsidy Payments

The Subsidy Payments, to the extent received from the United States Treasury and deposited with the Trustee on behalf of the State, and in accordance with the terms of the CRRFA, will be netted against, and reduce, the interest portion of the Gross Base Rentals due each Fiscal Year from the State under the Lease. The amount of Base Rentals to be included in the annual budget proposal submitted to the Colorado General Assembly pursuant to the terms of the Lease is expected to be the Base Rentals net of the Subsidy Payments; provided, however, that if the United States Treasury has announced that any or all Subsidy Payments will not be made during the remainder of the Lease Term, then the budget proposals for all future Fiscal Years during the Lease Term shall include an amount equal to Gross Base Rentals not reduced by the Subsidy Payment. See "CERTAIN RISK FACTORS – Build America Subsidy Payments" and "TAX MATTERS." If any such budget proposal includes an amount exceeding the Maximum Aggregate Annual Lease Payments permitted under the Authorizing Legislation, a request shall be made of the Colorado General Assembly to modify such Maximum Aggregate Annual Lease Payments prior to submitting a budget proposal which includes an amount equal to the Gross Base Rentals not reduced by the Subsidy Payment.

The Trustee, on behalf of the State, is required under the Indenture to apply for Subsidy Payments from the Secretary pursuant to Section 6431 of the Code. See "TAX MATTERS – Series 2009B Certificates - Series 2009B Certificates as "Build America" Certificates."

Subsidy Stabilization Fund

The Indenture creates and establishes a special fund denominated the "CHS/CJC Building Inc./Lease Purchase Agreement Subsidy Stabilization Fund" (hereinafter referred to as the "**Subsidy Stabilization Fund**") with the Trustee. Upon the delivery of the Series 2009B Certificates, there shall be deposited in the Subsidy Stabilization Fund the amount identified for deposit therein in "PLAN OF FINANCING." Moneys in the Subsidy Stabilization Fund shall be used solely for (i) transfer to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates, as the same shall become due, to the extent of any deficiency therein because of the failure of the Trustee to receive any Subsidy Payment, (ii) a reduction of the final payment of the Interest Portion of the Base Rentals as identified in the Lease, and (iii) deposit in escrow for the payment of the Series 2009B Certificates to effect a discharge of the Indenture.

Any Subsidy Payment received by the Trustee after an Interest Payment Date shall be deposited in the Subsidy Stabilization Fund in order to replenish the amount previously withdrawn therefrom.

Any moneys held in the Subsidy Stabilization Fund shall be invested by the Trustee in accordance with the terms of the Indenture. The income derived from the investment thereof shall be retained therein for so long as the balance in the Subsidy Stabilization Fund is equal to or less than the amount initially deposited therein as set forth in "PLAN OF FINANCING." However, at such time as the amount on deposit therein is greater than the initial deposit, all investment income therein shall be transferred to the Base Rentals Fund.

Lease Term

The Lease Term 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 the Lease shall expire upon the earliest occurrence of any of the following events: (a) the expiration of the Initial Term or September 1 of any Renewal Term during which there occurs an Event of Nonappropriation (provided that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured in accordance with the terms of the Lease); (b) the conveyance of the Leased Property under the Lease to the State upon payment of the Purchase Option Price under certain circumstances; or (c) an uncured Event of Lease Default and termination of the Lease by the Trustee, as the Lessor's assignee.

Except for an event described in subparagraph (b) above, upon termination of the Lease, the State agrees to peaceful delivery of the Leased Property to the Lessor or the Trustee, as the Lessor's assignee. Termination of the Lease Term shall terminate all unaccrued obligations of the State under the Lease, and shall terminate the State's rights of possession under the Lease (except to the extent of the holdover provisions of the Lease, and except for any conveyance pursuant upon the payment of the Purchase Option Price). All obligations of the State accrued prior to such termination shall be continuing until the Lessor or the Trustee, as the Lessor's assignee, agrees that such accrued obligations have been satisfied. If and to the extent the Colorado General Assembly has appropriated funds for payment of Base Rentals 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 after termination of the Lease, the State shall pay Base Rentals to the Trustee and Additional Rentals to the person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Lease 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 SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Remedies on Default" in **Appendix B-2** hereto.

Nonrenewal of the Lease Term

The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use by the State of all of the Leased Property. However, the Indenture and the Lease permit the State to purchase all or a portion of the Leased Property and thereby redeem or defease all or a portion of the Series 2009A/B Certificates, as described in "THE SERIES 2009A/B CERTIFICATES – State's Purchase Option Price" and "- Redemption."

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Lease Default and so long as the State has not exercised its purchase option with respect to all the Leased Property, the State is required to vacate the Leased Property by September 1 of the Renewal Term in respect of which such Event of Nonappropriation or Event of Lease Default shall have occurred and be continuing. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Series 2009A/B Certificates and may exercise any other remedies available upon default as provided in the Lease, including the sale of an assignment of the Trustee's interest under the Site Lease. See "CERTAIN RISK FACTORS," and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Indenture – Remedies" in **Appendix B-2** hereto.

The Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the 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 Lease and only as to certain liabilities as described in the Lease. All property, funds and rights acquired by the Trustee with respect to the Lease, the Leased Property, the Series 2009A/B Certificates and the Indenture, upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Lease and the Indenture), are required to be used to redeem the Series 2009A/B Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Indenture – Remedies" in **Appendix B-2** hereto.

The Leased Property

Generally

The Leased Property upon issuance of the Series 2009A/B Certificates consists of the Lessor's leasehold interest in the Sites pursuant to the Site Lease, the Lessor's ownership interest in the facilities that will comprise the Projects on the Sites that will be leased by the Lessor to the State pursuant to the Lease, and any other property leased pursuant to the Lease. The State is not permitted to renew the Lease with respect to less than all of the Leased Property, and a decision not to renew the Lease would mean a loss of all of the Leased Property for the State unless the purchase option for the purchase of all or a portion of the Leased Property under certain circumstances permitted under the Lease has been exercised by the State. See "THE SERIES 2009A/B CERTIFICATES – State's Purchase Option Price." Owners of the Series 2009A/B 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 Series 2009A/B Certificates plus accrued interest thereon. See "CERTAIN RISK FACTORS – Effect of Nonrenewal of the Lease" for a description of some of the factors that may impact the value of the Leased Property.

State's Purchase Option

The State has the right under certain circumstances, pursuant to the terms of the Lease, to purchase either all of the Leased Property or only the Colorado History Center Project or, if the Colorado History Center Project has been purchased by the State, the Justice Center Project, or any portion of the Leased Property that is damaged for which the costs of repair, modification, improvement or replacement are more than the Net Proceeds, as described in "THE SERIES 2009A/B CERTIFICATES – State's Purchase Option Price."

Insurance

The Leased Property is required to be insured by the State as described in "CERTAIN RISK FACTORS – Insurance on the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Damage, Destruction and Condemnation" in **Appendix B-2** hereto.

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CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2009A/B CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2009A/B 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 2009A/B CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2009A/B CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

Option to Renew the Lease Annually

The obligation of the State, as lessee, to make payments under the 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 Rentals or Additional Rentals under the Lease 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 State Historical Fund and the Justice Center Cash Fund or otherwise may be available for transfer from any other sources.** If, on or before June 30 of each Fiscal Year, the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rentals and Additional Rentals, as estimated, for the next Fiscal Year, then an "Event of Nonappropriation" will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Lease, the Lease Term will be terminated. Under the terms of the Lease, in addition to other circumstances, an Event of Nonappropriation may be declared by the State if the Colorado General Assembly fails to appropriate sufficient funds to repair and replace the Leased Property or to pay the State's Purchase Option Price following damage, destruction or condemnation of the Leased Property or any portion thereof. Notwithstanding the foregoing, an Event of Nonappropriation shall not be deemed to occur if, on or before the first Business Day of August of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient to avoid an Event of Nonappropriation and (ii) the State has paid all Base Rentals due during the period from June 30 through the date of such appropriation. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Event of Nonappropriation" in **Appendix B-2** hereto.

There is no assurance that the State will renew the Lease from fiscal year to fiscal year and therefore not terminate the Lease, 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) if the State does not renew the Lease on an annual basis and therefore terminates all of its obligations under the Lease. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds by the General Assembly may be affected by the continuing need of the State for the 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 Lease) is dependent upon several factors outside the State's control, including various economic factors. 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 Rentals and Additional Rentals, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rentals and Additional Rentals each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION" and **Appendices E**, **F** and **G** hereto.

Payment of the principal of and interest on the Series 2009A/B 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 Lease" under this caption.

The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use of all of the Leased Property by the State. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it make any payment on the Series 2009A/B Certificates or otherwise pursuant to the Lease except to the extent of amounts in the Trust Estate under the Indenture.

Effect of a Nonrenewal of the Lease

General

In the event of nonrenewal of the State's obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default under such Lease, the State is required to vacate the Leased Property under the Lease within 60 days. 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 Lease, 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 Lease. The Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the 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 Lease and only as to certain liabilities as described in the Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Lease and the Indenture), are required to be used to redeem the Series 2009A/B Certificates, if and to the extent any such moneys are realized. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Events of Lease Default" and "– Remedies on Default" in **Appendix B-2** hereto and "THE SERIES 2009A/B CERTIFICATES – Redemption – Extraordinary Mandatory Redemption."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the outstanding Series 2009A/B Certificates and accrued interest thereon. If any Series 2009A/B Certificates are redeemed subsequent to a termination of the 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 Series 2009A/B Certificates pursuant to the Indenture; and upon such a partial payment, no owner of any Series 2009A/B Certificate will have any further claims for payment upon the State or the Trustee.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2009A/B 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 Series 2009A/B 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 Series 2009A/B Certificates or the acquisition of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." The value of the Leased Property could be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements or other land use regulations may also restrict use of the Leased Property. **Upon termination of the Lease, there is no assurance of any payment of the principal of or interest on Series 2009A/B Certificates by the State or the Trustee.**

Enforceability of Remedies

Under the 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 Lease Default. However, the enforceability of the 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 State may be in default under the Lease. 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 Lease and the Indenture or to redeem or pay the Series 2009A/B Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2009A/B Certificates of a Nonrenewal Event

Special Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the Lease under certain circumstances as provided in the Lease upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2009A/B Certificates subsequent to such termination. See "TAX MATTERS." If the 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 Series 2009A/B 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 Lease as a consequence of an Event of Nonappropriation or Event of Lease Default will be excluded from gross income under federal or State laws, that the Subsidy Payments will continue to be received, or that the Series 2009A/B Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the term of the Lease.

Insurance on the Leased Property

The Lease requires that the State shall provide 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 Series 2009A/B Certificates or (B) the full replacement value of the Leased Property. The Lease also requires that the State shall provide public liability insurance with respect to the activities to be undertaken by the State in connection with the Leased Property and the Lease: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, Colorado Revised Statutes Section 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State may be liable to third parties thereunder and (2) for all other activities, in an amount not less than $1,000,000 per occurrence. The 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. See "LITIGATION AND SOVEREIGN IMMUNITY – Self Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or condemnation of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2009A/B Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See "THE SERIES 2009A/B CERTIFICATES – Redemption."

Construction Risks

Cost Increases and Construction Delays

The Lessor has entered into a guaranteed maximum price construction contract with Hensel Phelps Construction Co. (the "**Colorado History Center General Contractor**") pursuant to which Lessor and the Colorado History Center General Contractor shall agree, by an amendment by July 22, 2009, prior to the execution and delivery of the Series 2009A/B Certificates, to a construction schedule and price not to exceed $69,351,811 for construction of the Colorado History Center Project. By July 22, 2009, the Lessor shall also enter into a guaranteed maximum price contract (the "**Justice Center Construction Contract**") with M.A. Mortenson Company (the "**Justice Center General Contractor**" and, together with the Colorado History Center General Contractor, the "**Construction Contractors**"), pursuant to which the Lessor and the Justice Center General Contractor will commit to a guaranteed maximum price that does not exceed $180.0 million for construction of the Justice Center Project. The schedules for completion of the Projects may be extended and the maximum contract prices with respect to the Projects may be increased in response to an excusable delay or a change in scope as requested by the Lessor. An "excusable delay" is defined in the History Center Contract (defined below), and is expected to be defined in the Justice Center Contract (defined below), as a delay to the work beyond the control of the Construction Contractors which the Lessor determines justifies such delay. The History Center Construction Contract (defined below) and the Justice Center Construction Contract each include contingency amounts that can be applied by each Construction Contractor to make up for deficiencies in the construction price estimates for each Project. Application of a Construction Contractor's contingency should not increase the construction costs payable by the Lessor. In addition, the Lessor also has its own budgeted contingencies for construction costs relating to the Projects that the Lessor can use to pay for additional costs relating to the Projects agreed upon by the Lessor, or for which a Construction Contractor is entitled to payment under the applicable Construction Contract.

There is also a possibility of insolvency or bankruptcy of either of the Construction Contractors or subcontractors during construction. The History Center Construction Contract and the Justice Center Construction Contract each provide for a payment and performance bond at 100% of the guaranteed maximum price with respect to the Colorado History Center Project and the Justice Center Project, respectively. If a default occurs or a conflict arises under either of the guaranteed maximum price contracts with respect to the Projects, there is a possibility of litigation among the Lessor and the Colorado History Center General Contractor and/or the Justice Center General Contractor, the parties involved in the development and construction of the Colorado History Center Project and/or the Justice Center Project, and/or the providers of the payment and performance bonds, which could delay or halt the construction of the Colorado History Center Project and/or the Justice Center Project. There can be no assurance that increases in the costs of completion of the Colorado History Center Project and/or the Justice Center Project will not exceed the amount of moneys deposited in the Series 2009 Project Fund to fund the construction of the Colorado History Center Project and/or the Justice Center Project.

Other Contingencies

Certain other risks and contingencies are associated with completion of the work and any future construction or renovation of the Projects. Contingencies generally involved in the construction of any facility - such as (i) design or construction problems; (ii) site conditions, safety and health conditions, permitting or approvals, and administrative proceedings or litigation; (iii) environmental conditions or compliance with environmental laws; (iv) utility relocation problems; (v) labor or material price increases, shortages or interruptions; (vi) inclement weather; (vii) natural disasters or other force majeure events - may cause delays in the completion of the Projects or the actual cost of completion to exceed available funds. Furthermore, the failure to complete the work, or a delay in completion of the work beyond its anticipated completion date, for any reason, may adversely affect the Trustee's receipt of Base Rentals for the Projects. The guaranteed maximum price contract with respect to the Colorado History Center Project (the "**History Center Construction Contract**") provides for per-diem liquidated damages of $14,000 per day, an amount expected to cover at least those costs which are to be paid under the Lease with respect to the Colorado History Center Project, that are payable in the event that the Colorado History Center General Contractor does not meet its completion dates under the History Center Construction Contract. Similarly, the Justice Center Construction Contract provides for per-diem liquidated damages of $30,000 per day in the event that the Justice Center General Contractor does not meet its completion dates under the Justice Center Construction Contract. The amount of the liquidated damages included in the Justice Center Construction Contract will be calculated to cover at least those costs which are to be paid under the Lease with respect to the Justice Center Project. There can be no assurance, however, that the final Justice Center Construction Contract agreed upon by the Lessor and the Justice Center General Contractor will provide for the payment of liquidated damages under the circumstances described above.

The risk that the Trustee may not receive the Base Rentals if work under either of the Construction Contracts is delayed or not completed should be mitigated to the extent that the Colorado History Center General Contractor or the Justice Center General Contractor is required to pay and does pay the liquidated damages under the applicable guaranteed maximum price contract. The respective Construction Contractor's obligation to pay liquidated damages, however, would not apply to the extent that the completion dates on the respective schedules are extended due to an "excusable delay."

Build America Subsidy Payments

No assurances are provided that the State or the Trustee will receive Subsidy Payments pursuant to the Federal Recovery Act. The amount of any Subsidy Payment is subject to legislative changes by Congress. Subsidy Payments will only be paid if the Series 2009B Certificates qualify as "Qualified Build America Bonds" within the meaning of the Federal Recovery Act. For the Series 2009B Certificates to be and remain "Qualified Build America Bonds" within the meaning of the Federal Recovery Act, the State must comply with certain covenants and the State must establish certain facts and expectations with respect to the Series 2009B Certificates, the use and investment of proceeds thereof and the use of property financed thereby.

There are currently no procedures for requesting a Subsidy Payment after the 45th day prior to an interest payment date; therefore, if the Trustee fails to file the necessary tax return in a timely fashion, it is possible that the State will not receive such Subsidy Payment. In addition, Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States of America. The State will covenant that it will take no action, and permit no action within its control to be taken, which would adversely affect the payment of the Subsidy Payments. The amount expected to be appropriated each year by the State for payment of Base Rentals is the Net Base Rentals due under the Lease. If a Subsidy Payment is not received before an Interest Payment Date, moneys in the Subsidy Stabilization Fund shall be transferred to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Subsidy Stabilization Fund." If a Subsidy Payment is not received before an Interest Payment Date and moneys in the Subsidy Stabilization Fund are not sufficient to pay interest on the Series 2009B Certificates, then the State will be required to pay the difference between Gross Base Rentals and Net Base Rentals, which will result in a total payment by the State equal to Gross Base Rentals. If (i) no Subsidy Payment is received before an Interest Payment Date, (ii) moneys in the Subsidy Stabilization Fund are not sufficient to pay interest on the Series 2009B Certificates, and (iii) the State does not pay the Gross Base Rentals due under the Lease, an Event of Lease Default will have occurred. See "SECURITY AND SOURCES OF PAYMENT – Sources of Payment" and "SUMMARY OF CERTAIN

PROVISIONS OF THE SITE LEASE, THE LEASE, AND THE INDENTURE – The Lease – Events of Lease Default" in **Appendix B-2** hereto.

If the Trustee leases the Leased Property to a non-governmental entity as a result of an Event of Nonappropriation or Event of Lease Default and the Series 2009B Certificates remain outstanding, the Subsidy Payments will no longer be paid by the United States Treasury because the Series 2009B Certificates will no longer qualify as "Qualified Build America Bonds."

State Budgets and Revenue Forecasts

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 on June 22, 2009 (the "**OSPB June Revenue Forecast**"), and is summarized in this Official Statement. See "STATE FINANCIAL INFORMATION" and **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation" and "– OSPB Revenue and Economic Forecasts."

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the accrual method 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 an accrual basis, which does not take into account the timing of when such amounts are received or paid. If an unanticipated cash shortfall were to occur in late Fiscal Year 2009-10, it may adversely affect the State's ability to pay Base Rentals under the Lease. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations."

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 "FORWARD LOOKING STATEMENTS."

Projected Fiscal Year 2009-10 Budgetary Shortfall

As noted above, the State constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. However, based on certain assumptions regarding actions to be taken to balance the Fiscal Year 2008-09 budget, the OSPB June Revenue Forecast projects a Fiscal Year 2009-10 budgetary shortfall of $81.1 million. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10" and "– OSPB Revenue and Economic Forecasts – Revenue Forecast." This projection was based in part on the assumption that there would be a one-day transfer of cash funds to the General Fund of at least $261.4 million for Fiscal Year 2008-09 in accordance with SB 09-279, which funds were required to be repaid on July 1, 2009. The actual transfer of cash funds to the General Fund pursuant to SB 09-279 was approximately $458.1 million. However, the portion of such transfer in excess of $228.1 million constituted a contingency to cover any variance between the projected deficit used to calculate the amount of the transfer and the actual Fiscal Year 2008-09 General Fund deficit (before the transfer) as eventually determined. The amount of this contingency that will actually be needed to meet Fiscal Year 2008-09 appropriations, and the impact of the larger than assumed SB 09-279 transfer on the Fiscal Year 2009-10 budgetary shortfall projected in the OSPB June Revenue Forecast, cannot yet be determined.

The Governor has announced that immediate steps will be taken to determine the exact amount of the shortfall and then formulate a plan to balance the Fiscal Year 2009-10 budget. In addition, because the projected shortfall exceeds one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, the Governor is required by State law to implement the procedures discussed in **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfalls." The success of these efforts could affect the availability of State moneys to pay Base Rentals.

The OSPB June Revenue Forecast states that while both the national and Colorado economies remain in a recession, some signs of recovery are becoming apparent. However, the national economy remains weakened, and therefore the main risk to the Colorado economic forecast is that the national economy will contract further. As a result, there can be no assurance that revenues will not continue to decline below the levels currently projected in the OSPB June Revenue Forecast.

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 "FORWARD LOOKING STATEMENTS."

Forward Looking Statements

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION" and in **Appendix E**, contains statements relating to future results that are "forward looking statements" as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimates," "intends," "expects," "believes," "anticipates," "plans," and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. 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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THE STATE

General Profile

The State became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,350 to 14,431 feet above sea level. The current population of the State is approximately 4.9 million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008" and **Appendix F –** "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

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

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

STATE FINANCIAL INFORMATION

*It is important for prospective purchasers to analyze the financial and overall status of the State, including the State Historical Fund, the Justice Center Cash Fund, and the State General Fund, in order to evaluate the likelihood of an Event of Lease Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also **Appendix E** – "THE STATE GENERAL FUND," **Appendix F** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION," and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND." The information in these sections and Appendices has been provided by the State.*

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 "**Treasury**"), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State, except certain institutions of higher education. The Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State, except for certain institutions of higher education, charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the Treasury under procedures prescribed by law or by fiscal rules promulgated by the 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 credit of the Treasury in lieu of transmitting such moneys to the Treasury

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

Taxpayer's Bill of Rights

TABOR (defined below) imposes various fiscal limits and requirements on the State and its local governments.

The Constitutional Provision

Article X, Section 20 of the State constitution, commonly known as the Taxpayer's Bill of Rights, or "TABOR," imposes various fiscal limits and requirements on the State and its local governments. Overall, TABOR is a limitation on the amount of revenue that may be kept by the State in any particular year, regardless of whether that revenue is spent during the year. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year. TABOR implements these revenue limitations through certain restrictions and limitations on spending, including the following:

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

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

(c) Under TABOR, the State must maintain an emergency reserve equal to 3% of its fiscal year spending (the "**TABOR Reserve**"). The TABOR Reserve may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. For Fiscal Year 2009-10, the Long Appropriation Bill (the "**Long Bill**"), in conjunction with other legislation, designates the funds that constitute the TABOR Reserve. These funds include portions of the Major Medical Insurance Fund and the Wildlife Cash Fund and up to $81,100,000 in aggregate value of State properties designated by the Governor. The funds and other assets described above, in aggregate, meet the TABOR Reserve requirement for Fiscal Year 2009-10.

Statutes Implementing TABOR

A number of statutes implementing TABOR have been enacted by the General Assembly, including those that (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of the revenue and spending limits of TABOR, (ii) specify the accounting treatment of refunds owed by the State under TABOR and (iii) define State operations that qualify as "enterprises" excluded from TABOR.

The "Ratchet Down" Effect of TABOR on State Revenues; Curative Measures

As discussed above, TABOR limits year-to-year increases in revenues, and therefore spending, to the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, plus any voter approved revenue (*i.e.*, tax) increase. There are no provisions in TABOR to account for cyclical revenue swings. This originally produced a "ratchet down" effect whenever State revenues declined from one Fiscal Year to the next and then rebounded in subsequent years. The ratcheting down occurred as the result of the TABOR requirements that the State's revenue base be reduced to the lower amount, without limitation, but that the State's revenue base may be increased only to the extent of the limitations stated above, with any excess to be refunded. Such a ratcheting down occurred between Fiscal Years 2001-02 and 2003-04, when TABOR revenues declined by 13.0%, followed by increases of 1.8% in Fiscal Year 2004-05, 8.0% in Fiscal Year 2005-06, 5.3% in Fiscal Year 2006-07, and 3.7% in Fiscal Year 2007-08. According to the OSBP June Revenue Forecast, in Fiscal Year 2008-09 TABOR revenues will decline by 10.1% and will stay flat in Fiscal Year 2009-10.

Legislation enacted during the 2002 legislative session, described in "*The Growth Dividend*" below, mitigated the "ratcheting down" effect of TABOR through the decennial census adjustment, and Referendum C, approved by the State's voters on November 1, 2005 and described in "*Colorado Economic Recovery Act of 2005*" below, disables the "ratcheting down" effect of TABOR on the State altogether through June 2010, and thereafter establishes a floor on the amount of the ratchet down.

The "Growth Dividend"

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

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

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

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

Colorado Economic Recovery Act of 2005

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

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

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

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

Referendum C provides that, for each Fiscal Year that the State retains and spends State revenues in excess of the TABOR limit on State fiscal year spending, the Director of Research of the Legislative Council is to prepare by October 15th an excess State revenues legislative report that identifies the amount of excess State revenues retained by the State and describes how such excess State revenues have been expended. Referendum C requires that the report be published and made available on the official web site of the Colorado General Assembly. In addition, the Office of the State Controller is required to prepare a report each Fiscal Year that identifies revenues that the State is authorized to retain pursuant to Referendum C and to certify the same no later than September 1st following the end of the Fiscal Year. Accordingly, in Fiscal Years 2005-06, 2006-07 and 2007-08, the State was allowed to retain \$1.116 billion, \$1.308 billion and \$1.169 billion, respectively. See **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

The OSPB currently forecasts that TABOR revenues in Fiscal Year 2009-10 are not anticipated to exceed Fiscal Year 2007-08 levels, resulting in Fiscal Year 2007-08 being the highest TABOR revenue year under Referendum C.

Effect of TABOR on the Series 2009A/B Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2009A/B 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." The revenue and spending limits of TABOR are not expected to affect the ability of the State to make payments required under the Lease.

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 by each department to the Joint Budget Committee of the General Assembly (the "**JBC**"), as described below. In January, the Governor makes additional budget recommendations to the JBC for the budget of all branches of the State government, except that the elected executive officials, the judicial branch and the legislative branch make recommendations to the JBC for their own budgets.

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Bill which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes, (ii) cash funds appropriations supported primarily by grants, transfers and departmental charges for services, and (iii) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2009-10 was adopted by the General Assembly on April 24, 2009, and approved in part and disapproved in part by the Governor on May 1, 2009.

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

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

Revenues and Unappropriated Amounts

For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (the "**Unappropriated Reserve**"), which Unappropriated Reserve 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. 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. Pursuant to SB 09-277, the Unappropriated Reserve for Fiscal Year 2009-10 was reduced from the previously designated 4% to 2% of the amount appropriated for expenditure from the General Fund in such Fiscal Year. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – *Revenue Shortfalls*."

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State Constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, of the Colorado Revised States, as amended. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations are 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, Colorado Revised Statutes, 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) 6% over General Fund appropriations for the previous Fiscal Year. Pursuant to 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 limitation are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election. The limitation on the level of General Fund appropriations may be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution that is approved by a two-thirds majority vote of the members of both houses of the General Assembly and that is approved by the Governor. See "Taxpayers' Bill of Rights" under this caption for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the recent approval of Referendum C.

Fiscal Year Spending and Emergency Reserves

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

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel and Administration. The State Controller is the head of the Office of the State Controller Office and the Controller or his delegate have statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the Treasury are made by warrants signed by the State Controller and countersigned by the Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant 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 and Administration. 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 in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**.

Basis of Presentation of Financial Results and Estimates

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

Financial Audits

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

The State's Fiscal Year 2007-08 Comprehensive Annual Financial Report, including the State Auditor's Opinion thereon, is appended to this Official Statement as **Appendix A**. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has the Office of the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, Colorado Revised Statutes, as well as other State statutes, to invest State funds in certain U.S. public and non-public fixed income securities. In making such investments, the 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 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 statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Note 14 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **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. Accordingly, the State currently has, and upon issuance of the Series 2009A/B Certificates will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. The minimum lease payments due in Fiscal Year 2008-09 under lease-purchase agreements entered into by the State (not including the Lease) were $40.15 million (unaudited) and are estimated to be $53.95 million in Fiscal Year 2009-10, including lease payments to be made by the State under the annually renewable lease purchase agreement entered into by the State in November, 2008 under the Colorado Higher Education Capital Construction Lease Purchase Financing Program. See Notes 24 and 38 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**. In addition, in Fiscal Year 2009-10, the State anticipates entering into two lease purchase agreements to finance K-12 schools and the Projects.

Separate from lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the State legislature. Historically, these leases have been renewed in the normal course of business and are therefore treated as capital leases for financial reporting purposes. The minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2008-09 were $72.47 million (unaudited) and are estimated to be $66.12 million in Fiscal Year 2009-10. See Note 22 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes. At June 30, 2009, CDOT has outstanding $1.060 billion (unaudited) in aggregate principal amount of such notes. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion, and certain other moneys. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

In addition to the obligations described above, State departments and agencies, including State institutions of higher education, issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment, construction of facilities and infrastructure and to finance student loans. With the exception of the University of Colorado, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2008, see Notes 24 and 38 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**.

Most State employees participate in a defined benefit pension plan, which is a cost-sharing multiple-employer benefit plan administered by the Public Employees' Retirement Association ("**PERA**"). The PERA Health Care Trust Fund held by PERA is a post-employment cost-sharing multiple-employer benefit program under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The State has made all of the statutorily required contributions to the PERA Health Care Trust Fund. See Notes 18, 19, and 20 to the audited financial statements of the State appended to this Official Statement as **Appendix A**.

State Authorities

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

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

Note Issues of the State

Under 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 1984-1985, the State has issued tax and revenue anticipation notes to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. 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.

FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION" and in **Appendix E**, 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.

LITIGATION AND SOVEREIGN IMMUNITY

No Litigation Affecting the Series 2009A/B Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the execution or delivery by the Trustee of the Series 2009A/B Certificates or questioning or affecting the validity of the Series 2009A/B 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 threatened, that in any manner questions the right of the State Court Administrator or the President of the Society to enter into the Lease or the Site Lease in the manner provided in the Authorizing Legislation.

Governmental Immunity Act

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

Self Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6-H-I, 22 and 37 to the financial statements appended to this Official Statement as **Appendix A** for a description of the Risk Management Fund. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of other pending material litigation in which the State is a defendant, see Note 37 to the financial statements appended as **Appendix A** to this Official Statement. In March 2009, subsequent to the completion of such financial statements, the suit brought by the Mesa County Board of County Commissioners and others challenging the constitutionality of the school mill levy stabilization, discussed in Note 37 was decided by the Colorado Supreme Court in favor of the State. The State Attorney General does not believe that any of the other actions described in the above-referenced Note 37, or any combination thereof, will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2009A/B Certificates. There can be no assurance, however, regarding the ultimate outcome of the actions described in Note 37, and no provision has been made for a liability in the financial statements appended as **Appendix A** to this Official Statement related to the actions discussed in that Note. The State Attorney General also does not believe that since June 30, 2008, there have been any material actions initiated in which the State is a defendant that will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2009A/B Certificates.

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TAX MATTERS

Series 2009A Certificates

In the opinion of Brownstein Hyatt Farber Schreck LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by the State which is designated and paid as interest (including any original issue discount properly allocable to certain of the Series 2009A Certificates), as provided in the Lease, and received by the Owners of the Series 2009A Certificates, is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State and the Trustee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2009A Certificates. Failure to comply with such requirements could cause interest on the Series 2009A Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009A Certificates. The State has covenanted in the Lease and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Series 2009A Certificates and the Trustee has covenanted in the Indenture to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2009A Certificates, and has expressed no opinion as to the effect of any termination of the State's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2009A Certificates subsequent to such termination.

In addition, the accrual or receipt of such interest may otherwise affect the federal income tax liability of the Owners of the Series 2009A Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2009A Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2009A Certificates.

In the opinion of Special Counsel, under existing Colorado statutes, the portion of the Base Rentals paid by the State which is designated and paid as interest (including any original issue discount properly allocable to certain of the Series 2009A Certificates), as provided in the Lease, and received by the Owners of the Series 2009A Certificates, is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2009A 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 Lease, under certain circumstances as provided in the Lease, upon the treatment for State income tax purposes of any moneys received by the Owners of the Series 2009A Certificates subsequent to such termination.

Certain of the Series 2009A Certificates as shown on the inside cover of this Official Statement (collectively, the "**Premium Certificates**") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. An initial purchaser of a Premium Certificate must amortize any premium over such Premium Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Certain of the Series 2009A Certificates as shown on the inside cover of this Official Statement (collectively, the "**Series 2009A Discount Certificates**") are being sold at an original issue discount. The difference between the initial public offering prices of such Series 2009A Discount Certificates and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Series 2009A Discount Certificate is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Series 2009A Discount Certificate (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Series 2009A Discount Certificate which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Series 2009A Discount Certificate, on days which are determined by reference to the maturity date of such Series 2009A Discount Certificate. The amount treated as original issue discount on such Series 2009A Discount Certificate for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Series 2009A Discount Certificate (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Series 2009A Discount Certificate at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Series 2009A Discount Certificate during the accrual period. The tax basis is determined by adding to the initial public offering price on such Series 2009A Discount Certificate the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Series 2009A Discount Certificate is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Purchasers of Series 2009A Discount Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to State and local tax consequences of owning a Series 2009A Discount Certificate.

Interest the Series 2009A 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 a Series 2009A Certificate who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code.

Series 2009B Certificates

Series 2009B Certificates as "Build America" Certificates

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2009B Certificates by "U.S. Holders" as defined herein. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2009B Certificates. This summary generally addresses Series 2009B Certificates held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2009B Certificates as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. Potential purchasers of the Series 2009B Certificates should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2009B Certificates.

For purposes of this summary, a "U.S. Holder" means any beneficial owner of a Series 2009B Certificate that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to United Stated federal income taxation regardless of its source, or (iv) a trust the administration of which is subject to the primary jurisdiction of a United States court and which has one or more United States persons with authority to control all substantial decisions of the trust.

The Series 2009B Certificates are taxable obligations for federal income tax purposes. The portion of the Base Rentals designated and paid as interest to the Series 2009B Certificate holders is includible in gross income for federal income tax purposes but exempt from Colorado income tax. Purchasers other than those who purchase the Series 2009B Certificates in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2009B Certificates. Generally, the interest portion of Base Rentals paid with respect to the Series 2009B Certificates and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the holder of Series 2009B Certificates at the time such interest is paid or accrued in accordance with the holder's regular method of tax accounting, and, after adjustment for the foregoing, the principal portion of Base Rentals paid with respect to Series 2009B Certificates will be treated as a return of capital.

A build America bond is a qualified bond under Section 54AA(g) of the Code (a "**Qualified Build America Bond**") if it meets certain requirements of the Code and the related Treasury regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Under the Code, the State must use 100% of the excess of the available project proceeds over amounts in a reasonably required reserve fund for capital expenditures. Interest on Qualified Build America Bonds is includible in gross income for purposes of the federal income tax, and owners of Qualified Build America Bonds will not receive any tax credits as a result of ownership of such Qualified Build America Bonds when an issuer has elected to receive a Subsidy Payment.

Under Section 6431 of the Code, an issuer of a Qualified Build America Bond may apply to receive Subsidy Payments directly from the Secretary of the United States Treasury (the "**Secretary**"). The amount of a Subsidy Payment is 35% of the corresponding interest payable on the related Qualified Build America Bond. Depending on the timing of filing and other factors, the Subsidy Payment may be received before or after the corresponding interest payment date.

The State will elect to treat the Series 2009B Certificates as Qualified Build America Bonds for purposes of Section 54AA(g) of the Code. As a result of this election, interest on the Series 2009B Certificates will be includible in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2009B Certificates will not be entitled to any tax credits as a result of either ownership of the Series 2009B Certificates or receipt of any interest payments on the Series 2009B Certificates. Owners of the Series 2009B Certificates should consult their tax advisors with respect to the inclusion of interest on the Series 2009B Certificates in gross income for federal income tax purposes.

The Trustee, on behalf of the State, is required under the Indenture to apply for Subsidy Payments from the Secretary pursuant to Section 6431 of the Code. Such Subsidy Payments will be pledged under the Indenture to the repayment of the Series 2009A/B Certificates. No assurances are provided that the Trustee will receive Subsidy Payments. See "CERTAIN RISK FACTORS – Build America Subsidy Payments."

The availability of such Subsidy Payment is subject to the condition that the issuer comply with the requirements discussed in the preceding paragraph and all other requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009B Certificates. The issuer has covenanted to comply with such requirements. If the State does not meet these requirements, it is possible that the State may not receive such Subsidy Payment.

Certain of the Series 2009B Certificates as shown on the inside cover of this Official Statement (collectively, the "**Series 2009B Discount Certificates**") are being sold at an original issue discount. A Series 2009B Certificate will be treated as issued with original issue discount if the difference between the initial public offering prices of such Certificate and its stated principal amount to be paid at maturity equals or exceeds one quarter of one percent of the stated principal amount multiplied by the number of complete years to maturity.

A holder generally must include original issue discount in gross income for federal income tax purposes in advance of the receipt of some or all of the related cash payments using the "constant yield" method described below. The amount of original issue discount which is treated as having accrued with respect to such Series 2009B Discount Certificate is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Series 2009B Discount Certificate (including its sale, redemption or payment at maturity).

The amount of original issue discount that a holder must include in income is the sum of the "daily portions" of original issue discount for each day during the taxable year or portion of the taxable year in which such holder held the Series 2009B Discount Certificate. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the original issue discount allocable to that accrual period. The "accrual period" for a Series 2009B Discount Certificate may be of any length and may vary in length over the term of the Series 2009B Discount Certificate, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount treated as original issue discount on such Series 2009B Discount Certificate for a particular semiannual accrual period is equal to (A) the product of (i) the yield to maturity for such Series 2009B Discount Certificate (determined by compounding at the close of each accrual period and properly adjusted for the length of the accrual period) and (ii) the "adjusted issue price" of such Series 2009B Discount Certificate at the beginning of the particular accrual period, less (B) the amount of any interest payable for such Series 2009B Discount Certificate during the accrual period. The adjusted issue price is determined by adding to the initial public offering price on such Series 2009B Discount Certificate the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Series 2009B Discount Certificate is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders may elect to include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Series 2009B Certificate by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. The election may not be revoked without consent of the IRS. Holders should consult their own tax advisors with respect to whether or not they should so elect.

Holders of Discount Series 2009B Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the amount of original issue discount properly accruable in any period and as to other federal tax consequences and the treatment of original issue discount for purposes of state and local taxes on, or based on, income.

A holder that purchases a Series 2009B Discount Certificate for an amount less than or equal to the stated principal amount, but in excess of its adjusted issue price, generally is permitted to reduce the daily portions of original issue discount by a fraction. The numerator of such fraction is the excess of the holder's basis in the Series 2009B Discount Certificate immediately after its purchase over the adjusted issue price. The denominator of such fraction is the excess of the stated principal amount over the adjusted issue price.

If a certificate holder purchases a Series 2009B Certificate for an amount that is less than the adjusted issue price of the Series 2009B Certificate, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of a Series 2009B Certificate, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to purchase or carry a market discount bond is limited. Such certificate holders should consult their own tax advisors with respect to whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2009B Certificates.

If a certificate holder purchases a Series 2009B Certificate at a cost greater than its then principal amount, generally the excess is amortizable bond premium. The tax accounting treatment of bond premium is complex. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Such certificate holders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code, the determination and treatment of such premium for federal income tax purposes and the state and local tax consequences of owning such Series 2009B Certificates.

A certificate holder's tax basis for a Series 2009B Certificate is the price such owner pays for the Series 2009B Certificate plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than stated interest) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2009B Certificate, measured by the difference between the amount realized and the Series 2009B Certificate basis as so adjusted, will generally give rise to capital gain or loss if the Series 2009B Certificate is held as a capital asset (except market discount as discussed above), and will be long-term capital gain or loss if the holding period for the Series 2009B Certificate is greater than one year. Long-term capital gains are subject to reduced rates of federal income taxation for non-corporate holders. The deduction of capital losses may be subject to limitations. The legal defeasance of Series 2009B Certificates may result in a deemed sale or exchange of such Series 2009B Certificates under certain circumstances; owners of such Series 2009B Certificates should consult their tax advisors as to the federal income tax consequences of such an event.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of any original issue discount on Series 2009B Certificates and the proceeds of the sale of Series 2009B Certificates within the United States. Backup withholding may apply to holders of Series 2009B Certificates under Section 3406 of the Code. A holder generally may avoid backup withholding by providing its taxpayer identification number and meeting certain other certification requirements. Amounts withheld under the backup withholding rules are not an additional tax, and may be allowed as a refund or a credit against such holder's United States federal income tax provides the required information is furnished to the IRS.

Circular 230 Disclosure. The above discussion relating to the Series 2009B Certificates was written to support the promotion and marketing of the Series 2009B Certificates and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2009A Certificates or the Series 2009B Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009A Certificates or the Series 2009B 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 2009A Certificates or the Series 2009B Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2009A Certificates or the Series 2009B Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special 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 2009A Certificates and the Series 2009B Certificates and Special 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 2009A Certificates are to be purchased by Piper Jaffray & Co. ("**Piper**"), on behalf of itself, RBC Capital Markets Corporation and George K. Baum & Co. (collectively, the "**Series 2009A Underwriters**"), at a price equal to $41,170,146.10 (representing the principal amount of the Series 2009A Certificates less an underwriting discount of $152,217.00, plus a net original issue premium of $2,292,363.10). The Series 2009B Certificates are to be purchased by George K. Baum & Co., on behalf of itself, RBC Capital Markets Corporation, and Piper (collectively, the "**Series 2009B Underwriters**" and, together with the Series 2009A Underwriters, the "**Underwriters**") at a price equal to $295,054,826.60 (representing the principal amount of the Series 2009B Certificates less an underwriting discount of $2,353,116.00, less a net original issue discount of $2,352,057.40). The Underwriters have agreed to accept delivery of and pay for all of the Series 2009A/B Certificates if any are delivered, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2009A Certificate Purchase Agreement and the Series 2009B Certificate Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

FINANCIAL ADVISOR

North Slope Capital Advisors, Denver, Colorado, is acting as Financial Advisor to the State in connection with the execution and delivery of the Series 2009A/B Certificates, and in such capacity has assisted in the preparation of this Official Statement and other matters relating to the planning, structuring, rating and execution and delivery of the Series 2009A/B Certificates. However, the Financial Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2009A/B Certificates are subject to the approving opinion of Brownstein Hyatt Farber Schreck LLP, Denver, Colorado, as Special Counsel, which will be delivered with the Series 2009A/B Certificates, a form of which is attached hereto as **Appendix D**.

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 Hogan & Hartson LLP, Denver, Colorado. Payment of legal fees to Special Counsel and Counsel to the Underwriters is contingent upon the sale and delivery of the Series 2009A/B Certificates.

RATINGS

Moody's has assigned the Series 2009A/B Certificates an underlying rating of "Aa3" and S&P has assigned the Series 2009A/B Certificates an underlying rating of "AA-." 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 2009A/B Certificates and the Leased Property, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2009A/B Certificates. Neither the State nor any Underwriter has undertaken responsibility to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2009A/B 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 2009A/B Certificates to provide certain Annual Financial Information relating to the State by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2009, to provide the Audited Financial Statements when available but not later than 210 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events, if material. The State is in compliance in all material respects with its obligations under any outstanding continuing disclosure undertakings of the State.

MISCELLANEOUS

The cover page, inside cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2009A/B Certificates, copies of the Authorizing Legislation and certain other documents referred to herein may be obtained from the Underwriters at George K. Baum & Company, as Representative of the Underwriters, 1400 Wewatta Street, Suite 800, Denver, Colorado, Attention: Public Finance Department, telephone number (303) 292-1600. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

STATE OF COLORADO, acting by and through the State Court Administrator

By: /s/ Gerald Marroney
State Court Administrator

STATE OF COLORADO, acting by and through the President of the Colorado Historical Society

By: /s/ Edward C. Nichols
President of the Colorado Historical Society

APPENDIX A

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Bill Ritter, Jr.
Governor

Department of Personnel & Administration
Rich L. Gonzales, Executive Director
David J. McDermott, State Controller

REPORT LAYOUT

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

INTERNET ACCESS

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

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

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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STATISTICAL SECTION

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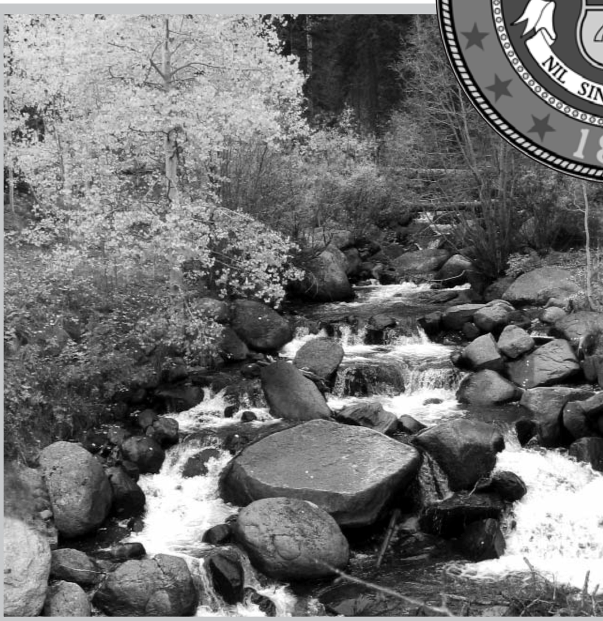


Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

State of Colorado

Bill Ritter, Jr.
Governor

Rich Gonzales
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA
Department of Personnel & Administration

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

December 19, 2008

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, 2008. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. The State Controller is responsible for managing the finances and financial affairs of the state and is committed to sound financial management and governmental accountability.

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

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 19, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, 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:

University of Colorado Hospital Authority
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
- Renewable Energy Authority

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 104,247 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,350 to 14,431 feet above sea level. The state's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the state's semi-arid climate, water resource development, allocation, and conservation are ongoing 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.

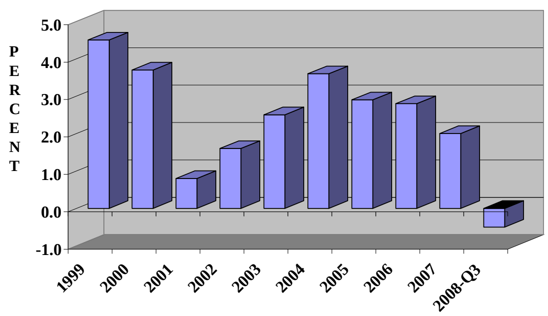
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited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

The Judicial Branch is responsible for resolving disputes within the state, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by 304 justices and judges in 22 judicial districts across the state (excluding 17 Denver county court judges). Municipal courts are not part of the state system. There are also seven water courts, one in each of the state's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

The state's General Fund revenues reflect the overall condition of the state economy, which showed a declining rate of growth in Fiscal Year 2007-08; General Fund revenues increased by $192.0 million (2.6 percent) over the prior year. In absolute dollars, personal income in the state grew by approximately 6.0 percent for 2007 and is forecast to grow by 5.2 percent for 2008. The growth in new state employment declined with 51,100 jobs added in 2007 and 30,400 forecast to be added in 2008.

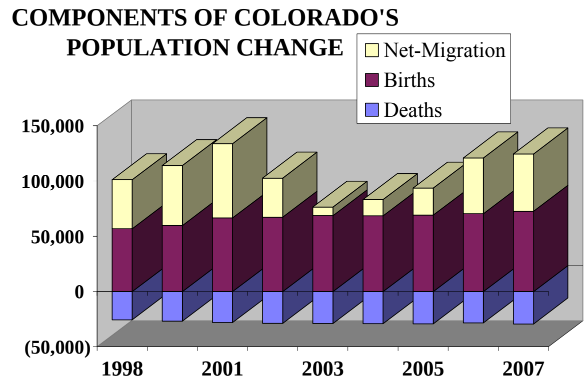
PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



Inflation adjusted national gross domestic product (GDP) grew at an annual rate of 2.0 percent in calendar year 2007 and declined by an estimated 0.5 percent in the third quarter of 2008. Inflation adjusted GDP increased 0.7 percent from the third quarter of 2007 to the third quarter of 2008 (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 approximately two-thirds of GDP and were down 0.2 percent, while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) was down 7.3 percent in aggregate. Residential investment declined 20.9 percent (tenth consecutive quarter of decline) offsetting a 10.5 percent increase in private investment related to nonresidential structures. Government spending exceeded the quarter-over-quarter growth rate at 3.0 percent largely related to a 7.7 percent increase in national defense expenditures as well as an increase in federal nondefense spending of 3.1 percent. Quarter-over-quarter export growth at 6.2 percent significantly outpaced imports which declined by 3.4 percent as the weakness of the U.S. dollar makes our products less expensive on the world market.

Nationally, the 20.9 percent decline in residential investment is a continuing indicator of a significantly depressed housing market with home values declining nationwide. During Fiscal Year 2007-08, the credit markets saw the collapse of the auction rate debt securities market (adversely affecting some Colorado outstanding debt), and shortly after fiscal year-end nearly all credit markets froze, including the municipal bond markets. While the municipal market has currently begun to thaw, other credit markets remain on hold. The root cause of the credit market problem was commonly believed to be the large number of home mortgage defaults caused by home mortgages exceeding home values that declined with the collapse of a long-growing housing bubble. After fiscal year-end the conditions worsened when a general decline in the national economy added job loss as an additional cause for mortgage default. Consumer confidence eroded significantly as the media reported expectations of the worst economic decline since the Great Depression. With the globalization of the world economy, conditions world-wide are similar, and a general constriction in economic activity is affecting most nations. The United States, like other nations, has lowered interest rates and poured large sums of cash into the financial sector and other industries. The effects of these policies are not measurable, but there is little evidence of the economy responding as consumers, businesses, and the financial sector convert investments to cash or government securities in an attempt to ride out the financial storm. It is unknown at this time whether the significant United States deficit spending required to maintain these policies will continue to be supported by international purchases of United States debt securities – significant inflation could occur in the long term. There is also significant short-term risk of deflation resulting from a self-feeding cycle of consumer spending reductions, business production declines, and job losses. In the long-term, state government cannot remain immune from these conditions. However, Colorado's economy normally lags the national economy, and the national conditions discussed above have not yet affected the state's revenues.

Colorado economic activity and in-migration are interdependent. A relatively stable state economy resulted in in-migration increasing only slightly from approximately 50,500 in 2006 to 51,800 in 2007. It remains slightly off its peak amount of about 67,200, which occurred in 2001, but is significantly in excess of its low of about 7,800 in 2003. International in-migration decreased slightly from approximately 19,300 to 18,400 for 2006 and 2007, respectively, however, in-migration from other states increased slightly from about 31,800 to about 33,400. An increase in migration from other states should benefit Colorado's economy as it likely represents an influx of more established households as compared to international in-migration. The information in the adjacent chart is based on current Census Bureau estimates, which were revised again during the past year. Data for the year 2000 is not included in the chart because a large adjustment was made to total state population for that year, and reliable annual estimates for deaths and births are not available for that year.



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

- Employment will grow by 1.3 percent in calendar years 2008 and 2009.
- Unemployment will average 4.9 percent for 2008 compared with 3.8 percent and 4.3 percent in 2007 and 2006, respectively, and it is expected to remain stable in 2009 at 4.9 percent.
- Wages and salary income will grow by 4.9 percent in 2008 and by only 4.0 percent in 2009 before increasing to 5.9 percent growth in 2010.
- Total personal income will increase by 5.2 percent in 2008 and by 4.4 percent in 2009.
- Net in-migration is expected to be 60,300 in 2008 and 61,000 in 2009 with total population growth of about 2.0 percent in each year.
- Retail trade sales will increase 4.0 percent in 2008 and 5.2 percent in 2009.
- Colorado inflation will increase from 2.2 percent in 2007 to 3.7 percent in 2008 and decline to 3.0 percent in 2009.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2008 legislative session. The main focus of the session from a programmatic perspective was on education, health care/social services, and criminal justice and court issues. Because of the debt, tax, and revenue limitations in the State Constitution, most of the legislation reallocated existing state revenues to different spending patterns rather than creating new revenue streams or new spending programs.

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

- The General Assembly continued its focus on capital construction by appropriating approximately $180.6 million for new construction and capital asset maintenance. These funds were available because of the absence of TABOR refunds, a stable state economy and the six percent limit on expenditure growth in the General Fund. The General Assembly also utilized alternative mechanisms to fund capital construction as noted below.
- The State of Colorado issued approximately $230.8 million in certificates of participation (COPs) to fund capital construction at twelve state institutions of higher education. The COPs were collateralized with existing properties at eleven of the twelve institutions and the General Assembly anticipates appropriating federal mineral leasing revenues to repay the debt. The General Assembly has also authorized $269.0 million of COPs to pay for a new state Judicial Center and $84.0 million of COPs for a new location for the State Museum.

- The Build Excellent Schools Today (BEST) Act changed the state's method of financing capital construction of public school buildings. The Act allows the Department of Education to issue COPs to finance public school construction projects in amounts resulting in maximum debt service payments of $80.0 million in Fiscal Year 2011-12 and future years. The state will contribute up to 50% of the specified limit with the remaining match paid by the districts or by local Boards of Cooperative Educational Services.
- The state increased spending on a variety of health care and social services programs either by increasing client eligibility or the programs' reimbursement rates or benefits. The changes include:
  - Increasing eligibility levels in the Children's Basic Health Plan for both children and pregnant women and increasing mental health benefits to be comparable with the Medicaid program requiring an additional appropriation of $2.3 million.
  - Creating the Child Welfare and Mental Health Services Pilot program to provide for mental health services to abused children between the ages of four and ten requiring an additional appropriation of $2.1 million.
  - Increasing funding by $2.1 million annually to the Old Age Pension Health and Medical Program which provides health care to low-income elderly individuals who do not qualify for Medicaid.
  - Increasing the reimbursement rate for nursing facilities providing Medicaid services resulting in $6.1 million of additional funding if certain waivers are approved by the federal government.
  - Removing the cap on payment rates to providers for the Program of All-Inclusive Care for the Elderly which required an additional appropriation of $1.7 million.
  - Increasing the transfer of receipts from state sales and use taxes to the Older Coloradans program by $3.0 million to support statewide assistance to the elderly.
- The state also increased funding for a variety of natural resource and conservation-related projects including $11.2 million for preservation of endangered species, $8.1 million for Colorado Water Conservation Board projects, $3.9 million for regulation related to aquatic nuisance species, and $3.5 million in reallocation of severance tax revenues for state parks and the Division of Wildlife.

In response to concerns regarding accountability of state agencies for the contracting process and performance of vendors related to information technology projects, the General Assembly passed legislation consolidating the Office of Information Technology (OIT) at a statewide level and expanding its role. OIT is now part of the Governor's Office and will oversee information technology procurement and performance across the Executive Branch, with certain agency information technology staff reporting to OIT.

Several measures were enacted related to criminal justice matters, including requirements for DNA testing and maintenance of evidence. Specifically, legislation was passed allowing defendants a new trial if certain DNA evidence is lost or destroyed and expanding the evidence collected and preserved for certain crimes. Other measures focused on preventing sexual exploitation of children and protecting children from sexual predators, and increasing penalties for current criminal offenses including retaliating against a judge for a decision rendered in a legal matter.

Finally, there were numerous citizen ballot initiatives and legislatively referred measures in the 2008 General Election. Although most failed, the two that passed had a financial impact. Amendment 50 enabled local jurisdictions that permitted limited gaming to vote to extend casino hours, approve additional games and raise the maximum allowed wager. If changes are approved by local jurisdictions, a majority of the increased taxes, fees and fines resulting from these changes will be used to fund financial aid and classroom instruction at state community, junior and district colleges. Amendment 54 prohibited certain government contractors from contributing to a political party for the duration of the contract and two years after. The state is required to create a database to publish and maintain a summary of each covered contract issued by the state and all local government entities.

BUDGETARY AND OTHER CONTROL SYSTEMS

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

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

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

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the eleventh 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,

David J. McDermott

David J. McDermott
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

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

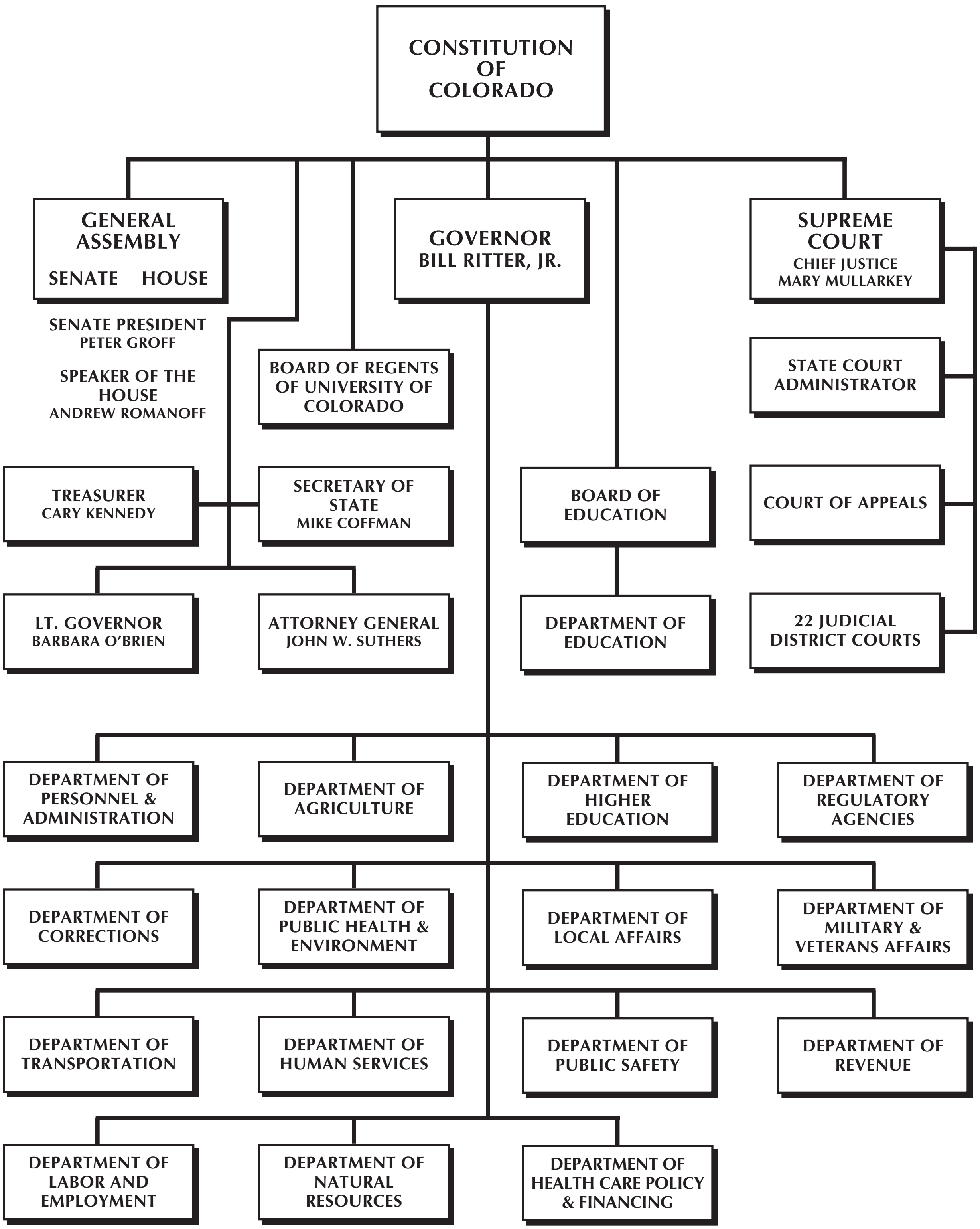
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

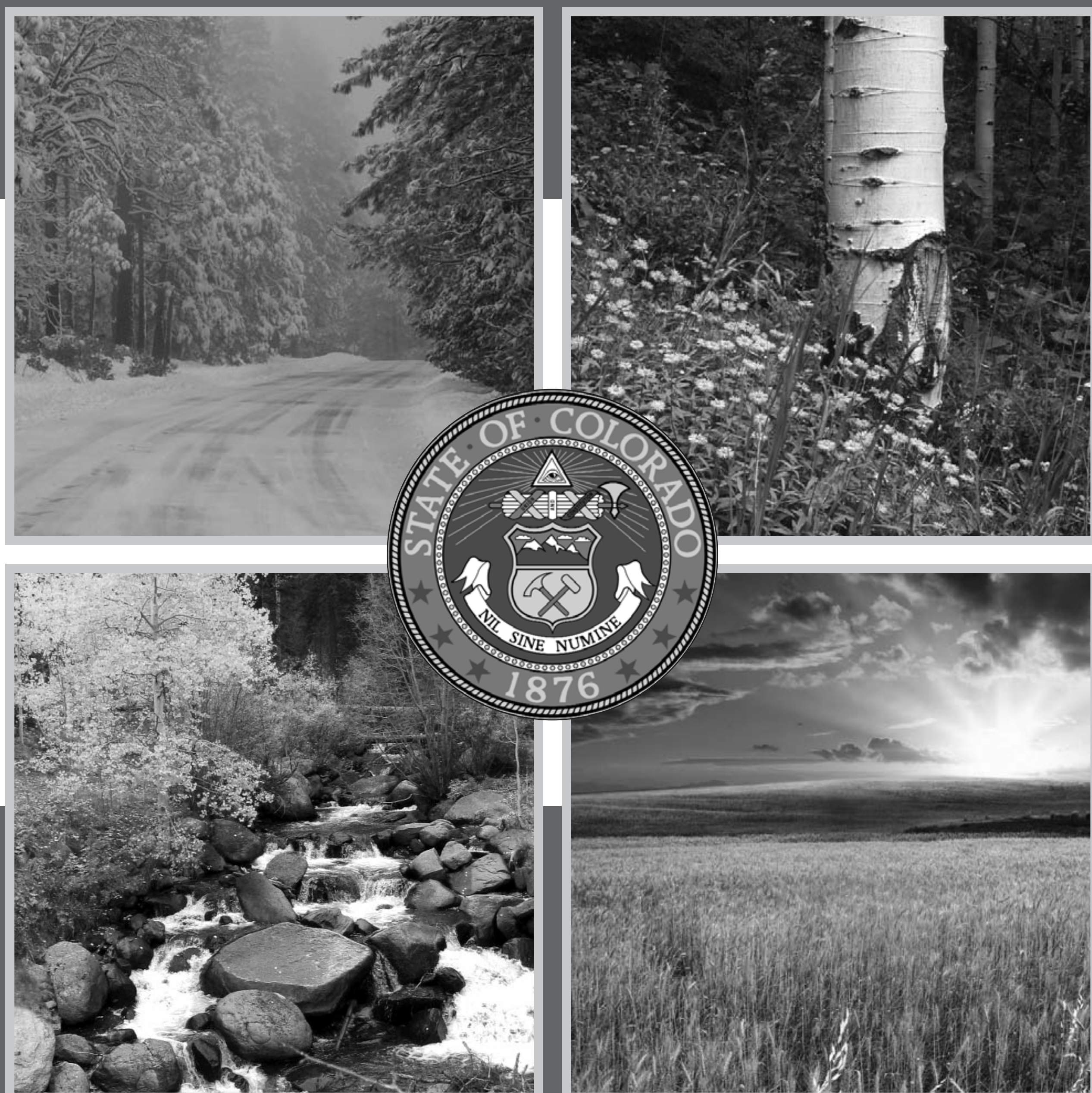
President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



Financial Section



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

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

December 19, 2008

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of and for the fiscal year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenue of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents 3 percent of the assets, 4 percent of the net assets, and 8 percent of the revenue of Higher Education Institutions, a major enterprise fund, and 2 percent of the total assets, 3 percent of the net assets, and 6 percent of the total revenue of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., are based solely on the reports of the other auditors, except as explained in Note 4.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 27 to the financial statements, in Fiscal Year 2007-08 the Colorado Department of Transportation changed from the modified approach to the depreciation approach for the State's bridge infrastructure because resources were no longer available to maintain the bridges at the established condition level. In the process of changing to the depreciation approach, the beginning net asset balance was decreased by $397 million to correct for an error in the valuation of bridges when infrastructure was recorded in Fiscal Year 2001-02. This is reported as a prior period adjustment. The change to the depreciation approach also resulted in a decrease to the beginning net asset balance for bridges of $306 million because of the removal of bridges that were under the capitalization threshold or fully depreciated, which is reported as a change in accounting principle. In addition, as described in Note 16, the bridges were depreciated in the current fiscal year, which is considered a change in accounting estimate.

In accordance with *Government Auditing Standards* a report on our consideration of the State of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under a separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The sections entitled "Management's Discussion and Analysis" on pages 19 through 41 and "Budgetary Information" and "Infrastructure Assets Reported Under The Modified Approach" on pages 148 through 150 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sally Symanski

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the state's governmental activities exceeded liabilities by $15,830.2 million, a decrease of $206.8 million as compared to the prior year amount of $16,037.0 million. The decrease was primarily due to a $397.1 million prior period adjustment and a $306.7 million change in accounting principle resulting from the state's change from the modified approach to the depreciation approach for reporting its bridge infrastructure. The $397.1 million adjustment is the result of errors in the initial valuation of the bridges booked at the inception of GASB Statement No. 34 in Fiscal Year 2001-02. The $306.7 million change occurred due to the removal of bridges that were below the state's capitalization threshold as a result of implementing the change to the depreciation approach. These adjustments offset increases in the restricted cash balances of the Highway User's Tax Fund (up $229.9 million) and the State Education Fund (up $130.7 million). Assets of the state's business-type activities exceeded liabilities by $5,127.1 million, an increase of $256.3 million as compared to the prior year amount of $4,870.8 million primarily due to increases in capital assets contributed by governmental activities and restricted cash and investments at Higher Education Institutions related to unexpended capital asset borrowing. In total, net assets of the state increased by $49.5 million to $20,957.3 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balances of $5,312.0 million (prior year $5,012.3 million), of which, $3,701.7 million (prior year $3,409.5 million) was reserved, and the balance of $1,610.3 million (prior year $1,602.8 million) was unreserved. In total, governmental fund balances increased $299.7 million from the prior year due to increases in the Highway User's Tax Fund, the State Education Fund, and in Other Governmental Funds. The Highway User's Tax Fund increased primarily due to statutory transfers from the General Fund and Other Special Revenue Funds, which more than offset increased road construction expenditures. The State Education Fund increased due to greater income tax collections and investment income as well as reduced distributions. The largest increase in the Other Governmental Funds was due to increases in rents and investment income in the permanent funds. The unreserved undesignated fund balance of the General Fund (on the GAAP basis) was $0.0 million and $95.8 million at June 30, 2008, and June 30, 2007, respectively. In addition (on the GAAP basis), the state was $131.8 million short of the amount of net assets required for the statutorily mandated 4 percent reserve. The $205.9 million decrease in total General Fund fund balance was primarily the result of appropriated expenditures and transfers-out across several functions that exceeded current year general-purpose revenues and transfers-in.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $5,127.1 million (prior year $4,870.8 million), of which, $3,966.9 million (prior year $3,609.9 million) was restricted or invested in capital assets, and the balance of $1,160.2 million (prior year $1,260.9 million) was unrestricted. The total increase of $256.3 million in Enterprise Fund net assets primarily occurred in the Higher Education Institutions due to increases in contributed capital assets and restricted cash and investments related to capital asset borrowing and in the Unemployment Insurance fund due to insurance premium taxes and investment earnings exceeding benefits paid.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and certificates of participation at June 30, 2008, were $1,848.9 million (prior year $1,847.9 million), which is 26.0 percent (prior year 28.6 percent) of financial assets (cash, receivables, and investments) and 9.2 percent (prior year 9.2 percent) of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, and future federal revenues and state highway revenues are pledged to the related debt service. The state's Enterprise Funds have revenue bonds outstanding that total $3,542.1 million (prior year $3,163.8 million). The revenue bond proceeds are primarily invested in loans and capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the state's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the state to retain revenues in excess of the limit for Fiscal Years 2005-06 through 2009-10. As a result, the $1,169.4 million of revenues in excess of the TABOR limit is not shown as a TABOR Refund Liability on the Fiscal Year 2007-08 financial statements; the $0.7 million 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, 2008. (See page 27 for more information on the TABOR requirements and Referendum C.)

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

Government-wide Statements

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the state is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 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. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Permanent Funds.
- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the state's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds charge other state agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an adjustment to program expenses on the government-wide *Statement of Activities.* On the fund-level statements, Nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.

- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported in these funds are not available to finance the state's programs, and therefore, these funds are not included in the government-wide statements. The state's fiduciary funds include several Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

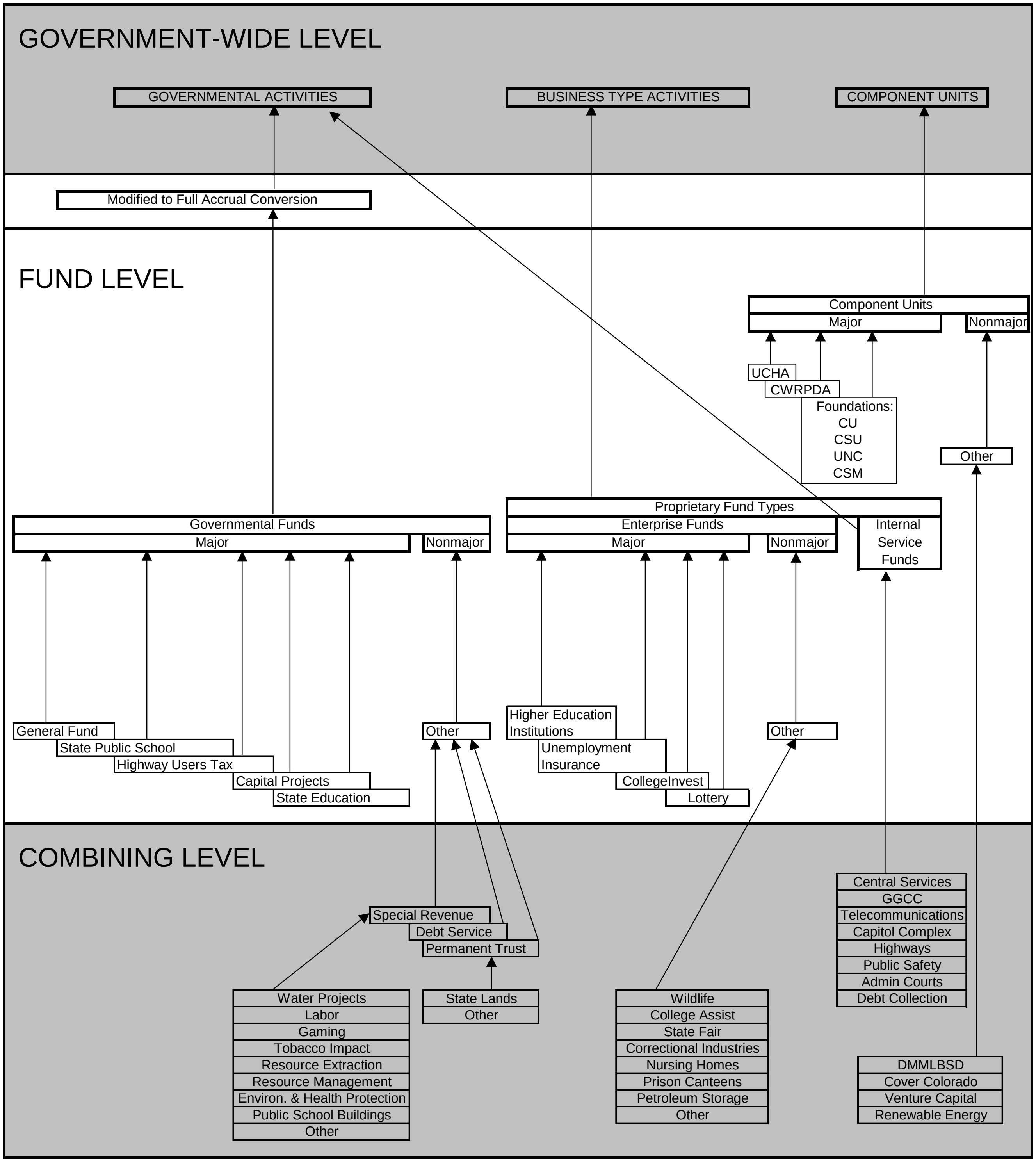
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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


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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Noncapital Assets	$ 7,586,750	$ 6,930,463	$ 5,888,380	$ 5,439,200	$13,475,130	$12,369,663
Capital Assets	12,573,895	13,088,283	4,041,734	3,686,874	16,615,629	16,775,157
Total Assets	20,160,645	20,018,746	9,930,114	9,126,074	30,090,759	29,144,820
Current Liabilities	2,319,501	1,944,311	996,494	855,184	3,315,995	2,799,495
Noncurrent Liabilities	2,010,954	2,037,445	3,806,530	3,400,072	5,817,484	5,437,517
Total Liabilities	4,330,455	3,981,756	4,803,024	4,255,256	9,133,479	8,237,012
Invested in Capital Assets, Net of Related Debt	11,348,995	11,804,908	2,411,662	2,256,929	13,760,657	14,061,837
Restricted	2,618,790	2,323,595	1,555,221	1,352,948	4,174,011	3,679,543
Unrestricted	1,862,405	1,905,487	1,160,207	1,260,941	3,022,612	3,166,428
Total Net Assets	$15,830,190	$16,033,990	$ 5,127,090	$ 4,870,818	$20,957,280	$20,907,808

The amount of total net assets is one measure of the health of the state's finances, and the state reports significant positive balances in all categories of net assets. 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 $13,760.7 million or 65.7 percent of the state's total net assets, which represents a decrease of $301.1 million from the prior year, primarily related to the state's conversion from the modified approach to the depreciation approach for bridge infrastructure. This change resulted in a prior-period adjustment of $397.1 million for errors in the valuation of the bridges at the inception of GASB Statement No. 34. The change also resulted in an accounting principle change of $306.7 million where the historical cost of individual bridges was below the state's capitalization threshold. This line item shows the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. If not for the error correction and accounting principle change, capital assets would have increased by $402.7 million. Without the prior period adjustment, the current year increase indicates that capital asset purchases from current resources and paying down capital related debt together exceeded the reduction in carrying value of capital assets caused by recognizing depreciation of those capital assets. However, it should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $4,174.0 million or 19.9 percent of net assets, which represents a $494.5 million increase over the prior year. In general, these restrictions dictate how the related assets must be used by the state, and therefore, the amount may not be available for the general use of the state's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the state's net assets. Governmental activities accounted for $295.2 million of the increase and business-type activities accounted the remaining $199.3 million of the increase. The largest individual restriction increases were related to Highway Construction and Maintenance ($153.6 million), State Education ($127.3 million), and Unemployment Insurance ($90.0 million).

The Unrestricted Net Assets of $3,022.6 million or 14.4 percent of total net assets represents the amount by which total assets exceed total liabilities after all restrictions are considered. This represents a decrease of $143.8 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $43.1 million of this decrease with the balance of $100.6 million in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds, and generally, legislative action is required to make the Special Revenue Fund resources available for state programs other than the program for which the revenue was collected.

Another important measure of the state's financial health is the change in net assets from the prior year. The following condensed statement of activities shows that, without regard to prior period adjustments, net assets of both the governmental and business-type activities increased during the fiscal year. For the governmental activities, revenues and transfers-in exceeded expenses and transfers-out resulting in net assets increasing by $493.8 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by $299.7 million. Program revenue of the governmental activities increased by $182.3 million (3.4 percent) primarily related to increasing grants, and general-purpose revenues increased by $276.9 million (3.1 percent) primarily due to economic growth, while expenses increased by $966.1 million (7.3 percent) from the prior year due to appropriation increases. The following table was derived from the current and prior year government-wide *Statement of Activities.* Business-type activities are discussed on the following page.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	$ 825,650	$ 768,694	$ 3,796,888	$ 3,487,154	$ 4,622,538	$ 4,255,848
Operating Grants and Contributions	4,222,670	4,122,360	1,728,669	1,685,417	5,951,339	5,807,777
Capital Grants and Contributions	439,693	414,602	9,426	22,263	449,119	436,865
General Revenues:						
Taxes	8,179,028	7,969,817	36,963	39,446	8,215,991	8,009,263
Restricted Taxes	986,274	946,757	-	-	986,274	946,757
Unrestricted Investment Earnings	42,478	43,638	-	-	42,478	43,638
Other General Revenues	113,603	84,328	-	-	113,603	84,328
Total Revenues	14,809,396	14,350,196	5,571,946	5,234,280	20,381,342	19,584,476
Expenses:						
General Government	55,789	163,412	-	-	55,789	163,412
Business, Community, and Consumer Affairs	667,381	565,769	-	-	667,381	565,769
Education	5,017,551	4,771,218	-	-	5,017,551	4,771,218
Health and Rehabilitation	603,296	560,153	-	-	603,296	560,153
Justice	1,436,009	1,313,767	-	-	1,436,009	1,313,767
Natural Resources	131,658	138,457	-	-	131,658	138,457
Social Assistance	4,822,437	4,496,696	-	-	4,822,437	4,496,696
Transportation	1,459,295	1,213,138	-	-	1,459,295	1,213,138
Interest on Debt	37,567	42,269	-	-	37,567	42,269
Higher Education Institutions	-	-	3,865,244	3,661,270	3,865,244	3,661,270
Unemployment Insurance	-	-	354,967	316,577	354,967	316,577
CollegeInvest	-	-	116,286	96,720	116,286	96,720
Lottery	-	-	447,101	401,969	447,101	401,969
Wildlife	-	-	109,800	96,515	109,800	96,515
College Assist	-	-	326,080	199,677	326,080	199,677
Other Business-Type Activities	-	-	173,928	163,727	173,928	163,727
Total Expenses	14,230,983	13,264,879	5,393,406	4,936,455	19,624,389	18,201,334
Excess (Deficiency) Before Contributions, Transfers, and Other Items	578,413	1,085,317	178,540	297,825	756,953	1,383,142
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(77,732)	(98,926)	77,732	98,926	-	-
Special Item	(6,843)	(25,915)	-	-	(6,843)	(25,915)
Total Contributions, Transfers, and Other Items	(84,575)	(124,841)	77,732	98,926	(6,843)	(25,915)
Total Changes in Net Assets	493,838	960,476	256,272	396,751	750,110	1,357,227
Net Assets - Beginning	16,036,990	15,083,865	4,870,818	4,456,800	20,907,808	19,540,665
Prior Period Adjustment	(393,912)	(7,351)	-	17,267	(393,912)	9,916
Accounting Changes	(306,726)	-	-	-	(306,726)	-
Net Assets - Ending	$15,830,190	$ 16,036,990	$ 5,127,090	$ 4,870,818	$20,957,280	$20,907,808

Business-type activities' revenues and net transfers-in exceeded expenses by $256.3 million resulting in an increase in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $340.2 million while expenses increased by $456.9 million. Most of the program revenue increase occurred in Higher Education Institutions' Charges for Services ($225.8 million) and College Assist's Operating Grants ($109.0 million). Net transfers from the governmental activities to the business-type activities decreased from $98.9 million to $77.7 million.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2007-08 is the fifteenth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

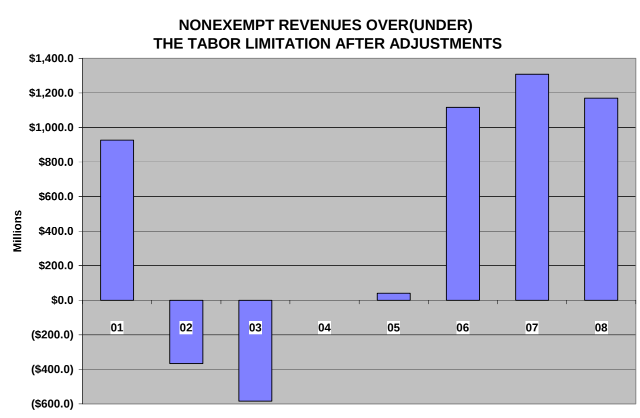
Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, which was referred to the ballot by the Legislature. Referendum 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 including the previously existing statutory six percent limit on General Fund expenditure growth. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations are significant factors in the changing fiscal 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 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. This requirement conflicts with the existing statutory six percent limit on General Fund expenditure growth unless General Fund appropriations are reduced by a matching amount.

In years when Referendum C is not in effect, the state's ability to retain revenues is also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the state's ability to retain revenues collected. Referendum C 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 beginning of Fiscal Year 2007-08, this amounted to total required refunds of



$3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the state recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years.

In Fiscal Year 2007-08, state revenues subject to TABOR were $9,998.6 million, which was $1,169.4 million over the adjusted current year limit; however, the $1,169.4 million is not reported as a liability on the fund-level General Fund Balance Sheet or the government-wide Statement of Net Assets because under Referendum C it will not be refunded to taxpayers. In Fiscal Year 2007-08, Western and Mesa State Colleges were disqualified as TABOR enterprises due to receiving state capital construction support in excess of the allowable 10% limit. As required by TABOR, the State Controller makes disqualifications of enterprises neutral by adding the newly disqualified enterprise's nonexempt revenues to the limit after it has been adjusted for allowable growth. In Fiscal Year 2007-08, the TABOR limit was increased by $38.1 million related to enterprise disqualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the state will retain $6.1 billion during the five-year refund time-out authorized by Referendum C.

Referendum C

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

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

The amount of revenues in excess of the limit cannot be known until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. The referendum authorized spending the General Fund Exempt Account moneys in the same year the revenues are retained, and in the 2007 legislative session the Legislature appropriated an estimate of the amount to be retained for Fiscal Year 2007-08. The appropriation was based on the Legislative Council March 20, 2007, estimate of the total retained revenue, which was $1,008.0 million or $161.4 million less than the actual amount retained. It is expected that the General Assembly will enact a retroactive budget adjustment during the 2008 legislative session to appropriate the remaining $161.4 million as being spent from the General Fund Exempt Account. Per the report prepared by the Legislative Council, the Legislature appropriated the $1,008.0 million estimate of the fiscal year retained revenues from General Fund Exempt Account as follows:

(Amounts in Millions)

Department	Purpose	Amount
Department of Education	Education - Total Program	$ 327.5
Department of Health Care Policy and Financing	Health Care - Medical Services Premiums	327.6
Department of Higher Education	Education - Tuition Stipends	294.3
Department of Treasury	Fire & Police Retirement Plans	38.6
Department of Transportation	Transportation Projects	20.0
TOTAL		$1,008.0

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

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

With Referendum C in place and TABOR refunds temporarily suspended, important statutory thresholds for the General Fund were met – including six percent growth in spending and maintaining a reserve equal to four percent (on the budgetary basis). When these thresholds are met, 10.355 percent of sales and use tax is diverted from the General Fund to the Highway Users Tax Fund, which amounted to $238.1 million in Fiscal Year 2007-08. However, the sales and use tax diversion thresholds were not met as of the September 2008 legislative revenue estimate and are not projected to occur for Fiscal Year 2008-09. In addition, the General Fund ended the year with a surplus of $43.4 million that will be transferred in Fiscal Year 2008-09 to the Highway Fund Users Tax Fund and the Capital Construction Fund in the ratio of two-thirds ($28.9 million) to one-third ($14.5 million), respectively.

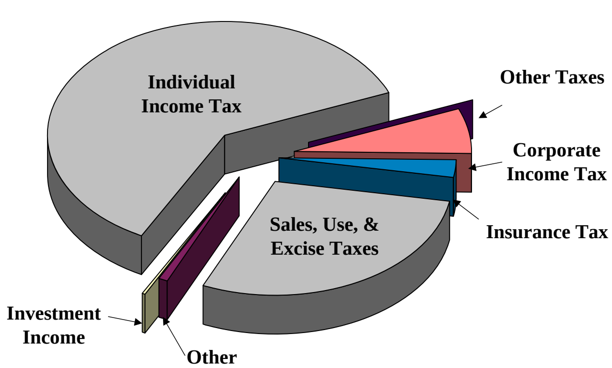
INDIVIDUAL FUND ANALYSIS

General Fund

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

The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $207.4 million, a decrease of $205.9 million from the prior year. The required General Fund Reserve for Statutory Purposes was $283.5 million, an increase of $16.5 million over the prior year required by the increase in General Fund appropriations. While the state was able to fund the reserve on a budgetary basis, there was only $151.7 million available on a GAAP basis for the required reserve resulting in a shortfall of $131.8 million. The primary reason for the decrease in General Fund fund balance was an increase in expenditures in excess of the increase in revenues, which was partially offset by a $128.6 million decrease in net transfers-out. The most significant transfer-out decrease from the prior year was the General Fund Surplus transfer to the Highway and Capital Constructions funds which declined from $436.8 million to $249.3 million. Most of the decrease in fund balance shows as an $80.9 million increase in Tax Refunds Payable and a $94.5 million increase in Accounts Payable which were partially offset by an increase in Due from Other Governments of $70.3 million. The General Fund's $516.1 million cash balance decreased from the prior year partially due to the above referenced increase in receivables from other governments.

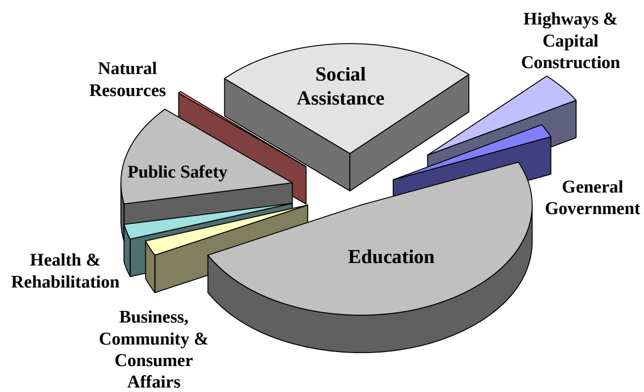
GENERAL-PURPOSE REVENUES BY SOURCE



General-purpose revenues for Fiscal Years 2007-08 and 2006-07 were $7,504.8 million (see page 147) and $7,312.6 million, respectively – an increase of $192.2 million or 2.6 percent. Individual income tax revenue increased by $90.2 million. The major categories of individual income tax, all of which contributed to the increase, were withholding payments (up 5.1 percent) and estimated payments (up 3.5 percent.) The change in income tax refunds (up 20 percent) partially offset revenue increases. Corporate income tax receipts increased by $9.8 million or 2.1 percent. Investment income of the General Fund decreased by $10.2 million or 36.4 percent; the decrease reflects the decline in the General Fund cash balance as well as the declining interest rates throughout the fiscal year. Sales, use, and excise taxes increased by $96.7 million or 4.7 percent, which is consistent with the 5.2 percent increase in personal income in 2008. Insurance premium taxes increased by $8.9 million or 5.0 percent due to increases in the number of policies and the amount of premiums. Other revenue decreased by $2.5 million or 4.6 percent primarily related to the elimination of a $6.5 million transfer from the Limited Gaming Fund to the General Fund that was partially offset by various other revenue increases.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2007-08 and 2006-07 were $7,353.7 million (see page 147) and $6,903.6 million, respectively. The total annual increase in general-funded expenditures (including expenditures from the General Fund Exempt Account authorized by Referendum C) is limited to six percent over the previous year with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the state, and most transfers not appropriated by department. This limitation is controlled through the legislative budget process and carries the weight of a constitutional requirement because of the TABOR amendment. In Fiscal Year 2007-08, appropriation growth was 6.48 percent.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES

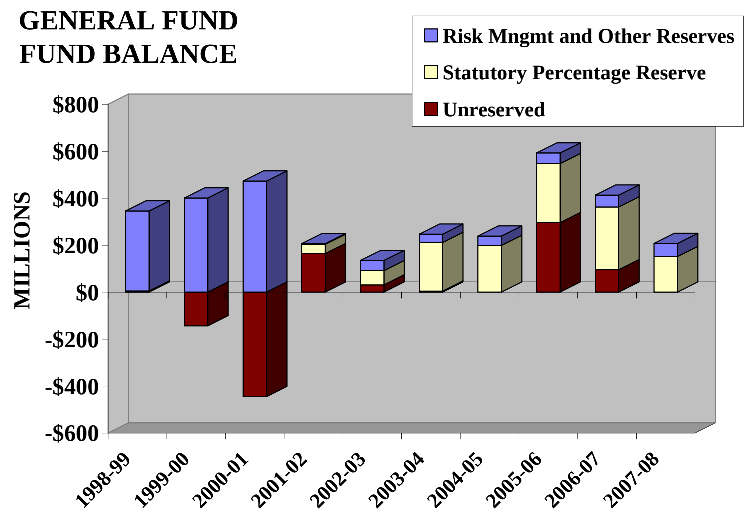


With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 77.7 percent of all Fiscal Year 2007-08 general-funded expenditures, which is an increase of 2.1 percent from the prior year. In each instance, except for the Department of Education and the Department of Human Services, these departments' general-funded expenditures increased by 7.7 percent or more. The percentage use of total general-funded resources by these four departments increased primarily because the transfers and distributions to the Capital Projects Fund (from $291.5 million to $183.4 million) and the Highways Users Tax Fund (from $291.2 million to $166.2 million) were significantly lower during Fiscal Year 2007-08 than Fiscal Year 2006-07. These transfers and distributions represent a significant decrease from the prior year primarily due to the $249.3 million General Fund Surplus from Fiscal Year 2006-07 (transferred in Fiscal Year 2007-08) being substantially less than the Fiscal Year 2005-06 General Fund Surplus of $436.8 million (transferred in Fiscal Year 2006-07). The General Fund Surplus transfer is not appropriated by department, and it is not counted against the six percent General Fund spending limit. Of the departments with substantial General Fund expenditures, the major expenditure increases were in the Department of Education ($140.4 million or 4.9 percent), the Department of Higher Education ($53.7 million or 7.7 percent), the Department of Corrections ($48.8 million or 8.4 percent), the Judicial Branch ($35.5 million or 13.4 percent), the Department of Human Services ($31.6 million or 4.4 percent), and the Department of Health Care Policy and Financing ($113.5 million or 8.3 percent).

Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending primarily related to payments to local public school districts. The increase in the Department of Higher Education was primarily related to $41.7 million of increased fee-for-service contracts between the Department and the Higher Education Institutions and $30.8 million of increased student stipends paid through the College Opportunity Fund. The Department of Corrections increase was primarily for costs of the department's internal inmate housing program and medical services for prisoners. Each of these increases is affected by the general increase in the offender population. The largest individual increase in the Judicial Branch was related to probation services with smaller increases in trial court costs and the public defender program. The largest increase in the Department of Human Services was an additional $31.4 million expended on the Developmental Disability Services Program with smaller increases in child welfare programs, mental health services for the medically indigent, and other grants. Finally, the largest increase in the Department of Health Care Policy and Financing was related to smaller than anticipated decreases in Medicaid caseload as well as smaller increases in the indigent care and developmental disabilities programs.

The limited increases for two large departments (Department of Human Services – 4.4 percent and Department of Education – 4.9 percent) along with the allowable six percent growth related to general-purpose revenue increases allowed for the other departmental increases in excess of the 6 percent limit.

The chart at the right shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes require a four percent fund balance reserve ($283.5 million in Fiscal Year 2007-08). In Fiscal Year 2007-08, the General Fund did not have adequate resources to meet the required four percent reserve on the GAAP basis. Compliance was achieved on a budgetary basis by deferring certain payroll and Medicaid costs; without this deferral the general fund reserve would have a $131.8 million shortfall. In Fiscal Years 2006-07 and 2005-06 the General Fund had adequate resources to meet the required four percent reserve on the GAAP basis. In years prior to Fiscal Year 2005-06 compliance was achieved on the budgetary basis by deferring either expenditures or TABOR refunds. Economic conditions during Fiscal Year 2007-08 and the absence of a TABOR refund allowed the state to meet the required four percent reserve on the budgetary basis, but not on a GAAP basis. The deferral also resulted in a budgetary basis excess over the required reserve that will be transferred to the Highway Fund and the Capital Projects Fund as discussed below. (Note to the General Fund Fund Balance chart: Before Fiscal Year 2001-02, the reserves of a large number of funds were reported as part of the General Fund; from Fiscal Year 2001-02 forward they are reported as Special Revenue Funds, and therefore, are not included in the chart. The large deficit Unreserved Fund Balance in Fiscal Years 1999-00 and 2000-01 were the result of very large TABOR refund liabilities that were recognized on a GAAP basis but deferred on a budget basis. The statute that allowed the deferral of TABOR refund liabilities has been repealed.)



As required by Senate Bills 03-196 and 03-197, the state converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. As discussed above, this change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. The amount of net General Fund revenues that are available for expenditure are titled General Fund Surplus on the budgetary basis statement. There is no equivalent amount for FY 2007-08 for the GAAP basis financial statements since the General Fund reserve was only met on a budgetary basis. Deferring payroll expenditures moved $92.0 million of expenditures into the following year, while deferring Medicaid related expenditures moved $185.4 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $102.1 million. In total, the effect was to increase General Fund budgetary fund balance by $175.3 million, which was $21.8 million more than the effect of deferring Fiscal Year 2006-07 expenditures into Fiscal Year 2007-08.

Colorado statutes require that early in each year the State Controller transfer the entire ending General Fund Surplus of the prior fiscal year two-thirds to the Highway Users Tax Fund and one-third to the Capital Projects Fund. The General Fund Surplus is calculated on the budgetary basis as the amount in excess of the required four percent reserve with certain payroll and Medicaid expenditures deferred into the following year as noted above. In Fiscal Year 2007-08, the transfer amount was $249.3 million of which $166.2 million went to the Highway Users Tax Fund and $83.1 million went to the Capital Projects Fund. The transfer will be $43.4 million in Fiscal Year 2008-09 with $28.9 million going to the Highway Users Tax Fund and $14.5 million going to the Capital Projects Fund. As noted above, these transfers would not have been possible without the passage of Referendum C and the deferral of certain Medicaid and payroll expenditures.

State Public School Fund

The State Public School Fund is a statutory fund whose primary revenue source is quarterly transfers from the General Fund. The fund distributes substantially all of the General Fund transfer to local school districts resulting in year-end fund balances that are not significant. The fund made distributions of $2,859.9 million and $2,758.2 million in Fiscal Year 2007-08 and 2006-07, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance increased by $140.0 million over the prior year primarily related to the following:

- A $91.2 million increase in revenue primarily comprising a $29.9 million increase in Federal grants and contracts, a $26.3 million increase in excise tax revenue, and a $17.0 million increase in investment income related to increasing cash balances in the fund.
- A $138.2 million increase in expenditures including a $104.6 million increase for road construction, a $12.2 million reduction in capital outlay, an $10.1 million increase in distributions to special districts.
- An excess of transfers in over transfers out of $257.1 million primarily due to statutorily mandated transfers from the General Fund. Although these amounts were less than in the prior year, this excess was still enough to drive the increase in fund balance.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $32.0 million. This amount is the residual after a $711.4 million reserve for encumbrances and a $746.6 million reserve for funds reported as restricted. The encumbrances are related to multiple year construction project contracts that are to be funded primarily from future gas tax and motor vehicle license fee revenues. The funds reported as restricted are primarily in the form of cash that is restricted by the State Constitution to be used only for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance decreased by $20.0 million from the prior fiscal year primarily due to a $95.1 million increase in Capital Outlay, a $50.5 million increase in noncapitalizable maintenance costs, and a decrease in transfers-in of $108.0 million. Nontransfer revenues of the fund increased by $15.2 million, and transfers-out increased by $23.9 million. In the prior year, inflows of the fund exceeded outflows by $242.8 million. All of these factors contributed to the net fund balance decrease. Current year total transfers-in of $197.9 million were primarily from the General Fund ($183.5 million). The General Fund transfers-in would likely not have occurred absent the passage of Referendum C. Historically, it has been the General Assembly's policy to appropriate the entire Capital Construction fund balance, and most of the amount shown as unreserved has already been committed to projects in the Fiscal Year 2008-09 budget cycle.

State Education Fund

The State Education Fund fund balance increased by $127.3 million during Fiscal Year 2007-08. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and the fund's portion of those receipts increased in Fiscal Year 2007-08 by $12.8 million from the prior year. Investment income increased by $6.5 million over the prior year primarily due to a significant increase in the fund's cash balance on deposit with the State Treasurer. Unrealized gains made up 19 percent of the investment income. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $297.6 million and $333.7 million in Fiscal Year 2007-08 and 2006-07, respectively. This decline in expenditures was made possible partially by Senate Bill 07-199 that ended a requirement for local school districts to reduce their property tax mill levies thereby increasing local support for schools and decreasing state support for local school districts. (See additional information on page 136.)

Higher Education Institutions

Current period activity increased the net assets of the Higher Education Institutions by $161.1 million. The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $89.2 million, sales of goods and services increased by $129.5 million, federal revenues increased by $16.3 million, investment income decreased by $131.9 million, and other revenues increased by $10.3 million. Expenses of the fund increased by amounts consistent with the percentage change in revenues. The state made capital contributions of $97.7 million and $34.8 million in Fiscal Years 2007-08 and 2006-07, respectively, that were funded by the Capital Projects Fund and transferred $157.4 million ($134.5 million in Fiscal Year 2006-07) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund increased by $90.0 million primarily because unemployment insurance premium taxes and investment earnings on the Unemployment Insurance Fund assets exceeded unemployment benefits paid. The net asset increase was less than the prior fiscal year increase of $126.8 million because of a $5.6 million decrease in unemployment insurance premium taxes. The change in net assets was also affected by a $7.0 million increase in investment earnings, and an increase in unemployment benefits of $38.4 million which increased the expenses of the fund. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. The fund's cash balance increased from Fiscal Year 2006-07 to 2007-08 by $99.3 million from $611.1 million to $710.4 million.

CollegeInvest

CollegeInvest's net assets decreased by $14.6 million or 7.3 percent. The fund experienced a $35.4 million decrease in Federal Grants and Contracts, a $16.3 million decrease in Investment Income, and a $11.6 million increase in Other Revenue. CollegeInvest's debt service increased $21.9 million related to an increase of $84.0 million in outstanding bonds. Assets of the fund increased from $1,913.3 million to $1,976.4 million while liabilities increased from $1,713.5 million to $1,791.2 million, primarily due to bond issuance. CollegeInvest uses bond proceeds to fund loans to students that are recorded on the *Statement of Net Assets* in the line items Student and Other Receivables and Restricted Receivables.

State Lottery

The Lottery produced operating income of $120.3 million ($117.3 million in Fiscal Year 2006-07) on sales of $512.7 million ($466.3 million in Fiscal Year 2006-07), which represents a 2.6 percent increase in operating income. The Lottery distributed $53.1 million ($51.3 million in Fiscal Year 2006-07) to the Great Outdoors Colorado program, a related organization, and transferred $69.7 million ($68.1 million in Fiscal Year 2006-07) to other state funds, of which, $8.0 million was distributed to local school districts through the State Public School Fund, $12.2 million was used to fund operations of the state Division of Parks and Recreation, and $48.9 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 147. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

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

- Department of Corrections – The department's original budget exceeded the final budget by $10.6 million. The primary reason for the decrease was because of $8.1 million in funding reductions to private prisons due to lower than projected growth rates of the inmate population and increased releases. Part of this reduction was offset by an increase in the department's cash funded budget of $2.9 million. The general funded budget also decreased by $1.0 million for decreases in personal services and related costs.

- Department of Education – The department's original budget exceeded the final budget by $40.9 million. The decrease in the department's general funded budget was primarily related to public school finance. The state share of funding was reduced due to higher than anticipated local funding and lower than anticipated pupil count, which were partially offset by higher than expected per pupil funding.

- Governor's Office – The Governor's Office final budget exceeded the original budget by $5.5 million, a 46.9 percent increase. The increase was a result of an increased appropriation to the Office of Economic Development to assist in improving and accelerating the evaluation process for bioscience research discoveries.

- Department of Health Care Policy and Financing (HCPF) – The department's final budget exceeded the original budget by $17.2 million, a 1.2 percent increase. The increase was the result of a large number of increases and decreases, of which the following were the most significant:

    - $22.8 million increase in the general-funded appropriations for Medical Service Premiums required for matching Medicaid grant funds. The department's estimate for Medicaid clients in the original budget was 381,189, but the actual caseload was 388,068.
    - $5.6 million increase in the general-funded appropriation related to the Children's Basic Health Plan to supplement Tobacco Litigation funding as the state share for medical and dental costs for enrollees.
    - $10.5 million increase in the general funded appropriation for the School Health Service Program to repay the federal government regarding claims for reimbursement that were disallowed.
    - $5.4 million decrease in the general funded appropriations relating to Medicare primarily due to a change of certain expenditures from the accrual to the cash basis of accounting.
    - $10.5 million decrease in the general funded appropriation for Child Welfare to the Department of Human Services as required by statute.
    - $6.9 million decrease in the appropriation for Community Services for the Developmentally Disabled primarily due to lower than expected related Medicaid expenditures.

- Department of Human Services (DHS) – The department's final budget exceeded the original budget by $15.0 million. The increase was the result of a large number of increases and decreases, of which the following were the most significant:

    - $5.2 million increase in the Community Services for the Developmentally Disabled program general-funded appropriation. The legislature allowed the amount to be rolled forward from the Fiscal Year 2006-07 budget in order to assist developmental disability clients and providers who were negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

  - $8.8 million increase in the general-funded appropriation for Child Welfare Services due to a redesign of a Residential Treatment Center as well as to support a rate adjustment related to Therapeutic Residential Child Care Facilities.
  - $10.5 million increase in the Child Welfare Services program general-funded appropriation related to an unspent general-funded appropriation at HCPF that is transferred annually for DHS to apply to the county grant close out process,
  - $8.3 million decrease in the general-funded appropriation to the Division of Youth Corrections due to a lower than expected increase in youth population caseload.

- Department of Treasury – The department's final budget exceeded the original budget by $14.4 million. The increased was primarily due to $13.0 million expended to support debt service payments on the Tax Revenue Anticipation Notes that the State Treasurer issued to fund an interest free loan program for local school districts pending their receipt of property tax revenues. At the time of the original budget the level of participation by local school districts was unknown.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $28.7 million for Fiscal Year 2007-08. General-funded overexpenditures are discussed in detail in Note 8A on page 82 at the individual line item appropriation level. In total, state departments reported negative general-funded appropriation reversions of $13.9 million; the reversion would have been a positive $21.1 million if not for a $9.3 million negative reversion related to the Old Age Pension program at the Department of Revenue and a Medicaid overexpenditure of $25.7 million at the Department of Health Care Policy and Financing. 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 $2.9 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 $1.0 million which was made up of numerous small amounts related to cost containment in the purchase of pharmaceuticals and reduced expenditures for monitoring and treatment services.
- Department of Health Care Policy and Financing – The department reverted $6.7 million net of the $25.7 million statutorily authorized overexpenditure in the Medicaid program detailed in Note 8A. The reversions were made up of numerous small amounts, the largest of which was $3.1 million related to the regional centers care of persons with disabilities. The department's implementation of a new rate structure for the regional centers was delayed until Fiscal Year 2008-09 resulting in reversions of amounts appropriated for rate increases.
- Judicial Branch – The Judicial Branch reverted $1.4 million, primarily related to the Office of the Alternate Defense Counsel. The office reverted the money from its Conflict of Interests Contracts appropriation due to a decrease in the projected amount of criminal filings during Fiscal Year 2007-08.
- Legislative Branch – The Legislative Branch reverted $1.7 million – the largest portion of which was from the general administrative line item of the Office of the State Auditor. The reversion occurred primarily due to delays in finalizing service contracts, which precluded incurring the related expenditures in the fiscal year.
- Department of Revenue – The department reverted $6.9 million, not including the $9.3 million negative reversion related to Old Age Pension expenditures discussed above. The department reverted $4.6 million of the Old Age Heat and Fuel refunds appropriation because the lawful presence verification requirement instituted during Fiscal Year 2006-07 resulted in fewer applications than estimated. The department also reverted $1.3 million of the Cigarette Tax Rebate appropriation for tax rebates to local governments. The department received a supplemental increase in the Rebate appropriation based upon distributions for the first

nine months of the fiscal year. However, the last three months of actual distributions were less than the estimates and resulted in the reversion.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2008, was $16.6 billion ($16.8 billion in Fiscal Year 2006-07). Included in this amount were $5.7 billion of depreciable capital assets net of $3.7 billion of depreciation. Also included was $10.9 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $943.5 million and $942.4 million of capital assets in Fiscal Year 2007-08 and 2006-07, respectively. Of the Fiscal Year 2007-08 additions, $328.6 million was recorded by governmental funds and $614.9 million was recorded by proprietary funds. General-purpose revenues funded $203.9 million of capital and controlled maintenance expenditures during Fiscal Year 2007-08, and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the state's capital assets by asset type for both governmental and business-type activities.

The state's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2008, the state had commitments of $255.1 million in the Capital Projects Fund ($192.6 million in Fiscal Year 2006-07) and $711.4 million in the Highway Users Tax Fund ($628.5 million in Fiscal Year 2006-07). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation; additionally, commitments for the related capital expenditures are not shown because the enterprise funds do not report a reserve for encumbrances.

The state's capital assets at June 30, 2008 and 2007, were (see Note 16 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 140	$ 81	$ 262	$ 231	$ 402	$ 312
Collections	9	9	13	13	22	22
Construction in Progress	373	442	301	591	674	1,033
Infrastructure	9,770	11,268	-	-	9,770	11,268
Total Capital Assets Not Being Depreciated	10,292	11,800	576	835	10,868	12,635
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,559	1,510	4,776	4,016	6,335	5,526
Vehicles and Equipment	701	674	783	741	1,484	1,415
Library Books, Collections, and Other Capital Assets	34	31	449	429	483	460
Infrastructure	1,094	89	19	19	1,113	108
Total Capital Assets Being Depreciated	3,388	2,304	6,027	5,205	9,415	7,509
Accumulated Depreciation	(1,106)	(1,016)	(2,562)	(2,354)	(3,668)	(3,370)
Total	$ 12,574	$ 13,088	$ 4,041	$ 3,686	$ 16,615	$ 16,774

Infrastructure reported as *Capital Assets Not Being Depreciated* decreased by $1,498.0 million primarily related to the Department of Transportation converting from the modified approach to the depreciation approach for reporting bridge infrastructure. The change moved $989.2 million of bridge infrastructure to the category *Capital Assets Being Depreciated*, and resulted in an accounting principle change of $306.7 million related to bridges where the historical cost was below the state's capitalization threshold. The change from the modified to depreciation approach also resulted in a prior period adjustment of $397.1 million related to errors in the valuation of bridges recorded for the first time in Fiscal Year 2001-02 at the implementation of GASB Statement No. 34.

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 deficiencies. Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. The amendment does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the state has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and state highway users taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 24).

Fiscal Year 2007-08
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 60.0	$ 23.3	$ 1,216.0	$ 305.6	$ 172.9	$ 73.4	$ 1,448.9	$ 402.3
Business-Type Activities	93.4	38.9	3,325.7	2,477.1	210.2	133.3	3,629.3	2,649.3
Total	$ 153.4	$ 62.2	$ 4,541.7	$ 2,782.7	$ 383.1	$ 206.7	$ 5,078.2	$ 3,051.6

Fiscal Year 2006-07
(Amounts in Millions)

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

In Fiscal Year 2006-07, the total principal amount of revenue bonds and COPs was 38.5 percent of net assets other than capital assets. In Fiscal Year 2007-08, that measure decreased to 37.7 percent because noncapital net assets increased more than debt principal did on a proportional basis. Total per capita borrowing including bonds, certificate of participation, mortgages, notes, and leases was $1,168, $1,051, $982, $932, and $807 per person in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, and 2003-04, respectively.

INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

The state has elected to report infrastructure under the modified approach for certain assets owned and maintained by the state Department of Transportation. The main feature of the modified approach is that annual maintenance and preservation costs are reported rather than depreciation (see additional information regarding the roadway infrastructure in RSI-2 on page 149). In order to continue using the modified approach, the condition of the infrastructure must be maintained at a level set in advance by the state. The state must disclose how the amount actually spent on maintenance and preservation compares to the estimate of the amount needed to maintain the established condition level. The state's maintenance of the infrastructure is measured by condition assessments compared to the target condition level.

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

(Amounts in Millions)

Fiscal Year	Projected Cost	Budgeted Cost	Actual Spending
2007-08	$ 894.6	NA	$ 332.7
2006-07	734.2	NA	380.4
2005-06	Not Available	$ 210.9	460.6
2004-05	Not Available	138.0	452.8
2003-04	Not Available	554.1	529.9
2002-03	Not Available	631.0	1,457.1
Total	$ 1,628.8	$ 1,534.0	$ 3,613.5

The established condition level set by the Colorado Transportation Commission for roadways is unchanged from the prior year and requires that 60 percent of roadways fall in the good or fair categories. The following table presents the roadway condition assessment for the preceding six years and shows that the most recent condition assessment fails to meet the established condition level.

	2007	2006	2005	2004	2003	2002
Percent Rated Good/Fair	59	63	65	61	58	58
Percent Rated Poor	41	37	35	39	42	42

Each year the Colorado Transportation Commission is provided with the estimates of the funding needed to alternatively maintain or improve existing conditions over the next 20 years. Beginning in Fiscal Year 2007-08, the Department of Transportation reported that available resources were no longer adequate to maintain the state's bridges at the established condition level as required by the modified approach. Therefore, the state is reporting depreciation of its bridges in Fiscal Year 2007-08. A prior period adjustment has been included in the financial statements to correctly state the beginning balance of a portion of the bridges that were valued incorrectly at the state's implementation of GASB Statement No. 34 in Fiscal Year 2001-02. In addition, an accounting change has been recorded for bridges that were below the state's capitalization threshold or were fully depreciated and therefore should not be included under the new deprecation method. Although the modified approach is no longer used for the bridges, the following information is included to show the historical condition levels through the current fiscal year.

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3,800 bridges under its jurisdiction. The established condition level for bridges is to maintain or improve the current percentage of bridges rated as Good or Fair. The following table defines the criteria used for the bridge ratings:

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

The current percentage of bridges rated Poor is 5.71 percent, which sets the percent rated as Good or Fair at 94.29 percent. As shown in the following table, the condition assessment for those bridges rated as poor for the current and preceding six years has steadily increased since 2005.

	2008	2007	2006	2005	2004	2003	2002
Percent Rated Poor	5.71	5.25	5.19	3.20	3.25	3.36	3.61

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the state that were included in the Fiscal Year 2006-07 Management Discussion and Analysis continue to affect the state at the end of Fiscal Year 2007-08. However, the passage of Referendum C in November 2005 relieved significant current year constraints on the state's financial affairs. The most important effect of Referendum C is that refunds of revenues in excess of the TABOR limits will not be paid in the current or following two fiscal years. The Governor's Office of State Planning and Budgeting currently estimates retained revenues of $2,534.1 million for the period from Fiscal Year 2008-09 to 2009-10, which results in a total retained of $6,101.2 million for the five-year period covered by Referendum C.

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

An existing statute provides for diversion of a portion of general-purpose sales and use tax revenue to the Highway Fund when other General Fund obligations have been met. Another statute provides that any General Fund Surplus be distributed to the Highway Fund and Capital Projects Fund in a two-thirds and one-third ratio, respectively. These statutes resulted in significant general-purpose revenues of the General Fund being made available to the Highway Fund and Capital Projects Fund. The Governor's Office of State Planning and Budgeting currently estimates that there will be no General Fund Surplus to transfer between Fiscal Years 2008-09 and 2009-10, and that $464.5 million will be credited to the Highway Fund under the required sales and use tax diversion between Fiscal Year 2008-09 and 2011-12.

However, it is important to note that the sales and use tax diversion noted above is contingent upon the General Fund meeting its statutory reserve requirement as projected by the state's legislative economists. The September 20, 2008, estimate did not show the requirement being met and the diversion has been halted as of the end of the first quarter of Fiscal Year 2008-09. The legislative estimates are quarterly and future diversions are dependent upon those forecasts showing that the General Fund obligations, including the statutory reserve, will be met.

Subsequent to the state's fiscal year-end, the credit and liquidity crisis throughout the global financial system has resulted in substantial volatility in the world financial markets and the banking system. As a result, the state's investments and revenue streams may be adversely affected. Although it is impossible to accurately predict the effect on the state's operations, the potential for such impact is discussed below where appropriate.

Several conditions adversely affect the state's future operations:

- Pension Plan Contributions – Notwithstanding a 10.0 percent return on investments in 2007, the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State Division of the Public Employees Retirement Association (PERA) did not change significantly from the prior year (2007 – 73.3 percent and 2006 – 73.0 percent). However, it should be noted that due to the smoothed market valuation methodology only a portion of 2007 and 2006 investment returns of 10.0 percent and 15.7 percent, respectively, have been recognized in the funded ratio. Based on fair value of assets, rather than the smoothed actuarial value, the funded ratio for all divisions of PERA increases from 75 percent (actuarial value) to 78 percent (fair value). 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, 2007, the amortization period for the plan was infinite, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will never be fully paid. However, certain future benefit changes are not considered in this analysis, and PERA's actuary expects those changes will allow the State Division Trust Fund to reach a 30 year amortization period over the projected actuarial period. In addition, PERA's actuary opines that current funding rates are sufficient to pay benefits over the 30-year actuarial projection period. The current contribution rate of 12.05 percent is .6 percentage points (or 5.2 percent) above the average during the 1990s. PERA's actuary estimated that the contribution rate would need to have been 18.45 percent and 17.23 percent, respectively in 2007 and 2006 to achieve the 30-year amortization period required by the Governmental Accounting Standards Board. In the 2006 session, the Legislature approved a Supplemental Amortization Equalization Disbursement that will add three percentage points to the annual contribution in addition to the three percentage points required by the Amortization Equalization Disbursement (approved in the 2004 session). These increases will be phased in through 2013. Barring further changes, these two legislative changes increase the annual contribution in Fiscal Year 2013-14 and subsequent years to 16.15 percent of salary. Like any other large holder of equity securities, PERA has suffered significant unrealized losses during the current economic crisis. PERA management has stressed that the plan maintains a long term view and continues to outperform U.S. equity and bond benchmarks.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of state revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The Governor's Office of State Planning and Budgeting currently estimates that $428.4 million will be diverted from general-purpose tax revenue in Fiscal Year 2008-09 under this requirement. The amendment requires the General Assembly to increase funding of education by specified percentages over inflation. This requirement will have increasing impact if the inflation rate increases. This revenue diversion and mandated expenditure growth infringes on general funding for other programs because of the existing six percent expenditure growth limit. Notwithstanding these expenditure increases, the state continues to face legal challenges asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Childrens' Basic Health Plan expenditures. This causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($175.3 million net of related deferred revenue in Fiscal Year 2007-08) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the state's credit rating. It will be difficult for the state to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll and Medicaid expenditures that were previously deferred. As noted, without these expenditure deferrals the state would not have met its statutory General Fund reserve requirement, nor would there have been a General Fund Surplus for transfer to the Highway Users Tax Fund and the Capital Projects Fund.

- General Fund Liquidity – The General Fund shows a cash balance of $516.1 million at June 30, 2008, providing apparent liquidity. However, $460.0 million of that cash was distributed immediately after fiscal year-end to pay short-term borrowing for the Education Tax Revenue Anticipation Note program, and at least $35.6 million of the cash belongs to the Risk Management Funds reported in the General Fund leaving approximately $20.5 million of disposable cash in the fund. When this cash is combined with nontax receivables it is still significantly less than the $568.4 of accounts payable and accrued liabilities that it must service in the near term. These conditions indicate that the General Fund reserve (and budgetary basis General Fund Surplus) increasingly comprises tax receivables ($1,015.8 million) net of tax refunds payable ($552.7 million) and deferred revenue ($127.1 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. When a downturn in the economy occurs, tax receivables tend to decline (due to declining personal income) and tax refunds tend to increase (due to higher than required estimated tax and withholding payments). Given the current economic turmoil, any decline in tax collections or increase in refunds will exacerbate the lack of General Fund liquidity. The General Fund cash position is also adversely affected by the recurring cash transfers of General Fund Surplus to the Highway Users Tax Fund and the Capital Projects Fund. The General Fund Surplus was \$43.4 million, \$249.3 million, \$436.8 million, \$98.0 million, \$121.8 million, and \$93.7 million in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, respectively. Furthermore, the General Fund Surplus for Fiscal Year 2007-08 exists only on the budgetary basis due to the cash basis treatment of the items listed in the previous bullet point. On a GAAP basis, there is a shortfall of \$131.8 million in the General Fund's required reserve. The General Fund legally has access to the cash balances of other funds; however, moving those balances to the General Fund has been contentious in the past.

- Debt Service – Debt service payments on the remaining \$1.1 billion of Transportation Revenue Anticipation Notes issued by the Department of Transportation average \$168.0 million per year over the next five years. While a portion of the debt services will be funded by federal funds, a significant amount will be funded by state sources. When most of the notes were issued, the diversion of surplus general-purpose revenues was expected to accumulate to fund that debt service. Due to the economic recession of the early 2000's, those diversions did not occur for several years. As discussed above, the diversion of the General Fund resumed with the passage of Referendum C. However, no diversion is projected for Fiscal Year 2008-09 and a further decline in estimated revenues may result in the diversion not occurring in future years as well. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, which will only be exacerbated by the lack of the diversion. In addition during the 2008 legislative session, the General Assembly authorized the following commitments including a:
  - Higher Education Federal Mineral Lease Capital Construction Lease Purchase Program with maximum annual debt service of \$16.2 million for the next ten years that resulted in certificates of participation of \$230.8 million,
  - New state justice center lease purchase program that authorized certificates of participation of \$269.0 million,
  - New state museum lease purchase program that authorized certificates of participation of \$84.0 million, and
  - Build Excellent Schools Today lease purchase program which authorized the state to enter lease purchase agreements resulting in maximum annual debt service payments up to \$80 million in Fiscal Year 2011-12 and subsequent years.

In some of these programs, current funding is required in addition to the certificates of participation proceeds.

- Intergovernmental Financial Dependency – The state expended \$6,587.3 million in federal awards during Fiscal Year 2007-08 which represents 33.6 percent of the \$19,624.4 million expended by the state. 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 budget deficit of approximately \$490 billion for the 2009 Federal Fiscal Year. The increasing expenditures in both the Social Security and Medicare Part A programs, 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 revenue increases or 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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,632,601	$ 1,555,782	$ 4,188,383	$ 162,174
Investments	565	272,804	273,369	39,521
Taxes Receivable, net	946,077	82,431	1,028,508	264
Contributions Receivable, net	-	-	-	32,472
Other Receivables, net	188,347	239,790	428,137	173,439
Due From Other Governments	355,519	125,894	481,413	5,340
Internal Balances	14,545	(14,545)	-	-
Due From Component Units	63	16,348	16,411	-
Inventories	16,703	42,271	58,974	11,782
Prepaids, Advances, and Deferred Charges	23,790	17,055	40,845	14,863
Total Current Assets	4,178,210	2,337,830	6,516,040	439,855
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,061,543	446,681	2,508,224	75,029
Restricted Investments	620,325	259,115	879,440	374,275
Restricted Receivables	187,018	1,716,722	1,903,740	16,353
Investments	96,743	1,008,382	1,105,125	1,804,387
Contributions Receivable, net	-	-	-	53,245
Other Long-Term Assets	442,911	119,650	562,561	1,180,506
Depreciable Capital Assets and Infrastructure, net	2,282,645	3,464,979	5,747,624	143,349
Land and Nondepreciable Infrastructure	10,291,250	576,755	10,868,005	587,874
Total Noncurrent Assets	15,982,435	7,592,284	23,574,719	4,235,018
TOTAL ASSETS	20,160,645	9,930,114	30,090,759	4,674,873
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	561,117	-	561,117	-
Accounts Payable and Accrued Liabilities	837,311	467,741	1,305,052	85,627
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	183,696	26,885	210,581	5,569
Due To Component Units	-	1,112	1,112	-
Deferred Revenue	97,174	190,528	287,702	5,925
Accrued Compensated Absences	9,776	12,745	22,521	13,712
Claims and Judgments Payable	37,775	7,398	45,173	12,421
Leases Payable	6,002	5,976	11,978	415
Notes, Bonds, and COP's Payable	574,150	75,567	649,717	59,142
Other Current Liabilities	11,794	208,542	220,336	116,744
Total Current Liabilities	2,319,501	996,494	3,315,995	299,555
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	-	16	262,112
Accrued Compensated Absences	128,760	166,402	295,162	-
Claims and Judgments Payable	335,636	28,482	364,118	-
Capital Lease Payable	54,029	83,113	137,142	3,790
Capital Lease Payable To Component Units	-	4,285	4,285	-
Notes, Bonds, and COP's Payable	1,274,720	3,466,484	4,741,204	1,570,601
Due to Component Units	-	1,233	1,233	-
Other Postemployment Benefits	-	15,775	15,775	-
Other Long-Term Liabilities	217,793	40,756	258,549	104,710
Total Noncurrent Liabilities	2,010,954	3,806,530	5,817,484	1,941,213
TOTAL LIABILITIES	4,330,455	4,803,024	9,133,479	2,240,768
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,348,995	2,411,662	13,760,657	238,953
Restricted for:				
Highway Construction and Maintenance	1,350,485	-	1,350,485	-
State Education	353,149	-	353,149	-
Unemployment Insurance	-	765,533	765,533	-
Debt Service	558	180,409	180,967	-
Emergencies	93,000	33,716	126,716	26
Permanent Funds and Endowments:				
Expendable	2,333	9,592	11,925	731,497
Nonexpendable	587,733	74,479	662,212	518,553
Court Awards and Other Purposes	231,532	491,492	723,024	452,272
Unrestricted	1,862,405	1,160,207	3,022,612	492,804
TOTAL NET ASSETS	$ 15,830,190	$ 5,127,090	$ 20,957,280	$ 2,434,105

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

(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	$ 74,167	$ (18,378)	$ 97,148	$ 67,189	$ 251
Business, Community, and Consumer Affairs	664,922	2,459	116,973	242,558	91
Education	5,016,592	959	15,045	558,144	140
Health and Rehabilitation	601,934	1,362	56,561	340,255	-
Justice	1,431,120	4,889	160,181	50,931	296
Natural Resources	130,298	1,360	116,630	73,829	1,608
Social Assistance	4,819,956	2,481	19,054	2,749,342	26
Transportation	1,457,807	1,488	244,058	140,422	437,281
Interest on Debt	37,567	-	-	-	-
Total Governmental Activities	14,234,363	(3,380)	825,650	4,222,670	439,693
Business-Type Activities:					
Higher Education	3,863,577	1,667	2,572,676	1,288,888	9,391
Unemployment Insurance	354,967	-	398,259	46,666	-
CollegeInvest	116,286	-	71,219	33,393	-
Lottery	446,600	501	513,845	2,366	-
Wildlife	109,095	705	103,898	26,040	35
College Assist	326,001	79	174	325,365	-
Other Business-Type Activities	173,500	428	136,817	5,951	-
Total Business-Type Activities	5,390,026	3,380	3,796,888	1,728,669	9,426
Total Primary Government	19,624,389	-	4,622,538	5,951,339	449,119
Component Units:					
University of Colorado Hospital Authority	593,778		633,556	3,592	4,677
Colorado Water Resources and Power Development Authority	61,268		47,095	23,894	-
University of Colorado Foundation	115,946		6,306	110,934	-
Colorado State University Foundation	27,429		-	30,188	-
Colorado School of Mines Foundation	13,812		-	7,089	-
University of Northern Colorado Foundation	10,505		-	6,718	-
Other Component Units	60,220		24,431	1,528	747
Total Component Units	$ 882,958	$ -	$ 711,388	$ 183,943	$ 5,424

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

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

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 27)
Accounting Changes (Note 27)

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 108,799	$ -	$ 108,799	
(307,759)	-	(307,759)	
(4,444,222)	-	(4,444,222)	
(206,480)	-	(206,480)	
(1,224,601)	-	(1,224,601)	
60,409	-	60,409	
(2,054,015)	-	(2,054,015)	
(637,534)	-	(637,534)	
(37,567)	-	(37,567)	
(8,742,970)	-	(8,742,970)	
-	5,711	5,711	
-	89,958	89,958	
-	(11,674)	(11,674)	
-	69,110	69,110	
-	20,173	20,173	
-	(541)	(541)	
-	(31,160)	(31,160)	
-	141,577	141,577	
(8,742,970)	141,577	(8,601,393)	
-	-	-	48,047
-	-	-	9,721
-	-	-	1,294
-	-	-	2,759
-	-	-	(6,723)
-	-	-	(3,787)
-	-	-	(33,514)
-	-	-	17,797
2,357,807	-	2,357,807	147
257,908	-	257,908	-
4,591,481	-	4,591,481	-
461,390	-	461,390	-
510,442	36,963	547,405	-
371,480	-	371,480	-
36,441	-	36,441	-
577,423	-	577,423	-
930	-	930	-
42,478	-	42,478	56,703
113,603	-	113,603	-
-	-	-	23,362
(6,843)	-	(6,843)	-
(77,732)	77,732	-	-
9,236,808	114,695	9,351,503	80,212
493,838	256,272	750,110	98,009
16,036,990	4,870,818	20,907,808	2,336,096
(393,912)	-	(393,912)	-
(306,726)	-	(306,726)	-
$ 15,830,190	$ 5,127,090	$ 20,957,280	$ 2,434,105

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 516,133	$ 19,224	$ 36,340
Taxes Receivable, net	1,015,809	-	-
Other Receivables, net	78,296	-	3,190
Due From Other Governments	340,215	4,404	243
Due From Other Funds	5,404	3,958	73,730
Due From Component Units	63	-	-
Inventories	7,828	-	7,054
Prepaids, Advances, and Deferred Charges	17,761	-	59
Restricted Cash and Pooled Cash	-	-	1,415,840
Restricted Investments	-	-	-
Restricted Receivables	-	-	172,600
Investments	5,232	-	-
Other Long-Term Assets	7	-	20,570
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 1,986,748	$ 27,586	$ 1,729,626
LIABILITIES:			
Tax Refunds Payable	$ 552,690	$ -	$ 218
Accounts Payable and Accrued Liabilities	568,370	2,304	124,847
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	30,837	-	53,648
Due To Other Funds	25,037	20	1,447
Deferred Revenue	130,862	2,546	32,229
Compensated Absences Payable	46	-	-
Claims and Judgments Payable	1,901	-	-
Notes, Bonds, and COP's Payable	460,000	-	-
Other Current Liabilities	8,879	-	51
Deposits Held In Custody For Others	7	-	-
TOTAL LIABILITIES	1,779,335	4,870	212,440
FUND BALANCES:			
Reserved for:			
Encumbrances	16,487	-	711,376
Noncurrent Assets	7	-	20,570
Debt Service	-	-	-
Statutory Purposes	151,721	-	-
Risk Management	35,559	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	746,570
Unreserved Undesignated, Reported in:			
Special Revenue Funds	-	22,716	31,960
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	3,639	-	6,710
Reported in Nonmajor Special Revenue Funds	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	207,413	22,716	1,517,186
TOTAL LIABILITIES AND FUND BALANCES	$ 1,986,748	$ 27,586	$ 1,729,626

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 537,961	$ -	$ 1,500,162	$ 2,609,820
-	-	57,352	1,073,161
12,078	-	93,991	187,555
1,559	-	8,870	355,291
3,234	-	144,434	230,760
-	-	-	63
-	-	268	15,150
1,355	-	4,239	23,414
-	299,892	345,811	2,061,543
-	52,291	568,034	620,325
-	997	13,421	187,018
-	-	92,076	97,308
130	-	299,117	319,824
-	-	10,577	10,577
$ 556,317	$ 353,180	$ 3,138,352	$ 7,791,809
$ -	$ -	$ 8,209	$ 561,117
46,828	31	81,266	823,646
-	-	-	706
-	-	80,017	164,502
3,964	-	201,855	232,323
3,673	-	54,359	223,669
-	-	-	46
-	-	72	1,973
-	-	-	460,000
-	-	2,864	11,794
-	-	9	16
54,465	31	428,651	2,479,792
255,101	-	-	982,964
130	-	405,130	425,837
-	-	558	558
109,322	-	-	261,043
-	-	-	35,559
-	-	93,000	93,000
-	349,303	806,882	1,902,755
-	-	-	54,676
134,470	-	-	134,470
-	-	1,391,483	1,391,483
-	-	2,326	2,326
2,829	3,846	-	17,024
-	-	8,751	8,751
-	-	1,571	1,571
501,852	353,149	2,709,701	5,312,017
$ 556,317	$ 353,180	$ 3,138,352	$ 7,791,809

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,609,820	$ 22,776	$ -	$ -	$ -	$ 5	$ -	$ 2,632,601
Investments	-	-	-	-	-	565	-	565
Taxes Receivable, net	1,073,161	-	-	-	-	(127,084)	-	946,077
Other Receivables, net	187,555	470	-	-	-	322	-	188,347
Due From Other Governments	355,291	228	-	-	-	-	-	355,519
Due From Other Funds	230,760	104	-	-	-	-	(216,319)	14,545
Due From Component Units	63	-	-	-	-	-	-	63
Inventories	15,150	1,553	-	-	-	-	-	16,703
Prepaids, Advances, and Deferred Charges	23,414	376	-	-	-	-	-	23,790
Total Current Assets	4,495,214	25,507	-	-	-	(126,192)	(216,319)	4,178,210
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,061,543	-	-	-	-	-	-	2,061,543
Restricted Investments	620,325	-	-	-	-	-	-	620,325
Restricted Receivables	187,018	-	-	-	-	-	-	187,018
Investments	97,308	-	-	-	-	(565)	-	96,743
Other Long-Term Assets	319,824	266	-	-	-	122,821	-	442,911
Depreciable Capital Assets and Infrastructure, net	-	68,883	2,213,762	-	-	-	-	2,282,645
Land and Nondepreciable Infrastructure	10,577	-	10,280,673	-	-	-	-	10,291,250
Total Noncurrent Assets	3,296,595	69,149	12,494,435	-	-	122,256	-	15,982,435
TOTAL ASSETS	7,791,809	94,656	12,494,435	-	-	(3,936)	(216,319)	20,160,645
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	561,117	-	-	-	-	-	-	561,117
Accounts Payable and Accrued Liabilities	823,646	8,972	-	4,693	-	-	-	837,311
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	164,502	-	-	-	-	19,194	-	183,696
Due To Other Funds	232,323	49	-	-	-	(16,053)	(216,319)	-
Deferred Revenue	223,669	589	-	-	-	(127,084)	-	97,174
Compensated Absences Payable	46	72	-	-	-	9,658	-	9,776
Claims and Judgments Payable	1,973	-	-	-	25,798	10,004	-	37,775
Leases Payable	-	3,972	-	2,030	-	-	-	6,002
Notes, Bonds, and COP's Payable	460,000	6,215	-	107,935	-	-	-	574,150
Other Current Liabilities	11,794	-	-	-	-	-	-	11,794
Total Current Liabilities	2,479,776	19,869	-	114,658	25,798	(104,281)	(216,319)	2,319,501
Noncurrent Liabilities:								
Deposits Held In Custody For Others	16	-	-	-	-	-	-	16
Accrued Compensated Absences	-	1,739	-	-	-	127,021	-	128,760
Claims and Judgments Payable	-	-	-	-	-	335,636	-	335,636
Capital Lease Payable	-	32,864	-	21,165	-	-	-	54,029
Notes, Bonds, and COP's Payable	-	17,234	-	1,257,486	-	-	-	1,274,720
Other Long-Term Liabilities	-	-	-	-	75,108	142,685	-	217,793
Total Noncurrent Liabilities	16	51,837	-	1,278,651	75,108	605,342	-	2,010,954
TOTAL LIABILITIES	2,479,792	71,706	-	1,393,309	100,906	501,061	(216,319)	4,330,455
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	10,577	8,598	12,494,435	(1,164,615)	-	-	-	11,348,995
Restricted for:								
Highway Construction and Maintenance	1,464,521	-	-	(114,036)	-	-	-	1,350,485
State Education	353,149	-	-	-	-	-	-	353,149
Debt Service	558	-	-	-	-	-	-	558
Emergencies	93,000	-	-	-	-	-	-	93,000
Permanent Funds and Endowments:								
Expendable	2,333	-	-	-	-	-	-	2,333
Nonexpendable	587,733	-	-	-	-	-	-	587,733
Court Awards and Other Purposes	231,532	-	-	-	-	-	-	231,532
Unrestricted	2,568,614	14,352	-	(114,658)	(100,906)	(504,997)	-	1,862,405
TOTAL NET ASSETS	$ 5,312,017	$ 22,950	$ 12,494,435	$ (1,393,309)	$ (100,906)	$ (504,997)	$ -	$ 15,830,190

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,600,091	$ -	$ -
Corporate Income	473,610	-	-
Sales and Use	2,079,726	-	-
Excise	93,312	-	577,420
Other Taxes	192,044	-	930
Licenses, Permits, and Fines	46,924	-	261,770
Charges for Goods and Services	57,545	-	6,426
Rents	213	-	1,537
Investment Income (Loss)	50,251	19	69,951
Federal Grants and Contracts	3,533,303	-	458,466
Other	86,667	4,559	48,486
TOTAL REVENUES	11,213,686	4,578	1,424,986
EXPENDITURES:			
Current:			
General Government	72,312	-	12,966
Business, Community, and Consumer Affairs	149,339	-	-
Education	730,231	10,461	-
Health and Rehabilitation	469,639	-	7,677
Justice	1,088,646	-	79,432
Natural Resources	59,205	-	-
Social Assistance	3,501,990	-	-
Transportation	-	-	1,052,445
Capital Outlay	31,070	22	29,533
Intergovernmental:			
Cities	26,504	-	110,753
Counties	1,488,164	-	164,600
School Districts	584,067	2,859,467	-
Special Districts	80,511	480	40,225
Federal	2,179	-	-
Other	61,161	1,854	1,783
Debt Service	32,745	-	-
TOTAL EXPENDITURES	8,377,763	2,872,284	1,499,414
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,835,923	(2,867,706)	(74,428)
OTHER FINANCING SOURCES (USES):			
Transfers-In	271,437	2,895,950	464,224
Transfers-Out	(3,333,084)	(53,547)	(207,062)
Capital Lease Proceeds	18,259	-	-
Sale of Capital Assets	-	-	1,129
Insurance Recoveries	1,561	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,041,827)	2,842,403	258,291
NET CHANGE IN FUND BALANCES	(205,904)	(25,303)	183,863
FUND BALANCE, FISCAL YEAR BEGINNING	413,317	48,019	1,377,197
Prior Period Adjustment (See Note 27)	-	-	(43,874)
FUND BALANCE, FISCAL YEAR END	$ 207,413	$ 22,716	$ 1,517,186

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 373,629	$ -	$ 4,973,720
-	34,292	-	507,902
-	-	272,706	2,352,432
-	-	164,567	835,299
-	-	340,572	533,546
10,637	-	323,288	642,619
3	-	39,924	103,898
-	14	77,125	78,889
29,850	20,858	144,899	315,828
10,011	-	306,451	4,308,231
7,027	53	32,394	179,186
57,528	428,846	1,701,926	14,831,550
21,584	-	15,981	122,843
1,209	-	160,417	310,965
34,639	776	25,938	802,045
408	-	82,946	560,670
5,627	-	20,866	1,194,571
1,251	-	52,036	112,492
565	-	166,694	3,669,249
-	-	3,040	1,055,485
168,834	-	13,638	243,097
718	-	150,805	288,780
1,614	19	144,418	1,798,815
-	294,510	76,481	3,814,525
-	2,253	28,941	152,410
-	-	1,866	4,045
981	29	35,692	101,500
-	-	174,831	207,576
237,430	297,587	1,154,590	14,439,068
(179,902)	131,259	547,336	392,482
197,924	-	468,527	4,298,062
(38,646)	(3,928)	(732,477)	(4,368,744)
-	-	-	18,259
-	-	48	1,177
576	-	183	2,320
159,854	(3,928)	(263,719)	(48,926)
(20,048)	127,331	283,617	343,556
521,900	225,818	2,426,084	5,012,335
-	-	-	(43,874)
$ 501,852	$ 353,149	$ 2,709,701	$ 5,312,017

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,973,720	$ -	$ -	$ -	$ (8,681)	$ 4,965,039
Corporate Income	507,902	-	-	-	(12,220)	495,682
Sales and Use	2,352,432	-	-	-	5,375	2,357,807
Excise	835,299	-	-	-	29	835,328
Other Taxes	533,546	-	-	-	(274)	533,272
Licenses, Permits, and Fines	642,619	-	-	-	8	642,627
Charges for Goods and Services	103,898	-	-	-	(10)	103,888
Rents	78,889	-	-	-	-	78,889
Investment Income (Loss)	315,828	294	-	-	(9)	316,113
Federal Grants and Contracts	4,308,231	-	-	-	-	4,308,231
Other	179,186	-	1,723	-	(9)	180,900
TOTAL REVENUES	14,831,550	294	1,723	-	(15,791)	14,817,776
EXPENDITURES:						
Current:						
General Government	122,843	(1,895)	1,737	-	1,235	123,920
Business, Community, and Consumer Affairs	310,965	(655)	5,559	-	43,306	359,175
Education	802,045	(159)	2,328	-	291	804,505
Health and Rehabilitation	560,670	(147)	5,278	-	783	566,584
Justice	1,194,571	(87)	28,638	-	7,450	1,230,572
Natural Resources	112,492	(325)	8,819	-	439	121,425
Social Assistance	3,669,249	(1,015)	7,083	-	393	3,675,710
Transportation	1,055,485	145	(24,945)	-	1,996	1,032,681
Capital Outlay	243,097	-	(175,874)	-	-	67,223
Cities	288,780	-	-	-	-	288,780
Counties	1,798,815	-	-	-	-	1,798,815
School Districts	3,814,525	-	-	-	-	3,814,525
Special Districts	152,410	-	-	-	-	152,410
Federal	4,045	-	3,651	-	-	7,696
Other	101,500	-	-	-	-	101,500
Debt Service	207,576	2,096	-	(103,609)	-	106,063
TOTAL EXPENDITURES	14,439,068	(2,042)	(137,726)	(103,609)	55,893	14,251,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	392,482	2,336	139,449	103,609	(71,684)	566,192
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,298,062	1,460	-	-	-	4,299,522
Transfers-Out	(4,368,744)	(3,811)	-	-	-	(4,372,555)
Capital Lease Proceeds	18,259	-	-	(18,259)	-	-
Sale of Capital Assets	1,177	-	(3,287)	-	-	(2,110)
Insurance Recoveries	2,320	-	-	-	-	2,320
TOTAL OTHER FINANCING SOURCES (USES)	(48,926)	(2,351)	(3,287)	(18,259)	-	(72,823)
Internal Service Fund Charges to BTAs	-	469	-	-	-	469
NET CHANGE FOR THE YEAR	$ 343,556	$ 454	$ 136,162	$ 85,350	$ (71,684)	$ 493,838

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 700,666	$ 710,436
Investments	268,673	-
Taxes Receivable, net	-	82,431
Student and Other Receivables, net	204,822	4,042
Due From Other Governments	120,105	1,498
Due From Other Funds	9,728	-
Due From Component Units	16,348	-
Inventories	28,204	-
Prepaids, Advances, and Deferred Charges	11,196	-
Total Current Assets	1,359,742	798,407
Noncurrent Assets:		
Restricted Cash and Pooled Cash	343,228	-
Restricted Investments	96,722	-
Restricted Receivables	-	-
Investments	930,113	-
Other Long-Term Assets	106,094	-
Depreciable Capital Assets and Infrastructure, net	3,351,609	-
Land and Nondepreciable Infrastructure	437,616	-
Total Noncurrent Assets	5,265,382	-
TOTAL ASSETS	6,625,124	798,407
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	426,518	1,108
Due To Other Governments	-	-
Due To Other Funds	6,236	230
Due To Component Units	1,112	-
Deferred Revenue	154,015	-
Compensated Absences Payable	11,961	-
Claims and Judgments Payable	-	7,398
Leases Payable	5,756	-
Notes, Bonds, and COP's Payable	49,906	-
Other Current Liabilities	154,332	24,138
Total Current Liabilities	809,836	32,874
Noncurrent Liabilities:		
Accrued Compensated Absences	156,637	-
Claims and Judgments Payable	28,482	-
Capital Lease Payable	79,974	-
Capital Lease Payable To Component Units	4,285	-
Notes, Bonds, and COP's Payable	1,753,668	-
Due to Component Units	1,233	-
Other Postemployment Benefits	15,775	-
Other Long-Term Liabilities	9,240	-
Total Noncurrent Liabilities	2,049,294	-
TOTAL LIABILITIES	2,859,130	32,874
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,175,704	-
Restricted for:		
Unemployment Insurance	-	765,533
Debt Service	75,862	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	9,592	-
Nonexpendable	74,479	-
Court Awards and Other Purposes	454,168	-
Unrestricted	976,189	-
TOTAL NET ASSETS	$ 3,765,994	$ 765,533

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 11,839	$ 32,348	$ 100,493	$ 1,555,782	$ 22,776
4,131	-	-	272,804	-
-	-	-	82,431	-
1,454	19,034	10,284	239,636	470
-	-	4,291	125,894	228
117	-	4,176	14,021	104
-	-	-	16,348	-
-	897	13,170	42,271	1,553
412	4,027	1,420	17,055	376
17,953	56,306	133,834	2,366,242	25,507
-	-	103,453	446,681	-
162,393	-	-	259,115	-
1,706,156	-	10,566	1,716,722	-
78,269	-	-	1,008,382	-
11,313	-	2,243	119,650	266
340	498	112,532	3,464,979	68,883
-	-	139,139	576,755	-
1,958,471	498	367,933	7,592,284	69,149
1,976,424	56,804	501,767	9,958,526	94,656
8,515	3,967	27,633	467,741	8,972
17,985	15	378	18,378	-
2,862	27,161	430	36,919	49
-	-	-	1,112	-
-	307	36,206	190,528	589
-	15	769	12,745	72
-	-	-	7,398	-
-	-	220	5,976	3,972
24,000	-	1,661	75,567	6,215
5,031	21,813	3,228	208,542	-
58,393	53,278	70,525	1,024,906	19,869
182	819	8,764	166,402	1,739
-	-	-	28,482	-
-	-	3,139	83,113	32,864
-	-	-	4,285	-
1,701,330	-	11,486	3,466,484	17,234
-	-	-	1,233	-
-	-	-	15,775	-
31,304	94	118	40,756	-
1,732,816	913	23,507	3,806,530	51,837
1,791,209	54,191	94,032	4,831,436	71,706
340	498	235,120	2,411,662	8,598
-	-	-	765,533	-
104,547	-	-	180,409	-
-	-	33,716	33,716	-
-	-	-	9,592	-
-	-	-	74,479	-
-	-	37,324	491,492	-
80,328	2,115	101,575	1,160,207	14,352
$ 185,215	$ 2,613	$ 407,735	$ 5,127,090	$ 22,950

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Taxes	$ -	$ 398,048
License and Permits	-	-
Tuition and Fees	1,573,824	-
Scholarship Allowance for Tuition and Fees	(286,735)	-
Sales of Goods and Services	1,206,435	-
Scholarship Allowance for Sales of Goods & Services	(12,847)	-
Investment Income (Loss)	2,812	-
Rental Income	17,096	-
Gifts and Donations	20,106	-
Federal Grants and Contracts	925,993	15,480
Intergovernmental Revenue	15,206	-
Other	188,812	213
TOTAL OPERATING REVENUES	3,650,702	413,741
OPERATING EXPENSES:		
Salaries and Fringe Benefits	2,719,936	-
Operating and Travel	740,052	354,967
Cost of Goods Sold	144,514	-
Depreciation and Amortization	235,321	-
Intergovernmental Distributions	32,531	-
Debt Service	-	-
Prizes and Awards	80	-
TOTAL OPERATING EXPENSES	3,872,434	354,967
OPERATING INCOME (LOSS)	(221,732)	58,774
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	23	-
Investment Income (Loss)	44,102	31,185
Rental Income	12,448	-
Gifts and Donations	111,061	-
Intergovernmental Distributions	(25,273)	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(722)	-
Insurance Recoveries from Prior Year Impairments	30	-
Debt Service	(62,274)	-
Other Expenses	(1,021)	-
Other Revenues	11,240	-
TOTAL NONOPERATING REVENUES (EXPENSES)	89,614	31,185
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(132,118)	89,959
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	139,190	-
Additions to Permanent Endowments	2	-
Transfers-In	157,377	-
Transfers-Out	(3,372)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	293,197	-
CHANGE IN NET ASSETS	161,079	89,959
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,604,915	675,574
Prior Period/Other Adjustments (See Note 27)	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 3,765,994	$ 765,533

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ -	$ 398,048	$ -
-	66	84,331	84,397	-
-	-	396	1,574,220	-
-	-	-	(286,735)	-
160	512,722	120,834	1,840,151	97,203
-	-	-	(12,847)	-
6,626	-	5,724	15,162	-
-	-	2,084	19,180	11,218
-	-	-	20,106	-
26,766	-	353,573	1,321,812	-
-	-	20,561	35,767	-
71,058	987	1,584	262,654	389
104,610	513,775	589,087	5,271,915	108,810
2,422	9,319	162,111	2,893,788	27,220
17,787	50,209	354,516	1,517,531	58,920
1,619	11,922	39,970	198,025	7,494
444	149	8,783	244,697	13,295
-	-	4,538	37,069	3
94,014	-	38,653	132,667	-
-	321,844	853	322,777	8
116,286	393,443	609,424	5,346,554	106,940
(11,676)	120,332	(20,337)	(74,639)	1,870
-	-	36,963	36,963	-
-	-	976	999	-
-	2,366	5,878	83,531	295
-	69	702	13,219	-
-	-	2,175	113,236	-
-	(53,104)	-	(78,377)	-
-	-	-	-	407
-	(66)	(37)	(825)	1,045
-	-	3	33	-
-	-	(705)	(62,979)	(1,964)
-	-	(51)	(1,072)	(120)
-	-	-	11,240	-
-	(50,735)	45,904	115,968	(337)
(11,676)	69,597	25,567	41,329	1,533
-	-	933	140,123	1,275
-	-	-	2	-
222	-	4,200	161,799	1,460
(3,182)	(69,655)	(10,772)	(86,981)	(3,811)
(2,960)	(69,655)	(5,639)	214,943	(1,076)
(14,636)	(58)	19,928	256,272	457
199,851	2,671	387,807	4,870,818	21,741
-	-	-	-	752
$ 185,215	$ 2,613	$ 407,735	$ 5,127,090	$ 22,950

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,302,394	$ -
Fees for Service	1,143,866	-
Sales of Products	6,523	-
Gifts, Grants, and Contracts	1,104,679	15,480
Loan and Note Repayments	184,565	-
Unemployment Insurance Taxes	-	391,465
Income from Property	29,544	-
Other Sources	64,080	-
Cash Payments to or for:		
Employees	(2,583,104)	-
Suppliers	(772,878)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(338,810)
Scholarships	(49,494)	-
Others for Student Loans and Loan Losses	(181,813)	-
Other Governments	(32,531)	-
Other	(57,684)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	158,147	68,135
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	157,378	-
Transfers-Out	(3,372)	-
Receipt of Deposits Held in Custody	399,517	-
Release of Deposits Held in Custody	(395,019)	-
Gifts for Other Than Capital Purposes	110,816	-
Intergovernmental Distributions	(25,273)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(2,857)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	241,190	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(513,689)	-
Capital Contributions	60,727	-
Capital Gifts, Grants, and Contracts	38,306	-
Proceeds from Sale of Capital Assets	9,973	-
Capital Debt Proceeds	374,316	-
Capital Debt Service Payments	(136,134)	-
Capital Lease Payments	(6,754)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(173,255)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 408	$ 1,302,802	$ 50
1,081	-	174,053	1,319,000	95,210
-	512,348	58,926	577,797	1,649
31,037	-	349,560	1,500,756	420
488,530	-	-	673,095	-
-	-	-	391,465	-
-	69	2,595	32,208	11,152
-	1,053	26,181	91,314	569
(2,468)	(8,626)	(108,333)	(2,702,531)	(25,777)
(24,612)	(23,390)	(191,930)	(1,012,810)	(65,222)
-	(362,300)	(5,327)	(367,627)	(706)
-	-	-	(338,810)	-
-	-	-	(49,494)	-
(731,150)	-	(284,836)	(1,197,799)	-
-	-	(4,532)	(37,063)	(3)
(16)	(29)	(11,015)	(68,744)	(113)
(237,598)	119,125	5,750	113,559	17,229
222	-	4,200	161,800	1,460
(3,183)	(69,655)	(10,772)	(86,982)	(3,811)
-	-	891	400,408	-
-	-	(858)	(395,877)	-
-	-	1,755	112,571	-
-	(54,655)	-	(79,928)	-
188,300	-	714	189,014	-
(199,785)	-	(1,065)	(203,707)	-
(14,446)	(124,310)	(5,135)	97,299	(2,351)
(225)	(16)	(28,613)	(542,543)	(34,894)
-	-	-	60,727	-
-	-	-	38,306	-
-	-	767	10,740	36,167
-	-	37	374,353	19,400
-	-	(925)	(137,059)	(30,733)
-	-	(400)	(7,154)	(5,212)
(225)	(16)	(29,134)	(202,630)	(15,272)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	117,549	31,185
Proceeds from Sale/Maturity of Investments	3,850,297	-
Purchases of Investments	(3,860,262)	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	7,887	-
NET CASH FROM INVESTING ACTIVITIES	115,471	31,185
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	341,553	99,320
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	702,341	611,116
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,043,894	$ 710,436

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
Operating Income (Loss)	$ (221,732)	$ 58,774
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	235,320	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	23,644	-
Loss on Disposal of Capital Assets	2,444	-
Compensated Absences	12,268	-
Interest and Other Expense in Operating Income	1,337	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(17,296)	(868)
(Increase) Decrease in Inventories	(3,359)	-
(Increase) Decrease in Other Operating Assets	(6,587)	-
Increase (Decrease) in Accounts Payable	45,258	597
Increase (Decrease) in Other Operating Liabilities	86,850	9,632
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 158,147	$ 68,135

SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
Capital Assets Funded by the Capital Projects Fund	97,682	-
Capital Assets Acquired by Grants or Donations and Payable Increases	2,546	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	(78,286)	-
Gain/(Loss) on Disposal of Capital Assets	(3,726)	
Amortization of Debt Valuation Accounts and Interest Payable Accruals	361	-
Assumption of Capital Lease Obligation or Mortgage	21,999	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
15,830	2,018	9,191	175,773	267
237,017	-	-	4,087,314	-
-	-	-	(3,860,262)	-
117	347	2,412	10,763	28
252,964	2,365	11,603	413,588	295
695	(2,836)	(16,916)	421,816	(99)
11,144	35,184	220,862	1,580,647	22,875
$ 11,839	$ 32,348	$ 203,946	$ 2,002,463	$ 22,776
$ (11,676)	$ 120,332	$ (20,337)	$ (74,639)	$ 1,870
444	149	8,780	244,693	13,295
(6,626)	-	(5,724)	(12,350)	-
-	69	39,109	62,822	482
-	-	769	3,213	-
5	2	976	13,251	(5)
94,014	-	266	95,617	102
(309,004)	(508)	(1,182)	(328,858)	(154)
-	(173)	(738)	(4,270)	(341)
326	(56)	78	(6,239)	(60)
(2,668)	1,236	(11,128)	33,295	2,126
(2,413)	(1,926)	(5,119)	87,024	(86)
$ (237,598)	$ 119,125	$ 5,750	$ 113,559	$ 17,229
-	-	900	98,582	-
-	-	33	2,579	1,275
(5,132)	-	-	(83,418)	-
-	(66)	(853)	(4,645)	(970)
-	-	15	376	-
-	-	-	21,999	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 14,969	$ 186,712	$ 350,323
Taxes Receivable, net	-	-	129,142
Other Receivables, net	8,671	9,470	557
Due From Other Funds	16,006	2,782	5,772
Inventories	-	-	1
Prepaids, Advances, and Deferred Charges	13	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	22,710	-
Corporate Bonds	-	10,750	-
Asset Backed Securities	-	13,587	-
Mortgages	-	22,843	-
Mutual Funds	383,849	3,170,608	-
Other Investments	4,893	25,636	-
Other Long-Term Assets	-	-	22,058
TOTAL ASSETS	428,401	3,465,098	507,853
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	863
Accounts Payable and Accrued Liabilities	12,490	60,052	539
Due To Other Governments	-	-	228,383
Due To Other Funds	-	117	37
Deferred Revenue	54	2,073	-
Claims and Judgments Payable	17,254	-	567
Other Current Liabilities	-	-	204,682
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,557	72,751
Accrued Compensated Absences	59	-	-
Other Long-Term Liabilities	-	2,615	31
TOTAL LIABILITIES	29,857	67,414	507,853
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	398,251	-	-
Individuals, Organizations, and Other Entities	-	3,397,684	-
Unrestricted	293	-	-
TOTAL NET ASSETS	$ 398,544	$ 3,397,684	$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,001,406
Member Contributions	125,892	-
Employer Contributions	150,257	-
Investment Income/(Loss)	(22,203)	(378,646)
Employee Deferral Fees	506	-
Unclaimed Property Receipts	-	67,482
Other Additions	12,651	2,402
Transfers-In	732	-
TOTAL ADDITIONS	267,835	692,644
DEDUCTIONS:		
Distributions to Participants	-	330,361
Benefits and Withdrawals	28,658	-
Health Insurance Premiums Paid	76,763	-
Health Insurance Claims Paid	115,602	-
Other Benefits Plan Expense	19,339	-
Payments in Accordance with Trust Agreements	-	385,758
Administrative Expense	1,163	-
Other Deductions	18,434	-
Transfers-Out	98	2,419
TOTAL DEDUCTIONS	260,057	718,538
CHANGE IN NET ASSETS	7,778	(25,894)
FISCAL YEAR BEGINNING	390,766	3,423,578
FISCAL YEAR ENDING	$ 398,544	$ 3,397,684

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 27,362	$ 105,739	$ 8,420
Investments	-	-	-
Taxes Receivable, net	-	-	-
Contributions Receivable, net	-	-	20,931
Other Receivables, net	98,005	70,111	750
Due From Other Governments	-	5,340	-
Inventories	11,782	-	-
Prepaids, Advances, and Deferred Charges	14,165	-	463
Total Current Assets	151,314	181,190	30,564
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	73,351	-
Restricted Investments	42,059	332,216	-
Restricted Receivables	10,026	6,327	-
Investments	219,854	-	1,055,889
Contributions Receivable, net	-	-	22,099
Other Long-Term Assets	12,284	1,137,574	-
Depreciable Capital Assets and Infrastructure, net	4,238	25	4,061
Land and Nondepreciable Infrastructure	569,698	-	-
Total Noncurrent Assets	858,159	1,549,493	1,082,049
TOTAL ASSETS	1,009,473	1,730,683	1,112,613
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	58,888	17,451	5,813
Due To Other Governments	-	5,569	-
Deferred Revenue	-	723	542
Compensated Absences Payable	13,712	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	415
Notes, Bonds, and COP's Payable	9,632	49,510	-
Other Current Liabilities	5,006	100,997	10,741
Total Current Liabilities	87,238	174,250	17,511
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	235,635
Capital Lease Payable	-	-	3,790
Notes, Bonds, and COP's Payable	527,735	1,038,581	-
Other Long-Term Liabilities	1,922	40,233	23,852
Total Noncurrent Liabilities	529,657	1,078,814	263,277
TOTAL LIABILITIES	616,895	1,253,064	280,788
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	85,869	25	(144)
Restricted for:			
Emergencies	-	-	-
Permanent Funds and Endowments:			
Expendable	-	-	515,735
Nonexpendable	-	-	256,509
Court Awards and Other Purposes	12,039	407,530	-
Unrestricted	294,670	70,064	59,725
TOTAL NET ASSETS	$ 392,578	$ 477,619	$ 831,825

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
$ 1,468	$ 3,786	$ 5,336	$ 10,063	$ 162,174
-	-	-	39,521	39,521
-	-	-	264	264
4,466	1,958	718	4,399	32,472
-	3,279	626	668	173,439
-	-	-	-	5,340
-	-	-	-	11,782
231	-	-	4	14,863
6,165	9,023	6,680	54,919	439,855
-	1,678	-	-	75,029
-	-	-	-	374,275
-	-	-	-	16,353
239,778	183,155	97,037	8,674	1,804,387
24,069	5,150	1,927	-	53,245
432	4,616	109	25,491	1,180,506
283	317	1,153	133,272	143,349
-	-	-	18,176	587,874
264,562	194,916	100,226	185,613	4,235,018
270,727	203,939	106,906	240,532	4,674,873
934	1,114	914	513	85,627
-	-	-	-	5,569
-	-	-	4,660	5,925
-	-	-	-	13,712
-	-	-	12,421	12,421
-	-	-	-	415
-	-	-	-	59,142
-	-	-	-	116,744
934	1,114	914	17,594	299,555
13,125	12,650	702	-	262,112
-	-	-	-	3,790
-	4,285	-	-	1,570,601
892	12,336	294	25,181	104,710
14,017	29,271	996	25,181	1,941,213
14,951	30,385	1,910	42,775	2,240,768
283	317	1,153	151,450	238,953
-	-	-	26	26
124,042	48,020	43,700	-	731,497
105,812	104,741	51,491	-	518,553
-	-	-	32,703	452,272
25,639	20,476	8,652	13,578	492,804
$ 255,776	$ 173,554	$ 104,996	$ 197,757	$ 2,434,105

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 47,011	$ 6,306
Sales of Goods and Services	613,501	-	-
Investment Income (Loss)	-	25,449	-
Rental Income	-	-	-
Gifts and Donations	-	-	121,403
Federal Grants and Contracts	-	4,989	-
Other	20,055	86	853
TOTAL OPERATING REVENUES	633,556	77,535	128,562
OPERATING EXPENSES:			
Salaries and Fringe Benefits	264,796	1,164	-
Operating and Travel	136,158	6,966	22,098
Cost of Goods Sold	127,883	-	-
Depreciation and Amortization	38,111	15	-
Debt Service	-	53,122	-
Foundation Program Distributions	-	-	93,657
TOTAL OPERATING EXPENSES	566,948	61,267	115,755
OPERATING INCOME (LOSS)	66,608	16,268	12,807
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Investment Income (Loss)	10,634	-	5,525
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	81	-	-
Debt Service	(26,351)	-	-
Other Expenses	(560)	-	(191)
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,196)	-	5,334
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	50,412	16,268	18,141
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	8,269	18,902	-
TOTAL CONTRIBUTIONS AND TRANSFERS	8,269	18,902	-
CHANGE IN NET ASSETS	58,681	35,170	18,141
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	333,897	442,449	813,684
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 392,578	$ 477,619	$ 831,825

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
$ -	$ -	$ -	$ 23,793	$ 77,110
-	-	-	-	613,501
-		-	(1,507)	23,942
-	-	-	638	638
40,046	10,863	4,938	-	177,250
-	-	-	1,528	6,517
109	201	1,059	2,000	24,363
40,155	11,064	5,997	26,452	923,321
-	-	-	-	265,960
2,097	2,347	2,692	55,640	227,998
-	-	-	-	127,883
-	-	-	3,955	42,081
-	-	-	-	53,122
25,332	11,466	7,812	-	138,267
27,429	13,813	10,504	59,595	855,311
12,726	(2,749)	(4,507)	(33,143)	68,010
-	-	-	147	147
(8,681)	(2,540)	437	2,842	8,217
-	-	-	9,440	9,440
-	-	-	-	81
-	-	-	-	(26,351)
-	-	-	(625)	(1,376)
-	-	-	12,670	12,670
(8,681)	(2,540)	437	24,474	2,828
4,045	(5,289)	(4,070)	(8,669)	70,838
-	-	-	-	27,171
-	-	-	-	27,171
4,045	(5,289)	(4,070)	(8,669)	98,009
251,731	178,843	109,066	206,426	2,336,096
$ 255,776	$ 173,554	$ 104,996	$ 197,757	$ 2,434,105

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 77,110	Charges for Services	$ 77,110
Sales of Goods and Services	613,501	Charges for Services	613,501
Investment Income (Loss)	23,942	Unrestricted Investment Earnings	23,942
Rental Income	638	Charges for Services	638
Gifts and Donations	177,250	Operating Grants & Contributions	177,250
Federal Grants and Contracts	6,517	Operating Grants & Contributions	6,517
Other	24,363	Charges for Services	20,141
		Operating Grants & Contributions	2,222
		Payment from State	2,000
TOTAL OPERATING REVENUES	923,321		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	265,960	Expenses	265,960
Operating and Travel	227,998	Expenses	227,998
Cost of Goods Sold	127,883	Expenses	127,883
Depreciation and Amortization	42,081	Expenses	42,081
Debt Service	53,122	Expenses	53,122
Foundation Program Distributions	138,267	Expenses	138,267
TOTAL OPERATING EXPENSES	855,311		
OPERATING INCOME (LOSS)	68,010		
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	147	Sales & Use Taxes	147
Investment Income (Loss)	8,217	Unrestricted Investment Earnings	32,761
		Operating Grants & Contributions	(24,544)
Gifts and Donations	9,440	Payment from State	9,440
Gain/(Loss) on Sale or Impairment of Capital Assets	81	Expenses	81
Debt Service	(26,351)	Expenses	(26,351)
Other Expenses	(1,376)	Expenses	(1,376)
Other Revenues	12,670	Payment from State	11,923
		Capital Grants & Contributions	747
TOTAL NONOPERATING REVENUES (EXPENSES)	2,828		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	70,838		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	27,171	Operating Grants & Contributions	22,494
		Capital Grants & Contributions	4,677
TOTAL CONTRIBUTIONS AND TRANSFERS	27,171		
CHANGE IN NET ASSETS	98,009		98,009
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,336,096		2,336,096
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,434,105		$ 2,434,105

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.

During Fiscal Year 2007-08, the state implemented GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions and GASB Statement No. 48 - Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

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.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- 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
  - Colorado Renewable Energy Authority

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

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

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

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F417, P.O. Box 6510
Aurora, Colorado 80045

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

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

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

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

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

Renewable Energy Authority
410 17th Street, Suite 1400
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 Statement No. 39:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4—BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

<u>General Fund</u>
Transactions related to resources obtained and used for those services traditionally provided by state government, which are not legally required to be accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental

activities are accounted for in the General Fund consistent with applicable legal requirements.

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

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

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

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

PROPRIETARY FUND TYPE:

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

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

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

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include Water Projects, Labor, Gaming, Tobacco Impact Mitigation, Resource Extraction, Resource Management, Environment and Health Protection, Public School Buildings, and Other Special Revenue Funds.

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

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds
The state uses Enterprise Funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include

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

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds
In the basic financial statements, the state reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. Individual financial statements of these plans are presented in Note 20. Participation in the defined contribution plan was previously limited to select employees – primarily legislators and elected officials, however, beginning January 1, 2006, the defined contribution plan became an option for current and newly hired state employees. Most state employees continue to be covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 18).

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

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

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

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

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

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

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

Natural Resources
Department of Natural Resources

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

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the state's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2008.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2007.

Three of the four nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority uses governmental fund accounting. In addition, CoverColorado and the Venture Capital Authority apply applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2007.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2008.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

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

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

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

Expenditures are recognized in governmental funds when:

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

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

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

Component Units

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

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. The authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 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 assets.

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

The mission of the Venture Capital Authority, 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

Primary Government

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	50
Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	3	20
Infrastructure	20	75

Certain infrastructure owned by the Colorado Department of Transportation (CDOT), including roadway infrastructure acquired prior to Fiscal Year 1980-81, is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded. (See Note RSI-2 to the Required Supplementary Information, page 149, for more information on the modified approach.) Bridges owned by CDOT and other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

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

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings and building improvements, and equipment.

F. DEFERRED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

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

H. INSURANCE

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

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

I. NET ASSETS AND FUND BALANCES

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

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

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

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

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

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

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

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

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

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

<u>Restricted Permanent Funds and Endowments</u> – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State

Lands Fund, and the endowment portion of the Higher Education Institutions Enterprise Fund that must be maintained in perpetuity. The restricted balances reported as expendable are the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Court Awards and Other Purposes – The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. Included in this restriction is the remaining $16.7 million balance of the following. The state received $73.1 million and $73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these types of funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted and their use is directed by the Governor.

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

The fund balance of the General Fund is reserved as provided by statute and as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis (see page 147) remaining at year-end is required by legislation to be transferred in the following year to the Highway Fund and the Capital Projects Fund in the ratio of two-thirds to one-third.

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

In the Special Revenue Funds and Capital Projects Fund this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects and infrastructure. State agencies are required to record encumbrances for construction projects, and therefore, this reserve in the Special Revenue and Capital Projects fund represents the major construction commitments of the state.

Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

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

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

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects Fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations, and it is only presented at the full four percent amount when the unreserved undesignated fund balance is greater than zero. On the generally accepted accounting principles basis, General Fund assets were not adequate to meet the Fiscal Year 2007-08 statutorily required reserve of $283.5 million. This resulted in the $151.7 million reserve shown on the *Balance Sheet – Governmental Funds.* The state complied with the reserve requirement on the budgetary basis by deferring Medicaid and payroll expenditures to the following fiscal year.

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

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

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

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

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2007-08.

The Plan uses cost from Fiscal Year 2005-06 that will be incorporated in state agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2009-10. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

Primary Government

The state reports four major Enterprise Funds, 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 Assets* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

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

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

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. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 139. Differences noted between department overexpended amounts on the budgetary schedules and the overexpenditures 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 Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

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

Total overexpenditures at June 30, 2008, were $28,734,213 as described below.

Medicaid Overexpenditures:

- High Risk Pregnant Women Program – The Department of Human Services Alcohol and Drug Abuse Division overexpended this line item by $506,433 budgeted as cash funds exempt from TABOR. The Department of Health Care Policy and Financing overexpended the same line item by $253,217 of general funds, which represents the match for the Medicaid funds paid to the Department of Human Services. The overexpenditure occurred in both instances primarily because a change in statute increased the benefit period from 60 days to one year and because current year cases required more residential and less outpatient services. This program is an entitlement program driven by the eligible population.
- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $2,347,326 of general funds. This program is an entitlement program driven by the eligible population and the department reported unexpectedly large increases over budgeted caseload for the year.
- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $23,119,872 of general funds. This program is an entitlement program driven by the eligible population and experienced unexpectedly large increases over budgeted caseload for the year. The department also reported an increase in the utilization of primary care services including physician and in-patient hospital services as well as home-based community services.

Department of Human Services Overexpenditures Other Than Medicaid:

- Department-Wide Utility Costs – The Department of Human Services overexpended this line item by $596,627 of general funds. The overexpenditure occurred primarily because of large increases in utility costs. The Department had been able to protect against such increases in the past through the use of advance natural gas contracts. The current contract rates, however, were unfavorable and the Department was forced to pay the prevailing rates that were increasing during the fiscal year.
- CBMS Federal Reallocation – The Department of Human Services Information Technology Services Group overexpended this line item by $158,947 of general funds. The overexpenditure occurred because the Department's estimated amount of Colorado Benefits Management System expenditures to be allocated to the Federal Government understated the need for general fund support.

Judicial Branch Overexpenditures Subject to the $1.0 Million Limit:

- Office of the Child's Representative – Court Appointed Counsel – The Judicial Branch overexpended this general fund line item by $118,687. The overexpenditure occurred because of increased Dependency and Neglect caseload and higher costs which resulted from mandated increased contact between the court appointed counsel and child clients.

Statewide Overexpenditures Subject to the $1.0 Million Limit:

- Division of Central Services – Operating Expense for Reprographics – The Department of Personnel & Administration overexpended this line item by $641,895 of cash funds exempt from TABOR. The overexpenditure occurred due to the correction of an accounting error that historically understated expenditures related to outsourced print jobs.

- Department of Corrections – Payments to District Attorneys – The Department of Corrections overexpended this line item by $138,873 of general funds. The overexpenditure occurred because costs of death penalty case reimbursements to the 18th Judicial District Attorney's Office were greater than budgeted and the Department's related supplemental request was not fully funded.

- Colorado State Patrol – Safety and Law Enforcement Support – The Department of Public Safety overexpended this line item by $54,761 of cash funds exempt from TABOR. The overexpenditure occurred because the State Patrol did not have sufficient spending authority to spend all of the revenue they earned from State Fleet Management for performing vehicle maintenance.

- Department of Education – Legal Services – The Department of Education overexpended this line item by $1,035 of cash funds. The overexpenditure occurred due to an increase in the number of cases that required judicial hearings in the Office of Professional Services and Educator Licensing.

- Division of Parks and Outdoor Recreation – River Outfitters Regulation – The Department of Natural Resources overexpended this line item by $2,535 of cash funds. The overexpenditure occurred because the Division failed to consider the accrual of biweekly payroll expense when purchasing equipment at year-end.

Overexpenditures Not Subject to Statutory Approval:

The following overexpenditures occurred in the Department of Human Services.

- Community and Contract Management System – The Department overexpended this line by $6,336 in cash funds exempt from TABOR. The overexpenditure occurred because an invoice was not accrued in Fiscal Year 2006-07 resulting in the expenditure being charged to the FY 2007-08 budget. The Department failed to consider this expenditure in monitoring its budget.

- Personal Services, Mental Health Institutes, Executive Director's Office General Administration, Purchase of Services from the Computer Center – The Department overexpended the four individual lines listed above by a total of $758,349 in general funds. Although all of the lines had sufficient spending authority, the overexpenditures occurred because insufficient cash, federal or indirect revenue was earned in the lines to support the expenditures.

The General Fund Surplus Schedule (page 147) shows a negative reversion of $2.4 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to $9.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department does not record the additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversion Report will show that the appropriations act estimate was less than the actual expenditures. The Schedule also shows a $19.0 million negative reversion for the Department of Health Care Policy and Financing. This negative reversion is due to overexpenditures at the Department included in the discussion above.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

04, but again exceeded the limit resulting in a $41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a measure referred to the ballot by the Legislature that authorizes the state to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. As a result, there is no TABOR refund required for Fiscal Year 2007-08 even though the TABOR nonexempt revenues exceeded the TABOR limit by $1,169.4 million. The $0.7 million TABOR refund liability shown on the government wide *Statement of Net Assets* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

Historically, unrefunded amounts continue to be distributed after the end of the fiscal year when returns with filing extensions and amended returns are processed. Any amount unrefunded through this process will be carried forward to the first year that a refund is paid after Fiscal Year 2009-10.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2007-08 that amount was $299,956,779. At June 30, 2008, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $63,000,000. The $64,000,000 designation by the Legislature has been reduced by $1,000,000 because 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.)
- Subsequent Injury Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $16,000,000.
- Worker's Compensation Cash Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $14,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Funds net assets not invested in capital assets (net of related debt) total $33,715,643, and that amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets* in the Comprehensive Annual Financial Report. The remaining $66,284,357 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $76,467,558 of cash and receivables that are reported as restricted.

The 2007 legislative session Long Appropriations Act, as amended by the 2008 legislative session Long Appropriations Act, designated up to $101,600,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2007 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly more than estimated, the amount designated for the reserve was $4,356,779 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 2007-08, under the direction of the Governor's Executive Orders, the state transferred $1,000,000 from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the cost of fighting wildfires and to mitigate tornado damage in the state. As a result the ending emergency reserve has been reduced by the $1,000,000. The Major Medical Fund is part of the Labor Fund – a nonmajor Special Revenue Fund.

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 Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Fund if the General Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Fund – the payer of last resort for the pool.

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

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

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $6,304.1 million ($6,315.6 at amortized cost) of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2008, the treasurer had invested $6,193.3 million (fair value) and held $122.4 million of demand deposits and certificates of deposit.

At June 30, 2008, the state had a cash deposit balance of $1,234.4 million, which includes the $122.4 million held as demand deposits and certificates of deposit in the treasurer's pool. Under the GASB Statement No. 40 definitions, $71.9 million of the state's total bank balance of $1,179.3 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $27.4 million at June 30, 2008, and a related bank balance of $29.1 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of $12,362,393 at December 31, 2007, of which $100,000 was federally insured and $318,340 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $11,944,053 was collateralized with the securities held by the pledging institution's trust, but not in the authority's name. The authority also reported as cash and cash equivalents $60.4 million held by the State Treasurer in a Treasurer's Agency Fund and $106.5 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at $1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. The COLOTRUST investment has a credit quality rating of AAA, and the investment held by the State Treasurer is not rated for credit quality.

At December 31, 2007 the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.3 million held by a major bank paying interest of 4.1 percent at year-end. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of $4,562,543 at December 31, 2007 – of that amount $4,553,291 was not covered by federal deposit insurance.

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 Assets*) and be reported outside of the Cash From Operation section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donation of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets;* therefore, they are reported as noncash transactions.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains or losses on the treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the treasurer's pooled cash are shown as increases or decreases in investment balances, and therefore, are reported as noncash transactions. Note 14 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital Assets – When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation – Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the *Statement of Net Assets.* Therefore, these transactions are reported as noncash.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,028.5 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $888.7 million, mainly of self-assessed income, estate, and sales tax recorded in the General Fund. In addition, $127.1 million of taxes receivable is expected to be collected after one year and is reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Assets.* These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $57.4 million recorded in nonmajor Special Revenue Funds, of which, approximately $10.5 million is from gaming tax, $11.5 million is severance tax, and $32.4 million is insurance premium tax, and
- $82.4 million of unemployment insurance tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, $58.7 million of Taxes Receivable, $18.2 million of Other Receivables, and $95.7 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. All three items were reported as restricted receivables because the State Constitution restricts that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

Taxes Receivable of $13.4 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund, are reported as restricted because they are authorized and their use is limited by the State Constitution.

The Other Receivables of $428.1 million shown on the government-wide *Statement of Net Assets* are net of $124.1 million in allowance for doubtful accounts and primarily comprise the following:

- $204.8 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- $78.3 million of receivables recorded in the General Fund, of which $26.0 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $36.3 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $10.3 million of patient receivables.
- $94.0 million of receivables recorded by Other Governmental Funds including $53.1 million of tobacco settlement revenues expected within the following year, $12.8 million recorded by the Water Projects Fund, $4.0 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $7.8 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,678.7 million of student loan receivables of CollegeInvest, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported primarily as Other Long-Term Assets. These receivables are restricted to paying the debt service of bonds issued by CollegeInvest.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $613.5 million, which it recorded net of third-party contractual allowances ($1,194.5 million), indigent and charity care ($118.6 million), provision for bad debt ($40.3 million), and self-pay discounts ($41.4 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $30.5 million for Fiscal Year 2007-08. The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The University of Colorado Hospital Authority has historically adjusted patient service revenue for settlements related to billings contested by third-party payers including Medicare and Medicaid. In Fiscal Year 2006-07, the hospital received a Notice of Provider Reimbursement covering seven fiscal years and totaling $11.1 million. During 2008, the hospital received final settlement letters. Hospital management disagrees with many of the adjustments in the settlement and has filed appeals with the Provider Reimbursement Review Board and is pursuing administrative resolution with the fiscal intermediaries responsible for interpreting the rules and regulations of the Medicare and Medicaid programs. The hospital's management believes that reducing patient services revenue by settlement amounts would inappropriately distort current operating performance. Therefore, the hospital changed the treatment of settlements to report them as a separate operating expense that changes the reserve for third-party settlements. The hospital recorded an increase in the reserve for third-party settlements of $11.1 million as an operating expense in Fiscal Year 2007.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (24 percent), Medicaid (8 percent), managed care (45 percent), other commercial insurance (2 percent), and self-pay and medically indigent (13 percent). However, the authority's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category where the concentration of accounts decreased from the prior year's 15 percent. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2007-08 was approximately $173.5 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the year ended June 30, 2008, increased by approximately $66.4 million, due to operating efficiencies and campus consolidation.

The hospital reports pledges at their net present value. During 2008, the hospital received a $5.0 million pledge for a future cancer center expansion project. The pledge is discounted at 4.0 percent resulting in a current discount of $719,000. In addition, the hospital has outstanding balances on past pledges of approximately $1.0 million and $1.3 million, related to the Anschutz Inpatient Pavilion and the Center for Dependency, Addiction, and Rehabilitation (CeDAR), respectively. As of June 30, 2008, the authority reported $5.0 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.2 billion at December 31, 2007. During 2007, the authority made new loans of $44.1 million and canceled or received repayments for existing loans of $55.2 million.

The University of Colorado Foundation contributions receivable of $20.9 million and $22.1 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2008, the amount reported as contributions receivable includes $56.5 million of unconditional promises to give which were offset by a $11.1 million allowance for uncollectible contributions and a $2.4 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2008, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $35.1 million, which were offset by $6.1 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2008, contributions from one donor represented approximately 48 percent of total contributions receivable for the foundation.

At June 30, 2008, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $7.1 million was offset by $341,617 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 41 percent of the foundation's contributions receivable at June 30, 2008, consists of pledges from three donors in 2008, and approximately $3.8 million is due from irrevocable remainder trusts.

The Colorado School of Mines Foundation entered into two direct financing leases with the School of Mines during Fiscal Year 2007-08. The leases were related to the purchase of property adjacent to the campus with notes payable by the Foundation during the year. The minimum lease payments under the agreement total $4.3 million plus the interest due on the notes issued by the Foundation to purchase the property. The School is responsible for any executory costs related to the property.

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 $29.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.4 million) and Other Long-Term Assets ($25.2 million) on the *Statement of Net Assets.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $59.0 million shown on the government-wide *Statement of Net Assets* at June 30, 2008, primarily comprise:

- $11.4 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $20.6 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $18.1 million, and
- $20.5 million of consumable supplies inventories, of which, $6.7 million was recorded by the Highway Users Tax Fund, a major Special Revenue Fund, $10.1 million by the Higher Education Institutions, a major Enterprise Fund, and $2.3 million by the General Fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $40.8 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $14.1 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $3.9 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund and the Resource Management Fund, a nonmajor Special Revenue Fund,
- $4.0 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game, and
- $3.1 million primarily related to cash payments for library subscriptions at Colorado State University.

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 lease purchase commitments, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, domestic corporate or bank debt securities, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

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

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain international banks, and certain 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 2007-08, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $66,110, for the State Education Fund of $188,880, and for the treasurer's pooled cash of $266,836.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2008 and 2007, the treasurer had $48.0 million and $47.6 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by state statute, the State Treasurer held $5.2 million of investment in residential mortgages by paying the property taxes of certain elderly state citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the state as there is no quoted market price for these investments.

Colorado State University, which is reported in the Higher Education Institutions Enterprise Fund, held $4.6 million of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the state recognized $2,135,027 of net realized gains from the sale of investments held by state agencies other than the State Treasurer during Fiscal Year 2007-08.

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)	$ 1,234,362
Investments:	
Governmental Activities	6,910,892
Business-Type Activities	1,540,304
Fiduciary Activities	3,654,877
Total	$ 13,340,435
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,740,387
Add: Warrants Payable Included in Cash	179,014
Total Cash and Pooled Cash	4,919,401
Add: Restricted Cash	2,508,224
Add: Restricted Investments	879,440
Add: Investments	5,033,370
Total	$ 13,340,435

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. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	GOVERNMENTAL ACTIVITIES				
INVESTMENT TYPE	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
U.S. Government Securities	$ 3,148,425	$ -	$21,147	$ 145,084	$ 3,314,656
Commercial Paper	1,027,600	-	-	-	1,027,600
Corporate Bonds	481,306	-	31,144	100,795	613,245
Asset Backed Securities	885,734	-	-	148,218	1,033,952
Mortgages Securities	265,195	5,232	-	265,447	535,874
Mutual Funds	385,000	-	-	365	385,365
Other	-	-	-	200	200
TOTAL INVESTMENTS	$ 6,193,260	$ 5,232	$52,291	$ 660,109	$ 6,910,892

The following table lists the investments of the major enterprise funds and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: International Equities ($49.3 million), Private Equities ($42.3 million), Absolute Return Funds ($30.9 million), Fixed Income Securities ($18.6 million), and Hedge Funds ($15.5 million). The *Other* category of the Fiduciary funds primarily consists of a funding agreement with MetLife ($25.6 million).

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	COLLEGE INVEST	TOTAL	FIDUCIARY
INVESTMENT TYPE				
U.S. Government Securities	$ 98,588	$ 5,617	$ 104,205	$ 22,711
Commercial Paper	1,964	-	1,964	-
Corporate Bonds	124,991	24,974	149,965	10,750
Corporate Securities	87,872	-	87,872	-
Repurchase Agreements	28,434	-	28,434	-
Asset Backed Securities	30,229	-	30,229	13,587
Mortgages Securities	139,497	-	139,497	22,843
Mutual Funds	564,794	83,728	648,522	3,554,457
Reverse Repurchase Agreements	38	-	38	-
Guaranteed Investment Contracts	40,334	130,475	170,809	-
Other	178,769	-	178,769	30,529
TOTAL INVESTMENTS	$ 1,295,510	$ 244,794	$ 1,540,304	$ 3,654,877
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 923	$ -	$ 923	$ -
Corporate Bonds	2,878	-	2,878	-
Corporate Securities	16,616	-	16,616	-
Mortgages Securities	30	-	30	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 20,447	$ -	$ 20,447	$ -

Credit Quality Risk

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

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

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

In addition, to the amounts shown in the table on the following page, CollegeInvest held a funding agreement valued at $25.6 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ 984,450	$ -	$ 55,239	$ -	$ 1,150,929	$ 385,000	$ -	$ -	$ -	$ 2,575,618
High Grade	-	-	189,032	-	-	-	-	-	-	189,032
Upper Medium	-	-	222,253	-	-	-	-	-	-	222,253
Lower Medium	-	-	14,782	-	-	-	-	-	-	14,782
Short-term Ratings										
Highest	1,638,689	1,027,600	-	-	-	-	-	-	-	2,666,289
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 27,951	$ -	$ 13,933	$ -	$ 92,719	$ 130,738	$ 583	$ 38,583	$ -	$ 304,507
High Grade	677	-	38,304	-	1,016	-	1,647	-	-	41,644
Upper Medium	-	-	18,542	-	1,539	-	110	-	-	20,191
Lower Medium	-	-	23,563	-	1,828	-	20	-	-	25,411
Speculative	-	-	1,551	-	438	-	20	-	-	2,009
Very Speculative	-	-	1,751	-	-	-	20	-	-	1,771
High Default Risk	-	-	833	-	-	-	-	-	-	833
Short-term Ratings										
Highest	1,509	1,964	10,103	-	-	-	-	-	-	13,576
Unrated	5,194	-	2,117	28,434	72,175	100,936	102,846	-	124	311,826
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 3,168	$ -	$ 1,503	$ -	$ 36,430	$ -	$ -	$ -	$ -	$ 41,101
High Grade	-	-	2,453	-	-	-	-	-	-	2,453
Upper Medium	-	-	6,298	-	-	-	-	-	-	6,298
Unrated	-	-	-	-	-	3,170,608	156,535	-	-	3,327,143
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 118,337	$ -	$ 48,964	$ -	$ 395,454	$ 365	$ -	$ -	$ -	$ 563,120
High Grade	-	-	49,885	-	-	-	-	-	-	49,885
Upper Medium	-	-	54,593	-	-	-	-	-	-	54,593
Lower Medium	-	-	3,471	-	-	-	-	-	-	3,471
Unrated	-	-	-	-	23,443	83,728	-	130,475	-	237,646

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 greater than five years.

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

The CollegeInvest program has investments reported in the CollegeInvest major Enterprise Fund and in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest manages interest rate risk using weighted average maturity for the Enterprise Fund; it also uses laddering to ensure cash flow and liquidity are matched to debt service and operating requirements. CollegeInvest reports the weighted average maturity of selected mutual funds in the College Savings Plan to disclose the related interest rate risk, but it does not actively manage that risk for the College Savings Plan except through its mutual fund selection process. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $20.6 million that have a weighted average maturity of 7.6 years. These securities are excluded from the weighted average maturity table below because interest rate risk is mitigated by the inflation protection attribute of the securities.

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

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

Investment Type	Treasurer's Pool Fair Value Amount	Treasurer's Pool Weighted Average Maturity	Higher Education Institutions Fair Value Amount	Higher Education Institutions Weighted Average Maturity	Fiduciary Funds Fair Value Amount	Fiduciary Funds Weighted Average Maturity	All Other Funds Fair Value Amount	All Other Funds Weighted Average Maturity
U.S. Government Securities	$ 3,148,425	0.968	$ 11,891	1.167	$ 22,026	13.152	$ 171,848	4.756
Commercial Paper	1,027,600	0.104	1,964	0.504	-	-	-	-
Corporate Bonds	481,306	2.101	55,513	2.864	10,750	4.662	156,913	4.229
Asset Backed Securities	1,150,929	1.904	-	-	36,430	4.824	413,665	5.221
Money Market Mutual Funds	385,000	0.010	1,287	-	276,386	4.700	-	-
Total Investments	$ 6,193,260		$ 70,655		$ 345,592		$ 742,426	

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 $15,195,843 and $13,238,457 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. However, the duration associated with the first repurchase agreements is 0.4 years and the weighted average maturity related to the second repurchase agreement is 0.3 years. The $15.2 million and the $13.2 million are not shown in the weighted average maturity table above or the following duration table.

The University of Colorado has invested $5,461,178 in U.S. Treasury Inflation Protected Securities with a duration of 12.74 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 45,295	5.640
U.S. Treasury Strips	2,379	13.610
U.S. Government Agency Notes	27,757	1.690
U.S. Government Agency Strips	990	0.920
Municipal Bonds	124	2.450
Corporate Bonds	68,073	5.880
Asset Backed Securities	257,304	3.790
Bond Mutual Funds	102,807	1.160
Colorado State University:		
Bond Mutual Funds	$ 1,004	1.910
Colorado School of Mines:		
Bond Mutual Funds	$ 1,396	5.600
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
Bond Mutual Funds - Deferred Compensation Plan	$152,535	3.941
Bond Mutual Funds - Defined Contribution Plan	3,999	3.395
Private Purpose Trust:		
CollegeInvest:		
Money Market Mutual Fund-1	$ 76,858	4.200
Money Market Mutual Fund-2	220,241	2.100
Money Market Mutual Fund-3	145,042	5.500

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University held the following assets denominated in various foreign currencies where the individual currency amounts were not material; currency - $9,917 and equities - $933,377. The University also held investments in mutual funds denominated in the following currencies (amounts in millions); Australian Dollar - $1.4, Canadian Dollar - $2.3, Swiss Franc - $5.3, Euro Dollar - $22.9, British Pound - $11.6, Japanese Yen – $11.1, Norweigan Krone - $0.7, China Yuan - $2.0, and various other currencies totaling $20.7 most of which are unidentifiable within the investment.

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

Concentration of Credit Risk

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

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major Special Revenue Fund. The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investment in the fund; Colgate Palmolive – 10.1 percent, Eli Lilly – 10.1 percent, General Electric - 9.9 percent, Bank of America - 9.9 percent, Citigroup - 9.8 percent, and Verizon – 9.7 percent. The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance. The Treasurer is gradually liquidating the investments to mitigate the credit risk concentration, and new resources of the State Education Fund are being invested through the Treasurer's pooled cash.

CollegeInvest has a concentration of credit risk in a Private Purpose Trust Fund because the following holdings each exceed 5 percent of the total investment in the fund; Goldman Sachs – 11.1 percent, Morgan Stanley – 10.7 percent, Bank of America – 10.4 percent, Merrill Lynch – 10.3 percent, JP Morgan Chase – 8.7 percent, Citigroup – 7.2 percent, Wells Fargo – 6.8 percent, and Nationsbank – 5.6 percent. CollegeInvest's policy for this fund prohibits holdings in excess of 10 percent with any one issuer.

Lottery has a concentration of credit risk in a Private Purpose Trust Fund because they have holdings issued by Resolution Funding Corp with a concentration of approximately 25.5 percent. The policy for the trust fund investments is to purchase only securities backed by the full faith and credit of the U.S. Government or its agencies.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2007-08	Fiscal Year 2006-07
Governmental Activities:		
Major Funds		
General Fund	$ 9,156	$ 9,920
Highway Users Tax	13,672	3,350
Capital Projects	5,011	57
State Education	3,964	685
NonMajor Funds:		
State Lands	13,552	3,430
Other Permanent Trusts	81	49
Water Projects	1,355	497
Labor	4,243	797
Gaming	1,398	779
Tobacco Impact Mitigation	2,379	2,232
Resource Extraction	5,047	3,531
Resource Management	289	158
Environment Health Protection	904	472
Public School Buildings	213	144
Other Special Revenue	2,535	1,251
Highways (Internal Service)	28	22
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(71,798)	51,243
CollegeInvest	(4,789)	1,002
Lottery	347	199
NonMajor Funds:		
Wildlife	1,022	594
College Assist	981	511
State Fair Authority	5	-
Correctional Industries	41	25
State Nursing Homes	63	30
Prison Canteens	60	36
Petroleum Storage Tank	114	35
Other Enterprise Activities	126	11
Fiduciary:		
Pension/Benefits Trust	175	147
Private Purpose Trust	(742,556)	125,604
	$(752,382)	$ 206,811

Component Units

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

Component Units – Non-Foundations

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2008:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
Cash Equivalents	$ 44,937
U.S. Government Securities	101,692
Corporate Bonds	11,912
Corporate Securities	82,831
Asset Backed Securities	19,603
Guaranteed Investment Contracts	19,940
Other	(13,920)
TOTAL INVESTMENTS	$ 266,995

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

The Colorado Water Resources and Power Development Authority's investments at December 31, 2007, were:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
U.S. Government Securities	$ 20,533
Repurchase Agreements	311,683
TOTAL INVESTMENTS	$ 332,216

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 University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2008:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 34,471	$ -	$ 19,603	$ 7,316	$ 61,390
High Grade	-	-	-	12,624	12,624
Upper Medium	-	11,402	-	-	11,402
Lower Medium	-	510	-	-	510

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

CoverColorado, a nonmajor component unit, holds only bonds of U.S. Government Agencies, and the Renewable Energy Authority, also a nonmajor component unit, held a money market fund. Both authorities' investments were rated AAA at December 31, 2007.

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2008:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Years
U.S. Government Securities	$61,908	2.881
Corporate Bonds	11,912	3.982
Asset Backed Securities	19,603	2.640

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cashflow needs of its future bond debt service and holding those investments to maturity. The authority had $332.2 million of investments subject to interest rate risk with the following maturities; one year or less – 29 percent, two to five years – 26 percent, six to ten years – 20 percent, eleven to fifteen years – 16 percent, and 16 years or more – 9 percent. The authority has entered put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cashflow needs of its operations. The authority had $39.5 million of investments subject to interest rate risk with the following maturities; one year or less – 44 percent, two to three years – 52 percent, and three to four years – 4 percent.

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2008, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $6,960,000, British Pound - $3,592,000, Swiss Franc - $1,359,000, Japanese Yen - $782,000, Indian Rupee - $726,000, South Korean Won - $689,000, Swedish Krona - $596,000, Singapore Dollar - $540,000, and Taiwan New Dollar - $502,000. An additional $2,177,000 was held in various international currencies, none of which exceeded $500,000.

Concentration of Credit Risk

At June 30, 2008, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2007, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

Investments Highly Sensitive to Interest Rate Risk

The University of Colorado Hospital Authority uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2008, the hospital was party to a floating-to-fixed rate swap having a notional value of $72.4 million, a floating-to-fixed rate swap having a notional value of $105.3 million, and a fixed-to-floating rate swap having a notional value of $50.0 million. At June 30, 2008, the agreements had fair values of ($1,737,000), ($4,052,000), and $577,000 and are scheduled to terminate in 2031, 2033, and 2010, respectively. Realized and unrealized gains and losses on the swap agreements are reported as investment income, as the agreements do not qualify for hedge accounting.

Component Units – Foundations

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

At June 30, 2008, the University of Colorado Foundation held $225.7 million of domestic equity securities, $187.8 million of international equity securities, $161.1 million of fixed income securities, $396.9 million of alternative investments including real estate, private equities, hedge funds, venture capital, absolute return funds, Treasury Inflation Protection Securities, and oil and gas assets, and other investments of $13.5 million. 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 investment income of $3.2 million is net of $4.4 million of investment fees and comprises $18.3 million of interest and dividends, $45.7 million of realized gains, and $56.4 million of unrealized losses. At June 30, 2008, the foundation could be obligated to fund an additional $136.9 million of alternative investment commitments.

At June 30, 2008, the Colorado State University Foundation held international and large, small, and micro capitalization equity securities totaling $101.5 million, fixed income investments of $18.3 million, and alternative and other investment types of $118.0 million.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 5.25 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment manager. At June 30, 2008, the CSMF held bonds and bond mutual funds totaling $18.0 million, stocks and stock mutual funds totaling $66.5 million, and investments in limited partnerships and real estate totaling $63.7 million in its long term investments pool.

Of the foundation's $183.2 million of investments, $18.2 million, or 9.9 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.9 million and several long-term trusts valued at $1.7 million which are reported as Investments on the *Statement of Net Assets – 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, 2008, the University of Northern Colorado Foundation held $26.4 million of fixed income securities (including $14.9 million of corporate notes), $54.2 million of equity securities, and $16.4 million of other investments. These amounts include $3.7 million of assets held in a separate trust for the benefit of the foundation.

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

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. The state did not renew its securities lending agreements during Fiscal Year 2007-08 and had no securities on loan as of June 30, 2008. Although the State Treasury does not invest in subprime-backed investments and the lending agreements limited the types of securities that could be held on the state's behalf as collateral, the Treasurer felt it was in the best interest of the state to discontinue the lending program due to market volatility.

NOTE 16 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2007-08 the state capitalized $13.0 million of interest incurred during the construction of capital assets. Nearly all of that amount was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded $15.5 million of insurance recoveries during Fiscal Year 2007-08. Of that amount $482,375 was related to asset impairments that occurred in prior years primarily at the Department of Corrections and the Historical Society, both occurring in the General Fund. The remaining $15.1 million relates to the current year and was primarily recorded by Group Benefits Plans ($12.5 million), a Pension and Other Employee Benefits Fund, and by the Department of Revenue ($1.0 million) in the General Fund.

During Fiscal Year 2007-08, the Department of Labor and Employment determined that purchased software related to the discontinued Genesis system was no longer usable. While most of the Genesis system was written off in Fiscal Year 2006-07, the purchased software remained in service into Fiscal Year 2007-08. All $6.8 million of expenditures related to the software were removed from the capital asset accounts and written off as a loss on impairment.

The beginning balance of the governmental activities nondepreciable Infrastructure line was reduced by approximately $1,693.0 million due to a Department of Transportation change from the modified approach to the depreciation approach for bridge infrastructure. The change moved approximately $989.2 million of bridge infrastructure from nondepreciable to depreciable. An accounting principle change of $306.7 million was recorded for bridges where the historical cost was below the state's capitalization threshold. The infrastructure change also resulted in a prior period adjustment of approximately $397.1 million on the government-wide statements (see Note 27).

The beginning balance of line items for the business-type activities in the following schedule of capital asset activity were restated due to prior year errors in the capital asset balances for both Auraria Higher Education Center and Arapahoe Community College. Buildings and related accumulated depreciation at the Auraria Higher Education Center were understated by $71.7 million and $20.7 million, respectively, and Leasehold and Land Improvements and related accumulated deprecation were overstated by the same amounts. Land was understated and Land Improvements overstated at Arapahoe Community College by $2.4 million. These errors did not affect the financial statements since the capital asset and accumulated depreciation accounts involved appear in the same line in both the government-wide and fund-level statements.

The schedule below shows the capital asset activity for Fiscal Year 2007-08.

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 78,413	$ 59,608	$ -	$ (7,403)	$ 130,618
Land Improvements	2,859	149	6,499	-	9,507
Collections	8,895	-	-	-	8,895
Construction in Progress (CIP)	441,855	168,348	(234,421)	(3,258)	372,524
Infrastructure	9,574,997	14,598	180,111	-	9,769,706
Total Capital Assets Not Being Depreciated	10,107,019	242,703	(47,811)	(10,661)	10,291,250
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	85,777	525	9,993	(665)	95,630
Buildings	1,424,102	19,837	23,188	(3,312)	1,463,815
Vehicles and Equipment	673,899	58,899	722	(32,532)	700,988
Library Materials and Collections	5,548	586	-	(673)	5,461
Other Capital Assets	25,234	4,367	181	(1,015)	28,767
Infrastructure	1,078,504	1,704	13,727	-	1,093,935
Total Capital Assets Being Depreciated	3,293,064	85,918	47,811	(38,197)	3,388,596
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(43,190)	(3,897)	-	292	(46,795)
Buildings	(542,951)	(35,720)	-	772	(577,899)
Vehicles and Equipment	(354,645)	(50,173)	-	21,823	(382,995)
Library Materials and Collections	(4,002)	(307)	-	673	(3,636)
Other Capital Assets	(17,357)	(427)	-	20	(17,764)
Infrastructure	(53,418)	(23,444)	-	-	(76,862)
Total Accumulated Depreciation	(1,015,563)	(113,968)	-	23,580	(1,105,951)
Total Capital Assets Being Depreciated, net	2,277,501	(28,050)	47,811	(14,617)	2,282,645
TOTAL GOVERNMENTAL ACTIVITIES	12,384,520	214,653	-	(25,278)	12,573,895
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	220,314	28,586	330	(472)	248,758
Land Improvements	10,858	1,770	1,123	(202)	13,549
Collections	12,824	427	-	(7)	13,244
Construction in Progress (CIP)	591,186	424,012	(707,609)	(6,385)	301,204
Total Capital Assets Not Being Depreciated	835,182	454,795	(706,156)	(7,066)	576,755
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	325,216	9,627	33,364	(768)	367,439
Buildings	3,691,039	58,226	668,011	(9,816)	4,407,460
Vehicles and Equipment	741,108	70,214	4,781	(32,871)	783,232
Library Materials and Collections	420,694	21,671	-	(2,181)	440,184
Other Capital Assets	8,739	318	-	-	9,057
Infrastructure	19,184	-	-	-	19,184
Total Capital Assets Being Depreciated	5,205,980	160,056	706,156	(45,636)	6,026,556
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(144,739)	(16,355)	-	405	(160,689)
Buildings	(1,393,324)	(141,046)	-	7,521	(1,526,849)
Vehicles and Equipment	(522,106)	(65,994)	-	27,307	(560,793)
Library Materials and Collections	(284,827)	(20,835)	-	2,175	(303,487)
Infrastructure	(9,292)	(467)	-	-	(9,759)
Total Accumulated Depreciation	(2,354,288)	(244,697)	-	37,408	(2,561,577)
Total Capital Assets Being Depreciated, net	2,851,692	(84,641)	706,156	(8,228)	3,464,979
TOTAL BUSINESS-TYPE ACTIVITIES	3,686,874	370,154	-	(15,294)	4,041,734
TOTAL CAPITAL ASSETS, NET	$ 16,071,394	$ 584,807	$ -	$ (40,572)	$ 16,615,629

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

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 9,639
Business, Community, and Consumer Affairs	5,570
Education	2,328
Health and Rehabilitation	5,396
Justice	27,710
Natural Resources	6,459
Social Assistance	8,164
Transportation	35,408
Internal Service Funds (Charged to programs and BTAs based on useage)	13,294
Total Depreciation Expense Governmental Activities	113,968
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	235,323
CollegeInvest	444
State Lottery	149
Other Enterprise Funds	8,781
Total Depreciation Expense Business-Type Activities	244,697
Total Depreciation Expense Primary Government	$ 358,665

Component Units

At June 30, 2008, the University of Colorado Hospital Authority reported $4.2 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $654.4 million and equipment of $229.2 million. Accumulated depreciation related to these capital assets was $313.9 million resulting in net depreciable capital assets of $569.7 million.

As of June 30, 2008, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient Pavilion, and the Leprino Office Building. Costs incurred at June 30, 2008, for these projects approximated $290.0 million while estimated costs to complete are $2.2 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $25,495 net of accumulated depreciation of $96,787 at December 31, 2007.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment, of $151.4 million, net of accumulated depreciation of $54.8 million, at December 31, 2007. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of $4.1 million, net of accumulated depreciation of $7.2 million, at June 30, 2008.

NOTE 17 – OTHER LONG-TERM ASSETS

The $562.6 million shown as Other Long-Term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $127.1 million, held in the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund,* but are shown in Taxes Receivable and are offset by Deferred Revenue.

The $319.8 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 ($20.6 million), a major Special Revenue Fund, and the Water Projects Fund ($262.7 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state.

The loans are made for periods ranging from 10 to 30 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest.

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

The $119.7 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and CollegeInvest, but also includes deferred debt issuance costs. Most of the CollegeInvest student loans are not reported in this line but rather are reported as restricted receivables.

NOTE 18 through 25 – 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 higher education employees, have the option of participating in the state's defined contribution (DC) plans instead (see Note 20). The DB plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372, or by visiting http://www.copera.org.

<u>Administration of the Plan</u>

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). In 1931, state statute established PERA and the State Division Trust Fund; subsequently statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, and the Health Care Trust Fund. The State and School Division Trust Funds were combined in 1997. However, the State and School Division of PERA was separated into a State Division and a School Division effective January 1, 2006. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

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

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

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 plan.

Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

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 contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

Defined Retirement Benefits

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

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

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also eligible for retirement benefits without a reduction for early retirement based on the original hire date as follows:

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

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

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

- Hired before January 1, 2007 – HAS is calculated based on three 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 three 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.

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

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

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

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

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

Time	Contribution Percentage			Percent of
Period	Judges	Troopers	Other	ARC
Fiscal Year 2007-08				
1-1-08 to 6-30-08	15.56	14.75	12.05	100
7-1-07 to 12-31-07	14.66	13.85	11.15	100
Fiscal Year 2006-07				
1-1-07 to 6-30-07	14.66	13.85	11.15	100
7-1-06 to 12-31-06	14.16	13.35	10.65	100
Fiscal Year 2005-06				
1-1-06 to 6-30-06	14.16	13.35	10.65	100
7-1-05 to 12-31-05	13.66	12.85	10.15	100

In the 2004 legislative session, the general assembly established the AED to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of 0.4 percent of salary until the additional payment reaches 3.0 percent in 2012. The contribution table above reflects the increase required by the AED legislation.

The Fiscal Year 2007-08 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, 2007, to December 31, 2008, 10.13 percent was allocated to the defined benefit plan, and
- From January 1, 2008, to June 30, 2008, 11.03 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, 2007, the State Division of PERA had a funded ratio of 73.3 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. In the 2006 legislative session, along with other provisions affecting the plan, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount available for increases in state employees' salaries, and used by the employer to pay the SAED.

The state made the following retirement contributions:

- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (*restated*)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million
- Fiscal Year 2001-02 - $135.8 million
- Fiscal Year 2000-01 - $156.0 million
- Fiscal Year 1999-00 - $174.2 million

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

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

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2007-08 and 2006-07, the Department of Local Affairs transferred $4.1 million and $4.0 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 transferred $34.8 million in both Fiscal Year 2007-08 and 2006-07 to the pension plan.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of $146,000 to this plan in Fiscal Year 2007-08. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $18.7 million in Fiscal Year 2007-08 to this plan. This amount was in excess of the actuarially computed net periodic pension cost of $16.9 million. At July 1, 2007, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2002. The authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development Authority and CoverColorado 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-3) 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

<u>PERA Health Care Trust Fund</u>

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 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, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.05 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

Beginning July 1, 2004, the state contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The state paid contributions of $23.1 million, $24.4 million, $20.6 million, $21.2 million, and $20.4 million in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, and 2003-04, 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 2007. As of December 31, 2007, there were 44,214 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.

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 University of Colorado issues a publicly available financial report that includes financial statements and required supplementary information for the University Post-Retirement Health Care & Life Insurance Benefits Plan. That report may be obtained by writing to 1800 Grant Street, Suite 600, 436 UCA, Denver, CO 80203.

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 2007-08, the University contributed $10.6 million to the plan. Plan members contributed 1.5 percent of covered payroll (defined as the annual payroll of active employees covered by the plan).

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	$ 22,101
Interest On Net OPEB Obligation	-
Adjustment To Annual Required Contribution	-
Annual OPEB Cost (Expense)	22,101
Contributions Made	(10,645)
Increase In Net OPEB Obligation	11,456
Net OPEB Obligation, Fiscal Year Beginning	-
Net OPEB Obligation, Fiscal Year End	$ 11,456

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2007-08 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007-08	22,101	48.2%	11,456

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $196.0 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $196.0 million. The covered payroll was $201.9 million, and the ratio of UAAL to covered payroll was 97.1 percent.

In the July 1, 2007, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return, a two percent annual increase in medical claims, and an annual healthcare cost trend rate declining from eleven percent to five percent over seven years. Both rates include a two percent inflation assumption. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2008, was thirty years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers three single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides medical benefits 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 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 and their spouses and dependents. 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 202 Administration Annex, Johnson Hall, Ft. Collins, CO 80523.

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 and URX 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 2007-08, the University contributed $485,555 to the RMPR, $1,091,552 to the RMPS, and $134,470 to the URX. Plan members are not required to contribute to any of the three 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 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 obligations for all three plans:

(Amounts In Thousands)

	RMPR	RMPS	URX
Annual Required Contribution	$ 1,998	$ 3,768	$ 264
Interest On Net OPEB Obligation	-	-	-
Adjustment To Annual Required Contribution	-	-	-
Annual OPEB Cost (Expense)	1,998	3,768	264
Contributions Made	(486)	(1,092)	(134)
Increase In Net OPEB Obligation	1,512	2,676	130
Net OPEB Obligation, Fiscal Year Beginning	-	-	-
Net OPEB Obligation, Fiscal Year End	$ 1,512	$ 2,676	$ 130

The University's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the three plans for Fiscal Year 2007-08 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2007-08	$ 1,998	24.3%	$ 1,512
RMPS	2007-08	3,768	29.0%	2,677
URX	2007-08	264	50.8%	130

As of the most recent actuarial valuation date (January 1, 2007, for the RMPR and RMPS and January 1, 2008, for the URX), all three plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, and URX was $22.1 million, $54.0 million, and $4.3 million, respectively, resulting in unfunded actuarial accrued liabilities of $22.1 million, $54.0 million, and $4.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $199.8 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.1 percent. Neither the RMPS nor URX plan contribution is based on salaries or covered payroll.

The RMPR plan used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit actuarial cost method. All three plans used a four percent investment rate of return, a three percent inflation adjustment, and a four percent salary increase assumption. The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of nine percent declining to an ultimate rate of five percent; the URX did not use a healthcare trend rate because the plan assumes fixed dollar deductibles and co-pays combined with increases in employee co-pays will curb any inflationary increases. The RMPR used a level percentage of projected payroll to amortize the UAAL and both the RMPS and URX plans used a level dollar amount. All three plans will amortize the UAAL over 30 years; the amortization period for the RMPR is open while it is closed for the RMPS and URX.

<u>Other Programs</u>

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

Component Units

Employees of both 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 (e.g., 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 Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund shown in the financial statements on page 110, reports a net asset surplus of $6.36 million. In the prior year, the plan had a net asset deficit of $2.16 million.

Effective July 1, 2005, the state terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the state discontinued one of the self-funded medical plan options due to low enrollment.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan (see Note 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 state initiated a deferred compensation (457) plan for state and local government employees in 1981. Participants in the plan are mostly state employees except for 1,818 school district employee participants. The nine-member Deferred Compensation Committee establishes rules and regulations for implementing the plan. The Committee comprises the State Controller, the State Treasurer, four plan participants elected by plan members, a participant of the Public Officials' and Employees' Defined Contribution Plan appointed by the Governor, and two members of the General Assembly – one each appointed by the President of the Senate and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was $377.5 million and $381.2 million at June 30, 2008, and June 30, 2007, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In calendar years 2007 and 2008, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $15,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,000 catch-up contribution in 2007 and 2008, for a total contribution of $20,500. Contributions and earnings are tax deferred. On December 31, 2007, the plan had net assets of $1,730.9 million and 72,832 accounts.

PERA Defined Contribution Retirement Plan

Effective January 1, 2006, legislation added a defined contribution plan to PERA's 401(k) Voluntary Investment Program. The plan is available to certain new state employees hired after January 1, 2006; these employees have the option of joining the PERA defined benefit plan, the PERA defined contribution plan, or a defined contribution plan administered by the Deferred Compensation Committee of the state. At December 31, 2007, the plan had net assets of $2.55 million and 489 accounts.

State Defined Contribution Retirement Plan

On January 1, 1999, the state began providing a defined contribution retirement plan for certain eligible employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-209 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

Prior to January 1, 2006, the following state employees were eligible to participate in the plan: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of the state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the Governor's Office.

After December 31, 2005, in addition to the individuals listed above, any new employee hired in the state personnel system is eligible to participate in the defined contribution plan unless the employee is:

- an employee of a Higher Education Institution,
- commencing employment as an elected official, or
- has been a member of the Public Employees Retirement Association (PERA) within the prior twelve months.

Notwithstanding these limitations, an employee is eligible to participate in the defined contribution plan if they are a PERA retiree serving as a state elected official. Participation in the plan by eligible employees is voluntary; however, if the election to participate is not made within 60 days the employee automatically becomes a member of the Public Employees Retirement Association (PERA).

At June 30, 2008, and June 30, 2007, the plan's three investment providers reported a total of 1,865 and 1,237 accounts, respectively. At the same dates there were 908 and 579 individuals actively contributing to the plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan and defined contribution plans administered by PERA. From July 1, 2007, to December 31, 2007, the state contribution rate was 11.15 percent and from January 1, 2008, to June 30, 2008 the rate was 12.05 percent. The employee was required to contribute 8 percent of gross covered wages throughout the year.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis of accounting in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as additions in the period in which the employee provides services. Investments are reported at fair value based on quoted market prices.

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

The state made contributions to other retirement plans of $81.2 million and $71.1 million during Fiscal Years 2007-08 and 2006-07, respectively. In addition, the state paid $69.4 million and $62.5 million in FICA and Medicare taxes on employee wages during Fiscal Years 2007-08 and 2006-07, respectively.

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

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 105	$ 120	$ 14,744	$ 14,969
Other Receivables, net	3,662	-	5,009	8,671
Due From Other Funds	-	-	16,006	16,006
Prepaids, Advances, and Deferred Charges	-	-	13	13
Total Current Assets	3,767	120	35,772	39,659
Noncurrent Assets:				
Investments:				
Mutual Funds	369,190	14,659	-	383,849
Other Investments	4,893	-	-	4,893
Total Noncurrent Assets	374,083	14,659	-	388,742
TOTAL ASSETS	377,850	14,779	35,772	428,401
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	363	20	12,107	12,490
Deferred Revenue	-	54	-	54
Claims and Judgments Payable	-	-	17,254	17,254
Total Current Liabilities	363	74	29,361	29,798
Noncurrent Liabilities:				
Accrued Compensated Absences	10	1	48	59
Total Noncurrent Liabilities	10	1	48	59
TOTAL LIABILITIES	373	75	29,409	29,857
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	377,416	14,660	6,175	398,251
Unrestricted	61	44	188	293
TOTAL NET ASSETS	$ 377,477	$ 14,704	$ 6,363	$ 398,544

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Member Contributions	$ 46,175	$ 2,650	$ 77,067	$ 125,892
Employer Contributions	-	3,313	146,944	150,257
Investment Income/(Loss)	(21,947)	(982)	726	(22,203)
Employee Deferral Fees	165	-	341	506
Other Additions	2	-	12,649	12,651
Transfers-In	-	-	732	732
TOTAL ADDITIONS	24,395	4,981	238,459	267,835
DEDUCTIONS:				
Benefits and Withdrawals	26,823	1,835	-	28,658
Health Insurance Premiums Paid	-	-	76,763	76,763
Health Insurance Claims Paid	-	-	115,602	115,602
Other Benefits Plan Expense	-	-	19,339	19,339
Administrative Expense	993	170	-	1,163
Other Deductions	272	6	18,156	18,434
Transfers-Out	14	5	79	98
TOTAL DEDUCTIONS	28,102	2,016	229,939	260,057
CHANGE IN NET ASSETS	(3,707)	2,965	8,520	7,778
FISCAL YEAR BEGINNING	381,184	11,739	(2,157)	390,766
FISCAL YEAR ENDING	$ 377,477	$ 14,704	$ 6,363	$ 398,544

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA 401K Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the authority to make matching contributions of $4.5 million in Fiscal Year 2007-08. The hospital also provides a single employer tax deferred plan (457b) that did not require authority contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the authority.

NOTE 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 part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance, which includes flood and terrorism coverage. Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (not including CSU-Pueblo), and the University of Northern Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical claims experience.

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

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

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The state uses the services of Pinnacol Assurance, a related organization, to administer its plan. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

Before January 1, 2000, the state and its employees were self-funded for medical claims of employees and state officials under the State Employee and Officials Group Insurance Internal Service Fund. From January 1, 2000 through June 30, 2005, the state and its employees purchased insurance for those claims. Beginning July 1, 2005, the state returned to a self-funding approach for medical claims except for stop-loss insurance purchased for claims over $50,000 per individual. In Fiscal Year 2007-08, the state recovered approximately $12.5 million related to the stop-loss insurance 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 claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund (see Note 20).

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2007-08, 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 Denver. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $200,000 per person and $7.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2007-08 for this program. There have been no collections against the aggregate stop-loss insurance in the previous three years; however, the University collected $974,618 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2006 through 2008. 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 2007-08, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. A liability is recorded for the University's employee long-term disability plan based on expected claims payout as determined by the third party administrator. The University is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims up to $1.0 million. For general liability claims, the University is self-insured up to $500,000 per occurrence and has purchased excess insurance for claims over that amount.

Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $5.0 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. There were no significant reductions in insurance coverage in Fiscal Year 2007-08, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, property, auto, and workers' compensation risks primarily through the purchase of insurance. The University has purchased $3.0 million of general liability insurance ($5,000 deductible), $3.0 million of product liability/malpractice insurance ($5,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($100,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $100,000 of employee fraud insurance ($1,000 deductible), and $250.0 million of commercial property insurance ($10,000 deductible). Before Fiscal Year 2005-06, the University was covered under the state risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2007-08, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2007-08	$ 23,959	$ (1,305)	$ 4,951	$ 17,703
2006-07	25,167	3,333	4,541	23,959
2005-06	18,962	11,476	5,271	25,167
Workers' Compensation				
2007-08	76,095	41,206	34,098	83,203
2006-07	82,123	24,659	30,687	76,095
2005-06	74,072	34,530	26,479	82,123
Group Benefit Plans:				
2007-08	17,547	132,422	132,715	17,254
2006-07	15,175	134,363	131,991	17,547
2005-06	-	118,491	103,316	15,175
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2007-08	13,349	7,004	6,273	14,080
2006-07	15,720	4,701	7,072	13,349
2005-06	15,012	6,072	5,364	15,720
University of Colorado Denver:				
Medical Malpractice				
2007-08	5,246	349	1,420	4,175
2006-07	6,561	(767)	548	5,246
2005-06	6,556	965	960	6,561
Graduate Medical Education Health Benefits Program				
2007-08	1,138	6,403	6,284	1,257
2006-07	1,024	6,196	6,082	1,138
2005-06	972	5,723	5,671	1,024
Colorado State University:				
Medical, Dental, and Disability Benefits				
2007-08	13,953	29,104	25,259	17,798
2006-07	11,742	22,664	20,453	13,953
2005-06	10,242	18,951	17,451	11,742
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2007-08	358	(51)	232	75
2006-07	1,725	(889)	478	358
2005-06	-	-	-	1,725

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits ($150,000 per individual and $600,000 per occurrence) and contracts with a commercial insurance company for coverage to $6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2007-08, the hospital recorded premium and administrative expenses of $394,000. The trust had a fund balance of $4.3 million, which was in excess of $4.2 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss.

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, 2008, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 32,602	$ 33,388
Business-Type Activities	2,435	83,640	18,818
Total	$ 3,170	$ 116,242	$ 52,206

At June 30, 2008, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 364	$ 832	$ 1,196
Business-Type Activities	-	803	803
Total	$ 364	$ 1,635	$ 1,999

During the year ended June 30, 2008, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 44	$ 44
Total	$ -	$ 44	$ 44

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two of the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2008, for the space was $33,780. The Colorado State University System leases equipment and vehicles from the foundation and has a total lease obligation of $4,017,121.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

Morgan Community College made lease payments of $73,500 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of $103,892 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of $542,969 to the Colorado Community College System Foundation.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2007-08, the state recorded building and land rent of $40.4 million and $14.1 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $7.4 million and $28.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program.

The state recorded $0.9 million of lease interest costs in the governmental activities and $1.3 million in the business-type activities. The $18.3 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Public Safety entering a building lease for $12.8 million and the Department of Human Services entering a lease for $4.6 million of information technology equipment.

The state also entered into approximately $15.3 million of capital leases related to the state's fleet management, which is reported in an Internal Service Fund, which does not report capital lease proceeds.

Future minimum payments at June 30, 2008, 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
2009	$ 39,044	$ 13,975	$ 8,758	$ 10,690
2010	36,571	10,683	8,493	10,372
2011	32,432	8,268	8,395	14,031
2012	25,816	6,563	8,096	9,042
2013	22,130	5,221	6,417	8,716
2014 to 2018	79,859	15,385	21,053	40,041
2019 to 2023	20,857	57	12,389	30,436
2024 to 2028	1,614	11	5,388	6,295
2029 to 2033	129	6	4,350	2,687
2034 to 2038	59	-	-	-
2039 to 2043	69	-	-	-
2044 to 2048	46	-	-	-
Total Minimum Lease Payments	258,626	60,169	83,339	132,310
Less: Imputed Interest Costs			23,308	38,936
Present Value of Minimum Lease Payments	$ 258,626	$ 60,169	$ 60,031	$ 93,374

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.5 million for Fiscal Years 2007-08. Future minimum lease payments for these leases at June 30, 2008, are:

(Amounts in Thousands)

Fiscal Year	Amount
2009	$ 5,868
2010	3,263
2011	2,460
2012	1,968
2013	1,906
Thereafter	6,298
Total Minimum Obligations	$21,763

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2007 was $126,697. The total minimum rental commitment under this lease is $552,451 as of 2007.

Effective October 1, 1999, the University of Colorado Foundation entered 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 is currently $4.2 million. Total minimum lease payments including interest at June 30, 2008, were $6.0 million. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $2.7 million, net of accumulated depreciation of $3.1 million, as of June 30, 2008.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2015. The total rental expense for the year ended June 30, 2008 was $288,261. The total minimum rental commitment under the leases is $1.2 million at June 30, 2008.

NOTE 23 – SHORT-TERM DEBT

On July 5, 2007, the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2007A. The notes were due and payable on June 27, 2008, at an average coupon rate of 4.25 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2008, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. On July 16, 2007, the State Treasurer issued $150.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2007A. The notes had coupon rates ranging from 4.0 to 4.5 percent and matured on August 5, 2008.

On December 19, 2007, the State Treasurer issued $310.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2007B. The notes have coupon rates ranging from 2.95 to 3.5 percent and matured on August 5, 2008. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2008, in an amount adequate to fully defease the outstanding notes. School districts were required to repay the loans prior to the state's fiscal year-end, and the State Treasurer placed the loan repayments in the Note Repayment Account that was restricted to paying off the notes on the August 5, 2008, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2008:

(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	345,000	460,000	(345,000)	460,000
Total Governmental Activities Short-Term Financing	345,000	960,000	(845,000)	460,000
Total Short-Term Financing	$ 345,000	$ 960,000	$ (845,000)	$ 460,000

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

Primary Government

Various Higher Education Institutions, the Department of Corrections, the Highway Users Tax Fund, the State Nursing Homes, and CollegeInvest have issued notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment, to construct facilities or infrastructure, or to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. The state is not allowed by its Constitution to issue general obligation debt 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.

During Fiscal Year 2007-08 the state's governmental activities had $168.0 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the state's business-type activities had $596.6 million of available net revenue after operating expenses to meet the $137.1 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 33.)

The state recorded $299.1 million of interest costs, of which, $105.1 million was recorded by governmental activities and $194.0 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $31.2 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $66.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $5.7 million of interest primarily on Certificates of Participation issued by the Department of Corrections. The business-type activities interest cost primarily comprises $60.8 million of interest on revenue bonds issued by Higher Education Institutions, $94.0 million of interest on revenue bonds issued by CollegeInvest, and $38.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes, bonds, and COPs payable at June 30, 2008, 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
2009	$ 107,795	$ 60,197	$ 460,000	$ 12,524	$ 6,355	$ 7,371	$ 574,150	$ 80,092
2010	113,300	54,691	-	-	8,766	11,348	122,066	66,039
2011	119,385	48,605	-	-	12,570	7,025	131,955	55,630
2012	125,265	42,725	-	-	12,325	6,461	137,590	49,186
2013	132,105	35,889	-	-	11,220	6,016	143,325	41,905
2014 to 2018	570,870	63,470	-	-	56,169	22,192	627,039	85,662
2019 to 2023	-	-	-	-	40,860	7,988	40,860	7,988
2024 to 2028	-	-	-	-	4,945	3,217	4,945	3,217
2029 to 2033	-	-	-	-	7,740	1,719	7,740	1,719
2034 to 2038	-	-	-	-	1,970	99	1,970	99
Subtotals	1,168,720	305,577	460,000	12,524	162,920	73,436	1,791,640	391,537
Unamortized Prem/Discount	47,286	-	-	-	9,286	-	56,572	-
Accrued Capital Appreciation Certificates	-	-	-	-	658	-	658	-
Totals	$1,216,006	$ 305,577	$ 460,000	$ 12,524	$ 172,864	$ 73,436	$1,848,870	$ 391,537

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2009	$ 69,351	$ 131,549	$ 818	$ 230	$ 48	$ 2	$ 5,350	$ 9,661	$ 75,567	$ 141,442
2010	44,980	130,775	851	197	-	-	5,570	9,437	51,401	140,409
2011	47,170	129,572	464	163	-	-	5,785	9,224	53,419	138,959
2012	49,845	127,776	1,052	147	-	-	6,024	8,995	56,921	136,918
2013	69,805	125,118	438	129	-	-	6,304	8,728	76,547	133,975
2014 to 2018	269,430	482,749	2,491	320	-	-	36,464	39,076	308,385	522,145
2019 to 2023	314,025	447,743	59	17	-	-	46,380	29,004	360,464	476,764
2024 to 2028	481,310	349,051	35	3	-	-	56,232	16,321	537,577	365,375
2029 to 2033	447,500	292,204	-	-	-	-	36,628	2,808	484,128	295,012
2034 to 2038	825,380	195,583	-	-	-	-	-	-	825,380	195,583
2039 to 2043	704,190	64,964	-	-	-	-	-	-	704,190	64,964
Subtotals	3,322,986	2,477,084	6,208	1,206	48	2	204,737	133,254	3,533,979	2,611,546
Unamortized Prem/Discount	20,944	-	(45)	-	-	-	5,413	-	26,312	-
Unaccreted Interest	(18,240)	-	-	-	-	-	-	-	(18,240)	-
Totals	$3,325,690	$2,477,084	$ 6,163	$ 1,206	$ 48	$ 2	$ 210,150	$ 133,254	$3,542,051	$2,611,546

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	$ 1,487,565	$ 460,000	$ -	$ 185,436	$ 2,133,001
Business Type Activities	3,601,839	11,654	450	218,605	$ 3,832,548
Total	$ 5,089,404	$ 471,654	$ 450	$ 404,041	$ 5,965,549

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2007, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2008	$ 49,510	$ 51,877	$ 101,387
2009	51,300	49,645	100,945
2010	54,440	47,276	101,716
2011	58,250	44,678	102,928
2012	58,395	41,924	100,319
2013 to 2017	271,925	169,218	441,143
2018 to 2022	239,985	106,143	346,128
2023 to 2027	137,930	56,891	194,821
2028 to 2032	59,365	34,647	94,012
2033 to 2037	74,905	16,869	91,774
2038 to 2042	25,720	5,759	31,479
2043 to 2044	5,980	314	6,294
Total Future Payments	$ 1,087,705	$ 625,241	$ 1,712,946

The original principal amount for the outstanding bonds was $1.6 billion. Total interest paid during 2007 amounted to $53.1 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bond Series 2005D are insured as to payment of principal and interest by Financial Security Assurance, Inc. The authority can issue up to $150,000,000 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds and as of December 31, 2007, had $91,770,000 of these bonds outstanding.

In June 2008, the University of Colorado Hospital Authority issued $19.1 million of Series 2008A Revenue Bonds with an initial interest rate of 1.5 percent. Proceeds from the bond will be used to finance equipment and for improvements at the Anschutz Medical Campus.

In June 2008, the University of Colorado Hospital Authority issued $73.5 million of Series 2008B Revenue Bonds with an initial interest rate of 1.5 percent. Proceeds from the bonds will be used to fully refund the Series 2007A bonds (see Note 26).

During Fiscal Year 2007-08, the hospital met all the financial ratio requirements of its bond indentures. Cash paid for interest by the hospital in Fiscal Year 2007-08 approximated $25.8 million. In May 2008, the hospital paid $19.0 million to pay off the remaining amount of Series 1995A bonds. The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2008, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2009	$ 9,632	$ 23,533	$ 33,165
2010	9,899	23,305	33,204
2011	10,245	22,828	33,073
2012	9,660	22,548	32,208
2013	10,075	21,900	31,975
2014 to 2018	56,740	102,190	158,930
2019 to 2023	70,465	87,252	157,717
2024 to 2028	87,005	68,568	155,573
2029 to 2033	110,300	46,549	156,849
2034 to 2038	114,040	25,661	139,701
2039 to 2043	64,745	4,431	69,176
Total Long-Term Debt Payments	552,806	448,765	1,001,571
Less: Unamortized Discount	(2,067)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(4,547)		
Series 2008 B Bonds	(8,825)		
Total Carrying Amount of Long-Term Debt	$ 537,367		

In July 2007, the University of Colorado Foundation established a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carried variable interest based on the lending bank's floating prime rate less 125 basis points. No amounts were outstanding at June 30, 2008.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2007-08:

(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	$ 2,758	$ 278	$ (2)	$ 3,034	$ 3,017
Accrued Compensated Absences	125,793	39,469	(26,726)	138,536	9,776
Claims and Judgments Payable	336,822	39,762	(3,173)	373,411	37,775
Capital Lease Obligations	30,456	35,365	(5,790)	60,031	6,002
Bonds Payable	1,319,718	5,320	(109,032)	1,216,006	107,795
Certificates of Participation	183,203	289	(10,627)	172,865	6,355
Other Long-Term Liabilities	206,972	19,252	(8,431)	217,793	-
Total Governmental Activities Long-Term Liabilities	2,205,722	139,735	(163,781)	2,181,676	170,720
Business-Type Activities					
Accrued Compensated Absences	165,897	27,458	(14,208)	179,147	12,745
Claims and Judgments Payable	39,937	17,759	(21,816)	35,880	7,398
Capital Lease Obligations	68,621	30,601	(5,848)	93,374	5,976
Bonds Payable	2,935,383	429,715	(39,408)	3,325,690	69,351
Certificates of Participation	218,916	4	(8,769)	210,151	5,350
Notes, Anticipation Warrants, Mortgages	9,463	4	(3,257)	6,210	866
Other Postemployment Benefits	-	15,775	-	15,775	-
Other Long-Term Liabilities	59,764	(607)	(12,136)	47,021	5,031
Total Business-Type Activities Long-Term Liabilities	3,497,981	520,709	(105,442)	3,913,248	106,717
Fiduciary Activities					
Deposits Held In Custody For Others	247,024	32,525	(3,998)	275,551	200,243
Accrued Compensated Absences	52	11	(4)	59	-
Other Long-Term Liabilities	2,834	85	(273)	2,646	-
Total Fiduciary Activities Long-Term Liabilities	249,910	32,621	(4,275)	278,256	200,243
Total Primary Government Long-Term Liabilities	$ 5,953,613	$ 693,065	$ (273,498)	$ 6,373,180	$ 477,680

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

The amount shown in the schedule above for notes, bonds, and certificates of participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Other Long-Term Liabilities, or Other Postemployment Benefits.

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.)

At June 30, 2008, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $217.8 million shown for governmental activities primarily represents tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The $47.0 million (including $1.2 million Due to Component Units) shown for business-type activities primarily comprises:

- $31.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $5.0 million will be paid within one year and is reported as an Other Current Liability.

- $10.5 million of deferred revenue that the state does not expect to recognize within the following year. The most significant balances relate to a ground lease at the University of Northern Colorado ($2.2 million) as well as long-term deferred revenue and a long-term note payable to a component unit at the Colorado School of Mines ($1.0 million and $1.2 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 546,955	$ 1,230	$ 10,818	$ 537,367	$ 9,632
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,052,672	$ 35,330	$ 49,422	$ 1,038,580	$ 49,510
Other Long-Term Liabilities	$ 259,104	$ 49,410	$ 163,483	$ 145,031	$ 100,997

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), a minor pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation. After termination of the 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 Assets – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units.* At June 30, 2008, the foundation held $62.9 million of split interest agreement investments with $27.8 million of related liabilities and reported $3.5 million of net beneficial interest in charitable trusts held by others.

At June 30, 2008, the University of Colorado Foundation held $242.4 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Assets – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2008, total life income agreement assets of CSUF were $883,735. Life income agreements payable at the same date totaled $891,909. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* At June 30, 2008, the foundation held $13.1 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets -– Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2008, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $18.2 million; related liabilities of $10.6 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

CSMF has also entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as an Other Long-Term Liability of $4.2 million on the *Statement of Net Assets – Component Units.* At June 30, 2008, CSMF reported $12.6 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2007-08, debt was defeased in the business-type activities.

At June 30, 2008, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 666,485
Business-Type Activities:	
University of Colorado	170,490
Auraria Higher Education Center	7,282
Western State College	13,520
Fort Lewis College	14,079
Colorado School of Mines	35,466
Colorado State University	12,265
Total	$ 919,587

The Board of Trustees of Fort Lewis College issued $9,730,000 of its Dorm Revenue Bonds, Series 2007A, Revenue Bonds Series 2007B1, Taxable Revenue Bonds Series 2007B2, Revenue Refunding Bonds Series 2007C, and Convertible Revenue Refunding Bonds Series 2007D to defease all of its Refunding Series 1998A, 1998B, 1998C, and 2003 Bonds. The defeased debt had an interest rate of 5.075 percent and the new debt has an interest rate of 4.6 percent. The remaining term of the debt changed from 13 to 12 years, and the estimated debt service cash flows decreased by $437,041. The defeasance resulted in an economic gain of $131,763 and a book loss of $210,264 that will be amortized as an adjustment of interest expense over the remaining 12 years of the new debt.

In September 2007, the Board of Trustees of the Colorado School of Mines issued $43,800,000 of auction rate bonds titled Enterprise Refunding and Improvement Revenue Bonds Series 2007 to fully defease its Auxiliary Facilities Enterprise Revenue Bonds Series 1997A and 1997B and to partially defease its Auxiliary Facilities Enterprise Revenue Bonds Series 1999 and its Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2002 and Series 2004. The defeased debt had interest rates ranging from 2.5 to 5.4 percent and the new debt had a variable interest rate. The remaining term of the debt was changed from a range of 10 to 31 years to a full 31 years and the estimated debt service cash flows decreased by $400,525. The defeasance resulted in an economic gain of $70,000 and a book loss of $2.6 million that will be amortized as an adjustment of interest expense over the remaining 31 years of debt disclosed in the following paragraph, which was issued to current refund the auction rate debt disclosed in this paragraph. The current refunding of the auction rate debt was made necessary by the collapse of the auction rate debt market in early 2008.

In March 2008, the Board of Trustees of the Colorado School of Mines issued $43,200,000 of its Enterprise Refunding Bonds Series 2008A to current refund all of its Enterprise Refunding and Improvement Revenue Bonds Series 2007. Both the current refunded debt and the new debt had variable interest rates. The remaining term of the debt was unchanged at 31 years and the estimated debt service cash flows increased by $879,565. The current refunding resulted in an economic loss of $796,493 and a book loss of $567,758 that will be amortized as an adjustment of interest expense over the remaining 31 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $9,145,000 of its Auxiliary Facilities Revenue Refunding Bonds Series 2008A to current refund all of its Auxiliary Revenue Refunding Bonds Series 1998. The certificates were redeemed on June 1, 2008. The current refunded debt had an interest rate of 4.98 percent and the new debt had interest rates ranging from 3.25 to 5 percent. The remaining term of the debt was unchanged at 16 years and the estimated debt service cash flows decreased by $523,687. The current refunding resulted in an economic gain of $459,957 and a book loss of $213,110 that will be amortized as an adjustment of interest expense over the remaining 16 years of the new debt.

The Board of Governors of Colorado State University issued $34,260,000 of its Tax Exempt Refunding Series 2007B Bonds to defease all of its CSU Series 1996, COP Bond Series 1997, Refunding and Improvement Bond Series 1997, Research Building Revolving Fund Series 1997, Research Building Bonds Series 2001, Student Sports Recreational Bond Series 1998, and Revenue Bonds Series 2005A and to partially refund its Refunding and Improvement Bonds Series 2003A. The defeased debt had an interest rate of 4.72 percent and the new debt had an interest rate of 4.41 percent. The remaining term of the debt was unchanged at 14 years and the estimated debt service cash flows decreased by $640,978. The defeasance resulted in an economic gain of $312,326 and a book loss of $272,843 that will be amortized as an adjustment of interest expense over the remaining 14 years of the new debt.

Component Units

In November 1997, the University of Colorado Hospital Authority issued $123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. The refunding resulted in legal defeasance and a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2008, the unamortized deferred loss on refunding is $4.5 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by $6.0 million and to achieve an economic gain of $3.2 million.

In January 2007, the University of Colorado Hospital Authority issued $72.8 million in Refunding Revenue Bonds Series 2007A to partially refund Series 2001A bonds. The hospital completed the advance refunding in order to convert the 2001A fixed rate to a variable rate issuance.

In June 2008, the University of Colorado Hospital Authority issued $73.5 million in 2008B Revenue Bonds to fully refund the Series 2007A bonds. The bonds, which are variable rate bonds and have an initial interest rate of 1.5 percent, have been deposited in a bond fund. The bonds bear interest weekly and pay principal according to a sinking fund redemption schedule.

The hospital advance refunded the 2007A bonds due to variable interest rate fluctuations driven by credit market instability and bond insurer rating downgrades. The remaining unamortized deferred loss and issuance costs of $8.8 million related to the 2001A defeasance is being charged to operations through Fiscal Year 2031-32.

NOTES 27 THROUGH 28 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 27 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING PRINCIPLE CHANGES

Primary Government

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $397,037,688 when the Department of Transportation changed from the modified approach to the depreciation approach for bridge infrastructure. Beginning in Fiscal Year 2007-08, the department reported that available resources were no longer adequate to maintain the state's bridges at the established condition level as required by the modified approach. In the process of identifying the bridge infrastructure amounts to be depreciated, the department determined that a portion of the bridges recorded in Fiscal Year 2001-02 at the implementation of GASB Statement No. 34 were valued incorrectly. This adjustment has been recorded to correctly state the beginning balance of the bridges and did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by an additional $306,726,177 to reflect a change in accounting principle related to the change from the modified approach to the depreciation approach for bridge infrastructure. In the process of identifying the bridge infrastructure amounts to be depreciated, the department determined that a portion of the bridges were below the statewide capitalization threshold or were fully depreciated and therefore should not be included in the bridge amounts to be depreciated. This adjustment did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* and the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances* decreased by $43,046,663 when the Department of Transportation recorded adjustments related to its correction of an overstatement of accrued unbilled receivables. A journal entry reversing previously recorded receivables was not properly posted during the conversion from the Department's previous accounting system to its newly implemented system. As a result the beginning balance included a duplication of receivables.

The Department of Transportation decreased beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* and the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances* by $827,716 when it recorded prior year accounting information that had not been properly posted from the department's accounting system to the statewide accounting system. Proper posting of the prior year information would have increased liabilities of the governmental activities, and therefore, the beginning net assets needed to be reduced by $827,716.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $47,545,611 when the Department of Natural Resources recorded adjustments related to land purchases. In prior years, the Great Outdoors Colorado (GOCO – a related organization) made on-behalf payments for land purchases where payments were wired directly to the title company in the state's name. None of these payments were made through the Department of Natural Resources, and consequently, the Department did not record the asset or related revenues in the years of the purchase. This adjustment did not affect any of the fund-level financial statements.

The beginning fund balance of the Other Special Revenue Funds, a nonmajor Special Revenue Fund, decreased by $20,525,596 and the beginning balance of the Public School Buildings Fund, a nonmajor Special Revenue Fund, increased by the same amount. Over the past two sessions, the legislature has created a number of similar purpose funds related to public schools. In order to group and report this activity, the new funds were aggregated into a new nonmajor Special Revenue Fund. All funds involved in this change are reported on one financial statement in supplementary information in the state's Comprehensive Annual Financial Report, and therefore, the change did not affect the fund-level financial statements or the government-wide financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $1,297,418 when the Department of Personnel & Administration recorded adjustments related to improper capitalization of expenses in prior years. The Department capitalized maintenance costs that should have been expensed for Digital Trunk Radio assets between Fiscal Years 2000-01 and 2005-06. This adjustment did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $751,833 when the Department of Personnel & Administration recorded adjustments related to purchased assets that had not been properly capitalized in prior years. The Department did not record any of the building improvements purchased under performance contracts during Fiscal Years 2004-05, 2005-06, and 2006-07. This adjustment also increased the beginning net assets of the Internal Service Funds on the *Statement of Revenues, Expenses, and Changes in Fund Net Assets.*

NOTE 28 – FUND EQUITY

On the *Balance Sheet – Governmental Funds,* the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve, a Special Capital Construction Fund used to account for Department of Corrections Certificates of Participation, and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The $255.1 million reserve for encumbrances represents construction commitments related to projects appropriated by the Legislature in the state's capital construction fund. Those appropriations are multi-year budgets (see Note RSI-1B) that are funded by various sources including general-purpose revenue, cash earnings by state agencies, and federal revenue. In most instances, the cash and federally funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund. In years when the general-purpose revenue transferred into the fund is low the unreserved undesignated fund balance is reported as a deficit because of the unearned cash sources related to the encumbrances.

NOTE 29 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2008, were:

SELLER'S / LENDER'S RECEIVABLE	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 20	$ 701	$ -
Public School	-	-	-	-
Highway Users	803	-	-	-
Capital Projects	-	-	-	-
Higher Education Institutions	4,214	-	647	3,751
CollegeInvest	-	-	-	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Water Projects	4	-	-	139
Labor	402	-	-	-
Gaming	5	-	-	-
Resource Extraction	26	-	-	-
Resource Management	12	-	13	-
Environment and Health Protection	-	-	39	-
Public School Capital Construction	-	-	-	-
Other Special Revenue	1,356	-	39	30
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
Correctional Industries	198	-	-	44
Nursing Homes	1,902	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Telecommunications	-	-	-	-
Capitol Complex	69	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	15,932	-	8	-
College Savings Plan	-	-	-	-
Other Fiduciary	114	-	-	-
TOTAL	$ 25,037	$ 20	$ 1,447	$ 3,964

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

The Group Benefits Plan Fund receivable of $15.9 million from the General Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Highway Users Tax Fund receivable of $72.9 million from All Other Funds is primarily related to a $14.3 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund, and a $58.6 million receivable from the Sales and Use Tax Holding Fund, a portion of the nonmajor Other Special Revenue Fund.

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	CollegeInvest	State Lottery	All Other Funds	Total
$ 1,105	$ 80	$ 5	$ 3,493	$ 5,404
-	-	-	3,958	3,958
-	-	-	72,927	73,730
2,808	-	-	426	3,234
-	-	-	1,116	9,728
-	-	-	117	117
-	-	-	1,360	1,503
-	-	-	230	632
-	-	-	-	5
-	-	-	94,105	94,131
-	-	2,716	116	2,857
-	-	-	-	39
-	-	8,046	-	8,046
211	-	10,862	24,723	37,221
-	-	-	11	11
2,013	-	-	8	2,263
-	-	-	-	1,902
28	-	-	-	28
7	-	-	-	7
-	-	-	-	69
64	-	-	2	16,006
-	2,782	-	-	2,782
-	-	5,532	126	5,772
$ 6,236	$ 2,862	$ 27,161	$ 202,718	$ 269,445

The Resource Extraction Fund receivable of $94.1 million from All Other Funds was recorded by the Severance Tax Trust Fund. The Water Projects Fund, a nonmajor Special Revenue Fund, has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund, a portion of the nonmajor Resource Extraction Fund. The loans have terms ranging from 10 to 30 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

The Other Special Revenue Fund receivable of $24.7 million from All Other Funds is primarily related to a $20.1 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund, and a $4.0 million receivable that the Clean Energy Fund has from the Limited Gaming Fund.

The Other Special Revenue Fund receivable of $10.9 million from the Lottery Fund is held by the Conservation Trust Fund to be distributed as grants to purchase, preserve, and improve Colorado open space.

NOTE 30 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2008, were as follows:

TRANSFER-OUT FUND	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 2,790,547	$ 166,182	$ 183,472
Public School	402	-	-	-
Highway Users	32,493	-	-	815
Capital Projects	-	-	25,050	-
State Education	-	-	-	-
Higher Education Institutions	3,372	-	-	-
CollegeInvest	29	-	-	-
Lottery	459	-	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	1,239	-	-	-
Labor	25,157	-	-	2,103
Gaming	1,139	-	14,293	1,223
Tobacco Impact Mitigation	78,005	-	-	7,216
Resource Extraction	18,724	74,249	-	-
Resource Management	21,649	-	-	2,220
Environment and Health Protection	23,615	-	-	-
Public School Buildings	8	-	-	-
Other Special Revenue	52,600	-	255,269	875
PERMANENT FUNDS:				
State Lands Trust Expendable	35	31,154	-	-
State Lands Trust Nonexpendable	-	-	-	-
Other Permanent Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	4,649	-	-	-
College Assist	127	-	-	-
Correctional Industries	366	-	-	-
Nursing Homes	638	-	-	-
Prison Canteens	67	-	-	-
Petroleum Storage	880	-	-	-
Other Enterprise	319	-	3,430	-
INTERNAL SERVICE FUNDS:				
Central Services	1,194	-	-	-
General Government Computer Center	685	-	-	-
Telecommunications	518	-	-	-
Capitol Complex	667	-	-	-
Administrative Hearings	215	-	-	-
Debt Collection	209	-	-	-
FIDUCIARY FUNDS:				
Deferred Compensation	14	-	-	-
Defined Contribution	5	-	-	-
Group Benefit Plans	79	-	-	-
Treasurer's Private Purpose	1,867	-	-	-
Other Fiduciary	12	-	-	-
TOTAL	$ 271,437	$ 2,895,950	$ 464,224	$ 197,924

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

The Highway Users Tax Fund transfer-out of $32.5 million to the General Fund includes $23.2 million transferred to the Department of Revenue to support programs that generate Highway Users Tax Fund revenue.

The Labor Fund transfer-out of $25.2 million to the General Fund occurs entirely within the Department of Labor and Employment and provides revenues in the General Fund for programs that support the Labor Fund.

The Tobacco Impact Mitigation Fund transfer-out of $78.0 million to the General Fund includes a $61.4 million transfer from the Health Care Expansion Fund, a $6.7 million transfer from the Tobacco Litigation Settlement Fund, a $1.7 million transfer from the Prevention, Early Detection and Treatment Fund, and a $1.3 million transfer from the Nurse Home Visitor Program. Each of these transfers was to the Department of Health Care Policy and Financing for purchase of medical services, except for one transfer of $2.2 million

(Amounts in Thousands)

TRANSFER-IN FUND

Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 131,174	$ 162	$ 61,547	$ 3,333,084
-	-	53,145	53,547
-	-	173,754	207,062
7,216	-	6,380	38,646
2,859	-	1,069	3,928
-	-	-	3,372
3,153	-	-	3,182
-	-	69,196	69,655
-	-	347	1,586
-	-	1,000	28,260
-	-	24,067	40,722
8,511	60	41,612	135,404
3,400	-	30,934	127,307
-	-	75	23,944
-	-	904	24,519
-	-	-	8
-	-	3,279	312,023
105	-	1,877	33,171
959	-	4,532	5,491
-	-	42	42
-	-	296	4,945
-	-	-	127
-	-	-	366
-	-	-	638
-	-	-	67
-	-	-	880
-	-	-	3,749
-	-	-	1,194
-	-	-	685
-	-	-	518
-	-	323	990
-	-	-	215
-	-	-	209
-	-	-	14
-	-	-	5
-	-	-	79
-	-	540	2,407
-	-	-	12
$ 157,377	$ 222	$ 474,919	$ 4,462,053

to the Department of Human Services for the Colorado Benefits Management System Federal Reallocation.

The State Lands Trust Fund transfer-out of $31.2 million to the State Public School Fund was to the Department of Education to support K -12 schooling.

The Resource Management Fund transfer-out of $21.6 million to the General Fund includes a $16.9 million transfer within the Department of Natural Resources that was paid out of the Parks Cash Fund.

The Environment and Health Protection Fund transfer-out of $23.6 million to the General Fund includes a $15 million transfer from the Health Care Services Fund at the Department of Health Care Policy and Financing and $3.7 million of indirect cost transfers to support overhead charged to the Environment and Health Protection Fund.

The Other Special Revenue Funds transfer-out to the General Fund of $52.6 million comprises $43.7 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Fund and $8.9 million of indirect cost transfers to support overhead charged to the Other Special Revenue Funds.

The $74.2 million transfer-out of Resource Extraction and into the State Public School Fund is from the Mineral Leasing Fund.

The Other Special Revenue Funds transfer-out of $255.3 million into the Highway Users Tax Fund (HUTF) included $241.1 million from the Sales and Use Tax Holding Fund which transfers sales and use tax to the General Fund or the HUTF depending on the adequacy of the required four percent reserve in the General Fund. Also included is a transfer of $14.2 million from the State Infrastructure Bank Fund in repayment of an advance.

The General Fund transfer-out of $61.5 million to All Other Funds included $20.4 million to the School Construction and Renovation Fund, $15.0 million to the Health Care Services Fund, $5.5 million to support the Children's Basic Health Plan, $5.5 million to the Bioscience Discovery Fund, and $5.0 million to the Older Coloradoans Fund.

The State Public School Fund transfer-out of $53.1 million to All Other Funds included $27.3 million to the School Capital Construction Expenditures Reserve Fund and $24.1 million to support charter schools.

The Highway Users Tax Fund transfer-out of $173.8 million to All Other Funds included $169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery Fund transfer-out of $69.2 million to All Other Funds included $48.9 million to the Conservation Trust Fund and $8.0 million to the Lottery Proceeds Contingency Reserve Fund.

The Gaming Fund transfer-out of $24.1 million to All Other Funds included $20.1 million transferred to the Travel and Tourism Promotion Fund and $4.0 million transferred to the Clean Energy Fund. Both receiving funds are managed by the Governor's Office.

The Tobacco Impact Mitigation Fund transfer-out of $41.6 million to All Other Funds included $23.7 million transferred from the Tobacco Settlement Fund and $15.0 million from the Tobacco Tax Fund. Both transfers were to the Department of Health Care Policy and Financing to support purchase of medical services.

The Resource Extraction Fund transfer-out of $30.9 million to All Other Funds included $15.4 million from the Mineral Leasing Fund to the Water Conservation Board in the Department of Natural Resources and $9.7 million transferred from the Operating Account of the Severance Tax Trust to the Water Conservation Board.

NOTE 31 – UNUSUAL OR INFREQUENT TRANSACTIONS

Primary Government

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

The Department of Labor and Employment recorded an asset impairment of $6.8 million related to purchased software used with the discontinued Genesis system. The event was an infrequent occurrence that was under the control of management (see Note 16).

NOTE 32 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no state law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of $7.1 million that was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported $207,206 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds.* The President of the University authorizes the expenditure of investment income from endowment earnings, and the University's Board of Governors is notified of those expenditures.

Colorado State University reported ($1,347,327) of net negative appreciation on its donor-restricted endowments held by its foundation. The University reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported $318,959 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.*

NOTE 33 – PLEDGED REVENUE

Various Higher Education Institutions, the Highway Users Tax Fund, the State Fair, and CollegeInvest have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2007-08, the following pledges were in place:

The Department of Transportation pledged $168.0 million of federal grants under agreement with the Federal Highway Administration and sales and use tax revenues that were diverted from the General Fund to the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes originally issued in Fiscal Year 1999-00 and having a final maturity date of Fiscal Year 2016-17. The debt was issued to finance the reconstruction of a portion of the major interstate highway through Denver and various other infrastructure projects in the state. The pledged revenue represents approximately 13 percent of the total revenue stream, and $1.47 billion of the pledge commitment remains outstanding.

State Fair pledged $2.0 million of gate receipts to secure $0.2 million of current principal and interest on debt issued to build the Colorado State Fair Event Center. The related debt was originally issued in Fiscal Year 1991-92 and has a maturity date of Fiscal Year 2008-09. The pledged revenue represents approximately 18 percent of the revenue stream, and $1.0 million of the pledge remains outstanding.

CollegeInvest pledged interest income, federal grant funds, other earned revenues, and student loan repayments to meet the current $41.4 million of debt service commitment on the agency's Student Loan Revenue Bonds, which are outstanding through December 2042. The purpose of the debt is to originate and purchase student loans. Annual principal and interest payments on the debt are expected to require 100 percent of the total revenue stream and a varying portion of the student loan repayments. In the current year, student loan principal repayments were $230.1 million and were used to meet the pledge commitment, but the pledged revenue sources were not available because direct operating expense exceeded gross revenue. There is $3.3 billion remaining of the pledge commitment on the debt.

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 1995-96 and highest maturity date of Fiscal Year 2039-40. 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 $451.8 million. Individually significant Higher Education Institution pledges include:

- $221.6 million pledged by the University of Colorado to secure $59.0 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 1995-96 and has a final maturity date of Fiscal Year 2032-33. The pledged revenue represents approximately 49 percent of the revenue stream, and $940.0 million of the pledge commitment remains outstanding.

- $162.6 million pledged by Colorado State University to secure $13.7 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 2037-38. The pledged revenue represents approximately 100 percent of the total revenue stream, and $669.1 million of the pledge remains outstanding.

- $18.6 million pledged by the Colorado School of Mines to secure $3.9 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 71 percent of the total revenue stream, and $185.3 million of the pledge remains outstanding.

- $16.7 million pledged by the University of Northern Colorado to secure $8.1 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 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 10 percent of tuition revenue and approximately 26.8 percent of the total auxiliary revenue stream; $262.3 million of the pledge remains outstanding.

- $8.9 million pledged by the Auraria Higher Education Center to secure $5.1 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents approximately 69 percent of the total revenue stream, and $106.9 million of the pledge remains outstanding.

- $7.8 million pledged by Mesa State College to secure $3.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2002-03 and has final maturity date of Fiscal Year 2036-37. The pledged revenue represents approximately 42 percent of the total revenue stream, and $87.7 million of the pledge 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	$ 167,989	$ -	$ 167,989	$ 102,475	$ 65,514	$ 167,989
State Fair Authority	11,477	9,430	2,047	155	78	233
Higher Education Institutions	793,013	420,908	372,105	36,940	58,466	95,406
CollegeInvest	339,831	117,358	222,473	-	41,414	41,414
	$ 1,312,310	$ 547,696	$ 764,614	$ 139,570	$ 165,472	$ 305,042

NOTE 34 – SEGMENT INFORMATION

Primary Government

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

CollegeInvest issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CollegeInvest is not presented on the following page because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions' Segments:

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

The Colorado School of Mines' general research facilities segment charges rent to research programs.

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

The following page presents condensed financial information for the state's segments that are not presented as major funds.

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2008

		UNIVERSITY OF COLORADO	COLORADO SCHOOL OF MINES	AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY PHYSICIANS INCORPORATED	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:					
Current Assets	$ 1,818	$ 104,712	$ 1,303	$ 3,620	$ 9,101
Other Assets	21	51,071	64	7,880	1,440
Capital Assets	11,053	16,330	10,106	40,231	36,498
Total Assets	12,892	172,113	11,473	51,731	47,039
LIABILITIES:					
Current Liabilities	1,979	21,259	-	2,012	4,813
Due To Other Funds	-	-	399	-	-
Noncurrent Liabilities	132	18,461	10,177	34,496	32,918
Total Liabilities	2,111	39,720	10,576	36,508	37,731
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	10,076	(2,642)	(406)	5,154	2,607
Other Restricted Net Assets	-	25	-	7,243	707
Unrestricted	705	135,011	1,303	2,826	5,993
Total Net Assets	$ 10,781	$ 132,394	$ 897	$ 15,223	$ 9,307

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES :					
Tuition and Fees	$ -	$ -	$ -	$ -	$ 4,747
Sales of Goods and Services	7,216	301,349	-	7,559	22,047
Other	585	-	887	-	69
Total Operating Revenues	7,801	301,349	887	7,559	26,863
OPERATING EXPENSES:					
Depreciation	616	1,297	294	1,760	2,000
Other	9,543	287,245	-	4,261	22,858
Total Operating Expenses	10,159	288,542	294	6,021	24,858
OPERATING INCOME (LOSS)	(2,358)	12,807	593	1,538	2,005
NONOPERATING REVENUES AND (EXPENSES):					
Investment Income	11	6,014	-	456	413
Gifts and Donations	385	-	-	-	-
Other Nonoperating Revenues	1	-	-	-	-
Debt Service	(103)	(653)	-	(1,547)	(1,446)
Other Nonoperating Expenses	-	(838)	(387)	(571)	-
Total Nonoperating Revenues(Expenses)	294	4,523	(387)	(1,662)	(1,033)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions and Additions to Endowments	704	-	-	74	168
Transfers-In	3,284	-	-	-	-
Transfers-Out	-	-	-	-	(2,943)
Total Contributions, Transfers, and Other	3,988	-	-	74	(2,775)
CHANGE IN NET ASSETS	1,924	17,330	206	(50)	(1,803)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	8,857	115,064	691	15,273	11,110
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 10,781	$ 132,394	$ 897	$ 15,223	$ 9,307

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

NET CASH PROVIDED (USED) BY:					
Operating Activities	$ (1,415)	$ 2,847	$ 1,076	$ 3,440	$ 4,137
Noncapital Financing Activities	3,284	(839)	(1,241)	(571)	(2,943)
Capital and Related Financing Activities	(448)	(2,392)	-	(2,562)	(3,091)
Investing Activities	11	6,505	-	381	704
NET INCREASE (DECR.) IN CASH AND POOLED CASH	1,432	6,121	(165)	688	(1,193)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	153	31,572	598	2,854	7,272
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 1,585	$ 37,693	$ 433	$ 3,542	$ 6,079

NOTE 35 – COMPONENT UNITS

The state reports ten component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. All of the component units and foundations are considered major, except the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, and the Renewable Energy Authority. Financial statements for the major component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian, general acute and psychiatric care regional hospital, licensed for 405 beds with five outpatient primary care clinics, five specialty care clinics, and a home therapy unit operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a state institution of higher education. The hospital's mission is to provide education, research, and a full spectrum of primary, secondary, and tertiary healthcare services to the Denver metropolitan area and the Rocky Mountain region. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(a) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants. The authority paid the state $4.8 million during 2007 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 2007-08, it received $6.3 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, 2008, the foundation distributed $93.7 million of gifts and income to or for the benefit of the University of Colorado. The foundation transferred the operations of the Boulder Alumni Association to the University on September 1, 2007.

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 2007-08, the foundation transferred $26.0 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 promote the general welfare, development, growth, and well being of the University of Northern Colorado. The foundation accomplishes this mission through solicitation and acquisition of gifts, investing in and managing property, and furnishing funds, facilities, equipment, and services. During Fiscal Year 2007-08, the foundation granted $3.1 million to the University.

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

CoverColorado, a nonmajor component unit, is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program.

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

In 2005, the authority created Colorado Fund 1, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund 1, 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. The VCA anticipates the establishment of a second fund of approximately $25 million in 2010. As of December 31, 2007, the VCA has contributed approximately $9.3 million or 43 percent of its total funding commitment to Colorado Fund 1, LP.

The Renewable Energy Authority, a nonmajor component unit, was created during the 2006 legislative session to direct the allocation of state matching funds for energy-related research funding from federal agencies and other public and private entities. The allocation of monies is directed by the Renewable Energy Collaboratory which comprises the U.S. Department of Energy's National Renewable Energy Laboratory, the Colorado School of Mines, Colorado State University, and the University of Colorado.

The enabling legislation allocated the authority $2.0 million in each of Fiscal Years 2005-06 through 2007-08 for this purpose. The authority has made commitments to provide matching funds to two collaboratory research centers totaling up to $5.3 million over three years; however, no matching funds had been disbursed as of December 31, 2007.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $2.6 million to the University during Fiscal Year 2007-08, owed the University $347,125, and was due $310,615 from the University at June 30, 2008.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as providing program development grants to Adams State College. The foundation provided $1.7 million in scholarships and grants during Fiscal Year 2007-08.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2007-08, the foundation awarded $543,954 of scholarships directly to Mesa State College students, provided approximately $600,000 in capital and operating support, and donated houses valued at approximately $522,766 to the college.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.0 million of funding to the college in Fiscal Year 2007-08. The foundation also reimbursed the college $223,468 for services provided by college employees in Fiscal Year 2007-08. At June 30, 2008, the foundation owed the college $379,090.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $2.4 million to the college in Fiscal Years 2007-08.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of the Front Range and Pueblo community colleges, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Front Range Community College Foundation transferred $833,874 to Front Range Community College during Fiscal Year 2007-08 for student scholarships and instructional support. The Pueblo Community College Foundation provided support to Pueblo Community College in the amount of $743,577 for scholarships, rental properties, construction, and discretionary funds.

The University of Colorado Foundation is the sole member of University Summit I, LLC (the LLC). The LLC was formed in October 2007 for the purpose of purchasing property adjacent to the University of Colorado at Colorado Springs campus. At June 30, 2008, the LLC held $1,373,561 of property.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the University equal to its net available cash flow as defined in a ground lease with the University that terminates in 2047. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility. Title to the student housing facility transfers to the University at the end of the ground lease or upon earlier retirement of the bond issue. At June 30, 2008, the LLC had capital assets of $14.3 million, other assets of $7.5 million, long-term debt of $23.8 million, and current liabilities of $0.9 million. The total liabilities of the Foundation exceeded its total assets by $2.9 million. The LLC owed the University of Northern Colorado $432,976 for a working capital loan at June 30, 2008.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation were $2.3 million at June 30, 2008. At June 30, 2008, the Building Corporation had a receivable of $399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The net assets of the Development Corporation were $896,944 and $691,476 at June 30, 2008 and 2007, respectively.

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 2007-08, the board funded $30.4 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2008, GOCO owed the Department of Natural Resources $6.3 million in unreimbursed expenditures.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education approved the transfer of 186 acres of land (plus 41 additional acres) and buildings at the Anschutz Medical Campus to the University of Colorado. Various quitclaim deeds convey the property in an "as is" condition, without warranty, and include conditions subsequent that, if not met, provide for reverting the property to the Department of Education. In July 2004, the authority entered into a 98-year Amended and Restated Ground Lease agreement with a one-dollar annual fee. The original lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of the property. The amended agreement increases the leased property to 45.5 acres, with an option for the authority to include an additional 7.0 acres, and provides for two renewals, up to 99 years each, for $100 per year. With certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

On January 14, 2005, the authority exercised its option to include the additional 7.0 acres and amended the lease to include the additional acreage on April 29, 2005. The authority used the 7.0 additional acres for the expansion of Anschutz Inpatient Pavilion and associated surface parking. During 2006, the authority began the design and development of an office building and parking structure on 4.2 acres of land adjacent to the Anschutz Inpatient Pavilion. In May 2006, the lease was again amended to add the additional 4.2 acres to the land currently leased to the authority.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $29.6 million for these services in Fiscal Year 2007-08. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately $8.4 million in Fiscal Year 2007-08. In total, the UCD paid the hospital $11.6 million in Fiscal Year 2007-08.

The hospital has contracted with University Physicians, Inc., a blended component unit of the state's Higher Education Institutions enterprise fund, to provide support for clinical services, patient services, and recruitment for expanded clinical access. The hospital passed through $5.8 million of government external funds and paid UPI an additional $48.4 million for services in Fiscal Year 2007-08.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $2.0 million were billed to CRC for the cost of these services during Fiscal Year 2007-08. The amount due from the UCD, including CRC, was $1.3 million at June 30, 2008.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2006 and 2007. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million. In October 2007, it sold 1,656.55 shares for approximately $18.1 million, but retains an option to repurchase the shares through October 2010, unless terminated sooner. This investment is accounted for under the cost method, and the hospital received dividends of approximately $1.2 million in Fiscal Year 2007-08.

The hospital created University Hospital Home Therapies (UHHT) in February 1996. Chartwell Rocky Mountain

LLP is a Colorado limited liability partnership between UHHT and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain LLP was formed to provide home infusion and respiratory services to alternate-site patients. UHHT and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain LLP.

The hospital and two other entities participate in Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest was originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and $600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has a Limited Partnership Agreement with Colorado Fund 1, LP and has selected High Country Venture, LLC, to serve as manager and general partner of the Fund. The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2007, VCA's investment in the fund totaled $6.6 million.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

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

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

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The Department of Agriculture has informed the state that it will disallow approximately $14.3 million of Food Stamps payments issued improperly due to problems in the implementation of the Colorado Benefits Management System. The state has entered into a settlement agreement for part of the disallowed payments. The agreement proposes a $9.5 million fine that requires approval by the legislature. The state is entering settlement negotiations for the remaining disputed payments and estimates the potential range of loss at $2.0 million to $2.5 million.

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 $2.92 billion, of the $11.66 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 assets of the College Assist program of approximately $85.3 million.

At June 30, 2008, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $489.0 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the state to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $15.0 million individually.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over $7.49 billion are outstanding. Of this amount, $6.48 billion is covered by private insurance.

The State of Kansas asserts claims against the State of Colorado related to litigation costs associated with settlement of a suit claiming violations of the Arkansas River Compact. In prior fiscal years the State of Colorado paid the State of Kansas a cumulative amount of $35.7 million for settlement of the original lawsuit and related litigation costs. The State of Kansas continues to seek to recover up to $9.0 million in additional litigation costs.

The State of Kansas will likely seek injunctive relief against Colorado in relation to a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the state hopes to reach a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $10.0 million.

The Department of Health Care Policy and Financing may be responsible for between $6.0 million and $10.0 million of attorney's fees incurred by a class of Aid to Needy Disabled (AND) program clients. The state advanced the AND benefits to clients expected to win appeals to the federal government for Social Security benefits. The state was reimbursed for the AND benefits from the Social Security benefits awarded; however, the state did not reimburse the AND clients for the attorney's fees the clients incurred in pursuing the Social Security benefits. State statutes were subsequently changed to clarify that the state will not reimburse such attorney's fees. The state has prevailed in district court and expects that the decision will be appealed.

School districts, students, and parents in the state's San Luis Valley have filed suit against the state asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of $5.0 billion to $10.0 billion is provided. All claims were dismissed by the district court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the state petitioned the Colorado Supreme Court and the court accepted the petition. Estimates of plaintiff attorney fees and costs currently exceed $1.0 million.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services approximately $11.7 million for Mental Health Child Placement Agency services. The Office of the Inspector General recommended the $11.7 million be recovered as a result of their audit of the Child Placement Agency program. The Department is currently appealing the recommendation and submitted its final response to the Office of the Inspector General on July 1, 2008.

The Department of Health Care Policy and Financing may be responsible for repaying Centers for Medicare and Medicaid Services (CMS) approximately $4.7 million for Supplemental Medical Insurance Benefits. The state paid the total amount correctly, but the payment may have overused federal funds and not provided the required matching amount of state general funding. The state estimates the actual range of loss is between $4.5 million to $5.0 million and is currently working with CMS to determine the actual amount that may be due to the federal government.

The Mesa County Board of County Commissioners and several Colorado taxpayers filed suit challenging the constitutionality of Senate Bill 199 enacted in the 2007 legislative session (SB07-199). The bill removed a provision from the Colorado School Finance Act that required a reduction of school district property tax mill levies when property values increased. The mill levy reduction is also an effect of Article X Section 20 (TABOR), which prevents school districts from collecting and spending monies in excess of the TABOR growth limits. However, school districts are allowed to retain and spend amounts in excess of the TABOR limit after voter approval, which most school districts have obtained. Prior to the enactment of SB07-199, school districts were required by the School Finance Act to reduce their mill levies even if they had obtained the voters' approval to retain any excess revenue. As a result of the school district mill levy reductions, the state's portion of school district funding continued to increase as the mill levies declined. In the lawsuit the plaintiffs claim that the removal of the School Finance Act provision violates the TABOR requirement for a vote of the people when spending limitations are weakened. The plaintiffs seek, among other things, a refund of the excess taxes paid to school districts which is estimated at $117.8 million, plus 10 percent interest, due to the absence of mill levy reductions when property valuations increased. The district court ruled in favor of the plaintiffs but did not require immediate reimbursement, citing concerns over its authority to do so. The state petitioned the Colorado Supreme Court and the case was accepted for review. On December 5, 2008, the Supreme Court denied a motion requesting issuance of a decision and stayed the district court decision pending further order of the

Supreme Court. This action allowed local taxing authorities to certify their mill levies.

The state is the defendant in a lawsuit asserting claims under the Americans with Disabilities Act. The plaintiff seeks monetary damages and to force the state to modify the Colorado Benefits Management System (CBMS) to ensure it is compatible with adaptive technology systems. Although the monetary damage amounts are not material, the costs of modifying CBMS could range from $1.0 to $4.0 million.

The Department of Local Affairs may be responsible for repaying the Department of Housing and Urban Development (HUD) approximately $1.7 million related to the Community Development Block Grant Program. The Office of the Inspector General recommended the $1.7 million be recovered as a result of noncompliance with program expenditure requirements. The Department has appealed the amount and has entered into negotiations with HUD.

The state believes it has a good chance of prevailing in the actions discussed in this Note 37, but the ultimate outcome cannot presently be determined. No provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

Component Units

The Colorado School of Mines Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines formed for the purpose of purchasing, constructing, otherwise acquiring, extending, or improving an educational facility for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the foundation may be called upon to repay principal, not to exceed $10.9 million, in the event of default of the Development Corporation. Any payment of principal, interest, or fees by the foundation will be reimbursed by the Colorado School of Mines through a transfer of investments held in trust for others by the foundation.

NOTE 38 – SUBSEQUENT EVENTS

DEBT ISSUANCE

On July 8, 2008, the State Treasurer issued $350.0 million of General Fund Tax Revenue Anticipation Notes Series 2008A. The notes are due and payable on June 26, 2009, at a coupon rate of 3.0 percent. The total interest related to this issuance will be $10.2 million (yield rate of approximately 1.68 percent). The notes are issued for cash management purposes.

On July 23, 2008, the State Treasurer issued $215.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2008A. The notes have a coupon rate of 1.75 percent (yield rate of 1.54 percent), which will result in approximately $3.7 million of interest due at maturity. The notes mature on August 7, 2009, but the State Treasurer has established a Series 2008A Note Repayment Account that will be funded by June 26, 2009, in an amount adequate to fully defease the outstanding notes.

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation (COPs) Series 2008. The COPs were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The COPs carried coupon rates ranging from 3.0 percent to 5.5 percent with a total interest cost of 5.38 percent.

The COPs proceeds will be used to fund renovations, additions, and new construction at twelve state institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease (FML) Program revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the COPs to fund the portion of their required project match that they elected to finance through the COPs.

Investments held by CollegeInvest in the Scholars Choice College Savings Plan (the Plan) experienced significant declines in fair value since June 30, 2008. However, because the values of the individual investments fluctuate with market conditions, the amount of investment losses that the Plan will recognize in its future financial statements cannot be determined.

On December 15, 2008, CollegeInvest entered into two agreements with the U.S. Department of Education (USDE), a Master Participation Agreement (MPA) and a Master Loan Sale Agreement (MLSA). Both programs were authorized by the Ensuring Continued Access to Student Loans Act (Public Law 110-227). The MPA allows CollegeInvest to use eligible student loans as collateral to receive funds from the USDE in order to originate additional loans. Under the agreement, CollegeInvest pays a fee based on commercial paper rate as determined quarterly by the USDE, plus 50 basis points (one half percent), on the outstanding amount. In order to facilitate the MPA, CollegeInvest also entered into a Custodian Agreement with Manufacturers and Traders Trust Company and amended its consortium servicing agreement with Nelnet to provide services required by the MPA. CollegeInvest will pay fees for these services. The MLSA allows CollegeInvest, at its discretion, to sell, or put, eligible loans to the USDE, whether or not those loans are currently collateral for borrowing from USDE. These agreements expire on September 30, 2009.

In order to facilitate the agreements, CollegeInvest obtained bridge financing from College Assist. On December 18, 2008, CollegeInvest and College Assist entered into a Revolving Financing Agreement (RFA). Under the RFA, CollegeInvest may borrow up to $30.0 million from College Assist. CollegeInvest will pay interest on the unpaid average daily principal balance outstanding based on the interest rate calculated monthly and published by the State Treasurer. The RFA expires on September 30, 2009 unless terminated prior to that date per the terms of the RFA. College Assist may, at its option, declare the loan(s) (including principal and interest) due and payable upon 15 days written notice.

On December 18, 2008, the State Treasurer issued $300.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2008B. The notes have a coupon rate of 1.0 percent (yield rate of 0.97 percent), which will result in approximately $1.9 million of interest due at maturity. The notes mature on August 7, 2009, but the State Treasurer has established a Series 2008B Note Repayment Account that will be funded by June 26, 2009, in an amount adequate to fully defease the outstanding notes.

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, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,173,037	
Income Taxes			5,073,701	
Other Taxes			191,994	
Federal Grants and Contracts			27	
Sales and Services			303	
Interest Earnings			37,193	
Other Revenues			46,803	
Transfers-In			191,670	
TOTAL REVENUES AND TRANSFERS-IN			7,714,728	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,414	$ 7,326	7,021	$ 305
Corrections	636,471	623,722	620,788	2,934
Education	3,064,213	3,023,328	3,023,181	147
Governor	17,304	17,877	17,863	14
Health Care Policy and Financing	1,424,274	1,452,261	1,468,458	(16,197)
Higher Education	746,249	748,022	747,741	281
Human Services	641,953	662,070	654,484	7,586
Judicial Branch	297,822	299,605	298,188	1,417
Law	8,744	8,866	8,524	342
Legislative Branch	32,716	33,074	31,218	1,856
Local Affairs	11,026	10,989	10,895	94
Military and Veterans Affairs	5,521	5,530	5,383	147
Natural Resources	30,336	30,260	30,069	191
Personnel & Administration	10,777	11,516	10,848	668
Public Health and Environment	23,914	23,932	23,875	57
Public Safety	72,830	73,281	72,643	638
Regulatory Agencies	1,416	1,416	1,402	14
Revenue	186,274	187,332	189,683	(2,351)
Treasury	126,672	128,926	128,849	77
SUB-TOTAL OPERATING BUDGETS	7,345,926	7,349,333	7,351,113	(1,780)
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	1,754	2,263	69	2,194
Corrections	13,720	72,739	21,156	51,583
Education	432	2,104	953	1,151
Governor	-	57	16	41
Health Care Policy and Financing	-	112	111	1
Higher Education	118,521	208,152	98,744	109,408
Human Services	10,684	73,233	41,082	32,151
Judicial Branch	-	834	285	549
Military and Veterans Affairs	5,219	9,506	897	8,609
Personnel & Administration	12,210	24,553	3,823	20,730
Public Health and Environment	-	2,960	1,560	1,400
Public Safety	1,218	10,194	1,407	8,787
Revenue	7,817	18,758	8,736	10,022
Transportation	9,000	45,000	25,050	19,950
Budgets/Transfers Not Booked by Department	352,626	352,626	352,626	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	533,201	823,091	556,515	266,576
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,879,127	$ 8,172,424	7,907,628	$ 264,796
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (192,900)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 1,014,697	
Income Taxes			407,921	
Other Taxes			823,848	
Tuition and Fees			1,418,849	
Sales and Services			1,093,415	
Interest Earnings			612,578	
Other Revenues			2,548,260	
Transfers-In			5,714,080	
TOTAL REVENUES AND TRANSFERS-IN			13,633,648	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 26,435	$ 26,294	23,409	$ 2,885
Corrections	72,167	85,886	76,290	9,596
Education	3,421,776	3,343,183	3,298,408	44,775
Governor	71,102	86,708	44,403	42,305
Health Care Policy and Financing	489,716	475,539	436,635	38,904
Higher Education	2,725,866	2,745,464	2,310,729	434,735
Human Services	694,698	308,375	286,687	21,688
Judicial Branch	123,934	121,478	112,719	8,759
Labor and Employment	479,716	480,372	471,032	9,340
Law	37,363	38,194	33,337	4,857
Legislative Branch	4,111	4,111	2,641	1,470
Local Affairs	363,089	363,911	210,933	152,978
Military and Veterans Affairs	3,664	3,639	2,833	806
Natural Resources	617,707	544,980	314,715	230,265
Personnel & Administration	477,067	490,221	431,137	59,084
Public Health and Environment	230,613	252,966	145,080	107,886
Public Safety	129,503	126,910	120,580	6,330
Regulatory Agencies	73,448	73,012	69,454	3,558
Revenue	714,209	755,340	688,122	67,218
State	21,949	38,740	23,756	14,984
Transportation	303,124	303,109	265,366	37,743
Treasury	1,908,813	1,909,597	1,871,948	37,649
SUB-TOTAL OPERATING BUDGETS	12,990,070	12,578,029	11,240,214	1,337,815
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,481	680	801
Corrections	125,907	130,692	29,393	101,299
Governor	2,582	2,582	1,193	1,389
Higher Education	187,931	587,691	212,683	375,008
Human Services	847	1,001	594	407
Labor and Employment	3,040	42,213	34,654	7,559
Military and Veterans Affairs	2,100	875	579	296
Natural Resources	48,268	75,158	24,746	50,412
Personnel & Administration	10,997	25,616	17,413	8,203
Public Health and Environment	250	12,997	728	12,269
Public Safety	-	12	12	-
Revenue	847	2,938	127	2,811
Transportation	1,891,974	1,891,974	906,830	985,144
Budgets/Transfers Not Booked by Department	12,909	12,909	11,786	1,123
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,287,652	2,788,139	1,241,418	1,546,721
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 15,277,722	$ 15,366,168	12,481,632	$ 2,884,536
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,152,016	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,761,228	
TOTAL REVENUES AND TRANSFERS-IN			4,761,228	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,910	$ 16,767	7,261	$ 9,506
Corrections	7,358	8,431	4,900	3,531
Education	496,888	681,954	519,106	162,848
Governor	13,030	54,302	30,636	23,666
Health Care Policy and Financing	1,667,277	1,740,375	1,720,625	19,750
Higher Education	51,027	452,754	346,725	106,029
Human Services	620,634	1,209,126	970,559	238,567
Judicial Branch	2,291	6,021	3,633	2,388
Labor and Employment	102,076	182,290	118,126	64,164
Law	1,096	1,246	982	264
Local Affairs	80,264	205,741	90,073	115,668
Military and Veterans Affairs	177,933	21,571	12,826	8,745
Natural Resources	23,416	57,325	34,036	23,289
Personnel & Administration	121	1,048	895	153
Public Health and Environment	210,937	371,441	228,388	143,053
Public Safety	23,520	53,241	28,060	25,181
Regulatory Agencies	1,156	2,069	1,655	414
Revenue	1,546	3,463	2,039	1,424
State	111	474	167	307
Transportation	441,418	485,859	458,794	27,065
Treasury	-	159,890	159,261	629
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,926,009	5,715,388	4,738,747	976,641
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 3,926,009	$ 5,715,388	4,738,747	$ 976,641
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 22,481	

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

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,504,799	$ -	$ -	$ 209,929	$ -	$ -
Cash	824,048	2,900,528	2,359,384	237,152	424,883	2,268,335
Federal	3,570,662	-	458,466	16,590	-	301,942
Sub-Total Revenues and Transfers-In	11,899,509	2,900,528	2,817,850	463,671	424,883	2,570,277
Expenditures/Expenses and Transfers-Out						
General Funded	7,700,739	-	-	206,889	-	-
Cash Funded	819,316	2,925,831	2,273,643	265,250	301,516	2,035,181
Federally Funded	3,573,817	-	458,466	16,590	-	303,073
Expenditures/Expenses and Transfers-Out	12,093,872	2,925,831	2,732,109	488,729	301,516	2,338,254
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(194,363)	(25,303)	85,741	(25,058)	123,367	232,023
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	9,156	-	13,671	5,010	3,964	31,995
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	22,973
Increase/(Decrease) for GAAP Expenditures Not Budgeted	237,755	-	84,451	204,842	-	1,314
Increase/(Decrease) for GAAP Revenue Adjustments	(258,452)	-	-	(204,842)	-	(4,688)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(205,904)	(25,303)	183,863	(20,048)	127,331	283,617
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1	413,317	48,019	1,377,197	521,900	225,818	2,426,084
Prior Period Adjustments (See Note 27)	-	-	(43,874)	-	-	-
FUND BALANCE/NET ASSETS, JUNE 30	$ 207,413	$ 22,716	$ 1,517,186	$ 501,852	$ 353,149	$ 2,709,701

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

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,714,728
1,456,064	429,445	82,905	515,797	298,029	113,536	1,723,542	13,633,648
17,278	15,540	26,767	-	353,576	407	-	4,761,228
1,473,342	444,985	109,672	515,797	651,605	113,943	1,723,542	26,109,604
-	-	-	-	-	-	-	7,907,628
1,486,346	333,559	116,365	516,061	295,749	113,546	999,269	12,481,632
17,278	15,540	-	-	353,576	407	-	4,738,747
1,503,624	349,099	116,365	516,061	649,325	113,953	999,269	25,128,007
(30,282)	95,886	(6,693)	(264)	2,280	(10)	724,273	981,597
181	-	(4,789)	347	2,412	28	(742,382)	(680,406)
-	-	-	17	27,496	2,041	-	52,527
4,625	(5,927)	(3,154)	(158)	(12,547)	(1,602)	(7)	509,591
-	-	-	-	287	-	-	(467,695)
186,555	-	-	-	-	-	-	186,555
161,079	89,959	(14,636)	(58)	19,928	457	(18,116)	582,169
3,604,915	675,574	199,851	2,671	387,807	21,741	3,814,344	13,719,238
-	-	-	-	-	752	-	(43,122)
$ 3,765,994	$ 765,533	$ 185,215	$ 2,613	$ 407,735	$ 22,950	$ 3,796,228	$ 14,258,285

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the Unreserved – Undesignated Fund Balance on the *Balance Sheet – Governmental Funds* by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* in several ways as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet – Governmental Funds* as "Reserved for Risk Management". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (see Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative general-purpose and augmenting revenues in excess of expenditures. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Fund. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance. (See Note 8A beginning on page 82 for information regarding the negative reversions at the departments of Revenue and Health Care Policy and Financing)

Another purpose of this schedule is to establish the amount of General Fund Surplus that is available for subsequent transfer to the Highway Fund and the Capital Construction Fund. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent 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, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,085,600	$ 2,083,800	$ 2,079,726		
Other Excise Taxes	92,500	94,500	93,312		
Individual Income Tax, net	4,665,100	4,634,400	4,600,091		
Corporate Income Tax, net	414,700	476,500	473,610		
Estate Tax	500	500	183		
Insurance Tax	194,500	190,200	188,320		
Parimutuel, Courts, and Other	53,300	50,600	51,631		
Investment Income	37,500	23,900	17,926		
TOTAL GENERAL PURPOSE REVENUES	7,543,700	7,554,400	7,504,799		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,414	7,326	7,021	$ 305	$ 124
Corrections	635,194	624,606	623,565	1,041	179
Education	3,064,193	3,023,326	3,023,182	144	349
Governor	11,775	17,294	17,279	15	10
Health Care Policy and Financing	1,431,469	1,448,679	1,467,666	(18,987)	5
Higher Education	746,228	747,717	747,717	-	40
Human Services	641,757	656,711	655,920	791	(148)
Judicial Branch	297,471	299,604	298,188	1,416	437
Law	11,506	8,696	8,446	250	182
Legislative Branch	32,612	32,740	31,027	1,713	87
Local Affairs	11,026	10,989	10,895	94	252
Military and Veterans Affairs	5,521	5,531	5,384	147	1
Natural Resources	30,336	30,258	30,068	190	99
Personnel & Administration	10,095	11,439	10,823	616	252
Public Health and Environment	23,533	23,932	23,875	57	116
Public Safety	72,604	73,311	72,709	602	106
Regulatory Agencies	1,374	1,417	1,402	15	7
Revenue	187,691	187,266	189,687	(2,421)	685
State	-	-	-	-	51
Treasury	114,226	128,599	128,521	78	24
Appropriation to the Controlled Maintenance Trust Fund	-	327	327	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,336,025	7,339,768	7,353,702	$ (13,934)	$ 2,858
Variance Between Actual and Estimated Budgets	(825)	4,687	-		
TOTAL ESTIMATED BUDGET	7,335,200	7,344,455	7,353,702		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	208,500	209,945	151,097		
EXCESS AUGMENTING REVENUES			2,858		
TRANSFERS (Not Appropriated By Department):					
Net Transfers To/(From) the General Fund	(5,800)	-	-		
Transfer-Out to Capital Projects - General Fund	(47,000)	(73,700)	(80,352)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	-	(20,000)	(20,000)		
Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds	(130,400)	(249,300)	(249,273)		
TOTAL TRANSFERS	(183,200)	(343,000)	(349,625)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			(195,670)		
BEGINNING GENERAL FUND SURPLUS	130,400	249,300	249,273		
GAAP Revenues/(Expenditures) Not Budgeted			6,330		
(Increase)/Decrease in Long-Term Asset Reserve			6		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(16,400)	(16,500)	(16,492)		
ENDING GENERAL FUND SURPLUS	139,300	99,745	43,447		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2008-09 for Budget			(185,406)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2008-09 for Budget			(91,959)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			102,127		
GAAP Basis - Shortfall in Statutory Reserve			131,791		
ENDING GAAP UNRESERVED FUND BALANCE			$ -		

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 140 to 142). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures.

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

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

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the 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.
- 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.

General and cash funded appropriations, with the exception of capital projects, lapse at year-end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet – Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the state agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the

Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no general fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

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

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

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 144) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 140 to 142) relate to the change in fund balances/net assets 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 and depreciation, are not budgeted by the General Assembly. In addition, General Fund payroll disbursements for employee time worked in June, 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. ROADWAY INFRASTRUCTURE REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense for infrastructure. The state capitalizes costs related to new construction and major replacements or improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to roadway infrastructure owned and/or maintained by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81. Assets accounted for under the modified approach include approximately 23,106 lane miles of roads for which the state has maintenance responsibilities. Lane mile statistics are developed and reported annually in June for the previous calendar year.

To use the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount necessary to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse, longitudinal, or fatigue. Slight rutting in the wheel paths.	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse or longitudinal or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring maintenance. Distress items include moderate and some high severity cracking such as transverse, longitudinal, or fatigue. Moderate rutting in the wheel paths.	Initial distresses are apparent requiring sealing. Distress items include moderate and some high severity cracking such as transverse or longitudinal or moderate corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction treatments. Distress items include a large amount of moderate to high severity cracking such as transverse, longitudinal, or fatigue. Moderate to severe rutting in the wheel paths.	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction. Distress items include a large amount of moderate to high severity transverse or longitudinal cracking or moderate to severe corner breaks.

Established Condition Level

The expected condition level for roadway is that 60 percent of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past six years.

Rating	2007	2006	2005	2004	2003	2002
Good/Fair	59%	63%	65%	61%	58%	58%
Poor	41%	37%	35%	39%	42%	42%

Budgeted and Estimated Costs to Maintain

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

	(Amounts in Millions)		
Fiscal Year	Projected Cost	Budgeted Cost	Actual Spending
2007-08	$894.6	N/A	$332.7
2006-07	$734.2	N/A	$380.4
2005-06	Not Available	$210.9	$460.6
2004-05	Not Available	$138.0	$274.6
2003-04	Not Available	$554.1	$529.9
2002-03	Not Available	$631.0	$1,457.1

The Department reported $52.1 million of construction in progress additions in Fiscal Year 2007-08, a portion of which will be capitalized as infrastructure in future years.

NOTE RSI-3. 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 postemployment 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. Since the state has elected to implement Statement No. 45 prospectively, only Fiscal Year 2008 data is available and disclosed. When future year information becomes available, it will be added to the schedule below. See Note 19 on page 105 for additional information regarding the plans listed in the schedule.

Plan	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)
CU	7/1/2007	-	$ 195,972,332	$ 195,972,332	0.0%	$ 201,898,779	97.1%
CSU - RMPR	1/1/2007	-	22,079,791	22,079,791	0.0%	199,793,625	11.1%
CSU - RMPS	1/1/2008	-	54,012,423	54,012,423	0.0%	N/A	N/A
CSU - URX	1/1/2008	-	4,267,306	4,267,306	0.0%	N/A	N/A

[1] – Neither the CSU-RMPS nor the CSU-URX plans' contributions are based on salaries or covered payroll.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,500,162	$ -	$ -	$ 1,500,162
Taxes Receivable, net	57,352	-	-	57,352
Other Receivables, net	86,160	-	7,831	93,991
Due From Other Governments	8,530	340	-	8,870
Due From Other Funds	144,434	-	-	144,434
Inventories	268	-	-	268
Prepaids, Advances, and Deferred Charges	4,239	-	-	4,239
Restricted Cash and Pooled Cash	312,969	218	32,624	345,811
Restricted Investments	20,189	-	547,845	568,034
Restricted Receivables	13,421	-	-	13,421
Investments	92,076	-	-	92,076
Other Long-Term Assets	287,914	-	11,203	299,117
Land and Nondepreciable Infrastructure	85	-	10,492	10,577
TOTAL ASSETS	$ 2,527,799	$ 558	$ 609,995	$ 3,138,352
LIABILITIES:				
Tax Refunds Payable	$ 8,209	$ -	$ -	$ 8,209
Accounts Payable and Accrued Liabilities	81,254	-	12	81,266
Due To Other Governments	80,013	-	4	80,017
Due To Other Funds	197,801	-	4,054	201,855
Deferred Revenue	48,992	-	5,367	54,359
Claims and Judgments Payable	72	-	-	72
Other Current Liabilities	2,864	-	-	2,864
Deposits Held In Custody For Others	9	-	-	9
TOTAL LIABILITIES	419,214	-	9,437	428,651
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	383,435	-	21,695	405,130
Debt Service	-	558	-	558
Emergencies	93,000	-	-	93,000
Funds Reported as Restricted	231,916	-	574,966	806,882
Unreserved Undesignated, Reported in:				
Nonmajor Special Revenue Funds	1,391,483	-	-	1,391,483
Nonmajor Permanent Funds	-	-	2,326	2,326
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	8,751	-	-	8,751
Reported in Nonmajor Permanent Funds	-	-	1,571	1,571
TOTAL FUND BALANCES	2,108,585	558	600,558	2,709,701
TOTAL LIABILITIES AND FUND BALANCES	$ 2,527,799	$ 558	$ 609,995	$ 3,138,352

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 272,706	$ -	$ -	$ 272,706
Excise	164,567	-	-	164,567
Other Taxes	340,572	-	-	340,572
Licenses, Permits, and Fines	323,288	-	-	323,288
Charges for Goods and Services	39,855	-	69	39,924
Rents	5,761	-	71,364	77,125
Investment Income (Loss)	103,820	-	41,079	144,899
Federal Grants and Contracts	306,451	-	-	306,451
Other	32,345	-	49	32,394
TOTAL REVENUES	1,589,365	-	112,561	1,701,926
EXPENDITURES:				
Current:				
General Government	15,981	-	-	15,981
Business, Community, and Consumer Affairs	160,417	-	-	160,417
Education	25,938	-	-	25,938
Health and Rehabilitation	82,946	-	-	82,946
Justice	20,866	-	-	20,866
Natural Resources	51,998	-	38	52,036
Social Assistance	166,694	-	-	166,694
Transportation	3,040	-	-	3,040
Capital Outlay	13,638	-	-	13,638
Intergovernmental:				
Cities	150,805	-	-	150,805
Counties	144,404	-	14	144,418
School Districts	76,481	-	-	76,481
Special Districts	28,941	-	-	28,941
Federal	1,866	-	-	1,866
Other	35,692	-	-	35,692
Debt Service	34	174,797	-	174,831
TOTAL EXPENDITURES	979,741	174,797	52	1,154,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	609,624	(174,797)	112,509	547,336
OTHER FINANCING SOURCES (USES):				
Transfers-In	292,645	174,797	1,085	468,527
Transfers-Out	(693,773)	-	(38,704)	(732,477)
Sale of Capital Assets	10	-	38	48
Insurance Recoveries	183	-	-	183
TOTAL OTHER FINANCING SOURCES (USES)	(400,935)	174,797	(37,581)	(263,719)
NET CHANGE IN FUND BALANCES	208,689	-	74,928	283,617
FUND BALANCE, FISCAL YEAR BEGINNING	1,899,896	558	525,630	2,426,084
FUND BALANCE, FISCAL YEAR END	$ 2,108,585	$ 558	$ 600,558	$ 2,709,701

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the state.
LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the state. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional state tax on cigarettes and tobacco products approved by state voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE EXTRACTION	This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments and regulatory costs. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the state. Most of the related programs are managed by the Colorado Department of Natural Resources. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
PUBLIC SCHOOL BUILDINGS	This fund category represents a collection of funds created to support improvements or additions to public school buildings. Prior to Fiscal year 2007-08, these activities were primarily reported as Other Special Revenue Funds.
OTHER SPECIAL REVENUE	This fund category represents a collection of 229 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 202 for a detail listing of these funds that have net assets in excess of $150,000.)

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:				
Cash and Pooled Cash	$ 146,367	$ 81,217	$ 146,520	$ 133,655
Taxes Receivable, net	-	32,367	10,527	-
Other Receivables, net	12,766	1,067	39	53,100
Due From Other Governments	328	-	-	1,456
Due From Other Funds	1,503	632	5	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	56	-	39	-
Restricted Cash and Pooled Cash	-	72,811	-	194,625
Restricted Investments	-	20,189	-	-
Restricted Receivables	-	-	-	13,411
Investments	-	91,511	-	-
Other Long-Term Assets	262,684	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 423,704	$ 299,794	$ 157,130	$ 396,247
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ 5
Accounts Payable and Accrued Liabilities	3,243	1,053	2,205	25,213
Due To Other Governments	-	-	22,280	237
Due To Other Funds	94,251	-	39,049	1,141
Deferred Revenue	-	-	326	-
Claims and Judgments Payable	-	61	-	-
Other Current Liabilities	-	229	25	-
Deposits Held In Custody For Others	-	-	8	-
TOTAL LIABILITIES	97,494	1,343	63,893	26,596
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	264,117	-	-	-
Emergencies	-	93,000	-	-
Funds Reported as Restricted	-	-	1,684	185,662
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	649	1,910	655	1,192
Undesignated	61,444	203,541	90,898	182,797
TOTAL FUND BALANCES	326,210	298,451	93,237	369,651
TOTAL LIABILITIES AND FUND BALANCES	$ 423,704	$ 299,794	$ 157,130	$ 396,247

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	OTHER SPECIAL REVENUE	TOTALS
$ 504,678	$ 29,452	$ 88,213	$ 37,102	$ 332,958	$ 1,500,162
11,455	-	-	-	3,003	57,352
1,884	5,951	4,996	-	6,357	86,160
90	423	4,911	-	1,322	8,530
94,131	2,857	39	8,046	37,221	144,434
-	251	-	-	17	268
9	2,560	-	-	1,575	4,239
-	-	13,552	-	31,981	312,969
-	-	-	-	-	20,189
-	-	5	-	5	13,421
-	-	-	-	565	92,076
14,555	-	-	-	10,675	287,914
-	-	-	-	85	85
$ 626,802	$ 41,494	$ 111,716	$ 45,148	$ 425,764	$ 2,527,799
$ 8,084	$ -	$ -	$ -	$ 120	$ 8,209
3,553	4,345	11,101	1,068	29,473	81,254
43,261	285	210	-	13,740	80,013
201	1,438	705	-	61,016	197,801
26	1,365	1,532	-	45,743	48,992
-	-	-	-	11	72
-	7	-	-	2,603	2,864
-	-	-	-	1	9
55,125	7,440	13,548	1,068	152,707	419,214
108,643	-	-	-	10,675	383,435
-	-	-	-	-	93,000
-	-	13,455	-	31,115	231,916
2,498	144	410	86	1,207	8,751
460,536	33,910	84,303	43,994	230,060	1,391,483
571,677	34,054	98,168	44,080	273,057	2,108,585
$ 626,802	$ 41,494	$ 111,716	$ 45,148	$ 425,764	$ 2,527,799

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	-	162,228
Other Taxes	-	77,113	108,187	-
Licenses, Permits, and Fines	11	1,948	569	108,098
Charges for Goods and Services	107	194	749	-
Rents	-	1	481	-
Investment Income (Loss)	15,198	15,327	5,427	12,158
Federal Grants and Contracts	1,254	-	1,364	1,456
Other	370	319	198	5,650
TOTAL REVENUES	16,940	94,902	116,975	289,590
EXPENDITURES:				
Current:				
General Government	-	-	-	232
Business, Community, and Consumer Affairs	-	19,347	13,123	-
Education	-	-	20,625	25
Health and Rehabilitation	-	-	-	34,497
Justice	-	-	-	-
Natural Resources	11,778	-	-	-
Social Assistance	-	-	-	37,167
Transportation	-	-	-	-
Capital Outlay	148	-	78	-
Intergovernmental:				
Cities	273	-	18,093	1,286
Counties	1,668	-	17,225	20,286
School Districts	145	-	283	4,521
Special Districts	2,223	-	406	164
Federal	423	-	-	-
Other	238	-	-	10,463
Debt Service	-	-	-	-
TOTAL EXPENDITURES	16,896	19,347	69,833	108,641
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44	75,555	47,142	180,949
OTHER FINANCING SOURCES (USES):				
Transfers-In	25,380	-	5,500	880
Transfers-Out	(1,586)	(28,260)	(40,722)	(135,404)
Sale of Capital Assets	-	-	-	-
Insurance Recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	23,794	(28,260)	(35,222)	(134,524)
NET CHANGE IN FUND BALANCES	23,838	47,295	11,920	46,425
FUND BALANCE, FISCAL YEAR BEGINNING	302,372	251,156	81,317	323,226
Prior Period Adjustment (See Note 27)	-	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 326,210	$ 298,451	$ 93,237	$ 369,651

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ -	$ 272,706	$ 272,706
-	-	-	-	2,339	164,567
151,751	-	-	-	3,521	340,572
1,429	17,558	26,959	-	166,716	323,288
11	9,902	12,669	-	16,223	39,855
-	5,240	-	-	39	5,761
27,510	1,284	7,491	1,164	18,261	103,820
156,768	2,267	81,102	-	62,240	306,451
159	11,980	771	-	12,898	32,345
337,628	48,231	128,992	1,164	554,943	1,589,365
-	-	148	-	15,601	15,981
486	106	10	-	127,345	160,417
-	-	-	229	5,059	25,938
-	-	28,767	-	19,682	82,946
-	-	-	-	20,866	20,866
11,703	26,355	-	-	2,162	51,998
-	-	125,872	-	3,655	166,694
-	-	-	-	3,040	3,040
124	10,276	190	-	2,822	13,638
59,267	265	268	-	71,353	150,805
68,950	400	1,274	-	34,601	144,404
8,942	-	22	33,137	29,431	76,481
13,119	4	6	-	13,019	28,941
-	51	235	-	1,157	1,866
717	1,019	61	-	23,194	35,692
-	-	-	-	34	34
163,308	38,476	156,853	33,366	373,021	979,741
174,320	9,755	(27,861)	(32,202)	181,922	609,624
4,760	17,230	62,874	55,764	120,257	292,645
(127,307)	(23,944)	(24,519)	(8)	(312,023)	(693,773)
-	10	-	-	-	10
-	182	-	-	1	183
(122,547)	(6,522)	38,355	55,756	(191,765)	(400,935)
51,773	3,233	10,494	23,554	(9,843)	208,689
519,904	30,821	87,674	-	303,426	1,899,896
-	-	-	20,526	(20,526)	-
$ 571,677	$ 34,054	$ 98,168	$ 44,080	$ 273,057	$ 2,108,585

PERMANENT FUNDS

STATE LANDS	This fund consists of the assets, liabilities, and operations related to lands granted to the state by the federal government for educational purposes.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including the Land and Water Management Fund, the Hall Historical Marker Fund, the Wildlife for Future Generations Fund, and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,831	$ -	$ 7,831
Restricted Cash and Pooled Cash	24,643	7,981	32,624
Restricted Investments	547,845	-	547,845
Other Long-Term Assets	11,203	-	11,203
Capital Assets Held as Investments	10,492	-	10,492
TOTAL ASSETS	$ 602,014	$ 7,981	$ 609,995
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 3	$ 9	$ 12
Due To Other Governments	4	-	4
Due To Other Funds	4,054	-	4,054
Deferred Revenue	5,363	4	5,367
TOTAL LIABILITIES	9,424	13	9,437
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	21,695	-	21,695
Funds Reported as Restricted	568,144	6,822	574,966
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Nonmajor Permanent Funds	1,534	37	1,571
Undesignated	1,217	1,109	2,326
TOTAL FUND BALANCES	592,590	7,968	600,558
TOTAL LIABILITIES AND FUND BALANCES	$ 602,014	$ 7,981	$ 609,995

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 69	$ -	$ 69
Rents	71,364	-	71,364
Investment Income (Loss)	40,669	410	41,079
Other	17	32	49
TOTAL REVENUES	112,119	442	112,561
EXPENDITURES:			
Current:			
Natural Resources	29	9	38
Intergovernmental:			
Counties	14	-	14
TOTAL EXPENDITURES	43	9	52
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,076	433	112,509
OTHER FINANCING SOURCES (USES):			
Transfers-In	1,085	-	1,085
Transfers-Out	(38,662)	(42)	(38,704)
Sale of Capital Assets	38	-	38
TOTAL OTHER FINANCING SOURCES (USES)	(37,539)	(42)	(37,581)
NET CHANGE IN FUND BALANCES	74,537	391	74,928
FUND BALANCE, FISCAL YEAR BEGINNING	518,053	7,577	525,630
FUND BALANCE, FISCAL YEAR END	$ 592,590	$ 7,968	$ 600,558

OTHER ENTERPRISE FUNDS

These funds account for operations of state agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the state prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the state facilities at Aurora, Homelake, Walsenburg, Florence, Rifle, and Trinidad.
PRISON CANTEENS	This activity accounts for the various canteen operations in the state's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the state include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in state buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at state museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 8,993	$ 49,204	$ 1,585
Student and Other Receivables, net	1,965	187	22
Due From Other Governments	-	2,177	-
Due From Other Funds	11	-	-
Inventories	969	-	41
Prepaids, Advances, and Deferred Charges	412	213	170
Total Current Assets	12,350	51,781	1,818
Noncurrent Assets:			
Restricted Cash and Pooled Cash	72,813	30,640	-
Restricted Receivables	3,655	6,911	-
Other Long-Term Assets	-	-	21
Depreciable Capital Assets and Infrastructure, net	53,952	375	10,260
Land and Nondepreciable Infrastructure	129,240	-	793
Total Noncurrent Assets	259,660	37,926	11,074
TOTAL ASSETS	272,010	89,707	12,892
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	9,876	746	336
Due To Other Governments	-	203	-
Due To Other Funds	301	-	-
Deferred Revenue	30,254	-	657
Compensated Absences Payable	316	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	6
Notes, Bonds, and COP's Payable	-	-	971
Other Current Liabilities	39	3,171	9
Total Current Liabilities	40,786	4,120	1,979
Noncurrent Liabilities:			
Accrued Compensated Absences	5,027	134	132
Capital Lease Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Other Long-Term Liabilities	-	118	-
Total Noncurrent Liabilities	5,027	252	132
TOTAL LIABILITIES	45,813	4,372	2,111
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	183,192	375	10,076
Restricted for:			
Emergencies	33,716	-	-
Court Awards and Other Purposes	-	37,324	-
Unrestricted	9,289	47,636	705
TOTAL NET ASSETS	$ 226,197	$ 85,335	$ 10,781

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 3,474	$ 5,843	$ 6,672	$ 10,039	$ 14,683	$ 100,493
2,071	763	536	3,997	743	10,284
161	986	-	913	54	4,291
2,263	1,902	-	-	-	4,176
11,481	124	441	-	114	13,170
263	123	-	-	239	1,420
19,713	9,741	7,649	14,949	15,833	133,834
-	-	-	-	-	103,453
-	-	-	-	-	10,566
1,637	402	-	-	183	2,243
3,913	30,731	2,217	83	11,001	112,532
1,055	4,103	-	-	3,948	139,139
6,605	35,236	2,217	83	15,132	367,933
26,318	44,977	9,866	15,032	30,965	501,767
3,856	4,543	848	5,807	1,621	27,633
-	175	-	-	-	378
124	4	1	-	-	430
258	2	-	-	5,035	36,206
46	192	-	-	215	769
-	-	-	-	-	-
-	214	-	-	-	220
-	365	-	-	325	1,661
6	-	-	-	3	3,228
4,290	5,495	849	5,807	7,199	70,525
968	1,669	167	318	349	8,764
-	3,139	-	-	-	3,139
-	4,015	-	-	7,471	11,486
-	-	-	-	-	118
968	8,823	167	318	7,820	23,507
5,258	14,318	1,016	6,125	15,019	94,032
4,968	27,056	2,217	83	7,153	235,120
-	-	-	-	-	33,716
-	-	-	-	-	37,324
16,092	3,603	6,633	8,824	8,793	101,575
$ 21,060	$ 30,659	$ 8,850	$ 8,907	$ 15,946	$ 407,735

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 80,150	$ -	$ -
Tuition and Fees	13	-	-
Sales of Goods and Services	2,183	-	7,216
Investment Income (Loss)	-	5,724	-
Rental Income	-	-	577
Federal Grants and Contracts	20,343	319,640	-
Intergovernmental Revenue	20,364	-	-
Other	938	174	8
TOTAL OPERATING REVENUES	123,991	325,538	7,801
OPERATING EXPENSES:			
Salaries and Fringe Benefits	57,275	36,942	4,284
Operating and Travel	45,749	250,160	4,431
Cost of Goods Sold	-	-	-
Depreciation and Amortization	4,092	253	616
Intergovernmental Distributions	2,660	-	-
Debt Service	-	38,653	-
Prizes and Awards	24	-	828
TOTAL OPERATING EXPENSES	109,800	326,008	10,159
OPERATING INCOME (LOSS)	14,191	(470)	(2,358)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Fines and Settlements	536	-	-
Investment Income (Loss)	4,001	-	11
Rental Income	524	-	-
Gifts and Donations	1,459	-	385
Gain/(Loss) on Sale or Impairment of Capital Assets	17	-	1
Insurance Recoveries from Prior Year Impairments	3	-	-
Debt Service	(2)	-	(103)
Other Expenses	(1)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,537	-	294
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	20,728	(470)	(2,064)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	33	-	704
Transfers-In	-	-	3,284
Transfers-Out	(4,945)	(127)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(4,912)	(127)	3,988
CHANGE IN NET ASSETS	15,816	(597)	1,924
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	210,381	85,932	8,857
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 226,197	$ 85,335	$ 10,781

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 562	$ 3,619	$ 84,331
-	-	-	-	383	396
49,430	37,395	16,156	7	8,447	120,834
-	-	-	-	-	5,724
-	-	-	-	1,507	2,084
-	10,656	-	1,889	1,045	353,573
-	197	-	-	-	20,561
202	96	37	20	109	1,584
49,632	48,344	16,193	2,478	15,110	589,087
9,790	36,227	3,226	8,362	6,005	162,111
8,042	8,978	2,060	28,748	6,348	354,516
30,048	-	9,805	-	117	39,970
1,392	1,725	64	24	617	8,783
-	1,878	-	-	-	4,538
-	-	-	-	-	38,653
1	-	-	-	-	853
49,273	48,808	15,155	37,134	13,087	609,424
359	(464)	1,038	(34,656)	2,023	(20,337)
-	-	-	36,963	-	36,963
-	-	-	-	440	976
128	145	415	475	703	5,878
170	8	-	-	-	702
-	35	-	-	296	2,175
45	(11)	-	-	(89)	(37)
-	-	-	-	-	3
-	(350)	-	-	(250)	(705)
-	(39)	-	-	(11)	(51)
343	(212)	415	37,438	1,089	45,904
702	(676)	1,453	2,782	3,112	25,567
-	196	-	-	-	933
-	916	-	-	-	4,200
(366)	(638)	(67)	(880)	(3,749)	(10,772)
(366)	474	(67)	(880)	(3,749)	(5,639)
336	(202)	1,386	1,902	(637)	19,928
20,724	30,861	7,464	7,005	16,583	387,807
$ 21,060	$ 30,659	$ 8,850	$ 8,907	$ 15,946	$ 407,735

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 13	$ -	$ -
Fees for Service	80,382	234	5,051
Sales of Products	743	-	127
Gifts, Grants, and Contracts	21,187	314,132	1
Income from Property	524	-	577
Other Sources	19,582	174	2,326
Cash Payments to or for:			
Employees	(51,613)	(2,269)	(2,043)
Suppliers	(36,182)	(44,499)	(6,502)
Sales Commissions and Lottery Prizes	(5,327)	-	-
Others for Student Loans and Loan Losses	-	(284,836)	-
Other Governments	(2,658)	-	-
Other	(9,578)	-	(952)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,073	(17,064)	(1,415)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	-	-	3,284
Transfers-Out	(4,945)	(127)	-
Receipt of Deposits Held in Custody	33	856	2
Release of Deposits Held in Custody	-	(856)	(2)
Gifts for Other Than Capital Purposes	1,459	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(3,453)	(127)	3,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(25,162)	(54)	(341)
Proceeds from Sale of Capital Assets	-	-	-
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(3)	-	(92)
Capital Lease Payments	-	-	(15)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(25,165)	(54)	(448)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 12	$ -	$ -	$ 383	$ 408
6,107	36,933	-	37,775	7,571	174,053
40,451	33	16,802	-	770	58,926
-	10,932	-	1,841	1,467	349,560
170	8	-	-	1,316	2,595
247	41	37	-	3,774	26,181
(8,497)	(33,901)	(2,061)	(3,199)	(4,750)	(108,333)
(38,988)	(10,676)	(12,908)	(34,869)	(7,306)	(191,930)
-	-	-	-	-	(5,327)
-	-	-	-	-	(284,836)
-	(1,874)	-	-	-	(4,532)
(92)	(161)	(2)	(62)	(168)	(11,015)
(602)	1,347	1,868	1,486	3,057	5,750
-	916	-	-	-	4,200
(366)	(638)	(67)	(880)	(3,749)	(10,772)
-	-	-	-	-	891
-		-	-	-	(858)
-	-	-	-	296	1,755
-	714	-	-	-	714
-	(1,065)	-	-	-	(1,065)
(366)	(73)	(67)	(880)	(3,453)	(5,135)
(282)	(398)	(899)	(18)	(1,459)	(28,613)
-	-	-	-	767	767
-	32	-	-	5	37
-	(210)	-	-	(620)	(925)
-	(385)	-	-	-	(400)
(282)	(961)	(899)	(18)	(1,307)	(29,134)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	2,979	4,743	6
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	1,022	981	5
NET CASH FROM INVESTING ACTIVITIES	4,001	5,724	11
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(7,544)	(11,521)	1,432
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	89,350	91,365	153
CASH AND POOLED CASH, FISCAL YEAR END	$ 81,806	$ 79,844	$ 1,585
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 14,191	$ (470)	$ (2,358)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	4,091	253	616
Investment/Rental Income and Other Revenue in Operating Income	-	(5,724)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	1,065	-	385
Loss on Disposal of Capital Assets	573	-	-
Compensated Absences	382	(5)	25
Interest and Other Expense in Operating Income	(238)	54	81
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(1,204)	1,363	78
(Increase) Decrease in Inventories	(38)	5	11
(Increase) Decrease in Other Operating Assets	(28)	(22)	(30)
Increase (Decrease) in Accounts Payable	(301)	(9,995)	(50)
Increase (Decrease) in Other Operating Liabilities	(1,420)	(2,523)	(173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 17,073	$ (17,064)	$ (1,415)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	704
Capital Assets Acquired by Grants or Donations and Payable Increases	33	-	-
Gain/(Loss) on Disposal of Capital Assets	(558)	-	1
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	4

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
87	82	355	361	578	9,191
41	63	60	114	126	2,412
128	145	415	475	704	11,603
(1,122)	458	1,317	1,063	(999)	(16,916)
4,596	5,385	5,355	8,976	15,682	220,862
$ 3,474	$ 5,843	$ 6,672	$ 10,039	$ 14,683	$ 203,946
$ 359	$ (464)	$ 1,038	$ (34,656)	$ 2,023	$ (20,337)
1,391	1,724	64	24	617	8,780
-	-	-	-	-	(5,724)
215	41	-	36,963	440	39,109
-	-	-	-	196	769
81	296	24	147	26	976
-	35	-	-	334	266
(2,405)	(28)	646	174	194	(1,182)
(752)	-	43	-	(7)	(738)
236	(75)	-	-	(3)	78
739	(49)	53	(1,166)	(359)	(11,128)
(466)	(133)	-	-	(404)	(5,119)
$ (602)	$ 1,347	$ 1,868	$ 1,486	$ 3,057	$ 5,750
-	196	-	-	-	900
-	-	-	-	-	33
-	(11)	-	-	(285)	(853)
-	-	-	-	11	15

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.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily 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.
DEBT COLLECTION	This fund accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to state agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 10,153	$ 2,633	$ 3,380
Other Receivables, net	396	2	28
Due From Other Governments	-	-	228
Due From Other Funds	28	-	7
Inventories	800	-	-
Prepaids, Advances, and Deferred Charges	3	337	36
Total Current Assets	11,380	2,972	3,679
Noncurrent Assets:			
Other Long-Term Assets	266	-	-
Depreciable Capital Assets and Infrastructure, net	50,087	530	1,821
Total Noncurrent Assets	50,353	530	1,821
TOTAL ASSETS	61,733	3,502	5,500
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,903	803	2,199
Due To Other Funds	49	-	-
Deferred Revenue	589	-	-
Compensated Absences Payable	16	22	20
Leases Payable	3,589	-	-
Notes, Bonds, and COP's Payable	6,215	-	-
Total Current Liabilities	14,361	825	2,219
Noncurrent Liabilities:			
Accrued Compensated Absences	458	355	436
Capital Lease Payable	20,417	-	-
Notes, Bonds, and COP's Payable	17,234	-	-
Total Noncurrent Liabilities	38,109	355	436
TOTAL LIABILITIES	52,470	1,180	2,655
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,632	530	1,821
Unrestricted	6,631	1,792	1,024
TOTAL NET ASSETS	$ 9,263	$ 2,322	$ 2,845

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 2,535	$ 2,029	$ 399	$ 1,204	$ 443	$ 22,776
23	-	13	6	2	470
-	-	-	-	-	228
69	-	-	-	-	104
228	525	-	-	-	1,553
-	-	-	-	-	376
2,855	2,554	412	1,210	445	25,507
-	-	-	-	-	266
14,014	73	2,288	37	33	68,883
14,014	73	2,288	37	33	69,149
16,869	2,627	2,700	1,247	478	94,656
1,368	203	44	306	146	8,972
-	-	-	-	-	49
-	-	-	-	-	589
14	-	-	-	-	72
383	-	-	-	-	3,972
-	-	-	-	-	6,215
1,765	203	44	306	146	19,869
234	-	-	229	27	1,739
12,447	-	-	-	-	32,864
-	-	-	-	-	17,234
12,681	-	-	229	27	51,837
14,446	203	44	535	173	71,706
1,184	73	2,288	37	33	8,598
1,239	2,351	368	675	272	14,352
$ 2,423	$ 2,424	$ 2,656	$ 712	$ 305	$ 22,950

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 52,109	$ 12,700	$ 23,214
Rental Income	-	-	-
Other	362	2	4
TOTAL OPERATING REVENUES	52,471	12,702	23,218
OPERATING EXPENSES:			
Salaries and Fringe Benefits	7,999	4,680	5,897
Operating and Travel	27,379	6,426	16,422
Cost of Goods Sold	7,494	-	-
Depreciation and Amortization	10,689	304	930
Intergovernmental Distributions	-	-	-
Prizes and Awards	3	1	2
TOTAL OPERATING EXPENSES	53,564	11,411	23,251
OPERATING INCOME (LOSS)	(1,093)	1,291	(33)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	267	-	-
Federal Grants and Contracts	-	-	184
Gain/(Loss) on Sale or Impairment of Capital Assets	970	-	10
Debt Service	(1,366)	-	-
Other Expenses	(120)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(249)	-	194
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,342)	1,291	161
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	1,275	-	-
Transfers-In	323	-	736
Transfers-Out	(1,194)	(685)	(518)
TOTAL CONTRIBUTIONS AND TRANSFERS	404	(685)	218
CHANGE IN NET ASSETS	(938)	606	379
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	10,201	1,716	2,466
Prior Period/Other Adjustments (See Note 27)	-	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 9,263	$ 2,322	$ 2,845

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 3	$ 2,409	$ 179	$ 4,145	$ 2,444	$ 97,203
11,218	-	-	-	-	11,218
8	-	2	-	11	389
11,229	2,409	181	4,145	2,455	108,810
3,098	1,186	242	3,218	900	27,220
5,037	1,517	338	582	1,219	58,920
-	-	-	-	-	7,494
857	22	462	23	8	13,295
3	-	-	-	-	3
1	-	-	1	-	8
8,996	2,725	1,042	3,824	2,127	106,940
2,233	(316)	(861)	321	328	1,870
-	28	-	-	-	295
223	-	-	-	-	407
65	-	-	-	-	1,045
(591)	-	-	-	(7)	(1,964)
-	-	-	-	-	(120)
(303)	28	-	-	(7)	(337)
1,930	(288)	(861)	321	321	1,533
-	-	-	-	-	1,275
-	-	401	-	-	1,460
(990)	-	-	(215)	(209)	(3,811)
(990)	-	401	(215)	(209)	(1,076)
940	(288)	(460)	106	112	457
731	2,712	3,116	606	193	21,741
752	-	-	-	-	752
$ 2,423	$ 2,424	$ 2,656	$ 712	$ 305	$ 22,950

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 50	$ -	$ -
Fees for Service	51,512	12,697	23,178
Sales of Products	225	-	-
Gifts, Grants, and Contracts	-	-	197
Income from Property	-	-	-
Other Sources	499	2	8
Cash Payments to or for:			
Employees	(6,980)	(4,503)	(5,816)
Suppliers	(34,600)	(6,538)	(15,697)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(10)	(3)	(4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,696	1,655	1,866
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	323	-	736
Transfers-Out	(1,194)	(685)	(518)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(871)	(685)	218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(33,110)	(352)	(564)
Proceeds from Sale of Capital Assets	36,147	-	-
Capital Debt Proceeds	19,400	-	-
Capital Debt Service Payments	(30,135)	-	-
Capital Lease Payments	(4,829)	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(12,527)	(352)	(564)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 50
3	985	177	4,210	2,448	95,210
-	1,424	-	-	-	1,649
223	-	-	-	-	420
11,152	-	-	-	-	11,152
47	-	2	-	11	569
(2,986)	(1,251)	(238)	(3,121)	(882)	(25,777)
(5,100)	(1,757)	(346)	(644)	(540)	(65,222)
-	-	-	-	(706)	(706)
(3)	-	-	-	-	(3)
(1)	(9)	-	(2)	(84)	(113)
3,335	(608)	(405)	443	247	17,229
-	-	401	-	-	1,460
(990)	-	-	(215)	(209)	(3,811)
(990)	-	401	(215)	(209)	(2,351)
(817)	(51)	-	-	-	(34,894)
20	-	-	-	-	36,167
-	-	-	-	-	19,400
(591)	-	-	-	(7)	(30,733)
(383)	-	-	-	-	(5,212)
(1,771)	(51)	-	-	(7)	(15,272)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	267	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	-	-	-
NET CASH FROM INVESTING ACTIVITIES	267	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,435)	618	1,520
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	12,588	2,015	1,860
CASH AND POOLED CASH, FISCAL YEAR END	$ 10,153	$ 2,633	$ 3,380
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (1,093)	$ 1,291	$ (33)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	10,689	304	930
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	-	194
Compensated Absences	34	(9)	(45)
Interest and Other Expense in Operating Income	19	-	-
(Increase) Decrease in Operating Receivables	(131)	(1)	(25)
(Increase) Decrease in Inventories	(52)	-	-
(Increase) Decrease in Other Operating Assets	11	(129)	(21)
Increase (Decrease) in Accounts Payable	1,273	199	872
Increase (Decrease) in Other Operating Liabilities	(54)	-	(6)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,696	$ 1,655	$ 1,866
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Acquired by Grants or Donations and Payable Increases	1,275	-	-
Gain/(Loss) on Disposal of Capital Assets	(970)	-	-

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
-	-	-	-	-	267
-	28	-	-	-	28
-	28	-	-	-	295
574	(631)	(4)	228	31	(99)
1,961	2,660	403	976	412	22,875
$ 2,535	$ 2,029	$ 399	$ 1,204	$ 443	$ 22,776
$ 2,233	$ (316)	$ (861)	$ 321	$ 328	$ 1,870
857	22	462	23	8	13,295
288	-	-	-	-	482
32	-	-	(12)	(5)	(5)
33	50	-	-	-	102
(65)	-	(2)	66	4	(154)
(8)	(281)	-	-	-	(341)
78	-	-	1	-	(60)
(87)	(83)	(4)	44	(88)	2,126
(26)	-	-	-	-	(86)
$ 3,335	$ (608)	$ (405)	$ 443	$ 247	$ 17,229
-	-	-	-	-	1,275
-	-	-	-	-	(970)

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are included in this category. However, financial statements for the state's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated in this supplementary information. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily comprises the escheats fund managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the state when the owners of the assets cannot be located. The owner's rights to the asset are protected in perpetuity, and there is no provision for the state's governmental or proprietary funds to expend the escheated balances not expected to be distributed to the rightful owners. The fund records a liability for the expected payout based on historical percentages of payouts in relation to total receipts. Transfers out from the fund are for the annual audit and for promotional costs to locate the rightful owners, and are budgeted and expended from the General 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 students apply for the stipend. The COF administrator only distributes the stipend to the higher education institution as directed by the student. 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, and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 184,372	$ 1,141	$ -	$ -	$ 1,199	$ 186,712
Other Receivables, net	416	8,035	-	-	1,019	9,470
Due From Other Funds	-	2,782	-	-	-	2,782
Noncurrent Assets:						
Investments:						
Government Securities	12,276	-		9,750	684	22,710
Corporate Bonds	10,750	-	-	-	-	10,750
Asset Backed Securities	13,587	-	-	-	-	13,587
Mortgages	22,843	-	-	-	-	22,843
Mutual Funds	-	3,170,608	-	-	-	3,170,608
Other Investments	-	25,636	-	-	-	25,636
TOTAL ASSETS	244,244	3,208,202	-	9,750	2,902	3,465,098
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	55,118	4,740	-	-	194	60,052
Due To Other Funds	1	116	-	-	-	117
Deferred Revenue	-	439	-	-	1,634	2,073
Noncurrent Liabilities:						
Deposits Held In Custody For Others	-	2,557	-	-	-	2,557
Other Long-Term Liabilities	2,615	-	-	-	-	2,615
TOTAL LIABILITIES	57,734	7,852	-	-	1,828	67,414
NET ASSETS:						
Held in Trust for:						
Individuals, Organizations, and Other Entities	186,510	3,200,350	-	9,750	1,074	3,397,684
TOTAL NET ASSETS	$ 186,510	$ 3,200,350	$ -	$ 9,750	$ 1,074	$ 3,397,684

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ADDITIONS:						
Additions By Participants	$ -	$ 663,371	$ 328,170	$ 9,746	$ 119	$ 1,001,406
Investment Income/(Loss)	10,622	(389,676)	-	361	47	(378,646)
Unclaimed Property Receipts	67,482	-	-	-	-	67,482
Other Additions	551	603	-	-	1,248	2,402
TOTAL ADDITIONS	78,655	274,298	328,170	10,107	1,414	692,644
DEDUCTIONS:						
Distributions to Participants	-	-	330,004	357	-	330,361
Payments in Accordance with Trust Agreements	52,576	331,748	-	-	1,434	385,758
Transfers-Out	2,407	-	-	-	12	2,419
TOTAL DEDUCTIONS	54,983	331,748	330,004	357	1,446	718,538
CHANGE IN NET ASSETS	23,672	(57,450)	(1,834)	9,750	(32)	(25,894)
NET ASSETS AVAILABLE:						
FISCAL YEAR BEGINNING	162,838	3,257,800	1,834	-	1,106	3,423,578
FISCAL YEAR ENDING	$ 186,510	$ 3,200,350	$ -	$ 9,750	$ 1,074	$ 3,397,684

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 93,113	$ 2,230,171	$ 2,226,316	$ 96,968
Taxes Receivable, net	116,937	11,008	3,772	124,173
TOTAL ASSETS	$ 210,050	$ 2,241,179	$ 2,230,088	$ 221,141
LIABILITIES:				
Tax Refunds Payable	$ 777	$ 107	$ 72	$ 812
Due To Other Governments	209,020	3,311,456	3,300,409	220,067
Claims and Judgments Payable	164	3,967	3,900	231
Other Long-Term Liabilities	89	399	457	31
TOTAL LIABILITIES	$ 210,050	$ 3,315,929	$ 3,304,838	$ 221,141

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 114,767	$ 196,364	$ 184,652	$ 126,479
Taxes Receivable, net	4,278	1,005	314	4,969
Other Receivables, net	643	242	328	557
Due From Other Funds	216	240	216	240
Inventories	2	28	29	1
Other Long-Term Assets	15,847	7,058	847	22,058
TOTAL ASSETS	$ 135,753	$ 204,937	$ 186,386	$ 154,304
LIABILITIES:				
Tax Refunds Payable	$ 62	$ -	$ 11	$ 51
Accounts Payable and Accrued Liabilities	2,349	15,610	17,420	539
Due To Other Governments	7,712	120,591	119,760	8,543
Due To Other Funds	-	12,452	12,415	37
Deferred Revenue	-	252	252	-
Claims and Judgments Payable	482	25	171	336
Other Current Liabilities	120,960	100,615	84,722	136,853
Deposits Held In Custody For Others	4,188	4,824	1,067	7,945
TOTAL LIABILITIES	$ 135,753	$ 254,369	$ 235,818	$ 154,304

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 116,392	$ 96,790	$ 86,306	$ 126,876
Due From Other Funds	6,133	5,532	6,133	5,532
TOTAL ASSETS	$ 122,525	$ 102,322	$ 92,439	$ 132,408
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 191	$ 191	$ -
Other Current Liabilities	75,582	103,726	111,706	67,602
Deposits Held In Custody For Others	46,943	20,696	2,833	64,806
TOTAL LIABILITIES	$ 122,525	$ 124,613	$ 114,730	$ 132,408

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 324,272	$ 2,523,325	$ 2,497,274	$ 350,323
Taxes Receivable, net	121,215	12,013	4,086	129,142
Other Receivables, net	643	242	328	557
Due From Other Funds	6,349	5,772	6,349	5,772
Inventories	2	28	29	1
Other Long-Term Assets	15,847	7,058	847	22,058
TOTAL ASSETS	$ 468,328	$ 2,548,438	$ 2,508,913	$ 507,853
LIABILITIES:				
Tax Refunds Payable	$ 839	$ 107	$ 83	$ 863
Accounts Payable and Accrued Liabilities	2,349	15,801	17,611	539
Due To Other Governments	216,732	3,432,047	3,420,169	228,610
Due To Other Funds	-	12,452	12,415	37
Deferred Revenue	-	252	252	-
Claims and Judgments Payable	646	3,992	4,071	567
Other Current Liabilities	196,542	204,341	196,428	204,455
Deposits Held In Custody For Others	51,131	25,520	3,900	72,751
Other Long-Term Liabilities	89	399	457	31
TOTAL LIABILITIES	$ 468,328	$ 3,694,911	$ 3,655,386	$ 507,853

COMPONENT UNITS

The following statements present the nonmajor component units aggregated in the combining component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 35 on page 132.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	TOTAL
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 2,291	$ 3,204	$ 4,562	$ 6	$ 10,063
Investments	-	39,521	-	-	39,521
Taxes Receivable, net	264	-	-	-	264
Contributions Receivable, net	-	-	4,399	-	4,399
Other Receivables, net	95	573	-	-	668
Prepaids, Advances, and Deferred Charges	4	-	-	-	4
Total Current Assets	2,654	43,298	8,961	6	54,919
Noncurrent Assets:					
Investments	-	-	6,642	2,032	8,674
Other Long-Term Assets	310	-	25,181	-	25,491
Depreciable Capital Assets and Infrastructure, net	133,260	12	-	-	133,272
Land and Nondepreciable Infrastructure	18,176	-	-	-	18,176
Total Noncurrent Assets	151,746	12	31,823	2,032	185,613
TOTAL ASSETS	154,400	43,310	40,784	2,038	240,532
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	71	442	-	-	513
Deferred Revenue	-	261	4,399	-	4,660
Claims and Judgments Payable	-	12,421	-	-	12,421
Total Current Liabilities	71	13,124	4,399	-	17,594
Noncurrent Liabilities:					
Other Long-Term Liabilities	-	-	25,181	-	25,181
Total Noncurrent Liabilities	-	-	25,181	-	25,181
TOTAL LIABILITIES	71	13,124	29,580	-	42,775
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	151,438	12	-	-	151,450
Restricted for:					
Emergencies	26	-	-	-	26
Court Awards and Other Purposes	491	30,174	-	2,038	32,703
Unrestricted	2,374	-	11,204	-	13,578
TOTAL NET ASSETS	$ 154,329	$ 30,186	$ 11,204	$ 2,038	$ 197,757

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	TOTAL
OPERATING REVENUES:					
Fees	$ -	$ 23,793	$ -	$ -	$ 23,793
Investment Income (Loss)	-	-	(1,545)	38	(1,507)
Rental Income	638	-	-	-	638
Federal Grants and Contracts	-	1,528	-	-	1,528
Other	-	-	-	2,000	2,000
TOTAL OPERATING REVENUES	638	25,321	(1,545)	2,038	26,452
OPERATING EXPENSES:					
Operating and Travel	72	55,531	37	-	55,640
Depreciation and Amortization	3,945	10	-	-	3,955
TOTAL OPERATING EXPENSES	4,017	55,541	37	-	59,595
OPERATING INCOME (LOSS)	(3,379)	(30,220)	(1,582)	2,038	(33,143)
NONOPERATING REVENUES AND (EXPENSES):					
Taxes	147	-	-	-	147
Investment Income (Loss)	92	2,553	197	-	2,842
Gifts and Donations	-	4,978	4,462	-	9,440
Other Expenses	(625)	-	-	-	(625)
Other Revenues	747	11,923	-	-	12,670
TOTAL NONOPERATING REVENUES (EXPENSES)	361	19,454	4,659	-	24,474
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,018)	(10,766)	3,077	2,038	(8,669)
CHANGE IN NET ASSETS	(3,018)	(10,766)	3,077	2,038	(8,669)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	157,347	40,952	8,127	-	206,426
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 154,329	$ 30,186	$ 11,204	$ 2,038	$ 197,757

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 Assets.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	30	-	-
Military Affairs	778	150	18,953	-
Personnel & Administration	5,684	2,689	67,067	-
Revenue	-	2,235	1,303	-
Subtotal	6,462	5,104	87,323	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	104	-	1,616	-
[1]GOV, GEO, OED	-	-	-	27
Labor and Employment	543	207	7,733	-
Local Affairs	-	107	1,359	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	278	-
State	-	-	-	-
Subtotal	1,068	314	10,986	27
EDUCATION				
Education	155	89	7,717	1,255
Higher Education	1,842	1,294	7,176	8,868
Subtotal	1,997	1,383	14,893	10,123
HEALTH AND REHABILITATION				
Public Health and Environment	188	130	6,856	-
Human Services	3,068	3,731	29,141	-
Subtotal	3,256	3,861	35,997	-
JUSTICE				
Corrections	3,872	3,929	499,911	-
DHS, Division of Youth Services	75	1,492	96,059	-
Judicial	1,605	-	4,379	570
Law	-	-	-	-
Public Safety	1,394	42	20,506	-
Subtotal	6,946	5,463	620,855	570
NATURAL RESOURCES				
Natural Resources	95,766	39,789	32,815	-
SOCIAL ASSISTANCE				
Human Services	-	197	-	-
Military Affairs	36	2,231	2,331	-
Health Care Policy and Finance	-	-	-	-
Subtotal	36	2,428	2,331	-
TRANSPORTATION				
Transportation	15,087	-	80,716	-
TOTAL GENERAL FIXED ASSETS	$ 130,618	$ 58,342	$ 885,916	$ 10,720

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

VEHICLES AND EQUIPMENT	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 16	$ -	$ -	$ -	$ 16
592	-	-	-	622
128	-	14,846	-	34,855
82,199	209	7,250	-	165,098
1,499	-	15,630	-	20,667
84,434	209	37,726	-	221,258
1,352	-	310	-	3,382
107	-	-	-	134
2,327	4,186	-	-	14,996
287	-	-	-	1,753
238	-	-	-	238
100	-	59	-	858
5,495	-	-	-	5,495
9,906	4,186	369	-	26,856
2,476	-	-	-	11,692
854	-	2,041	-	22,075
3,330	-	2,041	-	33,767
3,736	344	942	-	12,196
1,920	61	5,670	-	43,591
5,656	405	6,612	-	55,787
7,256	680	53,241	-	568,889
271	-	6,410	-	104,307
4,118	854	860	-	12,386
123	-	-	-	123
11,188	182	259	-	33,571
22,956	1,716	60,770	-	719,276
5,170	4,487	8,013	27,773	213,813
84,190	-	53,847	-	138,234
11	-	-	-	4,609
28	-	-	-	28
84,229	-	53,847	-	142,871
102,312	-	203,146	10,759,006	11,160,267
$ 317,993	$ 11,003	$ 372,524	$ 10,786,779	$ 12,573,895

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provides a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	$ 6,044	$ -	$ 6,044
Wildlife for Future Generations (Expendable)	33-1-112	1,123	9	1,114
Other Permanent-Nonexpendable	Various	748	-	748
Veterans Monument Preservation	24-80-1401	57	4	53
Hall Historical Marker-Nonexpendable	24-80-209	9	-	9
Total Other Permanent Funds		$ 7,981	$ 13	$ 7,968
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	685	-	685
Brand Estray Fund	35-41-102	222	-	222
Americans with Disabilities Act Contractor Settlement	24-34-301	151	6	145
Colorado Combined Campaign Administration	Restricted	88	69	19
Early Intervention Services	27-10.5-706	1,756	1,753	3
Total Other Private Purpose Funds		$ 2,902	$ 1,828	$ 1,074
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	15,801	8,220	7,581
Statewide Tolling Special Revenue	43-4-804(1)	2,353	115	2,238
Statewide Tolling Operating	43-4-805	1,959	12	1,947
Buildings and Grounds Rentals	None	2,101	181	1,920
Brand Inspection Fund	35-41-102	7,118	5,807	1,311
Business Enterprise Program	None	901	187	714
Enterprise Services	24-80-209	251	119	132
Clean Screen Authority	42-3-304(19)	379	328	51
Work Therapy	None	72	50	22
Conference & Training	None	20	-	20
Other Enterprise Funds	Various	10	-	10
Total Other Enterprise Funds		$ 30,965	$ 15,019	$ 15,946
OTHER SPECIAL REVENUE FUNDS				
Travel and Tourism Promotion	24-49.7-106	28,373	4,378	23,995
Aviation Fund	43-10-109	24,528	7,530	16,998
Federal Tax Relief Act - 2003	Restricted	16,761	56	16,705
Clean Energy Fund	24-75-1201(1)	14,504	451	14,053
Help America Vote Fund	HAVA 2002	15,103	2,336	12,767
Gear Up Scholarship Trust Fund	Restricted	12,616	-	12,616
Victims Assistance	24-4.2-104	11,610	28	11,582
Supreme Court Committee	Court Rule 227	14,839	3,338	11,501
Offender Services	16-11-214	8,387	21	8,366
Species Conservation-Capital Account	24-33-111(2)	8,334	-	8,334
Species Conservation-Oper. & Main. Account	24-33-111(2)	7,996	-	7,996
Economic Development Fund	24-46-105	7,973	123	7,850
Victims Compensation	24-4.1-124	6,287	15	6,272
Operating Vouchers	None	5,777	232	5,545
Consumer Protection - Custodial Funds	6-1-103	5,244	-	5,244
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Secretary of State Fees	24-21-104	7,815	3,310	4,505
Cumulative Surplus-HUD Section 8 Voucher	29-4-708(K)	4,440	143	4,297
Judicial Stabilization Cash Fund	13-32-101	4,062	-	4,062
Housing Rehabilitation Revolving Loans	29-4-728	3,809	419	3,390
Other Expendable Trusts	Various	12,387	9,224	3,163
Traumatic Brain Injury Fund	26-1-210(1)	3,334	207	3,127
Collaborative Management Incentive	24-1.9-104(1)	3,084	-	3,084
Drug Offender Surcharge Fund	18-19-103(4)	3,427	562	2,865
Excess Title IV-E Reimbursemnt	26-1-111(2)D	5,031	2,499	2,532

(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Court Security Cash Fund	13-1-204(1)	2,596	222	2,374
Criminal Alien Assistance Cash Fund	17-1-107.5	2,139	-	2,139
Disaster Emergency Fund	24-32-2106	2,477	385	2,092
Patient Benefit Fund	None	2,094	32	2,062
Inspection & Consumer Service Cash Fund	35-1-106.5	2,609	739	1,870
Real Estate Proceeds	28-3-106	1,811	1	1,810
Victims Assistance Fund	24-33.5-506	1,898	116	1,782
Texaco Oil Overcharge Fund	None	1,768	49	1,719
Division of Registrations Cash Fund	24-34-105	15,416	13,718	1,698
Alternative Fuels Rebate	39-33-105	1,675	-	1,675
Advance Technology Fund	25-16.5-105	1,735	89	1,646
Transportation Renovation	43-1-210 6(B)	1,646	-	1,646
Judicial Performance Cash Fund	13-5.5-107	1,602	16	1,586
State Rail Bank Fund	43-1-1309	10,900	9,356	1,544
Ballot Information Publication & Distribution Fund	1-40-124.5	1,538	-	1,538
Law Examiner Board Fund	Court Rule 201	1,529	28	1,501
Building Regulation Fund	24-32-3309	1,562	76	1,486
Waste Tire Recycling Fund	25-17-202(3)	1,784	355	1,429
Uniform Consumer Credit Code Custodial Funds	Restricted	1,330	-	1,330
Travel and Tourism Additional Fund	24-49.7-106	1,492	263	1,229
Library Trust Fund	24-90-105	1,150	2	1,148
Mortgage Broker Registration Fund	12-61-908(2)	1,167	31	1,136
Donations	25-1-107(U)	5,486	4,378	1,108
Small Business Loan Investment and Development	36-1-153(1)	1,167	98	1,069
Stripper Well Settlement	None	1,136	73	1,063
Persistent Drunk Driver	42-3-130.5	1,215	203	1,012
Exxon Oil Overcharge Funds	None	972	-	972
Continuing Legal Education Fund	Court Rule 260	892	18	874
Colorado Comprehensive Health Education Fund	22-25-109	816	-	816
Howard Fund	26-8-104(1)C	788	-	788
Alcohol/Drug Driving Safety	42-4-1301.3	747	-	747
State Patrol Contraband	24-33.5-225	742	-	742
Public Safety Inspection	8-1-151	735	-	735
Agriculture Value-Added Fund	35-75-205	744	33	711
Fixed Utilities	40-2-114	1,347	671	676
Public School Transportation	22-51-103(1)	785	117	668
Notary Administration Cash Fund	12-55-102.5	698	69	629
Online Education Cash Fund	22-30.7-107	626	25	601
Educator Licensure Cash Fund	22-60.5-112	680	106	574
Liquor Law Enforcement	24-35-401	687	132	555
Division of Securities Cash Fund	11-51-707	1,433	887	546
Controlled Maintenance Trust (Nonexpendable)	24-75-302.5	1,278	744	534
Abandoned Mine Reclamation	34-34-102(1)	531	9	522
Historical Society Unrestricted	24-80-209	516	-	516
EPA - Settlement Projects	Restricted	498	-	498
Motor Carrier Identification Fees	40-2-110.5	596	111	485
Public Deposit Administration	11-10.5-112	738	267	471
Attorney's Fees and Costs	24-31-108(2)	430	-	430
Identity Theft Financial Fraud	24-33.5-1707	462	38	424
Colorado Dealer License Board	12-6-123	573	164	409
Colorado Family Support Loan	27-10.5-502	399	-	399
Legislative Legal Expenses Fund	2-3-1002(1)	539	160	379
Older Coloradans Cash Fund	26-11-205.5	1,282	917	365
Pesticide Registration Fund	35-9-126	995	633	362
Drug Offender Treatment Fund	18-19-103	350	-	350
Family-Friendly Court Program	13-3-113(6)	370	36	334
Organ & Tissue Donation Awareness	42-2-107(4)	332	-	332
Home Grant Revolving Loan Fund	None	328	-	328

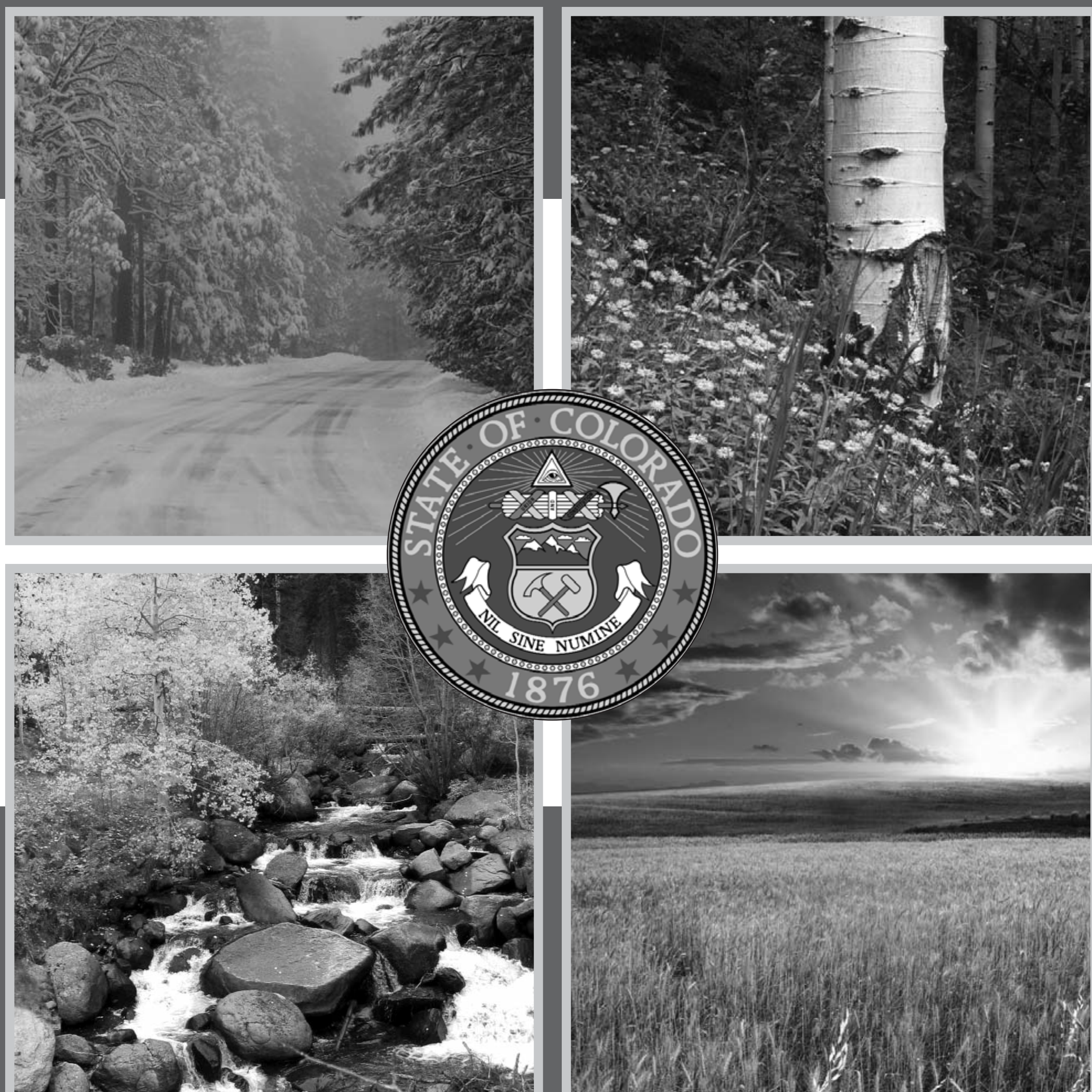
(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Heritage Communities Fund	24-32-3207	399	75	324
Sales And Use Tax Holding Fund	39-26-123(2)	58,950	58,635	315
Conservation Trust Fund	24-35-210(10)	11,250	10,937	313
Violent Offender Identification Fund	24-33.5-415.6	303	-	303
Racing Cash Fund	12-60-205	481	184	297
Mandatory Fruit & Vegetable Inspection Fund	35-23-114	576	280	296
Charter School Institute Fund	22-30.5-506	1,298	1,004	294
Western Slope Military Veterans Cemetery	28-5-708	298	9	289
Public School Energy Efficiciency	39-29-109.5	349	62	287
Colorado Bureau of Investigation Contraband	24-33.5-415	253	-	253
Ground Water Protection	25-8-205.5(8)	600	370	230
Diamond Shamrock Settlement	None	226	-	226
Diseased Livestock Fund	35-50-140.5	219	-	219
Vickers Oil Overcharge Funds	Executive Order 56	205	-	205
Child Welfare Action Committee	26-1-135(2)A	200	-	200
Cervidae Disease Fund	35-50-114.5	194	-	194
Start Smart Nutrition Program	22-82.7-105	237	59	178
Low Income Telephone Assistance	40-3.4-108(2)	170	5	165
Food Distribution Program Service	26-1-121(4B)	190	33	157
Disabled Telephone Users Fund	40-17-104	607	451	156
Property Tax Exemption Fund	39-2-117(3)	214	58	156
Domestic Abuse Program	39-22-802	209	56	153
Pet Animal Care and Facility	35-80-116	465	314	151
Highway Crossing	43-4-201	180	30	150
122 Funds with Net Assets Below $150,000		13,139	9,906	3,233
Total Other Special Revenue Funds		$ 425,764	$ 152,707	$ 273,057

Statistical Section



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,632,601	$ 2,455,425	$ 2,334,948
Investments	565	998	12,637
Taxes Receivable, net	946,077	956,149	845,241
Other Receivables, net	188,347	153,218	153,916
Due From Other Governments	355,519	280,637	264,688
Internal Balances	14,545	13,756	26,313
Due From Component Units	63	65	56
Inventories	16,703	14,053	14,906
Prepaids, Advances, and Deferred Charges	23,790	28,527	28,735
Total Current Assets	4,178,210	3,902,828	3,681,440
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	2,061,543	1,689,703	1,349,184
Restricted Investments	620,325	552,211	491,780
Restricted Receivables	187,018	279,140	335,774
Investments	96,743	80,695	48,173
Other Long-Term Assets	442,911	425,886	395,612
Depreciable Capital Assets and Infrastructure, net	2,282,645	1,288,308	1,322,945
Land and Nondepreciable Infrastructure	10,291,250	11,799,975	11,649,792
Total Noncurrent Assets	15,982,435	16,115,918	15,593,260
TOTAL ASSETS	20,160,645	20,018,746	19,274,700
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	561,117	486,576	457,124
Accounts Payable and Accrued Liabilities	837,311	694,602	633,685
TABOR Refund Liability (Note 8B)	706	727	2,917
Due To Other Governments	183,696	176,864	247,548
Due to Component Units	-	-	-
Deferred Revenue	97,174	65,389	66,290
Accrued Compensated Absences	9,776	9,533	9,437
Claims and Judgments Payable	37,775	40,948	49,415
Leases Payable	6,002	2,807	1,461
Notes, Bonds, COP's Payable	574,150	427,250	526,235
Other Current Liabilities	11,794	9,615	10,318
Total Current Liabilities	2,319,501	1,944,311	2,004,430
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	17	17
Accrued Compensated Absences	128,760	116,262	112,860
Claims and Judgments Payable	335,636	295,874	343,452
Capital Lease Obligations	54,029	27,649	16,021
Capital Lease Payable to Component Units	-	-	-
Notes, Bonds, COP's Payable	1,274,720	1,390,671	1,503,686
Due to Component Units	-	-	-
Other Postemployment Benefits	-	-	-
Other Long-Term Liabilities	217,793	206,972	210,369
Total Noncurrent Liabilities	2,010,954	2,037,445	2,186,405
TOTAL LIABILITIES	4,330,455	3,981,756	4,190,835
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,348,995	11,804,908	11,662,529
Restricted for:			
Highway Construction and Maintenance	1,350,485	1,196,903	824,698
State Education	353,149	225,818	153,043
Unemployment Insurance	-	-	-
Debt Service	558	558	580
Emergencies	93,000	85,760	79,800
Permanent Funds and Endowments:			
Expendable	2,333	1,782	1,642
Nonexpendable	587,733	515,997	460,473
Court Awards and Other Purposes	231,532	299,777	198,996
Unrestricted	1,862,405	1,905,487	1,702,104
TOTAL NET ASSETS	$15,830,190	$16,036,990	$15,083,865

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
10,440	10,209	-	-
731,647	738,769	758,887	809,839
146,906	143,717	104,475	125,181
307,704	282,252	515,860	378,906
18,122	22,070	(98,203)	20,287
110	-	-	-
18,266	16,696	17,580	16,895
23,700	29,628	27,413	99,893
3,201,646	2,630,810	2,038,268	2,022,294
1,199,258	1,360,083	1,236,865	1,306,432
465,819	408,790	571,970	-
311,462	347,245	-	-
24,162	4,055	152,495	1,142,818
356,325	325,376	332,964	244,499
1,348,957	1,208,235	1,191,785	1,138,996
11,613,109	11,583,157	11,032,850	10,827,222
15,319,092	15,236,941	14,518,929	14,659,967
18,520,738	17,867,751	16,557,197	16,682,261
476,445	425,610	431,132	384,040
679,425	687,136	684,956	569,102
41,064	-	-	48,920
192,611	172,239	151,989	172,691
-	-	-	-
73,609	84,431	114,149	84,906
7,900	7,992	7,394	6,123
38,738	12,084	14,743	35,576
3,403	2,821	3,492	1,298
628,395	419,778	21,125	19,530
25,092	37,152	33,987	37,050
2,166,682	1,849,243	1,462,967	1,359,236
16	10	8	12
111,418	112,104	113,548	112,027
430,978	29,200	29,200	-
18,905	13,219	5,054	2,175
-	-	-	-
1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-
-	-	-	-
198,520	516,756	501,390	263,034
2,227,761	2,211,342	1,958,353	1,705,320
4,394,443	4,060,585	3,421,320	3,064,556
11,771,877	11,747,276	11,444,442	10,633,044
679,440	559,450	509,354	1,376,522
123,867	147,286	218,545	303,827
-	-	-	-
3,298	7,965	5,241	6,495
71,000	172,202	150,762	81,917
1,953	1,297	986	810
433,538	392,542	378,369	356,004
141,933	134,658	95,135	16,006
899,389	644,490	333,043	843,080
$14,126,295	$13,807,166	$13,135,877	$13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	BUSINESS-TYPE		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 1,555,782	$ 1,430,836	$ 1,188,953
Investments	272,804	326,087	328,466
Taxes Receivable, net	82,431	81,745	105,973
Other Receivables, net	239,790	219,488	209,497
Due From Other Governments	125,894	126,391	99,040
Internal Balances	(14,545)	(13,756)	(26,313)
Due From Component Units	16,348	15,334	11,141
Inventories	42,271	38,000	35,747
Prepaids, Advances, and Deferred Charges	17,055	15,751	13,148
Total Current Assets	2,337,830	2,239,876	1,965,652
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	446,681	149,811	187,895
Restricted Investments	259,115	555,310	424,826
Restricted Receivables	1,716,722	1,408,588	1,173,312
Investments	1,008,382	972,922	887,302
Other Long-Term Assets	119,650	112,693	108,606
Depreciable Capital Assets and Infrastructure, net	3,464,979	2,851,692	2,718,135
Land and Nondepreciable Infrastructure	576,755	835,182	561,525
Total Noncurrent Assets	7,592,284	6,886,198	6,061,601
TOTAL ASSETS	9,930,114	9,126,074	8,027,253
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	-
Accounts Payable and Accrued Liabilities	467,741	413,788	380,194
TABOR Refund Liability (Note 8B)	-	-	-
Due To Other Governments	26,885	38,501	30,749
Due to Component Units	1,112	273	1,067
Deferred Revenue	190,528	183,805	171,411
Accrued Compensated Absences	12,745	12,578	14,284
Claims and Judgments Payable	7,398	11,717	7,430
Leases Payable	5,976	4,950	4,851
Notes, Bonds, COP's Payable	75,567	62,998	83,271
Other Current Liabilities	208,542	126,574	94,214
Total Current Liabilities	996,494	855,184	787,471
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Accrued Compensated Absences	166,402	153,320	136,837
Claims and Judgments Payable	28,482	28,220	48,396
Capital Lease Obligations	83,113	63,671	55,873
Capital Lease Payable to Component Units	4,285	-	-
Notes, Bonds, COP's Payable	3,466,484	3,100,764	2,488,738
Due to Component Units	1,233	-	-
Other Postemployment Benefits	15,775	-	-
Other Long-Term Liabilities	40,756	54,097	53,138
Total Noncurrent Liabilities	3,806,530	3,400,072	2,782,982
TOTAL LIABILITIES	4,803,024	4,255,256	3,570,453
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,411,662	2,256,929	2,256,602
Restricted for:			
Highway Construction and Maintenance	-	-	-
State Education	-	-	-
Unemployment Insurance	765,533	675,574	548,780
Debt Service	180,409	125,656	105,348
Emergencies	33,716	37,472	29,883
Permanent Funds and Endowments:			
Expendable	9,592	5,313	4,757
Nonexpendable	74,479	97,821	82,698
Court Awards and Other Purposes	491,492	411,112	364,310
Unrestricted	1,160,207	1,260,941	1,064,422
TOTAL NET ASSETS	$ 5,127,090	$ 4,870,818	$ 4,456,800

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 872,618	$ 678,233	$ 754,879	$ 1,193,338
670,346	182,572	-	-
103,598	92,485	46,597	36,237
206,946	180,707	219,048	884,919
95,170	86,355	98,017	74,061
(18,122)	(22,070)	98,203	(20,287)
9,294	5,406	-	
34,797	33,065	33,861	35,315
13,723	18,396	19,138	22,441
1,988,370	1,255,149	1,269,743	2,226,024
160,283	121,764	114,642	40,136
453,876	243,390	114,292	140,074
1,015,134	889,108	-	-
225,329	577,619	888,232	663,412
119,359	99,358	832,622	74,237
2,719,778	2,623,814	2,259,846	1,899,066
403,037	371,552	520,085	651,292
5,096,796	4,926,605	4,729,719	3,468,217
7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-
350,347	334,136	332,990	188,839
-	-	-	-
38,472	37,120	26,570	45,626
1,607	703	-	-
145,432	131,496	138,313	138,382
14,103	9,719	10,582	8,526
8,233	-	-	-
6,039	5,537	5,283	3,840
85,672	80,127	60,105	97,064
107,228	107,611	92,272	89,335
757,133	706,449	666,115	571,612
-	-	-	-
131,883	128,635	124,853	121,127
20,019	-	-	-
84,101	80,994	80,636	43,382
-	-	-	-
2,062,837	1,578,762	1,546,903	1,199,426
-	-	-	-
-	-	-	-
52,022	70,174	76,251	144,027
2,350,862	1,858,565	1,828,643	1,507,962
3,107,995	2,565,014	2,494,758	2,079,574
2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-
-	-	-	-
321,725	200,311	322,423	653,690
122,290	103,602	2,048	2,295
27,247	39,277	32,881	38,813
16,483	17,449	17,746	47,015
76,460	49,659	46,851	49,200
303,714	297,765	189,466	198,696
871,184	712,840	750,349	579,756
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE SCHEDULE OF NET ASSETS PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	TOTAL		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 4,188,383	$ 3,886,261	$ 3,523,901
Investments	273,369	327,085	341,103
Taxes Receivable, net	1,028,508	1,037,894	951,214
Other Receivables, net	428,137	372,706	363,413
Due From Other Governments	481,413	407,028	363,728
Internal Balances	-	-	-
Due From Component Units	16,411	15,399	11,197
Inventories	58,974	52,053	50,653
Prepaids, Advances, and Deferred Charges	40,845	44,278	41,883
Total Current Assets	6,516,040	6,142,704	5,647,092
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	2,508,224	1,839,514	1,537,079
Restricted Investments	879,440	1,107,521	916,606
Restricted Receivables	1,903,740	1,687,728	1,509,086
Investments	1,105,125	1,053,617	935,475
Other Long-Term Assets	562,561	538,579	504,218
Depreciable Capital Assets and Infrastructure, net	5,747,624	4,140,000	4,041,080
Land and Nondepreciable Infrastructure	10,868,005	12,635,157	12,211,317
Total Noncurrent Assets	23,574,719	23,002,116	21,654,861
TOTAL ASSETS	30,090,759	29,144,820	27,301,953
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	561,117	486,576	457,124
Accounts Payable and Accrued Liabilities	1,305,052	1,108,390	1,013,879
TABOR Refund Liability (Note 8B)	706	727	2,917
Due To Other Governments	210,581	215,365	278,297
Due to Component Units	1,112	273	1,067
Deferred Revenue	287,702	249,194	237,701
Accrued Compensated Absences	22,521	22,111	23,721
Claims and Judgments Payable	45,173	52,665	56,845
Leases Payable	11,978	7,757	6,312
Notes, Bonds, COP's Payable	649,717	520,248	609,506
Other Current Liabilities	220,336	136,189	104,532
Total Current Liabilities	3,315,995	2,799,495	2,791,901
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	17	17
Accrued Compensated Absences	295,162	269,582	249,697
Claims and Judgments Payable	364,118	324,094	391,848
Capital Lease Obligations	137,142	91,320	71,894
Capital Lease Payable to Component Units	4,285	-	-
Notes, Bonds, COP's Payable	4,741,204	4,491,435	3,992,424
Due to Component Units	1,233	-	-
Other Postemployment Benefits	15,775	-	-
Other Long-Term Liabilities	258,549	261,069	263,507
Total Noncurrent Liabilities	5,817,484	5,437,517	4,969,387
TOTAL LIABILITIES	9,133,479	8,237,012	7,761,288
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	13,760,657	14,061,837	13,919,131
Restricted for:			
Highway Construction and Maintenance	1,350,485	1,196,903	824,698
State Education	353,149	225,818	153,043
Unemployment Insurance	765,533	675,574	548,780
Debt Service	180,967	126,214	105,928
Emergencies	126,716	123,232	109,683
Permanent Funds and Endowments:			
Expendable	11,925	7,095	6,399
Nonexpendable	662,212	613,818	543,171
Court Awards and Other Purposes	723,024	710,889	563,306
Unrestricted	3,022,612	3,166,428	2,766,526
TOTAL NET ASSETS	$20,957,280	$20,907,808	$19,540,665

PRIMARY GOVERNMENT

2004-05	2003-04	2002-03	2001-02
$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
680,786	192,781	-	-
835,245	831,254	805,484	846,076
353,852	324,424	323,523	1,010,100
402,874	368,607	613,877	452,967
-	-	-	-
9,404	5,406	-	-
53,063	49,761	51,441	52,210
37,423	48,024	46,551	122,334
5,190,016	3,885,959	3,308,011	4,248,318
1,359,541	1,481,847	1,351,507	1,346,568
919,695	652,180	686,262	140,074
1,326,596	1,236,353	-	-
249,491	581,674	1,040,727	1,806,230
475,684	424,734	1,165,586	318,736
4,068,735	3,832,049	3,451,631	3,038,062
12,016,146	11,954,709	11,552,935	11,478,514
20,415,888	20,163,546	19,248,648	18,128,184
25,605,904	24,049,505	22,556,659	22,376,502
476,445	425,610	431,132	384,040
1,029,772	1,021,272	1,017,946	757,941
41,064	-	-	48,920
231,083	209,359	178,559	218,317
1,607	703	-	-
219,041	215,927	252,462	223,288
22,003	17,711	17,976	14,649
46,971	12,084	14,743	35,576
9,442	8,358	8,775	5,138
714,067	499,905	81,230	116,594
132,320	144,763	126,259	126,385
2,923,815	2,555,692	2,129,082	1,930,848
16	10	8	12
243,301	240,739	238,401	233,154
450,997	29,200	29,200	-
103,006	94,213	85,690	45,557
-	-	-	-
3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-
-	-	-	-
250,542	586,930	577,641	407,061
4,578,623	4,069,907	3,786,996	3,213,282
7,502,438	6,625,599	5,916,078	5,144,130
14,009,945	13,943,113	13,587,382	12,678,246
679,440	559,450	509,354	1,376,522
123,867	147,286	218,545	303,827
321,725	200,311	322,423	653,690
125,588	111,567	7,289	8,790
98,247	211,479	183,643	120,730
18,436	18,746	18,732	47,825
509,998	442,201	425,220	405,204
445,647	432,423	284,601	214,702
1,770,573	1,357,330	1,083,392	1,422,836
$18,103,466	$17,423,906	$16,640,581	$17,232,372

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

(DOLLARS IN THOUSANDS)

Functions/Programs	GOVERNMENTAL 2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 374,521	$ 352,819	$ 339,779
Service Fees	132,822	129,980	123,392
Education - Tuition, Fees, and Sales	-	-	-
Fines and Forfeits	155,692	126,612	121,859
Rents and Royalties	78,889	68,270	68,920
Sales of Products	4,592	3,703	3,100
Unemployment Surcharge	21,512	22,346	22,399
Other	57,622	64,964	79,810
Operating Grants and Contributions	4,222,670	4,122,360	3,909,382
Capital Grants and Contributions	439,693	414,602	447,283
TOTAL PROGRAM REVENUES	5,488,013	5,305,656	5,115,924
EXPENSES:			
General Government	55,789	163,412	164,276
Business, Community, and Consumer Affairs	667,381	565,769	449,411
Education	5,017,551	4,771,218	4,394,236
Health and Rehabilitation	603,296	560,153	524,736
Justice	1,436,009	1,313,767	1,197,334
Natural Resources	131,658	138,457	112,753
Social Assistance	4,822,437	4,496,696	4,348,466
Transportation	1,459,295	1,213,138	1,205,556
Payments to School Districts	-	-	- [1]
Payments to Other Governments	-	-	- [1]
Interest on Debt	37,567	42,269	31,969
Higher Education Institutions	-	-	-
Unemployment Insurance	-	-	-
CollegeInvest	-	-	-
Lottery	-	-	-
Wildlife	-	-	-
College Assist	-	-	-
Other Business-Type Activities	-	-	-
TOTAL EXPENSES	14,230,983	13,264,879	12,428,737
NET (EXPENSE) REVENUE	(8,742,970)	(7,959,223)	(7,312,813)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,357,807	2,244,000	2,148,981
Excise Taxes	257,908	261,711	266,747
Individual Income Tax	4,591,481	4,508,845	4,044,581
Corporate Income Tax	461,390	470,853	422,656
Other Taxes	510,442	484,408	568,184
Restricted Taxes	986,274	946,757	922,872
Unrestricted Investment Earnings	42,478	43,638	35,372
Other General Revenues	113,603	84,328	84,335
Special and/or Extraordinary Item	(6,843)	(25,915)	(13,534)
Transfers (Out) In	(77,732)	(98,926)	(80,894) [2]
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	9,236,808	8,919,699	8,399,300
TOTAL CHANGES IN NET ASSETS	493,838	960,476	1,086,487
NET ASSETS - BEGINNING	16,036,990	15,083,865	14,126,295
Prior Period Adjustment	(393,912)	(7,351)	(128,917)
Accounting Changes	(306,726)	-	-
NET ASSETS - ENDING	$15,830,190	$16,036,990	$15,083,865

[1] – In Fiscal Year 2005-06, the state began to report Payments to School Districts and Other Governments in the functional area that made the payment.

[2] – In Fiscal Year 2005-06, the state changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 357,241	$ 353,628	$ 327,134	$ 310,343
128,101	132,644	117,253	105,932
-	-	-	-
117,666	109,341	99,654	87,994
61,524	45,340	32,314	31,673
2,841	3,164	2,296	3,001
21,524	20,112	19,500	19,630
54,254	55,216	47,264	72,996
3,684,878	3,601,808	3,552,745	3,166,623
409,458	487,442	410,070	352,125
4,837,487	4,808,695	4,608,230	4,150,317
141,320	161,588	244,062	210,837
367,553	343,589	327,935	253,054
194,723	173,823	194,436	285,636
475,668	477,572	475,405	471,198
1,026,282	936,374	971,227	957,320
62,638	81,114	103,888	103,801
3,016,668	2,954,217	2,830,164	2,608,748
919,388	746,153	890,081	750,759
3,283,590	3,131,486	2,946,679	2,689,452
1,848,922	1,674,416	1,687,006	1,596,066
26,925	9,625	16,219	16,750
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,363,677	10,689,957	10,687,102	9,943,621
(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
1,980,785	1,920,934	1,829,380	1,881,162
182,726	112,741	86,048	91,761
3,450,493	3,253,027	2,996,597	3,168,499
291,583	220,236	205,569	172,257
491,214	465,826	371,089	363,190
868,251	835,680	731,138	818,234
29,736	16,534	16,577	37,236
95,912	99,200	146,516	122,527
(1,112)	-	-	(21,000)
(545,175)	(546,580)	(634,674)	(662,141)
(431)	(20)	(22,855)	25
6,843,982	6,377,578	5,725,385	5,971,750
317,792	496,316	(353,487)	178,446
13,807,166	13,135,877	13,617,705	5,457,647
1,337	174,973	(128,341)	(172,615)
-	-	-	8,154,227
$14,126,295	$13,807,166	$13,135,877	$13,617,705

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

(DOLLARS IN THOUSANDS)

	BUSINESS-TYPE		
Functions/Programs	2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 84,395	$ 84,302	$ 75,388
Service Fees	667,504	575,555	536,261 [2]
Education - Tuition, Fees, and Sales	1,867,806	1,734,996	1,622,045 [2]
Fines and Forfeits	999	1,174	729
Rents and Royalties	32,399	26,271	28,765
Sales of Products	579,935	520,838	522,715
Unemployment Surcharge	398,046	403,641	504,039
Other	165,804	140,376	162,045
Operating Grants and Contributions	1,728,669	1,685,417	1,466,045
Capital Grants and Contributions	9,426	22,263	16,856
TOTAL PROGRAM REVENUES	5,534,983	5,194,833	4,934,888
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 Institutions	3,865,244	3,661,270	3,446,716
Unemployment Insurance	354,967	316,577	305,447
CollegeInvest	116,286	96,720	73,745
Lottery	447,101	401,969	402,391
Wildlife	109,800	96,515	91,221 [3]
College Assist	326,080	199,677	115,200 [3]
Other Business-Type Activities	173,928	163,727	138,773
TOTAL EXPENSES	5,393,406	4,936,455	4,573,493
NET (EXPENSE) REVENUE	141,577	258,379	361,395
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	-	-	-
Excise Taxes	-	-	-
Individual Income Tax	-	-	-
Corporate Income Tax	-	-	-
Other Taxes	36,963	39,446	34,728
Restricted Taxes	-	-	-
Unrestricted Investment Earnings	-	-	-
Other General Revenues	-	-	-
Special and/or Extraordinary Item	-	-	(707)
Transfers (Out) In	77,732	98,926	80,894 [2]
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	114,695	138,372	114,915
TOTAL CHANGES IN NET ASSETS	256,272	396,751	476,310
NET ASSETS - BEGINNING	4,870,818	4,456,800	3,977,171
Prior Period Adjustment	-	17,267	3,319
Accounting Changes	-	-	-
NET ASSETS - ENDING	$ 5,127,090	$ 4,870,818	$ 4,456,800

[2] – In Fiscal Year 2005-06, the state changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.
[3] – In Fiscal Year 2005-06, the state segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities.

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 64,864	$ 66,196	$ 59,426	$ 57,546
273,541	242,809	188,614	153,983
1,294,488	1,227,187	1,143,890	1,062,083
596	554	1,025	1,379
21,527	44,783	16,576	21,084
467,088	449,910	440,902	459,317
462,416	338,063	190,461	153,024
120,145	117,682	130,239	255,970
1,403,928	1,344,191	1,398,401	1,176,005
16,667	73,952	28,662	47,202
4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,294,154	3,128,126	3,108,493	2,942,776
352,712	591,789	742,745	583,508
54,453	37,355	45,213	41,351
367,474	354,159	341,907	349,955
-	-	-	-
-	-	-	-
267,408	246,988	253,633	229,773
4,336,201	4,358,417	4,491,991	4,147,363
(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
545,175	546,580	634,674	662,141
10,303	15,330	76,210	151,465
555,478	561,910	710,884	813,606
344,537	108,820	(182,911)	53,836
3,616,740	3,504,704	3,614,667	4,887,925
15,894	3,216	72,948	95,811
-	-	-	(1,422,905)
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

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

(DOLLARS IN THOUSANDS)

	TOTAL		
Functions/Programs	2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 458,916	$ 437,121	$ 415,167
Service Fees	800,326	705,535	659,653
Education - Tuition, Fees, and Sales	1,867,806	1,734,997	1,622,045
Fines and Forfeits	156,691	127,786	122,588
Rents and Royalties	111,288	94,541	97,685
Sales of Products	584,527	524,541	525,815
Unemployment Surcharge	419,558	425,987	526,438
Other	223,426	205,340	241,855
Operating Grants and Contributions	5,951,339	5,807,777	5,375,427
Capital Grants and Contributions	449,119	436,865	464,139
TOTAL PROGRAM REVENUES	11,022,996	10,500,490	10,050,812
EXPENSES:			
General Government	55,789	163,412	164,276
Business, Community, and Consumer Affairs	667,381	565,769	449,411
Education	5,017,551	4,771,218	4,394,236
Health and Rehabilitation	603,296	560,153	524,736
Justice	1,436,009	1,313,767	1,197,334
Natural Resources	131,658	138,457	112,753
Social Assistance	4,822,437	4,496,696	4,348,466
Transportation	1,459,295	1,213,138	1,205,556
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	37,567	42,269	31,969
Higher Education Institutions	3,865,244	3,661,270	3,446,716
Unemployment Insurance	354,967	316,577	305,447
CollegeInvest	116,286	96,720	73,745
Lottery	447,101	401,969	402,391
Wildlife	109,800	96,515	91,221
College Assist	326,080	199,677	115,200
Other Business-Type Activities	173,928	163,727	138,773
TOTAL EXPENSES	19,624,389	18,201,334	17,002,230
NET (EXPENSE) REVENUE	(8,601,393)	(7,700,844)	(6,951,418)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,357,807	2,244,000	2,148,981
Excise Taxes	257,908	261,711	266,747
Individual Income Tax	4,591,481	4,508,845	4,044,581
Corporate Income Tax	461,390	470,853	422,656
Other Taxes	547,405	523,854	602,912
Restricted Taxes	986,274	946,757	922,872
Unrestricted Investment Earnings	42,478	43,638	35,372
Other General Revenues	113,603	84,328	84,335
Special and/or Extraordinary Item	(6,843)	(25,915)	(14,241)
Transfers (Out) In	-	-	-
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	9,351,503	9,058,071	8,514,215
TOTAL CHANGES IN NET ASSETS	750,110	1,357,227	1,562,797
NET ASSETS - BEGINNING	20,907,808	19,540,665	18,103,466
Prior Period Adjustment	(393,912)	9,916	(125,598)
Accounting Changes	(306,726)	-	-
NET ASSETS - ENDING	$20,957,280	$20,907,808	$19,540,665

PRIMARY GOVERNMENT

2004-05	2003-04	2002-03	2001-02
$ 422,105	$ 419,824	$ 386,560	$ 367,889
401,642	375,453	305,867	259,915
1,294,488	1,227,187	1,143,890	1,062,083
118,262	109,895	100,679	89,373
83,051	90,123	48,890	52,757
469,929	453,074	443,198	462,318
483,940	358,175	209,961	172,654
174,399	172,898	177,503	328,966
5,088,806	4,945,999	4,951,146	4,342,628
426,125	561,394	438,732	399,327
8,962,747	8,714,022	8,206,426	7,537,910
141,320	161,588	244,062	210,837
367,553	343,589	327,935	253,054
194,723	173,823	194,436	285,636
475,668	477,572	475,405	471,198
1,026,282	936,374	971,227	957,320
62,638	81,114	103,888	103,801
3,016,668	2,954,217	2,830,164	2,608,748
919,388	746,153	890,081	750,759
3,283,590	3,131,486	2,946,679	2,689,452
1,848,922	1,674,416	1,687,006	1,596,066
26,925	9,625	16,219	16,750
3,294,154	3,128,126	3,108,493	2,942,776
352,712	591,789	742,745	583,508
54,453	37,355	45,213	41,351
367,474	354,159	341,907	349,955
-	-	-	-
-	-	-	-
267,408	246,988	253,633	229,773
15,699,878	15,048,374	15,179,093	14,090,984
(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
1,980,785	1,920,934	1,829,380	1,881,162
182,726	112,741	86,048	91,761
3,450,493	3,253,027	2,996,597	3,168,499
291,583	220,236	205,569	172,257
491,214	465,826	371,089	363,190
868,251	835,680	731,138	818,234
29,736	16,534	16,577	37,236
95,912	99,200	146,516	122,527
(1,112)	-	-	(21,000)
-	-	-	-
9,872	15,310	53,355	151,490
7,399,460	6,939,488	6,436,269	6,785,356
662,329	605,136	(536,398)	232,282
17,423,906	16,640,581	17,232,372	10,345,572
17,231	178,189	(55,393)	(76,804)
-	-	-	6,731,322
$18,103,466	$17,423,906	$16,640,581	$17,232,372

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

(DOLLARS IN MILLIONS)

	2007-08	2006-07	2005-06	2004-05
REVENUES:				
Taxes	$ 9,203	$ 8,936	$ 8,396	$ 7,323
Less: Excess TABOR Revenues	-	-	-	(41)
Licenses, Permits, and Fines	643	575	541	565
Charges for Goods and Services	104	99	99	99
Rents (reported in 'Other' prior to FY05)	79	68	69	62
Investment Income	316	272	117	126
Federal Grants and Contracts	4,308	4,073	4,054	3,831
Other	179	320	341	321
TOTAL REVENUES	14,832	14,343	13,617	12,286
EXPENDITURES:				
Current:				
General Government	123	251	256	278
Business, Community and Consumer Affairs	311	303	274	277
Education	802	713	673	129
Health and Rehabilitation	561	530	486	443
Justice	1,195	1,088	998	978
Natural Resources	112	107	97	90
Social Assistance	3,669	3,400	3,263	3,026
Transportation	1,055	950	962	983
Capital Outlay	243	124	82	92
Intergovernmental:				
Cities	289	239	251	218
Counties	1,799	1,721	1,616	1,474
School Districts	3,814	3,719	3,455	3,284
Other	258	242	197	157
Deferred Compensation Distributions	-	-	-	-
Debt Service	208	213	204	114
TOTAL EXPENDITURES	14,439	13,600	12,814	11,543
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	393	743	803	743
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,298	4,202	3,645	3,198
Transfers-Out:				
Higher Education	(131)	(120)	(128)	(597)
Other	(4,237)	(4,137)	(3,580)	(3,136)
Face Amount of Debt Issued	-	-	-	-
Bond Premium/Discount	-	-	-	-
Capital Lease Debt Issuance	18	4	132	27
Sale of Capital Assets	1	-	4	10
Insurance Recoveries	2	1	1	-
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(49)	(50)	74	(498)
NET CHANGE IN FUND BALANCE	344	693	877	245
FUND BALANCE - BEGINNING	5,012	4,319	3,441	3,196
Prior Period Adjustments	(44)	-	1	-
FUND BALANCE - ENDING	$ 5,312	$ 5,012	$ 4,319	$ 3,441

[1] – Significant changes in the content of this schedule occurred between Fiscal Year 2000-01 and 2001-02. The changes occurred because of the revised fund classifications prescribed by Governmental Accounting Standards Board Statement No. 34 and related statements. The primary changes were the exclusion of the Unemployment Insurance Fund and the Deferred Compensation Plan (Expendable Trust Funds that converted to Enterprise and Private Purpose Trust Funds respectively) and the inclusion of the State Lands Fund (a Nonexpendable

2003-04	2002-03	2001-02 [1]	2000-01	1999-00	1998-99
$ 6,794	$ 6,261	$ 6,499	$ 7,501	$ 7,058	$ 6,443
-	-	-	(927)	(941)	(680)
551	517	504	534	505	422
108	108	99	109	117	181
-	-	-	-	-	-
54	259	240	314	244	233
3,880	3,471	3,104	2,809	2,673	2,473
358	351	299	308	220	179
11,745	10,967	10,745	10,648	9,876	9,251
267	229	238	224	216	208
296	317	277	426	391	368
119	116	122	112	74	71
450	450	453	467	434	413
897	933	924	851	776	694
85	82	82	137	130	123
2,969	2,851	2,619	2,367	2,152	1,992
1,098	1,105	1,127	1,069	958	877
74	136	276	185	223	253
211	198	209	196	192	191
1,319	1,328	1,229	1,162	1,074	1,011
3,131	2,947	2,689	2,389	2,257	2,158
144	160	158	146	141	138
-	-	-	18	17	15
92	99	85	54	5	23
11,152	10,951	10,488	9,803	9,040	8,535
593	16	257	845	836	716
2,819	3,507	3,987	676	469	772
(605)	(695)	(742)	(907)	(898)	(778)
(2,750)	(3,406)	(3,880)	(655)	(391)	(712)
235	-	208	539	536	-
53	-	12	-	-	-
2	12	5	1	4	3
12	3	3	-	-	-
-	-	-	-	-	-
280	443	10	-	-	-
(311)	(436)	(10)	-	-	-
(265)	(572)	(407)	(346)	(280)	(715)
328	(556)	(150)	499	556	1
2,827	3,383	4,043	3,523	2,959	2,673
41	-	(510)	21	8	285
$ 3,196	$ 2,827	$ 3,383	$ 4,043	$ 3,523	$ 2,959

Trust Fund that converted to a Permanent Fund). As a result of these changes, the prior period adjustment shown for Fiscal Year 2001-02 does not agree to the Fiscal Year 2001-02 financial statements where beginning balances were restated for the conversion. In addition, the amount reported as transfers increased significantly because many transfers that previously occurred within the General Fund are now reported as transfers between funds.

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2007-08	2006-07	2005-06	2004-05
Income Tax:				
Individual	$ 4,600	$ 4,510	$ 4,044	$ 3,421
Less: Excess TABOR Revenues	-	-	-	-
Corporate	474	464	422	293
Net Income Tax	5,074	4,974	4,466	3,714
Sales, Use, and Excise Taxes	2,173	2,076	1,995	2,146
Less: Excess TABOR Revenues	-	-	-	(41)
Net Sales, Use, and Excise Taxes	2,173	2,076	1,995	2,105
Estate Taxes	-	1	7	26
Insurance Tax	188	179	175	189
Gaming and Other Taxes	-	7	18	40
Investment Income	18	28	33	28
Medicaid Provider Revenues	-	-	-	-
Other	52	48	52	59
TOTAL GENERAL REVENUES	$ 7,505	$ 7,313	$ 6,746	$ 6,161
Percent Change Over Previous Year	2.6%	8.4%	9.5%	6.8%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2007-08	2006-07	2005-06	2004-05
Net Income Tax	67.6%	68.0%	66.2%	60.3%
Sales, Use, and Excise Taxes	29.0	28.4	29.5	34.1
Estate Taxes	0.0	0.0	0.1	0.4
Insurance Tax	2.5	2.4	2.6	3.1
Other Taxes	0.0	0.1	0.3	0.6
Interest	0.2	0.4	0.5	0.5
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.7	0.7	0.8	1.0
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
$ 3,189	$ 2,945	$ 3,086	$ 3,867	$ 3,718	$ 3,327
-	-	-	(209)	(192)	(30)
218	214	165	316	289	276
3,407	3,159	3,251	3,974	3,815	3,573
2,005	1,915	1,962	1,809	1,775	1,628
-	-	-	(719)	(750)	(650)
2,005	1,915	1,962	1,090	1,025	978
47	53	73	83	60	67
176	171	155	142	129	118
40	38	34	31	29	27
20	51	25	45	42	48
-	16	11	-	7	73
72	74	61	63	67	59
$ 5,767	$ 5,477	$ 5,572	$ 5,428	$ 5,174	$ 4,943
5.3%	-1.7%	2.7%	4.9%	4.7%	5.6%
59.1%	57.7%	58.3%	65.8%	65.5%	64.0%
34.8	34.9	35.3	28.5	29.0	29.0
0.8	1.0	1.3	1.3	1.0	1.2
3.1	3.1	2.8	2.2	2.1	2.1
0.7	0.7	0.6	0.5	0.5	0.5
0.3	0.9	0.4	0.7	0.7	0.9
0.0	0.3	0.2	0.0	0.1	1.3
1.2	1.4	1.1	1.0	1.1	1.0
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)

	2007-08	2006-07	2005-06	2004-05
Department:[1]				
Agriculture	$ 7,124	$ 5,197	$ 4,038	$ 4,107
Corrections	626,246	577,482	534,233	495,234
Education	3,023,255	2,882,876	2,718,667	2,514,427
Governor	17,346	11,991	15,862	15,808
Health Care Policy and Financing	1,482,803	1,369,321	1,362,893	1,247,254
Higher Education	747,717	693,999	636,341	587,958
Human Services	749,974	718,366	590,071	568,461
Judicial Branch	300,674	265,161	237,673	219,612
Labor and Employment	-	108	-	-
Law	8,474	8,975	7,143	6,738
Legislative Branch	31,139	29,880	27,633	26,745
Local Affairs	10,895	9,973	8,500	8,573
Military and Veterans Affairs	5,407	5,050	4,324	3,883
Natural Resources	30,086	28,550	22,806	22,481
Personnel & Administration	10,934	9,385	8,181	7,805
Public Health and Environment	23,596	23,081	20,586	13,061
Public Safety	72,806	67,169	58,785	56,315
Regulatory Agencies	1,400	1,273	1,390	1,047
Revenue	73,593	65,398	57,928	57,702
Transportation	-	-	-	-
Treasury	13,902	12,403	18,443	15,027
Transfer to Capital Construction Fund	183,443	291,467	104,841	40,759
Transfer to Various Cash Funds	327	3,748	67,100	185,628
Transfer to the Highway Users Tax Fund	166,182	291,179	65,345	81,212
Other Transfers and Nonoperating Disbursements	137,747	130,598	49,190	20,264
TOTALS	$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101
Percent Change	3.0%	13.3%	6.8%	10.3%
(AS PERCENT OF TOTAL)				
Education	39.1%	38.4%	41.1%	40.6%
Health Care Policy and Financing	19.2	18.3	20.6	20.1
Higher Education	9.7	9.3	9.6	9.5
Human Services	9.7	9.6	8.9	9.2
Corrections	8.1	7.7	8.1	8.0
Transfer to Capital Construction Fund	2.4	3.9	1.6	0.7
Transfer to Various Cash Funds	0.0	0.0	1.0	3.0
Transfers to the Highway Users Tax Fund	2.2	3.9	1.0	-
Judicial	3.9	3.5	3.6	3.5
Revenue	1.0	0.9	0.9	0.9
All Others	4.7	4.5	3.6	4.5
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, 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.

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
$ 3,716	$ 8,700	$ 10,118	$ 9,866	$ 8,106	$ 7,675
467,207	476,972	443,334	417,677	381,669	338,715
2,417,490	2,313,588	2,268,794	2,143,115	2,041,087	1,914,294
13,317	31,465	19,566	19,754	5,877	7,388
1,142,620	1,132,643	1,076,838	1,028,785	951,827	891,319
591,221	685,686	739,556	747,332	715,933	676,449
534,759	551,299	560,716	553,364	509,309	486,325
207,432	213,939	214,619	205,341	194,420	180,282
-	-	-	-	-	-
6,266	8,141	9,677	8,571	10,106	9,144
26,818	28,100	27,224	27,356	25,393	23,062
4,565	7,419	10,361	10,525	37,758	29,958
3,739	4,273	3,973	4,090	3,800	3,874
19,337	23,599	24,434	28,893	28,863	26,864
7,457	12,282	14,028	14,825	15,026	15,245
12,359	16,573	31,790	33,496	23,731	22,596
53,895	54,465	56,597	56,616	49,492	43,910
1,028	1,582	1,914	1,975	1,919	1,730
57,066	66,898	69,297	78,317	69,682	69,871
-	-	-	1	203	239
690	62,171	4,198	2,378	2,240	2,970
12,270	9,489	25,564	285,255	175,154	470,179
-	-	-	-	-	-
5,559	-	35,179	-	-	-
34,257	58,746	68,325	61,894	66,588	56,992
$ 5,623,068	$ 5,768,030	$ 5,716,102	$ 5,739,426	$ 5,318,183	$ 5,279,081
-2.5%	0.9%	-0.4%	7.9%	0.7%	11.7%
43.0%	40.1%	39.7%	37.3%	38.4%	36.3%
20.3	19.6	18.8	17.9	17.9	16.9
10.5	11.9	12.9	13.0	13.5	12.8
9.5	9.6	9.8	9.6	9.6	9.2
8.3	8.3	7.8	7.3	7.2	6.4
0.2	0.2	0.4	5.0	3.3	8.9
0.0	-	-	-	-	-
-	-	-	-	-	-
3.7	3.7	3.8	3.6	3.7	3.4
1.0	1.2	1.2	1.4	1.3	1.3
3.5	5.4	5.6	4.9	5.1	4.8
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE - RESERVED AND UNRESERVED
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	2006-07	2005-06
GENERAL FUND:			
Reserved for:			
Encumbrances	$ 16,487	$ 11,912	$ 12,233
Noncurrent Assets	7	13	91
Statutory Purposes	151,721	267,020	251,704
Risk Management	35,559	38,593	32,851
Unreserved Undesignated:			
General Fund	-	95,779	295,882
Unreserved:			
Designated for Unrealized Investment Gains:			
General Fund	3,639	-	-
TOTAL RESERVED	203,774	317,538	296,879
TOTAL UNRESERVED	3,639	95,779	295,882
TOTAL FUND BALANCE	207,413	413,317	592,761
ALL OTHER GOVERNMENTAL FUNDS:			
Reserved for:			
Encumbrances	$ 966,477	$ 821,112	$ 814,811
Noncurrent Assets	425,830	385,248	342,341
Debt Service	558	558	580
Statutory Purposes	109,322	130,000	137,530
Emergencies	93,000	85,760	79,800
Funds Reported as Restricted	1,902,755	1,669,326	1,233,272
Unreserved, Reported in:			
Special Revenue Funds	54,676	72,830	872,212
Capital Projects Funds	134,470	199,126	(47,740)
Nonmajor Special Revenue Funds	1,391,483	1,233,276	291,488
Nonmajor Permanent Funds	2,326	1,782	1,642
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	13,385	-	-
Reported in Nonmajor Special Revenue Funds	8,751	-	-
Reported in Nonmajor Permanent Funds	1,571	-	-
TOTAL RESERVED	3,497,942	3,092,004	2,608,334
TOTAL UNRESERVED	1,606,662	1,507,014	1,117,602
TOTAL FUND BALANCE	5,104,604	4,599,018	3,725,936
TOTAL RESERVED	3,701,716	3,409,542	2,905,213
TOTAL UNRESERVED	1,610,301	1,602,793	1,413,484
TOTAL FUND BALANCE	$ 5,312,017	$ 5,012,335	$ 4,318,697

2004-05	2003-04	2002-03	2001-02
$ 3,497	$ 2,106	$ 3,684	$ 2,093
192	300	231	320
198,751	207,003	60,731	39,622
36,473	33,301	39,412	-
-	-	-	137,595
-	4,272	30,657	26,697
238,913	242,710	104,058	42,035
-	4,272	30,657	164,292
238,913	246,982	134,715	206,327
$ 629,430	$ 795,414	$ 916,053	$ 994,758
292,336	278,843	278,006	245,051
3,298	7,965	5,137	6,495
10,263	11,565	10,929	14,328
71,000	172,202	150,762	81,917
1,104,061	998,428	770,874	1,118,886
812,706	41,589	27,692	29,918
(12,545)	(39,986)	4,555	43,029
274,941	664,258	448,766	591,846
1,954	1,291	961	810
4,484	6,884	30,944	14,847
347	5,491	20,380	15,662
9,926	4,718	27,429	18,644
2,110,388	2,264,417	2,131,761	2,461,435
1,091,813	684,245	560,727	714,756
3,202,201	2,948,662	2,692,488	3,176,191
2,349,301	2,507,127	2,235,819	2,503,470
1,091,813	688,517	591,384	879,048
$ 3,441,114	$ 3,195,644	$ 2,827,203	$ 3,382,518

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05
DEBT SERVICE EXPENDITURES:				
Principal	$ 104,924	$ 100,681	$ 97,583	$ 15,574
Interest	102,652	112,145	106,322	98,829
TOTAL DEBT SERVICE EXPENDITURES	$ 207,576	$ 212,826	$ 203,905	$ 114,403
Percent Change Over Previous Year	-2.5%	4.4%	78.2%	24.1%
TOTAL NONCAPITAL EXPENDITURES[1]	14,196,496	13,365,782	12,586,379	11,298,334
TOTAL CAPITAL EXPENDITURES[1]	242,572	233,914	228,077	244,178
TOTAL GOVERNMENTAL EXPENDITURES	14,439,068	13,599,696	12,814,456	11,542,512
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.8%	0.8%	0.1%
Interest	0.7%	0.8%	0.8%	0.9%
Total Debt Service Expenditures	1.5%	1.6%	1.6%	1.0%

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

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

(DOLLARS IN THOUSANDS)

	2007-08	2006-07	2005-06	2004-05
Governmental Activities:				
Revenue Backed Debt	$1,216,006	$1,319,718	$1,418,446	$1,512,987
Certificates of Participation	172,864	183,203	196,475	63,332
Capital Leases	60,031	30,456	17,482	22,308
Notes and Mortgages	460,000	345,000	415,000	520,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,908,901	1,878,377	2,047,403	2,118,627
Business-Type Activities:				
Revenue Backed Debt	3,325,690	2,935,383	2,304,485	2,063,378
Certificates of Participation	210,150	218,916	260,578	75,729
Capital Leases	93,374	68,621	60,724	90,140
Notes and Mortgages	6,211	9,463	6,946	9,402
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	3,635,425	3,232,383	2,632,733	2,238,649
Total Primary Government:				
Revenue Backed Debt	4,541,696	4,255,101	3,722,931	3,576,365
Certificates of Participation	383,014	402,119	457,053	139,061
Capital Leases	153,405	99,077	78,206	112,448
Notes and Mortgages	466,211	354,463	421,946	529,402
TOTAL OUTSTANDING DEBT[1]	$5,544,326	$5,110,760	$4,680,136	$4,357,276
Percent Change Over Previous Year	8.5%	9.2%	7.4%	17.1%
Colorado Population (In Thousands)	4,747	4,862	4,766	4,674
Per Capita Debt (Dollars Per Person)	$1,168	$1,051	$982	$932
Per Capita Income (Thousands Per Person)	$44.0	$41.0	$39.5	$37.5
Per Capita Debt as a Percent of Per Capita Income	2.7%	2.6%	2.5%	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 2003-04	RESTATED 2002-03	2001-02	2000-01	1999-00	1998-99
$ 11,932	$ 16,581	$ 9,245	$ 4,188	$ 3,943	$ 13,837
80,281	82,116	76,096	49,658	1,491	8,687
$ 92,213	$ 98,697	$ 85,341	$ 53,846	$ 5,434	$ 22,524
-6.6%	15.7%	58.5%	890.9%	-75.9%	-45.1%
10,664,540	10,541,507	10,212,475	9,620,382	8,817,399	8,282,321
488,140	409,971	275,873	184,945	223,490	253,159
11,152,680	10,951,478	10,488,348	9,805,327	9,040,889	8,535,480
0.1%	0.2%	0.1%	0.0%	0.0%	0.2%
0.8%	0.8%	0.7%	0.5%	0.0%	0.1%
0.9%	0.9%	0.8%	0.6%	0.1%	0.3%

2003-04	2002-03	2001-02	2000-01 [3]	1999-00 [3]	1998-99
$1,518,564	$1,273,146	$1,293,196	$1,028,880	$ 524,360	$ -
44,244	57,132	54,406	-	-	-
16,040	8,546	3,473	63,123	69,710	70,079
397,023	-	-	4	113	-
1,975,871	1,338,824	1,351,075	1,092,007	594,183	70,079
1,578,903	1,553,595	1,240,946	1,017,866 [4]	329,733	347,336
73,724	46,811	54,545	-	-	-
86,531	85,919	47,222	103,001	115,566	125,383
6,262	6,602	1,444	19,590	22,304	1,817
1,745,420	1,692,927	1,344,157	1,140,457	467,603	474,536
3,097,467	2,826,741	2,534,142	2,046,746	854,093	347,336
117,968	103,943	108,951	-	-	-
102,571	94,465	50,695	166,124	185,276	195,462
403,285	6,602	1,444	19,594	22,417	1,817
$3,721,291	$3,031,751	$2,695,232	$2,232,464	$1,061,786	$ 544,615
22.7%	12.5%	20.7%	110.3% [4]	95.0%	1.9%
4,609	4,555	4,508	4,434	4,328	4,226
$807	$666	$598	$503	$245	$129
$35.5	$34.0	$34.0	$34.4	$33.4	$30.5
2.3%	2.0%	1.8%	1.5%	0.7%	0.4%

[3] – For fiscal years prior to 2001-02, data is presented in the governmental versus business-type activity format for comparability although that classification scheme was not used in those years.

[4] – In Fiscal Year 2000-01, CollegeInvest (formerly Colorado Student Obligation Bond Authority) increased revenue backed debt related to student loans when it became a state agency.

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Twelve Fiscal Years

(DOLLARS IN THOUSANDS)

	Unaudited 2007-08	2006-07	2005-06	Restated 2004-05
DISTRICT REVENUES:				
Exempt District Revenues	$12,129,557	$11,759,914	$10,899,936	$11,015,958
Nonexempt District Revenues	9,998,559	9,641,867	9,161,391	8,482,963
TOTAL DISTRICT REVENUES	22,128,116	21,401,781	20,061,327	19,498,921
Percent Change In Nonexempt District Revenues	3.7%	5.2%	8.0%	1.8%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	12,129,556	11,759,914	10,899,936	11,015,958
Nonexempt District Expenditures	9,535,192	8,847,334	8,029,686	9,473,642
TOTAL DISTRICT EXPENDITURES	21,664,748	20,607,248	18,929,622	20,489,600
Percent Change In Nonexempt District Expenditures	7.8%	10.2%	-15.2%	21.5%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 463,368	$ 794,533	$ 1,131,705	$ (990,679)
LIMIT AND REFUND CALCULATIONS:				
Prior Fiscal Year Spending Limitation	$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991
Adjustments To Prior Year Limit[2]	(1,055)	(173)	(372,471)	(383,103)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,332,773	8,045,083	7,941,903	7,948,888
Allowable Growth Rate (Population Plus Inflation)	5.5%	3.5%	1.3%	2.2%
Current Fiscal Year Spending Limitation	8,791,075	8,326,662	8,045,148	8,123,764
Adjustments To Current Year Limit	38,056	7,165	109	190,610
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,829,131	8,333,827	8,045,257	8,314,374
NONEXEMPT DISTRICT REVENUES	9,998,559	9,641,867	9,161,391	8,482,963
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,169,428	1,308,040	1,116,134	168,589
Correction Of Prior Years' Refunds	-	-	-	284
Voter Approved or Statutory Retention of Excess Revenue	1,169,428	1,308,040	1,116,134	127,810
FISCAL YEAR REFUND	$ -	$ -	$ -	$ 41,063

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the state's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

[2] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activities revenues and expenditures are no longer shown in the district amounts.

			Restated	Restated	Restated	Restated	
2003-04	2002-03	2001-02	2000-01[1]	1999-00	1998-99	1997-98	1996-97
$11,650,100	$12,059,372	$11,702,980	$ 8,213,400	$ 7,437,634	$ 6,398,011	$ 5,845,712	$ 5,141,032
8,331,991	7,712,512	7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
19,982,091	19,771,884	19,455,191	17,090,505	15,940,586	14,321,030	13,280,914	11,788,650
8.0%	-0.5%	-12.7%	4.4%	7.3%	6.6%	11.8%	8.5%
11,650,100	12,059,372	11,702,980 [1]	8,213,399	7,437,634	6,398,011	5,845,712	5,280,058
7,799,832	8,198,724	7,729,239	6,945,742	6,474,840	7,125,736	6,485,675	6,108,964
19,449,932	20,258,096	19,432,219	15,159,141	13,912,474	13,523,747	12,331,387	11,389,022
-4.9%	6.1%	11.3%	7.3%	-9.1%	9.9%	6.2%	10.5%
$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364	$ 2,028,112	$ 797,283	$ 949,527	$ 399,628
$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710	$ 7,243,385	$ 6,872,039	$ 6,508,592	$ 6,124,314
(31,732)	(12,865)	(53,497)	-	-	-	-	-
7,680,780	7,739,346	7,895,053	7,563,710	7,243,385	6,872,039	6,508,592	6,124,314
3.6%	6.9%	4.0%	5.1%	4.4%	5.3%	5.5%	6.6%
7,957,288	8,273,361	8,210,855	7,949,459	7,562,093	7,236,257	6,866,565	6,528,518
374,703	23,426	(84,666)	(909)	1,617	7,128	5,474	(19,926)
8,331,991	8,296,787	8,126,189	7,948,550	7,563,710	7,243,385	6,872,039	6,508,592
8,331,991	7,712,512	7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
-	(584,275)	(373,978)	928,555	939,242	679,634	563,163	139,026
-	-	8,284	(1,354)	1,887	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ 927,201	$ 941,129	$ 679,634	$ 563,163	$ 139,026

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
1996 to 2005

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

	2005		2004		2003		2002	
	# 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	23,916	0.0%	24,570	0.0%	24,632	0.0%	22,477	0.0%
$0 to $5,000	76,547	0.0%	73,929	0.0%	74,854	0.0%	73,714	0.0%
$5,001 to $10,000	112,703	0.0%	112,776	0.0%	114,615	0.1%	115,045	0.1%
$10,001 to $15,000	128,661	0.3%	129,339	0.4%	132,540	0.5%	134,152	0.5%
$15,001 to $20,000	134,643	0.8%	134,988	1.0%	137,195	1.1%	139,267	1.2%
$20,001 to $25,000	130,647	1.4%	131,424	1.6%	133,960	1.8%	136,897	1.9%
$25,001 to $35,000	236,285	4.1%	236,162	4.7%	239,657	5.3%	243,253	5.6%
$35,001 to $50,000	267,939	7.6%	266,625	8.6%	268,253	9.6%	271,283	9.9%
$50,001 to $75,000	295,028	13.6%	289,548	15.1%	286,609	16.5%	291,227	17.1%
$75,001 to $100,000	179,635	12.9%	171,170	14.0%	163,572	14.7%	161,047	14.7%
$100,000 and Over	256,424	59.3%	227,936	54.6%	202,886	50.4%	196,065	49.0%
TOTAL	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%

Source: Colorado Department of Revenue

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

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2007[1]

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

	2007		2006	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS				
Agriculture, Forestry, & Fisheries	3,632	0.1%	3,808	0.1%
Mining	4,104	1.7%	3,775	1.4%
Public Utilities	8,725	3.0%	7,904	3.1%
Construction Trades	30,929	1.5%	32,291	1.6%
Manufacturing	87,475	4.9%	85,822	4.8%
Wholesale Trade	74,498	6.7%	78,156	6.8%
Retail Trade	399,395	51.5%	409,029	52.2%
Transportation & Warehousing	4,733	0.3%	5,346	0.4%
Information Producers/Distributors	170,488	5.8%	163,953	5.8%
Finance & Insurance	34,308	1.2%	37,478	1.0%
Real Estate, Rental, & Leasing Services	71,969	3.8%	72,110	3.7%
Professional, Scientific, & Technical Services	66,352	1.8%	71,590	1.8%
Bus. Admin., Support, Waste/Remediation Services	23,014	0.7%	23,497	0.6%
Educational Services	5,566	0.2%	5,136	0.2%
Health Care & Social Assistance Services	12,233	0.2%	12,290	0.2%
Arts, Entertainment, & Recreation Services	17,196	0.6%	16,957	0.6%
Hotel & Other Accommodation Services	20,995	3.5%	20,717	3.3%
Food & Drinking Services	125,682	10.2%	121,234	10.0%
Other Personal Services	85,361	2.1%	85,499	2.1%
Government Services	7,445	0.2%	10,479	0.3%
TOTAL	1,254,100	100%	1,267,071	100%

Source: Colorado Department of Revenue

[1] – Data is not available in this format prior to calendar year 2003.

2001		2000		1999		1998[2]	1997		1996	
# 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
16,539	0.0%	13,946	0.0%	13,043	0.0%	N/A	14,433	0.0%	17,282	0.0%
75,710	0.0%	73,929	0.0%	75,022	0.1%	N/A	106,941	0.0%	111,845	0.0%
113,237	0.1%	116,422	0.1%	122,123	0.2%	N/A	138,612	0.2%	145,503	0.2%
131,411	0.5%	134,898	0.5%	142,185	0.8%	N/A	153,626	1.1%	155,657	1.3%
139,013	1.2%	144,220	1.2%	151,091	1.4%	N/A	150,479	2.2%	147,985	2.5%
136,429	1.9%	140,010	1.9%	143,324	2.1%	N/A	134,014	3.1%	128,846	3.5%
244,586	5.5%	243,715	5.2%	239,847	5.6%	N/A	211,119	7.6%	200,512	8.2%
269,802	9.3%	263,657	8.7%	255,652	9.4%	N/A	219,857	12.4%	210,920	13.2%
290,662	15.9%	283,693	14.9%	270,042	16.2%	N/A	219,788	19.1%	203,686	19.9%
159,483	13.5%	150,626	12.2%	135,419	12.6%	N/A	98,073	12.7%	86,358	12.5%
203,312	52.1%	203,040	55.3%	170,546	51.6%	N/A	112,812	41.6%	94,500	38.7%
1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%	N/A	1,559,754	100.0%	1,503,094	100.0%

2005		2004		2003	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,529	0.1%	3,268	0.1%	2,756	0.1%
3,617	1.0%	2,673	0.8%	2,481	0.6%
7,419	2.8%	6,210	2.6%	6,497	2.4%
30,741	1.6%	29,916	1.4%	28,342	1.6%
75,927	4.4%	73,996	4.1%	68,682	3.8%
78,351	6.6%	77,908	6.0%	66,412	5.7%
392,892	53.5%	388,011	54.4%	371,658	54.7%
5,583	0.3%	4,878	0.3%	4,125	0.2%
149,711	5.9%	144,908	6.3%	127,785	6.5%
35,960	1.0%	33,723	1.0%	33,680	1.1%
71,331	3.6%	70,647	3.7%	64,212	3.6%
74,471	2.0%	89,310	2.4%	105,807	2.9%
21,979	0.7%	20,707	0.6%	19,070	0.6%
4,767	0.2%	4,263	0.2%	3,747	0.1%
11,142	0.2%	10,092	0.2%	8,685	0.1%
14,965	0.6%	13,440	0.6%	11,587	0.6%
20,176	3.1%	19,959	3.1%	20,087	3.2%
116,291	10.0%	110,799	9.9%	105,168	9.8%
83,498	2.2%	79,398	2.1%	72,999	2.2%
9,938	0.2%	7,967	0.2%	8,390	0.2%
1,212,288	100%	1,192,073	100%	1,132,170	100%

COLORADO TAX RATES[1] 1999 to 2008

Calendar Year	Income Tax Rate	Sales Tax Rate
2008	4.63%	2.90%
2007	4.63%	2.90%
2006	4.63%	2.90%
2005	4.63%	2.90%
2004	4.63%	2.90%
2003	4.63%	2.90%
2002	4.63%	2.90%
2001	4.63%	2.90%
2000	4.63%	3.00%
1999	4.75%	3.00%

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.

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

	2008	2007	2006	2005
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	556	515	492	484
Employees (calculated Full-Time Equivalent)	61,915	59,873	58,468	58,046
Balance in Treasury Pool (in millions)	$6,159.4	$5,250.7	$4,615.3	$3,951.1
Business, Community, and Consumer Affairs:				
Active Licenses at Regulatory Agencies[3]	640,332	575,124	576,982	517,597
Unemployment Rate (percent)[4]	4.9	3.8	4.3	5.1
Employment Level[4]	*	2,602,015	2,537,037	2,436,795
Education:				
Public Schools	1,771	1,771	1,731	1,667
Primary School Students	802,639	794,026	780,708	766,657
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes[3]	548	528	539	539
Regional Center Residential Beds[3]	403	403	403	403
Justice:				
District Court Cases Filed[3]	199,681	189,884	187,498	*
County Court Cases Filed[3]	579,069	552,592	547,143	*
Inmate Admissions	*	10,625	10,168	9,433
Inmate Releases	*	10,110	8,954	8,249
Average Daily Inmate Population	22,887	22,424	21,438	20,228
Citations Issued by the State Patrol	200,649	226,324	234,052	246,918
Crashes Covered by the State Patrol	22,879	28,277	28,648	30,645
Natural Resources:				
Active Oil and Gas Wells[3]	35,000	34,000	30,000	25,300
Oil and Gas Drilling Permits[3]	6,780	4,200	3,800	2,200
Annual State Park Visitors[3]	11,272,418	11,475,000	11,869,897	11,190,201
Water Loans	258	255	244	241
Social Assistance:				
Medicaid Recipients[3]	383,784	429,233	446,341	375,410
Average # of Cash Assistance Payments per Month[3]	62,647	66,728	68,822	68,150
Transportation:				
Lane Miles	*	22,999,470	23,105,769	23,029,858
Bridges	*	3,775	3,757	3,754
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students[3]	135,275	136,108	140,601	141,692
Nonresident Students[3]	22,069	20,670	21,380	22,729
Unemployment Insurance:				
Individuals Served - Employment and Training[3]	300,000	270,000	270,000	240,000
Initial Unemployment Claims[3]	119,561	120,290	132,337	176,270
CollegeInvest:				
Loans Issued or Purchased	239,060	218,518	200,332	189,522
Average Balance per Loan	$6,328	$6,057	$5,546	$5,098
Lottery:				
Scratch Tickets Sold	101,604,127	99,199,686	111,883,645	119,441,166
Lotto Tickets Sold	41,071,837	39,835,761	38,332,996	38,266,176
Powerball Tickets Sold	109,565,516	101,570,695	119,757,642	80,912,792
Other Lottery Tickets Sold	19,148,564	17,407,163	16,858,542	15,052,291
Wildlife:				
Hunting & Fishing Licenses Sold[3]	1,545,659	1,399,978	1,409,064	1,450,000
College Assist:				
Guaranteed Loans - In State	140,232	146,616	*	*
Guaranteed Loans - Out of State	18,859	5,080	*	*

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.

2004	2003	2002	2001	2000	1999
465	444	434	415	385	372
57,643	58,239	57,974	56,639	54,385	52,921
$3,174.6	$2,241.4	$2,068.5	$3,080.6	$3,013.2	$3,035.6
*	*	*	229,903	227,604	219,897
5.6	6.1	5.7	3.8	2.7	2.9
2,384,562	2,323,554	2,304,109	2,303,494	2,300,192	2,198,147
1,728	1,613	1,658	1,656	*	*
757,021	751,862	742,145	724,508	*	*
570	688	699	697	720	727
411	400	397	413	443	472
*	165,467	160,245	168,325	167,749	349,937
*	461,847	457,246	460,149	465,118	779,150
8,165	7,799	7,802	6,952	6,853	6,602
7,504	6,977	6,554	6,114	5,532	5,521
19,478	18,636	17,367	16,605	15,441	14,139
206,052	176,869	160,919	149,872	155,922	146,924
33,635	34,133	37,102	40,541	41,203	39,108
24,000	23,423	*	*	*	*
*	*	*	*	*	*
11,565,810	11,170,000	11,400,000	10,755,581	12,518,476	13,683,100
227	213	206	197	189	192
362,654	326,058	304,508	281,430	263,321	276,926
85,339	*	*	67,100	66,975	65,981
23,138,578	23,061,021	22,851,000	22,814,000	22,699,000	22,896,000
3,714	3,698	3,698			
135,392	127,632	123,383	*	*	*
22,809	22,824	22,152	*	*	*
200,000	194,000	*	*	*	*
156,594	132,657	*	*	*	*
174,724	168,453	*	*	*	*
$4,871	$4,486	*	*	*	*
114,543,013	111,793,347	129,775,201	143,418,930	153,595,323	158,485,043
40,818,461	48,272,866	57,651,698	88,945,211	125,475,804	120,368,415
85,041,776	75,705,463	79,893,821	0	0	0
14,508,537	13,245,564	13,222,846	12,482,380	11,482,648	14,743,446
1,235,551	1,525,679	1,423,377	1,478,617	1,487,052	1,489,195
*	*	*	*	*	*
*	*	*	*	*	*

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

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS

	2008
GOVERNMENTAL ACTIVITIES:	
General Government	2,982,413
Business, Community, and Consumer Affairs[1]	937,389
Education	317,884
Health and Rehabilitation	1,561,507
Justice	8,047,872
Natural Resources	1,672,897
Social Assistance	1,351,964
Transportation	2,575,421
BUSINESS-TYPE ACTIVITIES:	
Higher-Education	41,437,896
Wildlife	901,526

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.

BUILDING SQUARE FOOTAGE LEASED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS

	2008
GOVERNMENTAL ACTIVITIES:	
General Government	235,386
Business, Community, and Consumer Affairs[1]	484,071
Education	9,396
Health and Rehabilitation	139,950
Justice	1,144,704
Natural Resources	49,495
Social Assistance	26,213
BUSINESS-TYPE ACTIVITIES:	
Higher-Education	1,310,831
CollegeInvest	11,330
Lottery	61,681
Wildlife	83,624
College Assist	12,807

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.

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

	2007-08	2006-07	2005-06	2004-05
General Government	2,392	2,322	2,255	2,219
Business, Community, and Consumer Affairs	2,372	2,335	2,342	2,367
Education	34,469	33,464	32,680	32,664
Health and Rehabilitation	3,865	3,774	3,729	3,681
Justice	12,467	11,791	11,372	11,083
Natural Resources	1,583	1,522	1,485	1,472
Social Assistance	1,656	1,593	1,520	1,462
Transportation	3,111	3,072	3,085	3,098
TOTAL FTE	61,915	59,873	58,468	58,046
TOTAL CLASSIFIED FTE	31,995	31,075	30,677	30,967
AVERAGE MONTHLY SALARY	$ 4,278	$ 4,108	$ 4,036	$ 3,955
TOTAL NON-CLASSIFIED FTE	29,920	28,798	27,791	27,079
AVERAGE MONTHLY SALARY	$ 5,467	$ 5,214	$ 5,066	$ 4,926

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.

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
2,180	2,300	2,422	2,409	2,422	2,411
2,343	2,344	2,334	2,284	2,290	2,311
32,595	32,435	31,887	31,165	29,463	28,774
3,717	3,803	3,766	3,668	3,726	3,784
10,767	11,257	11,437	11,100	10,542	9,730
1,446	1,453	1,453	1,395	1,397	1,372
1,482	1,567	1,610	1,570	1,530	1,514
3,113	3,080	3,065	3,048	3,015	3,025
57,643	58,239	57,974	56,639	54,385	52,921
30,770	31,857	32,092	31,510	30,866	30,157
$ 3,867	$ 3,913	$ 3,700	$ 3,491	$ 3,364	$ 3,232
26,873	26,382	25,882	25,129	23,519	22,764
$ 4,759	$ 4,788	$ 4,563	$ 4,352	$ 4,387	$ 4,216

FTE is an acronym for Full-Time Equivalent employee. Employees on the state's payroll system are designated as either full-time or part-time. Each full-time employee was counted as one FTE. For each state agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the FTE for part-time employees.

REVENUE BOND COVERAGE[1]
1999 to 2008

(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)							
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
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest							
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
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Institutions							
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
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60
1999-00	552,417	399,148	153,269	17,585	18,026	35,611	4.30
1998-99	395,699	274,163	121,536	16,280	18,307	34,587	3.51

[1] – Pledged revenues supporting the Governmental Funds TRANs are primarily federal grants under agreement with the Federal Highway Administration (FHWA), and sales and use tax revenues of the Highway Users Tax Fund which were diverted from the General Fund. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, are primarily student loan repayment amounts at CollegeInvest, which are used to make the required debt service payments. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
1998 to 2007

Mileage Type	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
CenterLine Miles[1]:										
Urban	1,398	1,419	1,411	1,421	1,421	1,038	1,033	1,035	1,049	840
Rural	7,736	7,742	7,737	7,736	7,736	8,105	8,104	8,051	8,110	8,287
TOTAL CENTERLINE MILES	9,134	9,161	9,148	9,157	9,157	9,143	9,137	9,086	9,159	9,127
Percent Change	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%	-0.8%	0.4%	-0.4%
Lane Miles[2]:										
Urban	5,232	5,322	5,247	5,262	5,236	4,058	4,031	4,041	4,090	3,991
Rural	17,767	17,784	17,784	17,875	17,825	18,792	18,782	18,659	18,807	18,767
TOTAL LANE MILES	22,999	23,106	23,031	23,137	23,061	22,850	22,813	22,700	22,897	22,758
Percent Change	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%	-0.9%	0.6%	-0.6%

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.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2002 to 2007[3]

Functional Classification	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	911	884	943	894	321	322
Minor Arterial	802	798	787	798	818	817
Collector	350	368	319	326	403	405
Local	26	29	25	20	207	209
TOTAL BRIDGES	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	0.5%	0.1%	1.1%	0.4%	0.0%	NA

Source: Colorado Department of Transportation

[1] – Includes interstate, expressways, and freeways.

[2] – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.

[3] – Data is not available in this format prior to calendar year 2002.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 1999 to 2008

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2008 est	$ 5,867	$ 4,900	$ 1,720	$ 12,487
2007 est	5,974	4,400	1,600	11,974
2006	7,770	4,310	2,967	15,047
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,095
2003	6,258	2,720	1,732	10,710
2002	6,357	2,787	2,162	11,306
2001	6,593	3,500	1,687	11,780
2000	7,029	3,476	1,835	12,340
1999	6,229	3,783	1,590	11,602

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

COLORADO SALES AND GROSS FARMING REVENUES 1999 to 2008

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2008 est	$ 67.0	$ 6.84
2007 est	64.7	7.10
2006	61.7	6.66
2005	58.7	6.72
2004	55.8	6.53
2003	52.8	5.85
2002	52.9	5.42
2001	52.9	5.63
2000	52.2	5.44
1999	47.4	5.31

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

COLORADO DEMOGRAPHIC DATA
1999 to 2008

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 %
2008 est	4,747	1.56%	$209.0	$ 44,033	110.1%	*	4.9%
2007	4,862	1.62	199.4	41,019	106.4%	2,602	3.8
2006	4,766	1.60	188.2	39,489	107.5%	2,537	4.3
2005	4,674	1.59	175.4	37,522	108.3%	2,437	5.1
2004	4,609	1.57	163.7	35,523	107.2%	2,385	5.6
2003	4,555	1.58	154.8	33,989	107.9%	2,324	6.1
2002	4,508	1.57	153.1	33,956	110.2%	2,304	5.7
2001	4,434	1.56	152.7	34,438	112.6%	2,304	3.8
2000	4,328	1.54	144.4	33,361	111.8%	2,300	2.7
1999	4,226	1.51	128.9	30,492	109.1%	2,198	2.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

* – Data is not available.

COLORADO EMPLOYMENT[1]
BY INDUSTRY
1999 to 2008
(AMOUNTS IN THOUSANDS)

Industry[2]	2008 est	2007 est	2006	2005	2004	2003	2002	2001	2000	1999
Natural Resources and Mining	29.8	24.8	20.8	17.2	14.4	13.2	12.9	12.9	12.2	12.3
Construction	164.5	165.5	167.7	160.0	151.3	149.9	160.4	167.7	163.6	148.5
Manufacturing	140.7	144.7	149.1	150.4	151.8	153.9	163.8	179.5	188.9	187.4
Transportation, Trade, and Utilities	436.0	430.6	419.5	413.0	406.6	404.5	412.1	423.0	418.9	404.9
Information	76.6	75.7	75.6	76.9	81.2	84.6	92.9	107.3	108.4	97.0
Financial Activities	162.3	161.9	160.7	158.5	154.6	154.1	149.5	148.3	147.0	147.4
Professional and Business Services	366.3	350.8	331.8	316.8	304.1	292.0	296.2	312.3	318.8	302.4
Educational and Health Services	248.0	240.0	230.9	224.6	218.5	213.0	208.5	200.8	192.8	186.9
Leisure and Hospitality	279.5	273.5	265.0	257.5	251.3	245.6	247.0	247.2	246.0	238.5
Other Services	94.9	92.9	90.9	88.5	87.4	85.9	85.6	83.8	80.2	79.0
Government	379.1	374.0	367.3	362.6	358.5	356.2	355.4	344.1	337.0	328.4
Total	2,377.7	2,334.4	2,279.3	2,226.0	2,179.7	2,152.9	2,184.3	2,226.9	2,213.8	2,132.7

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 for which employer data could not be obtained.
[2] – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

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 38th state. John L. Routt is elected the first governor.

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

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

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

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

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 104,247 square miles.

Highest Elevation: Mt Elbert – 14,431 feet above sea level.

Lowest Elevation: Along the Arkansas River in Prowers County – 3,350 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State 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 Songs – "Where the Columbine 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 Rock – Yule Marble

State Tree – Colorado Blue Spruce

APPENDIX B-1

GLOSSARY

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APPENDIX B-1

GLOSSARY

Set forth below are the definitions of some of the terms used in this Official Statement, the Lease, the Site Lease and the Indenture. Reference is made to the actual provisions of the Lease, the Site Lease and the Indenture for a complete recital of the terms defined therein. Copies of such documents are available during the offering period of the Series 2009A/B Certificates from the Underwriters as set forth in "INTRODUCTION – Other Information."

"**Additional Certificates**" means Additional Certificates which may be executed and delivered by the Trustee pursuant to the Indenture.

"**Additional Rentals**" means the payment or cost of all:

(i) (A) reasonable expenses and fees of the Corporation related to the preparation of financial records and tax returns of the Corporation and maintenance of the corporate status of the Corporation as filed by the Corporation with the State, (B) reasonable expenses and fees (including reasonable fees and expenses of the Trustee's attorneys), other than attorneys' fees of the Corporation, related to the performance or discharge of their respective responsibilities under the provisions of the Lease or the Indenture, including the reasonable fees and expenses of any person or firm employed by the Corporation or the Trustee to make rebate calculations under the provisions of the Indenture and the expenses of the Corporation and the Trustee in respect of any policy of insurance or surety bond obtained in respect of the Certificates of Participation, (C) insurance deductible amounts in respect of insurance required to be maintained under the Lease if such amounts are paid by the Corporation, and (D) expenses and fees of the Corporation or the Trustee incurred at the request of the State;

(ii) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Projects or as otherwise required under the Lease;

(iii) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the State shall fail to pay the same, as specifically set forth in the Lease) which the State agrees to assume or pay as Additional Rentals under the Lease.

Additional Rentals shall not include Base Rentals.

"**Administrator**" means the State Court Administrator of the State of Colorado.

"**Annex I**" means the existing building located on the Justice Site on the date of the initial execution and delivery of the Lease.

"**Applicable Build to Suit Provisions**" means, as applicable, the Justice Build to Suit Provisions or the Colorado History Center Build to Suit Provisions.

"**Appropriated,**" for the purposes of the Site Lease, means the appropriation of funds by the Colorado General Assembly, pursuant to a bill which has been approved by the Governor of the State of Colorado or is otherwise authorized by law.

"**Appropriated or Appropriation**" means the action or actions of the General Assembly in making moneys available for any Fiscal Year, pursuant to a bill which has been approved by the

Governor of the State or otherwise authorized by law, for the purpose of paying amounts due under the Lease for such Fiscal Year including the payment of Base Rentals and Additional Rentals.

"**Approval of Special Counsel**" means an opinion of Special Counsel to the effect that the matter proposed will not adversely affect (i) the exclusion from gross income for federal income tax purposes of the Interest Portion of the Base Rentals paid by the State under the Lease with respect to the Series 2009A Certificates, and (ii) the qualification of the Series 2009B Certificates as "Build America Bonds" under Section 54AA of the Code.

"**Architect**" shall mean David Owen Tryba Architects, A Professional Corporation, a Colorado corporation d/b/a David Owen Tryba Architects.

"**Architect Agreement**" shall mean that certain Architect Agreement dated September 26, 2008, by and between the Corporation and Architect, as the same may be amended from time to time.

"**Assignment**" means the assignment contained in the Assignment and Assumption Agreement, in the form attached to the Lease as Exhibit H, from the Corporation to the Trustee of (i) the Lease, (ii) all Base Rentals, other Revenues and collateral, security interests and attendant rights and obligations derived under the Lease (except the Reserved Rights), (iii) the Site Lease and (iv) the Leased Property and any reversion therein.

"**Assignment and Assumption Agreement**" means the Assignment and Assumption Agreement dated July 1, 2009 in the form attached to the Lease.

"**Assumption**" means the assumption contained in the Assignment and Assumption Agreement, in the form attached to the Lease, to be executed by the Trustee and under which the Trustee will accept all of the Corporation's right, title, and interest (except for the Reserved Rights) and assume the Corporation's obligations in, to and under (i) the Lease, (ii) all Base Rentals, other Revenues and collateral, security interests and attendant rights and obligations derived under the Lease, (iii) the Site Lease, and (iv) the Leased Property and any reversion therein and will assume the obligation to perform and satisfy all the terms, covenants and conditions of the Lease on the part of the Corporation to be performed.

"**Authorized Denominations**" means $5,000 or integral multiples of $5,000.

"**Authorized Officer**" means:

(i) in the case of the Corporation, the President, Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer and when used with reference to any act or document also means any other person authorized by resolution of the Corporation to perform such act or execute such documents;

(ii) in the case of the State, means the Administrator and the President and any other person or persons as specified herein; and

(iii) when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, senior associate, associate or any other authorized officer of the Trustee within the corporate trust office of the Trustee set forth in the Indenture (the "Corporate Trust Office") (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

"**Base Rentals**" means the rental payments payable by the State during the Lease Term, which constitute payments for and in consideration of the right to possess and use the Projects as set forth in Exhibit E to the Lease, and refers herein to Net Base Rentals in the event the Subsidy is paid or is payable to the Trustee, and to Gross Base Rentals in the event the Subsidy is not paid or payable to the Trustee, as further provided in the Lease. Base Rentals does not include Additional Rentals. The annual Base Rentals portion of (i) the Justice Center component of the Projects is set forth in Exhibit E-1 to the Lease, and (ii) the Colorado History Center component of the Projects is set forth in Exhibit E-2 to the Lease.

"**Base Rentals Fund**" means the fund created under the Indenture.

"**Base Rentals Payment Dates**" means the Base Rentals Payment Dates set forth in Exhibit E (Base Rentals Schedule) to the Lease.

"**Building Authority,**" for the purposes of the Site Lease, means CHS/CJC Building, Inc., a Colorado nonprofit corporation.

"**Buildings**" means the Colorado History Center, the Justice Center, a parking garage and all and any of the other buildings and any portion or portions thereof located on the Sites as described in Exhibit A of the Lease at any time and from time to time and including Annex I.

"**Business Day**" means any day, other than a day (i) on which banks located in Denver, Colorado and the state in which the principal corporate trust office of the Trustee, as the Corporation's assignee, is located are required or authorized by law or executive order to close or (ii) on which the New York Stock Exchange is closed.

"**Calculation Agreement**" means the Calculation Agreement dated as of July 1, 2009 by and between the Trustee and the State.

"**Capital Expenditures**" means any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election). For example, costs incurred to acquire, construct or improve land, buildings and equipment generally are capital expenditures. Whether an expenditure is a capital expenditure is determined at the time the expenditure with respect to the property is made.

"**Capitalized Interest**" means the moneys to be deposited to the 2009A Capitalized Interest Account and the 2009B Capitalized Interest Account, to provide for Base Rentals coming due under the Lease, and to provide for any Subsidy Payment not timely made to the Trustee, for a period of time beginning on the first day of the Initial Term thereof and ending not later than the date designated in the Indenture.

"**Cede & Co.**" means DTC's nominee or any new nominee of DTC.

"**Certificate of Final Completion**" means the Certificate of Final Completion in substantially the form attached to the Lease as Exhibit D-1 and D-2 to be delivered by the Corporation to the Trustee, with written acknowledgment by the State upon Final Completion of the Colorado History Center component of the Projects and the Justice Center component of the Projects.

"**Certificate of Substantial Completion**" means the Certificate of Substantial Completion, in substantially the form attached as an exhibit to the Lease, to be delivered by the General Contractor, in accordance with the Build to Suit Provisions, upon the happening of Substantial Completion of the Project Work.

"**Certificates**" means the Series 2009A/B Certificates and any Additional Certificates.

"**Certificates of Participation**" means the Certificates of Participation, if any, executed and delivered by the Trustee pursuant to the terms of the Indenture.

"**Change Order**" means (a) an increase to the Guaranteed Maximum Price, (b) a change to the Project Substantial Completion Date or (c) a change in the scope of the Design Documents or other aspects of the design and construction of the Projects.

"**Closing**" means the date of execution and delivery of the Certificates.

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

"**Colorado History Center**" means that component of the Projects consisting of (i) the design, development, equipping and construction of a new Colorado History Center, containing approximately 195,000 gross square feet of space, in accordance with the Colorado History Center Build to Suit Provisions and (ii) any infrastructure and off-site improvements as may be required relative thereto.

"**Colorado History Center Build To Suit Provisions**" means the Build To Suit Provisions set forth on Exhibit F-2 attached to the Lease.

"**Colorado History Center Construction Contract**" means the Agreement (Standard Form of Agreement and General Conditions between Owner and Construction Manager) dated May 13, 2009, relating to the Colorado History Center component of the Projects by and between the Corporation and the Colorado History Center General Contractor, as the same may be amended from time to time.

"**Colorado History Center General Contractor**" means Hensel Phelps Construction Co., a Delaware corporation.

"**Colorado History Center Site**" means the real estate legally described on Exhibit A-2 of the Lease.

"**Construction Contracts**" means, collectively, Justice Construction Contract and the Colorado History Center Construction Contract.

"**Construction Phase**" means (i) as to the Justice Center component of the Projects, the period of time beginning on the date the Corporation delivers access to the Justice Site to the Justice Center General Contractor to begin the performance of its work under the Justice Construction Contract and (ii) as to the Colorado History Center component of the Projects, the period of time beginning on the date the Corporation delivers access to the Colorado History Center Site to the Colorado History Center General Contractor to begin the performance of its work under the Colorado History Center Construction Contract.

"**Corporation**" or "**Lessor**" means CHS/CJC Building, Inc., a Colorado nonprofit corporation.

"**Costs of Execution and Delivery of Certificates**" means all items of expense directly or indirectly payable by the Corporation or the Trustee, related to the authorization, sale, execution and delivery of the Certificates by the Trustee and to be paid from the Costs of Execution and Delivery Fund, including but not limited to, costs of preparation and reproduction of documents, costs of printing the Certificates and the Preliminary and final Official Statements prepared in connection with the offering of the Certificates, costs of Rating Agencies and costs to provide information required by Rating Agencies for the rating or proposed rating of Certificates, initial fees and charges of the Trustee and Paying Agent, legal fees and charges, including fees and expenses of Special Counsel, counsel to the Underwriter, counsel to the State, counsel to the Trustee and counsel to the Corporation, fees and disbursements of professionals, and the Underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, and any other cost, charge or fee in connection with the original sale, execution and delivery of the Certificates by the Corporation and the Trustee; provided, however, that Additional Rentals shall not be Costs of Execution and Delivery of Certificates and are to be paid by the State as provided in the Lease.

"**Costs of Execution and Delivery Fund**" means the fund created under the Indenture.

"**Costs of the Projects**" or "**Project Costs**" mean all costs and expenses incurred by the Corporation in connection with the Projects, including without limitation:

(i) obligations incurred or assumed for labor, materials and equipment;

(ii) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title insurance) that may be necessary or appropriate;

(iii) the costs of engineering, architectural and other professional and technical services, including obligations incurred or assumed for preliminary design and development work, test borings, surveys, estimates and plans and specifications;

(iv) administrative costs incurred in connection with the acquisition, construction and equipping of the Projects, including supervision of construction and installation as well as the performance of all of the other duties required by or as a consequence of the Projects; including, without limitation, costs of preparing and securing all Project Documents, architectural, engineering and other professional and technical fees, legal fees and expenses, appraisal fees, independent inspection fees, auditing fees, and advertising expenses;

(v) costs of execution and delivery of Certificates of Participation;

(vi) all costs which are required to be paid under the terms of any Project Contract, including the Architect Agreements (as defined in the Applicable Build to Suit Provisions), the Construction Contracts and the Development Services Agreements (as defined in the Applicable Build to Suit Provisions);

(vii) the costs of leasing the Sites and all other costs which are considered to be a part of the costs of the Projects in accordance with generally accepted accounting principles;

(viii) payments to a reserve fund to the extent necessary to establish or maintain the reserve requirement, if any; and

(ix) any and all other costs necessary to effect the Corporation's acquisition, construction, improvement, installation, financing and initial operations of the Projects to the extent the same are permitted by the laws of the State and will not adversely affect the exclusion from gross income for federal income tax purposes of the Interest Portion of Base Rentals.

"**Counsel**" means an attorney at law or law firm (who may be counsel for the Corporation) who is satisfactory to the Corporation.

"**CRRFA**" means the Colorado Recovery and Reinvestment Finance Act of 2009, Title 11, Article 59.7, CRS.

"**CRS**" means Colorado Revised Statutes.

"**Department,**" for the purposes of the Site Lease, means the Colorado Department of Personnel and Administration.

"**Depository**" means any securities depository as the Corporation may provide and appoint, in accordance with then current guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Certificates.

"**Design Documents**" means the schematic design drawings, the design development documents and the final construction documents and all drawings, specifications and technical specifications related thereto.

"**Design Services**" means, collectively, the complete design services to be furnished in connection with the design and construction of the Project Work, including, without limitation, the development of schematic design drawings and specifications, design development documents and construction documents and specifications, and shall also include administration services during the construction of the Project Work.

"**Development Services Agreement**" shall mean that certain Development Services Agreement dated October 31, 2008, by and between Corporation and Project Manager, as the same may be amended from time to time.

"**DTC**" means the Depository Trust Company, New York, New York, and its successors and assigns.

"**DTC Participant(s)**" means any broker-dealer, bank or other financial institution from time to time for which DTC holds Certificates of Depository.

"**Equipment**" means, collectively, (i) all equipment, machinery and related property to be acquired and installed as a component of the Projects and purchased by the Corporation pursuant to the provisions of the Lease and (ii) any items of equipment, machinery and related property acquired in replacement or substitution for the Equipment originally included in the Projects, less equipment, machinery and related property released from the Lease or damaged, destroyed or condemned, all pursuant to the provisions of the Lease.

"**Event of Indenture Default**" means any of those defaults specified in Section 7.01 of the Indenture.

"**Event(s) of Lease Default**" means any event as defined in Section 14.1 of the Lease.

"**Event of Nonappropriation**" means the non renewal of the Lease by the State or the termination of the Lease by its terms, determined by the exercise by the General Assembly of its respective rights, for any reason, to not enact or not approve by the last day of each Fiscal Year an Appropriation bill or an act for the ensuing Fiscal Year which includes (i) amounts authorized and directed to be used to pay all Base Rentals and (ii) sufficient amounts to pay such Additional Rentals as are estimated to become due as provided in the Lease. The term also means a notice under the Lease of the State's intention not to renew and therefore terminate the Lease or an event described in the Lease relating to the exercise by the General Assembly of its right not to appropriate amounts due as Additional Rentals in excess of the amounts for which an Appropriation has been previously effected.

"**Extraordinary Event**" means any event whereby Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to "Qualified Build America Bonds") is modified, amended or interpreted in a manner pursuant to which the Subsidy Payments are reduced or eliminated.

"**Extraordinary Mandatory Redemption**" means any redemption made pursuant to the Indenture and as provided in the forms of the Series 2009A/B Certificates set forth in Exhibit B 1 and Exhibit B-2 thereto.

"**Extraordinary Optional Redemption**" means any redemption made pursuant to the Indenture and as provided in the form of the Series 2009A Certificates set forth in Exhibit B-1 thereto and the form of the Series 2009B Certificates set forth in Exhibit B-2 thereto.

"**Extraordinary Optional Redemption Price**" means the Series 2009A Certificates Extraordinary Optional Redemption Price and the Series 2009B Certificates Extraordinary Optional Redemption Price, as such terms are defined and set forth in the Indenture.

"**Federal Securities**" means noncallable, obligations of the United States of America of which the timely payment of principal and interest on, are fully and unconditionally guaranteed by the United States government or its agencies (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), which are Permitted Investments set forth in (1)a., (1)b. or (1)c. of the definition of "Permitted Investments" herein.

"**FF&E**" shall mean, collectively, furniture, fixtures and equipment.

"**Finally Complete**" or "**Final Completion**" mean and shall be deemed to have occurred when Project Substantial Completion (as defined in the Applicable Build to Suit Provisions) occurs and the Corporation has delivered to the Trustee the Certificate of Final Completion, with written acknowledgment by the Administrator for the Justice Center component of the Projects and by the President for the Colorado History Center component of the Projects; provided, however, such date shall occur not later than three (3) years after July 23, 2009.

"**Financing**" shall mean the execution and delivery of Certificates of Participation.

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

"**Force Majeure**" means, without limitation, the following: 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;

breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the Corporation or the State in its capacity as tenant/lessee hereunder.

"**Funding Agreement**" shall mean that certain Funding Agreement dated September 18, 2008 by and among the State, the Corporation, Project Manager and Trustee (in its capacity as escrow agent), as the same may be amended from time to time.

"**General Assembly**" means the General Assembly of the State of Colorado.

"**General Contractors**" means, collectively, the Justice Center General Contractor and the Colorado History Center General Contractor.

"**Governmental Immunity Act**" means the Colorado Governmental Immunity Act CRS 24-10-101, et seq., as amended from time to time.

"**Gross Base Rentals**" means the amounts identified as Total Gross Base Rentals on Exhibit B, attached to the Lease.

"**Guaranteed Maximum Price**" shall mean the maximum aggregate amount which is payable to the General Contractor for the construction of the Project Work, which amount shall be established pursuant to the GMP Contract.

"**Hazardous Substance**" means and includes: (i) the terms "hazardous substance," "release" and "removal" which, as used herein, shall have the same meaning and definition as set forth in paragraphs (14), (22) and (23), respectively, of Title 42 U.S.C. §9601 and in Colorado law, provided, however, that the term "hazardous substance" as used herein shall also include "hazardous waste" as defined in paragraph (5) of 42 U.S.C. §6903 and "petroleum" as defined in paragraph (8) of 42 U.S.C. §6991; (ii) the term "superfund" as used herein means the Comprehensive Environmental Response, Compensation and Liability Act, as amended, being Title 42 U.S.C. §9601 et seq., as amended, and any similar State statute or local ordinance applicable to the Projects, including, without limitation, Colorado rules and regulations promulgated, administered and enforced by any governmental agency or authority pursuant thereto; and (iii) the term "underground storage tank" as used herein shall have the same meaning and definition as set forth in paragraph (1) of 42 U.S.C. §6991.

"**Indenture**" means the Mortgage and Indenture of Trust dated as of July 1, 2009, between the Corporation and the Trustee.

"**Initial Term**" means the period which commences on the date of delivery of the Lease and terminates on June 30, 2010.

"**Interest Payment Date**" means each March 15 and September 15, commencing March 15, 2010.

"**Interest Portion**" means the portion of each Base Rentals payment that represents the payment of interest to be set forth in Exhibit E (Base Rentals Schedule) to the Lease.

"**Issue Price**" means the initial offering price of the Series 2009B Certificates to the public as shown on the inside front cover page of the Official Statement dated July 16, 2009 with respect to the Series 2009B Certificates.

"**Justice Build To Suit Provisions**" means the Build To Suit Provisions set forth on Exhibit F-1 attached to the Lease.

"**Justice Center**" means that component of the Projects consisting of (i) the design, development, equipping and construction of the new Ralph L. Carr Justice Complex, containing approximately 603,000 gross square feet of space and an approximately 325 space parking facility, in accordance with the Justice Build to Suit Provisions and (ii) any infrastructure and off-site improvements as may be required relative thereto.

"**Justice Construction Contract**" means the Agreement (Standard Form of Agreement and General Conditions between Owner and Construction Manager) relating to the Justice component of the Projects by and between the Corporation and the Justice Center General Contractor, as the same may be amended from time to time.

"**Justice Center General Contractor**" means M.A. Mortenson Company, a Minnesota corporation d/b/a Mortenson Construction.

"**Justice Site**" means the real estate legally described on Exhibit A-1 of the Lease.

"**Lead Design Architect**" shall mean David Owen Tryba, individually, as the same may be substituted and replaced pursuant to the Build to Suit Provisions.

"**Lease**" means the Master Build to Suit Lease Purchase Agreement entered into by and between the Corporation and the State with respect to the Projects and dated the same date as the Indenture, as the same may be amended from time to time in accordance with the terms and conditions of the Lease.

"**Lease Authorizing Legislation**" means Senate Bill 08-206 2008 Colorado Session Laws and the following sections of CRS: 24-82-102(1) and 24-82-801.

"**Lease Balance**" means the Total Aggregate Principal Portion of the Base Rentals under the Lease set forth on Exhibit E (Base Rentals Schedule) to the Lease, less the aggregate amount of Principal Portions of Base Rentals paid or prepaid by the State pursuant to the Lease.

"**Lease Remedy**" or "**Lease Remedies**" means any or all remedial steps provided in the Lease whenever an Event of Lease Default or an Event of Nonappropriation has happened and is continuing, which may be exercised by the Trustee, as the Corporation's assignee, as provided in the Indenture.

"**Lease Term**" means the Initial Term and any Renewal Terms as to which the State may exercise its option to renew the Lease upon the Appropriation of funds for the payment of Base Rentals and Additional Rentals hereunder, as provided in and subject to the provisions of the Lease. "Lease Term" refers to the time during which the State is the tenant or lessee of the Projects under the Lease.

"**Leased Property**" means the Corporation's leasehold interest in the Sites pursuant to the Site Lease, the Corporation's ownership interest in the Projects and any other property leased pursuant to the Lease.

"**Make-Whole Redemption Price**" means, with respect to the Series 2009B Certificates to be redeemed, an amount equal to the greater of (i) 100% of the principal amount of such Series 2009B Certificates; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2009B Certificates, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Certificates are to be redeemed, discounted to the date on which such Series 2009B Certificates are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 0.40%; plus, in each case, accrued and unpaid interest on such Series 2009B Certificates on such redemption date. The Make-Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense to calculate such redemption price (the "Redemption Price Advisor"). The determination by the Redemption Price Advisor of the Make-Whole Redemption Price will be conclusive and binding on the Trustee, the Corporation, the State and the Owners of the Series 2009B Certificates.

"**Mandatory Sinking Fund Redemption**" means any redemption made pursuant to Section 4.02 of the Indenture and as provided in the forms of the Series 2009A/B Certificates set forth in Exhibit B to the Indenture.

"**Mandatory Sinking Fund Redemption Date**" means the dates for Mandatory Sinking Fund Redemption as provided in the forms of the Series 2009A/B Certificates set forth in Exhibit B to the Indenture.

"**Moody's**" means Moody's Investors Service, Inc.

"**Mortgaged Property**" means the Leased Property under the Lease, a description of which initial Leased Property is set forth in Exhibit A to the Indenture.

"**Museum Exhibits**" shall mean any exhibit, installation or display that is to be relocated to or installed in, on or around the Site as part of the Projects.

"**Net Base Rentals**" means the amounts identified as Total Net Base Rentals on Exhibit E, attached to the Lease.

"**Net Proceeds**" means the proceeds of any performance or payment bond, or proceeds of insurance, including self insurance, required by the Lease or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under any Project Contract, or proceeds derived from the exercise of any Lease Remedy or otherwise following termination of the Lease by reason of an Event of Nonappropriation or an Event of Lease Default, less (i) all expenses (including, without limitation, attorney's fees and costs) incurred in the collection of such proceeds or award; and (ii) all other fees, expenses and payments due to the State, the Corporation or the Trustee, as the Corporation's assignee.

"**Optional Redemption**" means any redemption made pursuant to Section 4.01 of the Indenture and as provided in the form of the Series 2009B Certificates set forth in Exhibit B-2 to the Indenture.

"**Optional Redemption Date**" means the date of redemption of Certificates upon the Prepayment of Base Rentals or the payment of the Purchase Option Price under the Lease.

"**Outstanding**" means, with respect to the Certificates, all Certificates executed and delivered by the Trustee under the Indenture as of the time in question, except:

(i) All Certificates theretofore canceled or required to be canceled under Section 2.07 of the Indenture;

(ii) Certificates in substitution for which other Certificates have been executed and delivered under Section 2.05 or 2.06 of the Indenture;

(iii) Certificates which have been redeemed as provided in Article 4 of the Indenture;

(iv) Certificates for the payment or redemption of which provision has been made in accordance with Article 6 of the Indenture; provided that, if such Certificates are being redeemed, the required notice of redemption has been given or provision satisfactory to the Trustee has been made therefor; and

(v) Certificates deemed to have been paid pursuant to Section 6.01 of the Indenture.

"**Owners**" means the registered owners of any Certificates and Beneficial Owners.

"**Paying Agent**" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"**Permitted Encumbrances**" with respect to the Projects, means, as of any particular time: (i) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (ii) the Site Lease, the Lease, the Indenture and any related fixture filing; (iii) utility, access and other easements and rights of way, restrictions and exceptions which (A) the Administrator certifies will not interfere with or impair the Justice Center component of the Projects, and (B) the President certifies will not interfere with or impair the Colorado History Center component of the Projects, including rights or privileges in the nature of easements as provided in the Lease; and (iv) existing easements, covenants, restrictions, liens and encumbrances (if any) to which title to the Sites was subject when leased by the Corporation, as shown on Exhibit B to the Lease and which do not interfere in any material way with the Projects.

"**Permitted Investments,**" subject to any restrictions set forth in Section 5.02 of the Indenture, means the investments described as follows:

(1) Any of the following securities if the period from the date of purchase of such security to its maturity date is five years or less:

a. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States of America;

b. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

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

(ii) Farmers Home Administration (FmHA);

(iii) Federal Financial Bank;

(iv) Federal Housing Administration Debentures (FHA);

(v) General Services Administration;

(vi) Government National Mortgage Association (GNMA) - guaranteed mortgage-backed bonds and guaranteed passthrough obligations;

(vii) U.S. Maritime Administration - guaranteed Title XI financing; and

(viii) U.S. Department of Housing and Urban Development (HUD) - project notes, local authority bonds, new communities debentures and U.S. Public Housing Notes and Bonds;

c. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. Government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Bank System - senior debt obligations;

(ii) Federal Home Loan Mortgage Corporation (FHLMC) - senior debt obligations;

(iii) Federal National Mortgage Association (FNMA) - senior debt obligations;

(iv) Federal Deposit Insurance Corporation (FDIC) Temporary Liquidity Guarantee Program;

(v) 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); and

(vi) Farm Credit System;

d. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAAm," or "AAm" and by Moody's of "Aaa," "Aa1" or "Aa2"; including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or sub custodian, notwithstanding that (i) the trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

e. Certificates of deposit secured at all times by collateral described in (1)a. and/or (l)b. above. Such certificates must have a one year or less maturity and be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "Aa1" or better by Standard & Poor's and "Prime-1" by Moody's. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

f. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC (Federal Deposit Insurance Corporation);

g. Investment agreements with any commercial bank or trust company, bank holding company, insurance company or other financial institution which has a rating on its outstanding long-term unsecured debt by Standard & Poor's and Moody's at least as high as the rating on the Certificates rated by Standard & Poor's and Moody's or the equivalent of such rating by virtue of guarantees or insurance arrangements provided that such investment agreements are acceptable to the Corporation, Standard & Poor's and Moody's and acknowledged by the State;

h. Commercial paper rated at the time of purchase "Prime-1" by Moody's and "A-l+" or better by Standard & Poor's or guaranteed by the FDIC under the Temporary Liquidity Guarantee program;

i. Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by such rating agencies;

j. Federal funds or bankers acceptances, including those of the Trustee or any of its affiliates, with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or A3 or better by Moody's and "A-1+" or better by Standard & Poor's;

k. Written repurchase or reverse repurchase agreements, including those of the Trustee or any of its affiliates, which provide for the transfer of securities from a dealer bank or securities firm to the Trustee on behalf of the Corporation and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee on behalf of the Corporation in exchange for the securities at a specified date, if all of the following conditions are met:

(i) Dealer banks or securities firms must be rated "A" or better by Standard and Poor's and "A" or better by Moody's;

(ii) Securities identified in clauses (1)a. and (1)b. above are acceptable for transfer;

(iii) Collateral must be delivered to the Trustee on behalf of the Corporation or third party acting as an agent for the Trustee before/simultaneous with payment and the Trustee must have a perfected first priority security interest in the collateral; the collateral must be free of third party liens and, in the case of SIPC brokers, not acquired pursuant to another repurchase agreement or reverse repurchase agreement; failure to maintain the requisite collateral percentage, after a one day restoration period, will require the Trustee to liquidate collateral;

(iv) Valuation of collateral must be valued daily, marked to market at the current market price plus accrued interest;

(v) The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee on behalf of the Corporation to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral declines to less than 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; if the securities used are FNMA or FHLMC, then the value of collateral must be 105%; and

(vi) Receipt of a legal opinion that the repurchase agreement satisfies the applicable legal guidelines under State law;

(l) Any interest in any local government investment pool organized pursuant to CRS 24-75-701 et seq. and having a rating by Standard & Poor's of "AAAm-G," "AAAm," or "AAm" and by Moody's of "Aaa," "Aa1" or "Aa2";

(m) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's; if the issue is only rated by Standard & Poor's, the pre-refunded bonds must have been pre-refunded with cash, obligations described in (1)a. above or pre-refunded municipal bonds rated "AAA" by Standard & Poor's;

(n) Any interest in the Treasury Pool organized and maintained by the Department of the Treasury of the State;

(o) Any other investment approved in writing by Moody's and Standard & Poor's so long as it constitutes a legal investment under the laws of the State of Colorado for such moneys;

(2) Investments made pursuant to the Indenture shall be made in conformance with the standard set forth in CRS §l5-1 -304.

(3) The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments.

"**Prepayment**" means any amount paid by the State pursuant to the provisions of the Lease as a prepayment of the Base Rentals due hereunder.

"**President**" means the President of the Colorado Historical Society.

"**Principal Portion**" means the portion of each Base Rentals payment that represents the payment of principal to be set forth in Exhibit E to the Lease.

"**Projects**" or "**Project**" means the design, construction and equipping of the Buildings together with all furniture, fixtures and equipment installed therein, the demolition of certain buildings to allow for such construction and the payment, if required, of certain energy performance obligations with respect to certain of the buildings to be demolished and the temporary relocation of all or a part of the current State museum and current State justice center.

"**Project Contract**" means any contract entered into by the Corporation or the State regarding the acquisition, construction, improvement or installation of any part of the Projects (including, without limitation, the Construction Contracts, contracts with construction contractors, vendors, architects, engineers and other consultants).

"**Project Documents**" means, collectively, the following: (i) plans, drawings and specifications for the Projects, when and as they are approved by the Corporation, including change orders, if any, as provided in the Lease; (ii) any necessary permits for the Projects, including any building permits; (iii) the Project Contracts; (iv) policies of title, public liability, property and worker's compensation insurance, or certificates thereof, as required by the Lease; (v) performance and payment bonds with respect to the Projects; and (vi) any and all other documents executed by or furnished to the Corporation or the State, or other parties acting on behalf of the State, in connection with the Projects.

"**Project Fund**" means the project fund to be created pursuant to and defined in the Indenture.

"**Project Lessee,**" for the purposes of the Site Lease, means the State of Colorado, acting by and through the State Court Administrator and the President of the Colorado Historical Society, as the Lessee under the Lease.

"**Project Lessor,**" for the purposes of the Site Lease, means the Building Authority, as lessor under the Lease.

"**Project Manager**" shall mean Trammell Crow Denver Development, Inc., a Delaware corporation qualified to transact business in the State of Colorado.

"**Project Manager's Fee**" shall have the meaning given such term in the Development Services Agreement.

"**Project Manager Services**" shall mean the services the Project Manager is obligated to provide pursuant to the Development Services Agreement, including, without limitation, those services listed on *Exhibit "B-1"* attached thereto.

"**Project Substantial Completion Date**" shall mean August 26, 2011, as such date may be extended pursuant to the terms of this Build to Suit Exhibit and the GMP Contract.

"**Project Work**" means Project Work within the meaning of the Applicable Build To Suit Provisions.

"**Purchase Option Price**" means the amount payable on any date, at the option of the State, to prepay all or a portion of the Base Rentals, terminate the Lease Term (in the event the entire Projects is purchased) and purchase the entire Projects, the Colorado History Center component of the Projects, or the Justice Center component of the Projects, as provided herein.

"**Rating Agency**" or "**Rating Agencies**" means Moody's, Standard & Poor's or other nationally recognized securities rating agency or agencies as may be designated in writing by the Corporation.

"**Rebate Fund**" means the fund created under the Indenture.

"**Renewal Term**" means any portion of the Lease Term commencing on July 1 of any year and terminating on or before June 30 of the following year as provided in Article 4 of the Lease.

"**Reserved Rights**" means, collectively, any rights the Corporation may have (i) with respect to the representations, warranties and covenants of the State to the Corporation under Section 2.1 of the Lease, (ii) in respect of the acquisition, construction and installation of the Projects under Article 7 and the Applicable Build to Suit Provisions of the Lease, (iii) as a loss payee or additional insured and/or the recipient of any notices or certificates provided for under Section 9.4 of the Lease, (iv) to be reimbursed for the payment by the Corporation of fees, expenses, costs and other items as set forth in the definition of "Additional Rentals", (v) in the State's covenant to defend provided under Section 11.5 of the Lease, and (vi) to give consents or approvals hereunder (including, without limitation, to amendments of the Lease).

"**Revenues**" means (i) all amounts payable by or on behalf of the State or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Prepayments, Subsidy Payments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals; (ii) any portion of the proceeds of the Certificates deposited with the Trustee in the Base Rentals Fund (as defined in the Indenture) and the Base Rentals Reserve Fund; and (iii) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund).

"**Series 2009A/B Certificates**" means the Series 2009A Certificates and the Series 2009B Certificates.

"**Series 2009A Certificates**" means the Certificates of Participation, Series 2009A, dated as of the date of execution and delivery thereof, sold by the Corporation and executed and delivered by the Trustee, as the Corporation's assignee, pursuant to the Indenture.

"**Series 2009B Certificates**" means the Taxable Certificates of Participation, Series 2009B, dated as of the date of execution and delivery thereof, sold by the Corporation and executed and delivered by the Trustee, as the Corporation's assignee, pursuant to the Indenture.

"**Site Lease**" means that Master Site Lease (Colorado History Center and the Colorado Justice Center Projects) dated July 1, 2009 by and between the State and the Corporation.

"**Site Lessor**" means the State of Colorado, acting by and through the Department of Personnel and Administration, only in its capacity as lessor under the Site Lease and not in respect to its police powers or any other capacity, power or function of the State.

"**Sites**" means, collectively, the Justice Site and the Colorado History Center Site.

"**Special Counsel**" means any counsel experienced in matters of municipal law, satisfactory to the Corporation, and set forth in the list of municipal bond attorneys, as published semiannually by *The Bond Buyer*, or any successor publication.

"**Standard & Poor's**" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"**State**" means the State of Colorado, only in its capacity as lessee under the Lease and lessor under the Site Lease and not in respect to its police powers or any other capacity, power or function of the State.

"**State Controller**" means the duly appointed Controller for the State of Colorado.

"**Subsidy**" means the cash subsidy amount payable by the United States Treasury to the Trustee on behalf of the State, on or before each Base Rentals Payment Date, equal to 35% of the stated interest on the Series 2009B Certificates required to be made pursuant to Form 8038-CP (or such other form or forms as may be required by the Treasury) completed and submitted by the Trustee on behalf of the State pursuant to the Calculation Agreement, which amount is identified on Exhibit E to the Lease and shall be netted against the Gross Base Rentals interest portion in accordance with CRRFA.

"**Subsidy Payment**" means a payment of the Subsidy amount by the United States Treasury to the Trustee.

"**Subsidy Stabilization Fund**" means the fund created under the Indenture.

"**Tax Agreement**" means the Tax Agreement dated as of July 23, 2009, between the Corporation and the State.

"**Tax-Exempt Certificates**" means the Series 2009A Certificates and any Additional Certificates pursuant to which the Interest Portion of the Base Rentals with respect thereto under the Lease is not subject to federal income taxation.

"**Treasury Rate**" means, as of any redemption date of any Series 2009B Certificates, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such Series 2009B Certificates; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"**Trust Estate**" means the estate conveyed to the Trustee in the granting clauses of the Indenture.

"**Trustee**" means The Bank of New York Mellon Trust Company, N.A., as the Corporation's assignee under the Assignment and as the Trustee, assignee and mortgagee under the Indenture, and its successors and assigns.

"**Underwriter**" means collectively, George K. Baum & Company and Piper Jaffray & Co., as senior co-managers of the group of underwriters in respect of the Series 2009A/B Certificates.

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APPENDIX B-2

SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE INDENTURE

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APPENDIX B-2

SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE INDENTURE

Set forth below is a summary of certain provisions of the Lease, the Site Lease and the Indenture. Reference is made to the actual provisions of the Lease, the Site Lease and the Indenture for a complete recital of the complete provisions thereof. Copies are available during the offering period of the Series 2009A/B Certificates from the Underwriters.

The Site Lease

Site Lease Terms. Pursuant to the Site Lease the State has leased to the Building Authority, on the terms and conditions set forth in the Site Lease, the real property identified therein (the "Sites"). The term of the Site Lease commences on July 23, 2009 and ends September 15, 2046 the "Site Lease Expiration Date"), unless such term is sooner terminated pursuant to the terms of the Site Lease.

The term of the Site Lease immediately ends prior to its termination date if all of the Leased Property has been conveyed to the State as a result of its payment of (a) the Purchase Option Price or (b) all Base Rentals and Additional Rentals.

Rental. During the Lease Term of the Lease, the State has received ten dollars and other good and valuable consideration from the Building Authority as rent under the Site Lease. In the event that the Lease is terminated for any reason, and the Trustee (on behalf of the Building Authority) leases all or any portion of the Sites, then the rental due from the Building Authority to the State under the Site Lease will be (a) an amount equal to a percentage, not to exceed five percent (5%), of the net proceeds of any such leasing or assignment and (b) payable to the Department, for the benefit of the State, by the Trustee from time-to-time within 30 days after its receipt thereof.

Purpose. The Building Authority is to use the Sites solely for the purpose of (a) demolishing and removing any improvements located on the Sites as of the Effective Date (all in accordance with the terms and conditions of the Lease), (b) designing, constructing, improving, repairing, maintaining and reconstructing the Leased Property, (c) leasing the Leased Property to the State pursuant to the Lease and (d) for any other purposes as may be incidental to the purposes set forth in this section; provided, however, that upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the State shall vacate the Leased Property, including the Sites, as provided in the Lease and the Building Authority and the Trustee may, subject to its rights and protections under the Indenture, exercise the remedies provided in the Lease.

Owner in Fee. The State has represented that it is the owner in fee of the Sites, subject only to Permitted Encumbrances and that the Permitted Encumbrances do not and will not interfere in any material way with the Sites.

Sales, Assignments and Subleases; Leasehold Mortgage. Unless an Event of Nonappropriation or an Event of Lease Default has occurred and except as otherwise provided in the Lease, the Building Authority may not sell or assign its rights and interests under the Site Lease or sublet the Leased Property, including the Sites, without the written consent of the Department, on behalf of the State.

In the event that the Lease is terminated for any reason and the Site Lease is not terminated, the Trustee (on behalf of the Building Authority) may sublease the Sites or any portion thereof, or the Building Authority's interests in the Site Lease, pursuant to the terms of the Lease and the Indenture. The

State and the Building Authority agree, and the Building Authority shall cause the Trustee and any purchasers from or assignee or lessee of the Building Authority (each a "Building Authority Successor") to agree, except for Permitted Encumbrances (including purchase options under the Lease), neither the State, the Building Authority, the Trustee nor any Building Authority Successor will sell, mortgage or encumber the Sites or any portion thereof during the term of the Site Lease.

Notwithstanding anything in the Site Lease to the contrary, the State acknowledges and agrees that the Building Authority may from time-to-time during the Site Lease Term, without the consent of the State, mortgage or otherwise finance and encumber, whether by the Indenture, a leasehold deed of trust, a mortgage or collateral assignment of the Site Lease, any or all of the Building Authority's leasehold estate thereunder, and property and rights in and to the Sites granted to it under the Site Lease, as security for the payment of any indebtedness under the Indenture (any and all of which are referred to as a "Leasehold Mortgage" and the holder thereof is referred to as "Leasehold Mortgagee"). Pursuant to any such Leasehold Mortgage, the Leasehold Mortgagee, or any assignee, purchaser or other transferee of Leasehold Mortgagee's interest in the Leasehold Mortgage, may acquire title to the Building Authority's interest in the leasehold estate in the Sites in any lawful way, including, but not limited to, through foreclosure, assignment in lieu of foreclosure, or otherwise (a "Successor-Tenant"). In such event, the Successor-Tenant will succeed to the rights of the Building Authority under the Site Lease, including the right to possession of the Sites, in which event the State is to recognize the Successor-Tenant as the Building Authority under the Site Lease, the same as if such Successor-Tenant were the original "site lessee" thereunder; provided, however, (i) a Successor-Tenant is to agree, in a written document approved by the State and the Successor-Tenant, to assume all of the Building Authority's obligations under the Site Lease for periods subsequent to the Successor-Tenant's acquisition of the Building Authority's interest in the leasehold estate in the Sites.

Termination. The Building Authority will, upon termination of the Site Lease, quit and surrender the Leased Property including the Sites, and the State and the Building Authority agree that any permanent improvements and structures existing upon the Sites, at the time of the termination of the Site Lease will remain thereon and title thereto will vest in the State.

If, prior to the Site Lease Expiration Date, the State, as Project Lessee, exercises and consummates it purchase option for the entire Leased Property, then, upon the consummation of such purchase, the Site Lease will terminate and the Building Authority will vacate and deliver to the State exclusive possession of the Sites pursuant to the same provisions and requirements of the Site Lease as would apply to the surrender of the Sites upon expiration of the Site Lease.

If, prior to the Site Lease Expiration Date, the State, as Project Lessee, exercises and consummates it purchase option for only the Colorado History Center component of the Projects, then, upon the consummation of such purchase (the "Partial Surrender Date"), the Building Authority shall vacate and deliver to the State exclusive possession of the Colorado History Center Site (but not any other portion of the Sites) pursuant to the same provisions and requirements of the Site Lease as would apply to the surrender of the Sites upon expiration of the Site Lease. From and after the Partial Surrender Date, this Site Lease shall continue in full force and effect for the remainder of the Site Lease Term, upon and subject to the terms and provisions of the Site Lease.

Default. In the event the Building Authority is in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Trustee; the State may exercise any and all remedies granted by law; except that no merger of the Site Lease and of the Lease is to be deemed to occur as a result of the default, and that so long as any certificates of participation are outstanding under the Indenture, the Site Lease will not be terminated except as otherwise described in "Termination" above.

Taxes; Maintenance; Insurance. During the Lease Term of the Lease and in accordance with the provisions of the Lease, the State will pay any and all taxes, assessments or governmental charges due with respect to the Leased Property, including the Sites, and all maintenance costs and utility charges in connection with the Leased Property, including the Sites, to the extent an Appropriation has been effected by the State.

The provisions of the Lease govern with respect to the maintenance of insurance under the Site Lease during the Lease Term. All such insurance must name the Building Authority, the Trustee, any Building Authority Successor and the State as additional insureds.

In the event the Lease is terminated for any reason, the Site Lease is not terminated and the Trustee subleases all or any portion of the Leased Property or sells or assigns its interests in the Site Lease, the Building Authority, the Trustee (on behalf of the Trust) or any Building Authority Successor will maintain commercial general liability insurance on the Sites and/or the Leased Property in an amount not less than $1,000,000 and property insurance in an amount not less than full replacement value of the Leased Property.

The Lease

Lease Term. The Lease Term commences on the date of execution and delivery of the Lease. The Initial Term of the Lease terminates on June 30, 2010. The Lease may be renewed, solely at the option of the State, for the Renewal Terms set forth on Exhibit E to the Lease. The Lease Term for the Lease terminates upon the earliest of: (a) the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation under the Lease occurs (the Lease Term is not terminated if the Event of Nonappropriation is cured); (b) the conveyance of the Leased Property under the Lease to the State upon payment of the Purchase Option Price or all Base Rentals and Additional Rentals; or (c) the occurrence of an uncured Event of Lease Default and termination of the Lease by the Trustee.

Termination of the Lease Term terminates all unaccrued obligations of the State under the Lease and the State's rights of possession under the Lease (except to the extent of the holdover provisions and except for any conveyance under the purchase option provision). All obligations of the State accrued prior to such termination continue until the Corporation or the Trustee (as the Corporation's assignee) agrees that such accrued obligations have been satisfied.

Base Rentals, Purchase Option Price and Additional Rentals. Under the Lease, the State is to pay Base Rentals for which an Appropriation has been effected by the State, directly to the Trustee, as the Corporation's assignee, during the Initial Term and any Renewal Term. The State is to receive credit against its obligation to pay Base Rentals to the extent moneys are held by the Trustee on deposit in the Base Rentals Fund created under the Indenture and are available to pay Base Rentals. The State is to direct the Trustee to make the appropriate filings with the United States Treasury for it to receive directly the Subsidy payments on a timely basis.

The Lease provides that the State may, on any date, pay the then applicable Purchase Option Price for the purpose of terminating the Lease in whole and purchasing the Projects. Subject to the Approval of Special Counsel, the State may also, at any time during the Lease Term, (1) prepay any portion of the Base Rentals due under the Lease and in connection with such prepayment and (2) recalculate the Base Rentals due under the Lease. Any recalculation of the Base Rentals is to be prepared by the Trustee, as the Corporation's assignee. The State is required to give the Trustee notice of its intention to exercise either option not less than 35 days in advance of the date of exercise and is to deposit with the Trustee by not later than the date of exercise an amount equal to the Purchase Option Price due on the date of exercise or the applicable amount of Base Rentals to be prepaid. If the State has given notice to the

Trustee of its intention to prepay Base Rentals but does not deposit the amounts with the Trustee on the date specified in such notice, the State is to continue to pay Base Rentals for which an Appropriation has been effected for such purpose as if no such notice had been given.

Pursuant to the Indenture, upon receipt by the Trustee of Base Rentals and the Subsidy payment, the Trustee is to deposit the amount of such Base Rentals and Subsidy payment in the Base Rentals Fund.

The State also agrees to pay Additional Rentals during the Initial Term and any Renewal Term.

Event of Nonappropriation. In the event that the State gives notice that it intends not to renew the Lease for any reason or an Appropriation has not been effected, on or before June 30 of each Fiscal Year, of moneys to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the next ensuing Renewal Term, an Event of Nonappropriation is deemed to have occurred; subject, however, to each of the following provisions:

(a) In the event the Trustee does not receive written notice or evidence that an Appropriation has been effected by the State on or before June 30 of a Fiscal Year, then the Trustee, as the Corporation's assignee, is to declare an Event of Nonappropriation on the first Business Day of the August following such Fiscal Year or such declaration is made on any earlier date on which the Trustee receives official, specific written notice from the State that the Lease will not be renewed.

(b) The Trustee is to waive any Event of Nonappropriation which is cured by the State, within 30 days of the receipt by the State of notice from the Trustee as provided in (a) above, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term.

(c) Pursuant to the terms of the Indenture, with the prior written consent of the Owner's of a majority in aggregate principal amount of the Certificates, the Trustee may waive any Event of Nonappropriation which is cured by the State within a reasonable time with the procedure described in (b) above.

If during the Initial Term or any Renewal Term, any Additional Rentals become due which were not included in a duly effected Appropriation and moneys are not specifically budgeted and appropriated or otherwise made available to pay such Additional Rentals within 60 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation is deemed to have occurred, upon notice by the Trustee to the State to such effect (subject to waiver by the Trustee).

If an Event of Nonappropriation occurs, the State is not obligated to make payment of the Base Rentals or Additional Rentals or any other payments under the Lease which accrue after the last day of the Initial Term or any Renewal Term during which such Event of Nonappropriation occurs. Except as limited by certain other provisions of the Lease, the State is to request a supplemental Appropriation for the purposes of paying Base Rentals and Additional Rentals allocable to any period during which the State continues to occupy, use or retain possession of the Projects.

Subject to the holdover provisions of the Lease and the Site Lease, the State is required in all events to vacate or surrender possession of the Projects by September 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred.

After September 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred, the Trustee, as the Corporation's assignee, subject to its rights and protections under the Indenture, may proceed to exercise all or any Lease Remedies.

Upon the occurrence of an Event of Nonappropriation (a) the Trustee is entitled to all moneys then being held in all funds created under the Indenture and (b) all property, funds and rights then held or acquired by the Trustee upon the termination of the Lease by reason of an Event of Nonappropriation are to be held by the Trustee as set forth in the Indenture.

Holdover Tenant. If the State fails to vacate the Projects after termination of the Lease, with the written permission of the Trustee, as the Corporation's assignee, the State is deemed a holdover tenant on a month-to-month basis. Any holding over by the State without the written permission of the Trustee is considered to be at sufferance. The amount of rent to be paid during any period when the State is deemed to be a holdover tenant will be equal to (a) one sixth of the Interest Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date plus one twelfth of the Principal Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date on which a Principal Portion of the Base Rentals would have been payable with appropriate adjustments to ensure the full payment of such amounts on the due dates thereof in the event termination occurs during a Renewal Term plus (b) Additional Rentals as the same shall become due.

Acquisition, Construction, Installation of the Projects; Occupancy and Maintenance of the Projects. At the time of execution of the Lease, pursuant to the Site Lease, the Corporation will have leased the Sites from the State. Under the Lease, the Corporation agrees to take all actions and do all things necessary for the construction of the Projects consistent with the Applicable Build To Suit Provisions of the Lease which sets forth detailed agreements between the Corporation and the State relating to the acquisition, construction and installation of the Projects. See "*Build to Suit Provisions*" below.

The Justice Build To Suit Provisions may be amended or changed from time to time by the written agreement of the Corporation and the Administrator, without any further amendment of the Lease, except as may be required by applicable State Fiscal Rules. The Colorado Judicial Department is required to operate and maintain the Justice Center after the Certificate of Final Completion with respect thereto is filed with the Trustee.

The Colorado History Center Build To Suit Provisions may be amended or changed from time to time by the written agreement of the Corporation and the President, without any further amendment of the Lease; provided, however, that any change or amendment to the Colorado History Center Build to Suit Provisions which modifies the scope or completion date of the Colorado History Center or increases the aggregate amount payable with respect thereto shall require a formal written amendment in accordance with State Fiscal Rules. The Colorado Historical Society is required to operate and maintain the Colorado History Center after the Certificate of Final Completion with respect thereto is filed with the Trustee.

The Corporation is leasing the Sites pursuant to the Site Lease and agrees to construct, make or install or cause to be constructed, made or installed the Projects through the application of moneys to be disbursed by the Trustee pursuant to the Indenture. If for any reason the Projects is not constructed, made or installed by the date provided in the Applicable Build To Suit Provisions, there shall be no resulting liability on the part of the State or the Corporation (except as otherwise provided in the Applicable Build To Suit Provisions) or an Event of Lease Default hereunder, and there will be no diminution in or postponement of the Base Rentals and Additional Rentals required to be paid by the State and for which an Appropriation has been effected during the Lease Term. However, in the event that the Trustee shall not receive a Certificate of Final Completion that the Projects has been constructed, made or installed, as required by the Lease, on or before three years after July 23, 2009, the Trustee, is to, on behalf of the Corporation as the owner of the Projects, upon 30 days written notice to the Corporation and the State, be authorized, but in no event required, to construct, make or install the remainder of the Projects from any moneys remaining for the Projects.

So long as no Event of Nonappropriation or Event of Default has occurred, the Trustee, at the direction of the Corporation, is to disburse the moneys in the Project Fund created under the Indenture for this purpose to pay the Costs of the Projects. Such disbursements are to be made by the Trustee upon receipt by the Trustee of a Requisition, on which the Trustee is entitled to fully and conclusively rely, signed by the Corporation's Representative.

If an Event of Nonappropriation or an Event of Lease Default occurs after the execution and delivery of the Lease, but prior to the Final Completion of the Projects, any moneys held in funds and accounts created under the Indenture may be utilized by the Trustee on behalf of the Corporation as the owner of the Projects, to complete, repair or modify the Projects, or may be disbursed for the payment of Certificates of Participation executed and delivered pursuant to the Indenture or other charges as the Trustee may be directed under the Indenture.

Upon the Final Completion of each of the Colorado History Center component of the Projects and the Justice Center component of the Projects and the acceptance of each of such certificates by the Corporation, the Corporation, with written acknowledgement of the President and the Administrator, respectively, is to execute and deliver to the Trustee Certificates of Final Completion.

In the event that, after the delivery of the Certificate of Final Completion for the Justice Center, there remains in the Project Fund created under the Indenture any unreserved balance, such balance is to be used by the Trustee, as directed by the State, to add to, modify or alter the Projects or add new components thereto; direct the Trustee to transfer the remaining balance to the Base Rentals Fund created under the Indenture for a credit against the Base Rentals as the same become due or may be prepaid under the Lease; or effect a combination of the foregoing.

Title Insurance. The Corporation is to provide a standard mortgagee's title insurance policy issued to the Trustee in an amount equal to no less than the original Lease Balance, insuring the Trustee's first mortgage interest in the Projects subject only to Permitted Encumbrances.

Project Contracts. Subject to the Applicable Build to Suit Provisions, in the event of cost overruns resulting in the Costs of the Projects exceeding the amount available in the Project Fund created under the Indenture, all in connection with the acquisition, construction, installation and equipping of the Projects, upon written consent of the State, either (a) the Corporation is to make such modifications to the plans and specifications for the Projects as will permit the Projects to be provided from the amounts available therefor under the Indenture or (b) the Corporation may deposit additional funds received from the proceeds of additional Certificates of Participation in the Project Fund created under the Indenture, sufficient to complete the Projects.

Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Trustee may, but shall in no event be obligated to, on behalf of the Corporation as owner of the Projects, complete the construction of the Projects, utilizing any moneys available therefor. All Project Contracts are to provide that, upon the termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Lease Default or upon the Trustee's assuming control over completion of the Projects, and upon written notice by the Trustee to the party or parties to the Project Contracts that any of such events has occurred: (a) such Project Contracts are to be fully and freely assignable to the Trustee, without the consent of any other person and the Trustee may choose to assume or not assume such Project Contracts; and (b) if the Trustee does so assume such contracts, the other party or parties thereto are to perform the agreements contained therein for the Trustee. All Project Contracts are to provide that, upon an Event of Nonappropriation or an Event of Lease Default and upon written notice from the Trustee, the Trustee may, in its full discretion, terminate some or all of such Project Contracts; and the other party or parties thereto will then be entitled to payment only from amounts available therefor under the Indenture and only for work done prior to such termination.

Performance and Payment Bonds. The contractor under the Project Contract for construction, including the General Contractors under the Construction Contracts, is required to furnish a performance bond and a labor and material payment bond on forms acceptable to the Corporation, copies of which will be provided to the Trustee. Such bonds are to be made payable to the Corporation and the Trust, as their interests may appear, and are to be executed by a corporate surety, licensed to do business in the State and will be in an amount at least equal to the contract price for such Project Contract, provided the bond amount does not exceed said surety's authorized capacity. If, at any time during the construction of the Projects, the surety on such bond is disqualified from doing business within the State, an alternate surety acceptable to the Corporation is to be selected. In the event of any change order resulting in the performance of additional work in connection with the Projects, the amounts of such bonds are to be increased by an amount at least equal to the cost of such additional work or materials or fixtures to be incorporated in the Projects.

Builder's Risk Insurance. The General Contractors for the construction of the Projects is required to provide All Risk Builder's Risk Insurance Coverage for 100% of the estimated completed value of the Projects at the time of any loss, in form and provided by an insurer acceptable to the State. A certificate of insurance is to be provided to the Trustee, the Corporation and the State within seven Business Days of the effective date of the Justice Construction Contract and the Colorado History Center Construction Contract, as applicable. This policy must have a deductible not to exceed $500,000 and is to be written on an "all risk" basis. This policy is to, by endorsement, name the State, the Corporation and the Trustee, as additional insureds. Such policy is to contain a waiver of subrogation by the issuer of such policy with respect to the State, the Trust and the Trustee, and their respective officers, agents and employees while acting within the scope of their employment.

Professional Errors and Omissions Liability Insurance. The State or the Corporation, on behalf of the Projects, is to require any enrolled architect, consultant, engineer and other enrolled entity engaged in the performance of design services on the Projects to obtain and maintain professional liability insurance for damages for claims by reasons of any negligent act, error or omission committed or alleged to have been committed by such enrolled architect, consultant, engineer and other enrolled entity engaged in the performance of the design services on the Projects, in an amount of not less than $2,000,000 per claim and in the aggregate. It is preferable that professional liability insurance coverage be written on an "occurrence" basis; provided, however, that professional liability may be provided on a "claims-made" basis if the professional liability insurance coverage is to remain in effect for the period through the Completion Date and three (3) years thereafter. Deductibles for such insurance is to be paid by the enrolled professionals.

Contractor's Liability Insurance. Each contractor entering into a Project Contract for construction, including the Construction Contracts to be entered into by the Corporation with the General Contractors for the Projects, is required to procure and maintain at all times during the term of the Project Contract a commercial general liability insurance policy, in a form and from a company acceptable to and approved by the Administrator (as to the Justice Center component of the Projects) or the President (as to the Colorado History Center component of the Projects), as applicable, and acceptable to the State covering operations not otherwise covered by the insurance required thereunder, including certain minimum amounts as set forth in the Lease. The State, the Corporation and the Trustee are to be named as additional insured on the commercial general liability and automobile liability insurance policies and the insurance is to include provisions preventing cancellation or non-renewal without at least 45 days prior notice to the State by certified mail.

The contractor is to require all insurance policies in any way related to the Project Contract and secured and maintained by the contractor to include clauses stating that each carrier will waive all rights of recovery, under subrogation or otherwise, against the State of Colorado or the Trustee or their respective agencies, institutions, organizations, officers, agents, employees and volunteers. All policies evidencing the insurance coverages required under the Lease are to be issued by insurance companies satisfactory to the State. The contractor is to provide certificates showing insurance coverage required by this contract to the State within seven business days of the effective date of the Project Contract, but in no event later than the commencement of the services or delivery of the goods under the Project Contract. No later than 15 days prior to the expiration date of any such coverage, the contractor is to deliver the State certificates of insurance evidencing renewals thereof. At any time during the term of such Project Contract, the State may request in writing, and the contractor is to thereupon within 10 days supply to the State, evidence satisfactory to the State of compliance with the provisions of the above.

Title to the Project. Except for personal property purchased by the State at its own expense, title to the Projects and any and all additions and modifications, is in the name of the Corporation until the Trustee has exercised Lease Remedies or until the Projects is conveyed as provided in the Lease notwithstanding (a) the occurrence of an Event of Nonappropriation; (b) the occurrence of any Event of Lease Default; (c) the occurrence of any event of damage, destruction, or condemnation, or construction, manufacturing or design defect or title defect; or (d) the violation by the Corporation (or the Trustee as assignee of the Corporation) of any provision of the Lease. The Trustee will not, in any way, be construed as the owner of the Projects.

Maintenance of the Projects. The State agrees that, at all times during the Lease Term on and after the date the Projects is Finally Complete, it will maintain, preserve and keep the Projects or cause the Projects to be maintained, preserved and kept, in good repair, working order and condition and will make or cause to be made all necessary and proper repairs, including replacements, if necessary. Neither the Corporation nor the Trustee has any maintenance responsibility or any responsibility for making any additions, modifications or replacements to the Projects.

Modification of the Projects; Installation of Furnishings and Machinery of the State. On and after the date on which either component of the Projects is Finally Complete, the State is permitted to make substitutions, additions, modifications and improvements to such component of the Projects, at its own cost and expense. Such substitutions, additions, modifications and improvements become the property of the Trust subject to the Lease and the Indenture and are included under the terms of the Lease and the Indenture. Such substitutions, additions, modifications and improvements may not damage the Projects or cause the Projects to be used for purposes other than lawful governmental functions of the State (except to the extent of permitted subleasing). The Projects, as improved or altered, may not be of a value less than the value of the Projects, immediately prior to such making of additions, modifications and improvements.

The State may also, in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Projects. All such machinery, equipment and other tangible property remains the sole property of the State in which neither the Corporation nor the Trustee has any interests. However, title to any such machinery, equipment, and other tangible property which becomes permanently affixed to the Projects is required to be in the Corporation, subject to the Indenture, and is required to be included under the terms of the Lease and the Indenture.

Insurance. On or after the date that the Projects is Finally Complete, the State, at no expense to the Corporation, is to cause property insurance to be carried and maintained with respect to the Projects in an amount equal to (a) the Lease Balance or (b) the estimated replacement cost of the Projects, whichever is greater. The State may, in its discretion, insure the Projects under blanket insurance policies which insure not only the Projects, but other property as well, as long as such blanket insurance policies comply with the requirements of the Lease. Any property insurance policy will be written or endorsed as to show the Corporation and the Trustee as loss payee.

The State is to carry and maintain commercial general liability insurance and public liability insurance, including blanket contractual liability or specific contractual liability insurance for the Lease in connection with the use and possession of the Projects. This coverage may be limited by endorsement to the Projects. Such coverage is to be in amounts not less than the limits of liability per occurrence set by the Governmental Immunity Act for claims to which the defense of sovereign immunity applies. The public liability insurance may be by blanket insurance policy or policies. The State may self insure for commercial general liability insurance and public liability insurance.

On or after the date that the Projects is Finally Complete, the State is to carry and maintain workers' compensation insurance covering the State's employees working in or on the Projects. Such insurance, if issued by a private carrier, will contain a provision that such coverage is not to be canceled without at least 45 days' prior written notice (10 days' prior written notice for nonpayment of premiums) to the State, the Corporation and the Trustee. In the event the State receives such notice of cancellation, it will also immediately notify the Corporation and the Trustee of any cancellation notice. A certificate issued by the workers' compensation carrier evidencing such coverage is to be provided by the State to the Corporation and the Trustee. The workers' compensation insurance may be by blanket insurance policy or policies. The State may self insure for workers' compensation insurance provided that such self insurance is (a) is approved by the Colorado Department of Labor's Division of Workers' Compensation and (b) the self insurance fund is held in the workers' compensation account of the risk management fund created for this purpose.

Each property and liability policy, other than workers' compensation and self-insurance coverage, provided for by the State will contain a provision to the effect that the insurance company will not cancel the policy without at least 30 days' (10 days' for nonpayment of premiums) prior written notice to the State, the Corporation and the Trustee. In the event that the State has received such notice of cancellation it will immediately notify the Trustee.

Granting of Easements. As long as no Event of Nonappropriation or Event of Lease Default has happened and is continuing, the Corporation and the Trustee, as the Corporation's assignee, may, upon the written request of the State, (a) grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property or rights included in the Lease and the Indenture, free from the Lease and the Indenture and any security interest or other encumbrance created hereunder or thereunder; (b) release existing easements, licenses, rights of way, and other rights and privileges with respect to such property or rights, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to grant or release any such easement, license, right of way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant or release and (ii) a written application signed by the Administrator (as to the Justice Center component of the Projects) or the President (as to the Colorado History Center component of the Projects), as applicable, requesting such grant or release and stating that such grant or release will not impair the effective use or interfere with the operation of the Projects.

Damage, Destruction and Condemnation. If, (a) the Projects is destroyed (in whole or in part), or damaged by fire or other casualty; (b) title to, or the temporary or permanent use of, the Projects or the estate of the State, the Corporation or the Trustee in the Projects is taken by eminent domain; (c) a breach of warranty or a material defect in the construction, manufacture or design of the Projects becomes apparent; or (d) title to or the use of the Projects is lost by reason of a defect in title thereto; the State is obligated to continue to pay the Base Rentals and Additional Rentals (provided that an Event of Nonappropriation has not occurred), regardless of whether a Certificate of Final Completion has been delivered.

The State, the Corporation and the Trustee, to the extent Net Proceeds are within their respective control, are required to cause the Net Proceeds to be deposited in the Project Fund if received before the Completion Date, or if received thereafter, to be deposited in a separate trust fund. All Net Proceeds so deposited are to be applied to the prompt repair, restoration, modification, improvement or replacement of the Projects by the State, upon receipt of requisitions acceptable to the Trustee signed by the Administrator (as to the Justice Center component of the Projects) or the President (as to the Colorado History Center component of the Projects), as applicable.

The balance of any Net Proceeds remaining after such repair, restoration, modification, improvement or replacement has been completed are to be used by the State to (a) add to, modify or alter the Colorado History Center, the Judicial Center or the Projects or (b) prepay Base Rentals or (c) accomplish a combination of (a) and (b). Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds is the property of the Corporation, subject to the Lease and the Indenture and is to be included as part of the Projects under the Lease and the Mortgaged Property under and as defined in the Indenture.

If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Projects, the State may elect to:

(a) complete the work or, with the written consent of the Trustee (acting at the written direction of the Owners of a majority in aggregate principal amount of the Certificates), replace such Projects (or portion thereof) with similar property of a value equal to or in excess of such portion of the Projects and pay as Additional Rentals, to the extent amounts for Additional Rentals which have been specifically Appropriated for such purpose are available for payment of such cost, any cost in excess of the amount of the Net Proceeds, in which case the State is not entitled to reimbursement from the Corporation or the Trustee, nor is the State entitled to any diminution of the Base Rentals and Additional Rentals, for which a specific Appropriation has been effected for such purpose; or

(b) apply the Net Proceeds to the payment of the Purchase Option Price as provided in the Lease. If the Net Proceeds are insufficient for this purpose, the State is required to pay the amount necessary to equal that portion of the Purchase Option Price which is attributable to the Projects for which Net Proceeds have been received (as certified to the Trustee by the State); and if the Net Proceeds exceed such portion of the Purchase Option Price, the excess is to be used as directed by the State; or

(c) if the State does not timely budget sufficient funds or sufficient funds are not Appropriated to proceed under either (a) or (b) above, an Event of Nonappropriation will be deemed to have occurred and, subject to the State's right to cure, the Trustee may pursue remedies available to it following an Event of Nonappropriation.

Replacement and Substitution of Equipment. In any instance where the State determines any Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the State may (on behalf of the Corporation) sell, trade-in, exchange or otherwise dispose of it (as a whole or in part) without any responsibility or accountability to the Corporation or the Trustee therefor, provided that the State is to either:

(a) Substitute and install (by direct payment of the costs thereof or by designating equipment, machinery or other personal property not previously included as an Equipment component of the Projects) other equipment, machinery or related property having equal or greater value and utility (but not necessarily having the same function); provided, however, that such substituted equipment, machinery or related property will have a useful life of not less than the remaining useful life of the Equipment component of the Projects for which it is substituted and the substituted equipment, machinery or related property will be deemed to be amortized on the date or dates set forth on an exhibit (Base Rentals Schedule) to the Lease with respect to the original Equipment component of the Projects; or

(b) Not make any such substitution and installation, provided: (1) in the case of the sale or other disposition of any such Equipment to anyone other than itself or in the case of the scrapping thereof, the State is to pay to the Trustee, as the Corporation's assignee, for deposit into the Base Rentals Fund created under the Indenture the net proceeds from such sale or other disposition, or the scrap value thereof, as the case may be, (2) in the case of the trade-in of such Equipment for other machinery, equipment or related property not to be included in the Projects subject to the Lease, the State is to pay to the Trustee, for deposit into the Base Rentals Fund the amount of the credit received by it in such trade-in and (3) in the case of the sale or other disposition of any such Equipment to the State, the State is to pay to the Trustee for deposit into the Base Rentals Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices.

The removal from the Projects of any portion of the Equipment pursuant to the provisions of this Section does not entitle the State to any postponement, abatement or diminution of the Base Rentals or other payments required to be made under the Lease.

The State is to promptly report in writing to the Trustee each removal, substitution, sale or other disposition under subparagraphs (a) and (b) described above and pay to the Trustee all amounts required by subparagraph (b) to be paid into the Base Rentals Fund promptly after any subsequent sale, trade-in or other disposition requiring such payment. All substituted machinery, equipment or related property installed pursuant to the Lease is required to be free of all liens and encumbrances (other than Permitted Encumbrances) and is to become a part of the Projects and subject to the lien of the Indenture. The State may not dispose of, or permit the disposition of, any of the Equipment except as described above and all in accordance with the Lease. The Corporation and the Trustee (at the expense of the Corporation) are to cooperate with the State in implementing the State's rights to dispose of Equipment components of the Projects and execute any and all conveyances, releases or other documents necessary or appropriate in connection therewith.

Purchase Option. Under the Lease, the State has the option to purchase the entire Projects, or the Colorado History Center component or the Justice Center component of the Projects, but only if an Event of Lease Default, or an Event of Nonappropriation has not occurred and is then continuing. The Justice Center component of the Projects may be purchased only if prior thereto, the State has purchased the Colorado History Center component. The State is required to give the Trustee notice of its intention to exercise its option not less than 35 days in advance of this date of exercise and to deposit the required moneys with the Trustee on or before the selected Purchase Option Date. If the State exercises its option to purchase entire the entire Projects or the Justice Center component of the Projects, than the amounts on hand in the Base Rentals Reserve Fund and the Base Rentals Fund, each created under the Indenture, are to be applied toward the payment of the applicable Purchase Option Price to be paid by the State. If the State exercises its option to purchase the Colorado History Center component of the Projects, then twenty-six and eleven-one-hundredth percent (26.11%) of the amounts then on hand in the Base Rentals Fund are to be applied toward the payment of the applicable Purchase Option Price to be paid by the State. If the State has given notice to the Trustee of its intention to purchase the entire Projects, or the Colorado History Center component of the Projects or the Justice Center component of the Projects, or prepay Base Rentals, but has not deposited the amounts with the Trustee on the date specified in such notice, the State is to continue to pay Base Rentals, which have been specifically appropriated by the State for such purpose, as if no such notice had been given.

Assignment by the Corporation. The Corporation has assigned its rights (but none of its financial obligations) under the Lease, including rights to receive and enforce payments (except the Reserved Rights) and to the Projects to the Trustee pursuant to the Indenture and the Assignment and Assumption Agreement.

Assignment and Subleasing by the State. The Lease may not be assigned by the State other than to a successor by operation of law. However, the Projects may be subleased, as a whole or in part, by the State, without the necessity of obtaining the consent of the Corporation or the Trustee, subject to the following conditions: (a) the Projects may be subleased, in whole or in part, only to an agency, department or political subdivision of, the State, or to another entity with Approval of Special Counsel; (b) the Lease and the obligations of the State thereunder, at all times during the Lease Term, remain obligations of the State and the State maintains its direct relationships with the Corporation and the Trustee, notwithstanding any subleases; and (c) the State furnishes to the Trustee a copy of any sublease agreement.

Events of Lease Default. Any one of the following is an "Event of Lease Default" under the Lease:

(a) failure by the State to pay from funds which have been specifically Appropriated for such purpose any (i) Gross Base Rentals or Net Base Rentals, whichever is due and owing at such time, during the Initial Term or any Renewal Term, or (ii) Additional Rentals on the date on which they are due; or

(b) subject to the holdover tenant provisions of the Lease, failure by the State to vacate or surrender possession of the Projects by September 1 of any Renewal Term in respect of which an Event of Nonappropriation has occurred; or

(c) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in (a) or (b), for a period of 45 days after written notice, specifying such failure and requesting that it be remedied is received by the State from the Trustee, as the Corporation's assignee, unless the Trustee agrees in writing to an extension of such period prior to its expiration; however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not withhold its consent to an extension of such period if, as certified by the State to the Trustee, corrective action can be instituted by the State within the extended period and diligently pursued until the default is corrected, but no later than 120 days after such written notice.

The foregoing provisions of the Lease are subject to the following limitations: (a) the State is obligated to pay the Base Rentals and Additional Rentals, for which an Appropriation has been made, only during the Lease Term, except as otherwise provided in the Lease; and (b) if, by reason of *Force Majeure*, the State or the Corporation is unable in whole or in part to carry out any agreement on its part contained in the

Lease, other than the State's agreement to pay the Base Rentals and Additional Rentals due under the Lease, the State or the Corporation will not be deemed in default during the continuance of such inability. The State and the Corporation each agree, however, to remedy, as promptly as legally and reasonably possible, the causes preventing the State or the Corporation from carrying out their respective agreements; provided that the settlement of strikes, lockouts and other industrial disturbances are entirely within the discretion of the State.

Remedies on Default. Whenever any Event of Lease Default has happened and is continuing beyond any applicable cure period, the Trustee, on behalf of the Corporation, may, without any further demand or notice, take one or any combination of the following remedial steps:

(a) subject to the holdover tenant provisions of the Lease, terminate the Lease Term and give notice to the State to vacate and surrender possession of the Projects within 60 days from the date of such notice;

(b) proceed to foreclose through the courts or otherwise sell, trade in, repossess or liquidate the Projects or any part thereof in any lawful manner;

(c) lease or sublease the Projects or sell an assignment of any interest the Trustee or the Corporation has in the Projects;

(d) recover from the State: (1) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected for such purpose, which would otherwise have been payable under the Lease, during any period in which the State continues to occupy, use or possess the Projects; and (2) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected for such purpose, which would otherwise have been payable by the State under the Lease, after the State vacates and surrenders possession of the Projects during the remainder of the Fiscal Year in which such Event of Lease Default occurs; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Projects under the Lease and the Indenture.

Limitations on Remedies; No Remedy Exclusive. A judgment requiring a payment of money may be entered against the State by reason of an Event of Lease Default only as to the State's liabilities for Base Rentals and Additional Rentals previously appropriated for or attributable to the State's holding over. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent that the State fails to vacate and surrender possession of the Projects as required by the Lease, and only for Base Rentals and Additional Rentals for the period of such failure.

No remedy conferred upon or reserved to the Trustee, on behalf of the Corporation, is exclusive and every remedy is cumulative and in addition to every other remedy given under the Lease or existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or is to 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.

Build to Suit Provisions. The Corporation entered into the GMP Contract with the General Contractor for construction of the Project Work consistent with the Tenant's Space program. No amendment may be made to the GMP Contract without the prior written approval of the State's Representative. The Corporation, acting by and through the Project Manager, will be responsible for managing the performance of the GMP Contract and maintaining the schedule established therein.

The Corporation entered into the Architect Agreement with the Architect for the Design Services relating to the Project Work. The Corporation shall not amend the Architect Agreement without first having received prior written approval thereof from the State's Representative, except for Change Orders which shall be governed by the Lease. The Corporation, acting by and through the Project Manager, will be responsible for managing the performance of the Architect Agreement and maintaining the schedule established therein.

The Corporation entered into the Development Services Agreement with the Project Manager for the Project Manager Services. The Corporation shall not amend the Development Services Agreement without prior written approval thereof from the State's Representative. The Corporation will be responsible for managing the performance of the Development Services Agreement and maintaining the schedule established therein.

The Corporation agrees to finance the development, design, construction and procurement of the Project Work with the proceeds of the Cash Fund and the Financing, which proceeds will be disbursed by the Trustee on behalf of the Corporation as set forth in the Funding Agreement and the Indenture, as applicable

The Corporation agrees to require the Architect, in providing the Design Services, to comply with all Applicable Laws. The Corporation shall require the Architect to design the Project Work to meet all Applicable Laws applicable to the design, construction, occupation and operation of the Project Work, including, without limitation, environmental standards, fire and safety regulations, and requirements and all other applicable standards and codes. The Corporation will require the Architect to provide Design Services for the Project Work in a manner consistent with the Tenant's Space Program, as the same may be amended and supplemented by the State from time to time, with the prior written approval of the Corporation, which approval shall not be unreasonably withheld, conditioned, or delayed. The State may requesting additional changes or modifications to the Tenant's Space Program; provided, however, all such requested changes or modifications shall (a) the provisions regarding Change Orders, and (b) be subject to the Corporation's prior written approval thereof. Furthermore, the Corporation shall obtain the State's prior written approval for any proposed changes to the Tenant's Space Program that are initiated by the Corporation.

The Corporation will submit to the State, whether in phases, partial submittals or in their entirety, the Design Documents, and any proposed changes related thereto, prepared by the Architect and submitted to the Corporation. The State shall review and approve or reject the Design Documents or any proposed changes thereto on the basis of consistency with and fulfillment of the requirements of the Tenant's Space Program and Design Documents previously approved by the State. If the State rejects a Design Document or proposed change, the State is to identify its objections in a written notice to the Corporation (and shall specify in such written notice the unsatisfactory or incomplete items), and the State and the Corporation shall engage in the Resolution of Disputes with respect to such Design Document or proposed change. The State shall review the Design Documents in accordance with the time limits specified in the Build to Suit Provisions.

The State agrees to be solely responsible for the designing, procuring, relocating and installing all FF&E and Museum Exhibits that are to become part of the Projects. The State and the Corporation acknowledge that the provisions pertaining to FF&E and Museum Exhibits are subject to the amounts deposited for FF&E and Museum Exhibits into the Cash Fund and the Project Fund created by the Lease Authorizing Legislation, the Indenture and the Lease.

The State is entitled to monitor and inspect, and to provide independent inspection and testing of, the Project Work at any time during the course of construction to assure compliance with the provisions of the Lease subject to procedures pertaining to such inspection as promulgated from time to time by the Corporation with the prior written approval of the State's Representative.

Under the Build to Suit Provisions, as a general matter, the Corporation has the sole discretion to approve or disapprove Change Orders to the GMP Contract, however, the Corporation is to submit to the State's Representative, for its review, any Change Order which modifies or supplements the Design Documents. The Corporation's Change Orders may not exceed the moneys deposited in the Project Fund.

Neither party is to be deemed in default under the Build to Suit Provisions until notice of default is given in accordance with the terms of the Lease. The defaulting party under the Build to Suit Provisions has ten days to cure the default. For unresolved disputes related to the design of the Projects and any uncured default under the Build to Suit Provisions, if the Corporation is in default, the State may pursue all rights and remedies at law or in equity, including liquidated damages, against the Corporation; provided that unless and until the State takes any such action, the Corporation may proceed with the Project Work, and if the State is in default under the Build to Suit Provisions, the Corporation may file an action against the State for specific performance.

Notwithstanding the described Liquidated Damages provisions, the Corporation and the State have agreed that if an Event of Nonappropriation, an Event of Lease Default or an Event of Indenture Default occurs, at the sole option of the Trustee, the Corporation is to pay all amounts collected as Liquidated Damages to the Trustee for deposit to the Base Rentals Fund and shall not assign its rights to the State to enforce the Liquidated Damages provisions of the Design Contracts, but rather, at the Trustee's option, the Corporation may assign its rights to the Trustee to enforce such provisions.

The Indenture

Nature of the Certificates. The Certificates constitute proportionate interests in the assignment by the Corporation to the Trustee of the Corporation's right to receive the Base Rentals under the Lease and other Revenues.

Additional Certificates. So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the Indenture. The principal of any Additional Certificates is to mature no later than September 15, 2045 and Interest Payment Dates therefor are to be the same as the Interest Payment Dates for the Series 2009A/B Certificates.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates to provide moneys to pay: (a) the costs of completing the Colorado History Center, the Justice Center or any other component of the Projects or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Projects; or (b) for the purpose of refunding or refinancing all or any portion of Outstanding Certificates. In such case, the Costs of Execution and Delivery of the Additional Certificates and other costs reasonably related to the purposes for which Additional Certificates are being executed and delivered may be included.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee, among other things: (a) the supplemental Indenture and related and necessary amendments to the Lease; (b) a written opinion of Special Counsel, acceptable to the Corporation and the Trustee, relating to the continued excludability of interest from gross income for federal income tax purposes on Outstanding Tax-Exempt Certificates and other matters; and (c) written directions from the Corporation to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered pursuant to the Indenture is to evidence a proportionate interest in the assignment of the rights to receive the Revenues under the Indenture and is to be ratably secured with all Outstanding Certificates and in respect of all Revenues and is to be ranked pari passu with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

Certain Funds Created under the Indenture. The Indenture provides for the creation of the funds described below. Any income from the investment of these funds is to be applied by the Trustee as provided in the Indenture.

The Indenture provides for the creation of a Base Rentals Fund that is to be used for the deposit of Revenues. Moneys in the Base Rentals Fund are to be used solely for the payment of the principal of and interest on the Certificates whether on an Interest Payment Date, at maturity or upon prior redemption. All income earned from investment of moneys held in the Base Rentals Fund is to be retained therein.

The Indenture provides for the creation of a Subsidy Stabilization Fund that is to be used for the purposes of: (i) transfer to the 2009B Account of the Base Rentals Fund for the payment of interest on the Series 2009B Certificates, as the same become due, to the extent of any deficiency therein because of the failure of the Trustee to receive any Subsidy Payment, (ii) a reduction of the final payment of the Base Rentals Taxable Interest Portion as identified on Exhibit E of the Lease, and (iii) deposit in escrow for the payment of the Series 2009B Certificates to effect a defeasance and discharge of the Indenture. Any Subsidy Payment received by the Trustee after an Interest Payment Date is to be deposited in the Subsidy Stabilization Fund in order to replenish the amount previously withdrawn therefrom.

The Indenture provides for the creation of a Rebate Fund for the deposit of moneys received by the Trustee for the purpose of complying with the requirements of the Code, when accompanied by instructions (a) that such moneys are to be deposited in the Rebate Fund and (b) regarding the transfer of moneys in the Rebate Fund, including investment income thereon.

The Indenture provides for the creation of a Project Fund. Moneys on deposit in the Project Fund are to be disbursed by the Trustee to pay the Costs of the Projects. All income earned from the investment of moneys in the Project Fund is to be retained therein and reinvested or used for purposes of the Project Fund until transferred as provided in the Indenture.

The Indenture provides for the creation of a Costs of Execution and Delivery Fund. Monies deposited in this fund are to be disbursed by the Trustee to pay the Costs of Execution and Delivery of the Series 2009A/B Certificates.

Application of Revenues and Other Moneys. All Base Rentals payable under the Lease and other Revenues are to be paid directly to the Trustee. If the Corporation receives any other payments on account of the Lease, the Corporation is to immediately pay over the same to the Trustee.

The Trustee is to deposit all Revenues and any other payments received on account of the Lease, immediately upon receipt thereof to the Base Rentals Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Certificates on the next Interest Payment Date. In the event that the Trustee receives Prepayments under the Lease, the Trustee is to apply such Prepayments to the Optional Redemption of the Certificates or portions thereof in accordance with the Indenture.

Events of Indenture Default. Each of the following events is an Event of Indenture Default:

(a) If the Corporation fails or refuses to comply with its covenants under the Indenture and such failure or refusal continues for a period of thirty (30) days after notice thereof has been given to the Corporation by the Trustee; or

(b) the occurrence of an Event of Nonappropriation or an Event of Lease Default.

Upon the occurrence of any Event of Indenture Default, the Trustee is to give notice thereof to the Owners of the Certificates, the Underwriter, the Paying Agent, the State and the Corporation. The Trustee is to waive, and may waive, any Event of Nonappropriation as described under "The Lease - *Nonappropriation*" above.

Remedies. If any Event of Indenture Default occurs and is continuing, the Trustee may enforce for the benefit of the Owners of the Certificates each and every right granted to it as the assignee or grantee of the Lease and as mortgagee under the Indenture. In exercising such rights, the Trustee may take such action as, in its judgment, would best serve the interests of the Owners of the Certificates, including calling the Certificates for redemption prior to their maturity and exercising the Lease Remedies provided in the Lease.

Application of Moneys in Event of Indenture Default. Any moneys received, collected or held by the Trustee as a result of action taken to remedy an Event of Indenture Default are to be applied in the following order to the payment of: (a) the costs of the Trustee related to the performance by the Trustee of its obligations under the Indenture, including counsel fees, and disbursements of the Trustee with interest thereon at the prime rate then in effect with the Trustee, and the payment of its reasonable compensation, including any amounts remaining unpaid; (b) costs and expenses of the Corporation related to the performance by the Corporation of its obligations under the Indenture, including counsel fees, incurred in connection with the Event of Indenture Default; (c) interest then owing on the Certificates, and in case such moneys are insufficient to pay the same in full, then to interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and (d) principal or redemption price (as the case may be) then owing on the Certificates, and in case such moneys are insufficient to pay the same in full, then to principal or redemption price ratably, without preference or priority of one Certificate over another. The surplus, if any, is to be paid to the State.

Duties of the Trustee. The Trustee is required to give prompt notice to the Owners of the Certificates of any Event of Lease Default or Event of Nonappropriation of which the Trustee has or receives actual knowledge. Upon the occurrence of any Event of Lease Default or Event of Nonappropriation, the Trustee may take such action as the Trustee deems necessary to enforce the provisions of the Site Lease and the Lease. The Trustee is not required to take any remedial action, other than the giving of notice, except in accordance with the written directions of the Owners of a majority in principal amount of the Certificates then Outstanding and only if reasonable indemnity is furnished for fees, expenses or liability to be incurred. Upon receipt of written direction and indemnity and after making such investigation, if any, as it deems appropriate, the Trustee will promptly pursue any of the Lease Remedies provided by the Lease (not contrary to any such direction) as it deems appropriate for the protection of the Owners of the Certificates.

The Trustee is required, within 30 days after it receives notice thereof, to give written notice by first-class mail to the Owners of the Certificates (with a copy to the State) of all Events of Indenture Default known to the Trustee, unless such defaults have been remedied. The Trustee is not deemed to have notice of any Event of Indenture Default unless it has actual knowledge thereof or has been notified in writing of such Event of Indenture Default by the Owners of at least 25% in principal amount of the Outstanding Certificates.

If any Event of Default has occurred and is continuing, the Trustee is required to exercise such of the rights and remedies vested in it by the Indenture and is to use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his own affairs provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it is not obligated to take such action unless it is furnished with indemnity satisfactory to it.

Resignation or Removal of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation delivered to the Corporation less than 60 days before the date when it is to take effect. Notice of such resignation is required to be mailed to each Owner of each Outstanding Certificate. Such resignation takes effect only upon the appointment of a successor trustee.

The Trustee may be removed at any time by an instrument appointing a successor to the Trustee, executed by the Owners of a majority in principal amount of the Certificates then Outstanding filed with the Trustee, the Corporation and the State.

The Trustee. The Indenture includes extensive exculpatory provisions and limitations, in a form customary for similar trust instruments, which are intended generally to limit the liability of the Trustee to the willful misconduct or negligence of it or its agents and employees, to authorize the Trustee to rely upon the advice of counsel and the representations of the State and to provide for the indemnification of the Trustee for its costs and liabilities. Such costs and liabilities, as well as similar indemnifications for costs and liabilities contained in the Indenture in respect of the Trust are stated to be expenses of the Trust Estate.

Supplemental Indentures. The Trustee and the Corporation may, with the written consent of the State, but without the consent of, or notice to, the Owners, enter into such indentures or agreements supplemental to the Indenture for any one or more or all of the following purposes: (a) to add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation or to grant additional powers or rights to the Trustee; (b) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency rating the Certificates; (c) to authorize the execution and delivery of Additional Certificates pursuant to the terms of the Indenture; (d) to preserve or protect the excludability from gross income for federal income tax purposes of interest evidenced and represented by the Tax-Exempt Certificates; (e) to correctly identify and release any Mortgaged Property in the event of any modification of the Leased Property pursuant to the exercise of the Purchase Option by the State under the Lease; or (f) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision contained in the Indenture, or to make such other provisions in regard to matters arising under the Indenture which are not inconsistent with the provisions of the Indenture and which do not materially adversely affect the interests of the Owners of the Certificates.

The Indenture may be amended except with respect to (1) the principal or interest payable upon any Outstanding Certificates, (2) the Interest Payment Dates, the dates of maturity or the redemption provisions of any Outstanding Certificates, and (3) provisions of the Indenture whereby the Indenture or the Lease may be supplemented or amended, by a supplemental indenture approved by the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding.

Amendment of the Lease and the Site Lease. The Corporation and the State have the right to amend the Lease and the Site Lease without consent of the Owners of the Certificates, for one or more of the following purposes: (a) to add additional covenants of the Corporation or the State or to grant additional powers or rights to the Trustee; (b) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency of the Certificates; (c) to more precisely identify the Leased Property (including the Sites and the Projects), including any substitutions, additions or modifications to the Leased Property authorized under the Lease; (d) to make additions to Leased Property, amend the schedule of Base Rentals and make all other amendments necessary for the execution and delivery of Additional Certificates in accordance with the Indenture; (e) to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals and, in turn, interest evidenced by the Tax-Exempt Certificates; (f) to preserve or protect the timely payment of the Subsidy by the United States Treasury; or (g) for any purpose not inconsistent with the terms of the Indenture or cure any ambiguity or to correct or supplement any provision contained therein or in the Indenture or in any amendment thereto, or to make such other provisions in regard to matters or questions arising under the Lease or the Site Lease which are not inconsistent with the existing provisions thereof and which do not materially adversely affect the interests of the Owners of the Certificates.

Defeasance. When the principal or redemption price of, and interest on, all of a series of Certificates have been paid or provision has been made for payment of the same, together with the compensation of the Trustee and all other sums payable relating to the Certificates, the right, title and interest of the Trustee ceases and the Trustee, on demand of the Corporation, is to (1) release the Indenture and the Lease, (2) execute documents to evidence such releases, (3) release the Site Lease and transfer and convey the Leased Property to the State as provided in the Lease, and (4) turn over to the State all balances then held by the Trustee in the Funds or Accounts except for amounts held in the Rebate Fund. If payment or provision therefor is made with respect to less than all of the Certificates, the particular Certificates for which provision for payment is to be considered made are to be selected by lot by the Trustee.

Provision for the payment of the Certificates is deemed to have been made when the Trustee holds in the Base Rentals Fund (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Federal Securities) in an amount sufficient to make all payments with respect to the Certificates, or (2) Federal Securities maturing on or before the date or dates when the payments with respect to the Certificates become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, as evidenced by the written report or certificates of an independent accounting firm or verification agent, or (3) any combination of such cash and such Federal Securities.

Unclaimed Money to be Returned. Any moneys deposited with the Trustee pursuant to the terms of the Indenture to be used for the payment of principal of, premium, if any, or interest on any of the Certificates and remaining unclaimed by the Owners of such Certificates for a period of six years after the final due date of any Certificate, whether the final date of maturity or the final redemption date, shall, upon the written request of the Corporation and the State, be paid to the State and such Owners shall thereafter look only to the State for payment and then only (a) to the extent of the amounts so received by the State from the Trustee without interest thereon, (b) subject to the defense of any applicable statute of limitations and (c) subject to the State's appropriation of such payment. After payment by the Trustee of all of the foregoing, if any moneys are then remaining under this Indenture, the Trustee shall pay such moneys to the State as an overpayment of Base Rentals.

Covenants Regarding Lease and the Site Lease. Pursuant to the Indenture, the Corporation has covenanted to the Trustee, for the benefit of the Owners, that it will observe and comply with the covenant of quiet enjoyment contained in the Lease and with all of its representations and warranties under the Lease and the Site Lease.

Covenants of the Corporation. Pursuant the Indenture, the Corporation has covenanted, among other things, (1) to promptly pay or cause to be paid the principal or redemption price of; and the interest on, every Certificate executed and delivered by the Trustee, provided that the Corporation shall is required to make such payment or cause such payment to be made only out of Revenues; (2) to maintain its corporate existence; use its best efforts to maintain and renew all its rights, powers, privileges and franchises, and comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body which may relate to the execution and delivery of the Certificates and the performance of the Corporation's obligations under the Indenture; (3) to not transfer the Lease or the Site Lease or any rights it may have in the Leased Property, except pursuant to the Lease or the Site Lease or as specifically authorized in the Indenture in furtherance of the security for the Certificates; and (4) that it will not make or cause to be made any investment or other use of the proceeds of the Certificates or take any action with respect to the amounts payable under the Lease which would cause the Certificates to be "arbitrage bonds" under Sections 103 and 148 of the Code or take no action and permit no action within its control to be taken which would adversely affect the exemption from Federal income tax of interest on the Tax-Exempt Certificates or the payment of the Subsidy with respect to the Series 2009B Certificates.

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$338,790,000
CERTIFICATES OF PARTICIPATION, SERIES 2009
(Ralph L. Carr Justice Complex and Colorado History Center Projects)
Evidencing Proportionate Interests in Base Rentals and other Revenues
under an Annually Renewable Master Build to Suit Lease Purchase Agreement
between CHS/CJC Building, Inc., as lessor, and the State of Colorado, as lessee

$39,030,000 **TAX EXEMPT CERTIFICATES OF PARTICIPATION, SERIES 2009A**	**$299,760,000** **TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2009B (Build America – Direct Payment)**

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 Court Administrator and the President of the Colorado Historical Society, in connection with the issuance of $338,790,000 aggregate principal amount of Certificates of Participation, Series 2009 (Ralph L. Carr Justice Complex and Colorado History Center Projects) consisting of $39,030,000 aggregate principal amount of Tax Exempt Certificates of Participation, Series 2009A (the "**Series 2009A Certificates**") and $299,760,000 aggregate principal amount of Taxable Certificates of Participation, Series 2009B (Build America – Direct Payment) (the "**Series 2009B Certificates**," and, together with the Series 2009A Certificates, the "**Certificates**"). The Series 2009A/B Certificates are being delivered pursuant to a Mortgage and Indenture of Trust (the "**Indenture**"), dated as of July 1, 2009 by and between The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee and mortgagee (the "**Trustee**") and the Lessor (described below), as settlor and mortgagor. The Series 2009A/B Certificates will be paid and secured and will constitute proportionate interests in the assignment by the Lessor to the Trustee, pursuant to the Assignment Agreement and the Indenture, of the Lessor's right to receive Base Rentals, Subsidy Payments, and certain other Revenues under the annually renewable Master Build to Suit Lease Purchase Agreement dated as of July 1, 2009 (the "**Lease**") between CHS/CJC Building, Inc., a Colorado nonprofit corporation, as lessor (the "**Lessor**"), and the State, as lessee and shall be payable solely from the Trust Estate.

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, 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** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION," and **Appendix G** – "STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND."

"Audited Financial Statements" means the annual financial statements for the State, 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.

"EMMA" means the MSRB's Electronic Municipal Market Access System, with a portal at http://emma.msrb.org.

"Events" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930.

"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, 2009, and annually while the Certificates remain outstanding, the State shall provide to EMMA 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 of the State. The Audited Financial Statements will be provided when available but in no event later than 210 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided as soon as they are available.

(c) The State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to EMMA 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.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on any credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates.

7. Modifications to the rights of the security holders.

8. Certificate calls (other than mandatory sinking fund redemption).

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities.

11. Rating changes.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if such Event would constitute material information for owners of Certificates, *provided*, that any Event under subsection (a)(7), (8) or (11) will always be deemed to be material.

(c) If the State determines that knowledge of the occurrence of an Event would be material, the State shall provide, in a timely manner, a notice of such occurrence to EMMA. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates pursuant to the Indenture.

(d) At any time the Certificates are outstanding, the State shall provide, in a timely manner, to EMMA, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Certificate shall be in effect from and after the 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 EMMA.

SECTION 6. 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 EMMA, 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 EMMA.

SECTION 7. 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 8. 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. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the 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: July __, 2009

STATE OF COLORADO, acting by and through the State Court Administrator

By: ___________________________________
State Court Administrator

STATE OF COLORADO, acting by and through the President of the Colorado Historical Society

By: ___________________________________
President of the Colorado Historical Society

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APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

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APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

____________, 2009

State of Colorado, as Lessee
CHS/CJC Building, Inc., as Lessor
The Bank of New York, Mellon Trust Company, N.A., Denver, Colorado, as Trustee

Re: $338,790,000 Certificates of Participation, Series 2009 (Ralph L. Carr Justice Complex and Colorado Historical Center Projects) Evidencing Proportionate Interests in Base Rentals and other Revenues under an Annually Renewable Master Build to Suit Lease Purchase Agreement dated July 1, 2009, between CHS/CJC Building, Inc., as lessor, and the State of Colorado, as lessee.

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery by the State of Colorado ("State") of the captioned annually renewable Master Build to Suit Lease Purchase Agreement dated July 1, 2009 (the "Lease"), between CHS/CJC Building, Inc. (the "Authority"), as lessor, and the State acting by and through the State Court Administrator and the President of the Colorado Historical Society, as lessee, and the execution and delivery by the Authority of the captioned Certificates of Participation (the "2009 Certificates"), consisting of $39,030,000 aggregate principal amount of Tax-Exempt Certificates of Participation, Series 2009A ("2009A Certificates"), and $299,760,000 aggregate principal amount of Taxable Certificates of Participation, Series 2009B (Build America – Direct Payment) ("2009B Certificates").

The 2009 Certificates are executed and delivered pursuant to a Mortgage and Indenture of Trust dated July 1, 2009 (the "Indenture"), between the Authority and The Bank of New York, Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2009 Certificates are executed and delivered by the Trustee in registered form and are initially registered in the name of Cede & Co., as nominee of The Depository Trust Company. The 2009 Certificates mature, bear interest, are subject to redemption and are payable as provided in the Indenture.

Capitalized terms used herein have the same meanings as in the Indenture and the Lease.

The 2009 Certificates evidence an interest in the Base Rentals and other Revenues under the Lease.

The 2009 Certificates are payable solely from the sources described in the Indenture, including the Base Rentals to be paid by the State to the Authority under the Lease. A portion of the interest on the 2009B Certificates is payable from the Subsidy, as defined in the Lease. Neither the Lease nor the 2009 Certificates constitutes a mandatory payment obligation of the State beyond the current fiscal year, nor beyond a fiscal year for which the State has specifically appropriated amounts to make payments under the Lease, nor directly or indirectly obligates the State beyond such fiscal year, nor constitutes or gives rise to a general obligation or a multiple fiscal year direct or indirect indebtedness or other financial obligation whatsoever of the State within the meaning of any constitutional or statutory provision. Neither the Lease nor the 2009 Certificates constitutes a general obligation or indebtedness of the State.

Under the Lease, the State has been granted an option to purchase all or a portion of the Leased Property and to terminate all or a portion of its obligations under the Lease upon payment of the Purchase Option Price (as defined in the Lease). In addition, the State has been granted the option otherwise not to renew, and thereby terminate its obligations under, the Lease, for any reason, without payment of the Purchase Option Price, upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in the Lease.

The State, acting by and through the State Court Administrator and the President of the Colorado Historical Society, has executed a certificate (the "Tax Certificate") stating the reasonable expectations of the State on the date of execution and delivery as to future events that are material for purposes of the Internal Revenue Code of 1986, as amended, and all regulations and rulings thereunder (the "Code").

In our capacity as Special Counsel, we have examined the constitution and the laws of the State of Colorado, and certain other documents and closing certificates executed and delivered by the State and the Trustee as of the date of delivery of the Lease, and such other documents as we deemed necessary in order to render this opinion.

Based upon the foregoing examination, it is our opinion as Special Counsel that:

1. The Lease has been duly authorized, executed and delivered by the State, and, assuming its due execution by the Trustee, constitutes the valid and legally binding obligation of the State, enforceable against the State in accordance with its terms except to the extent limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable principles which may limit the availability of equitable remedies.

2. Assuming due execution of the Indenture and the 2009 Certificates by the Trustee, the 2009 Certificates evidence a valid and binding interest in rights to receive Base Rentals designated as Principal Portions and Interest Portions under the Lease and certain other Revenues, which rights are enforceable against the State in accordance with the terms of the Lease except to the extent limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable principles which may limit the availability of equitable remedies.

3. No registration with the Securities and Exchange Commission under the Securities Act of 1933 need be made in connection with the offering of the 2009 Certificates and it is not necessary in connection with the execution and delivery of the 2009 Certificates that the Indenture be qualified under the Trust Indenture Act of 1939.

Based upon the foregoing examination and our review of the Code, the regulations and rulings thereunder, and of the Tax Certificate, and assuming compliance by the State with the covenants and representations contained in the Lease and the Tax Certificate, it is also our opinion that:

1. The Interest Portion of Base Rentals under the Lease with respect to the 2009A Certificates paid by the State and received by the Owners of the 2009A Certificates, is excludable from gross income for federal income tax purposes under the laws and regulations of the United States of America as presently enacted and construed and is not an item of tax preference for purposes of the federal alternative minimum tax, although such Interest Portion held by foreign corporations may be subject to the branch profits tax imposed by the Code; except that we express no opinion herein with respect to the effect of non-renewal or termination of the Lease upon the federal income tax treatment of any moneys received under the Lease subsequent to such non-renewal or termination.

2. The Interest Portion of Base Rentals under the Lease paid by the State and received by the Owners of the 2009 Certificates, is exempt from Colorado income taxes under the laws of the State of Colorado as presently enacted and construed; except that we express no opinion herein with respect to the effect of non-renewal or termination of the Lease upon the Colorado income tax treatment of any moneys received under the Lease subsequent to such nonrenewal or termination.

3. Section 13.2 of the Lease provides that the Leased Property (as defined therein) may be subleased, in whole or in part, only to an agency or department of, or a political subdivision of, the State, or to another entity or entities with Approval of Special Counsel. "Approval of Special Counsel" as defined in the Lease means an opinion of Special Counsel to the effect that the matter proposed will not adversely affect (i) the excludability from gross income for federal income tax purposes of the Interest Portion of the Base Rentals paid by the State under the Lease with respect to the 2009A Certificates, and (ii) the qualification of the 2009B Certificates as "Build America Bonds" under Section 54AA of the Code.

Ownership of the 2009 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with "excess passive income," individual recipients of Social Security or Railroad Retirement benefits, individuals who may be entitled to the earned income credit, foreign corporations engaged in a trade or business in the United States and taxpayers who maybe deemed to have incurred or continued debt to purchase or carry such obligations. We express no opinion herein with respect to such consequences.

We express no opinion herein with respect to real estate matters or with respect to the accuracy or completeness of any documents prepared or used or statements made in connection with the offering and sale of the 2009 Certificates.

In giving the foregoing opinions with respect to the treatment of the Interest Portion of Base Rentals under the Lease with respect to the 2009A Certificates paid by the State under federal tax laws with respect to the 2009A Certificates, we have assumed and relied upon compliance with the State's covenants and the accuracy of the State's representations and certifications contained in the transcript of proceedings by the State relating to the execution and delivery of the Lease. The accuracy of those representations and certifications, which we have not independently verified, and the State's compliance with those covenants may be necessary for the interest on the 2009A Certificates to be and to remain excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those requirements subsequent to execution and delivery of the 2009A Certificates could cause interest on the 2009A Certificates to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2009A Certificates.

The opinions expressed herein are based on existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent, except that this opinion may be included in the transcript of proceedings relating to the execution and delivery of the 2009 Certificates. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current law, legislative or regulatory action, judicial decision, or for any other reason. In addition, this letter is an expression of professional judgment and not a guarantee of any result.

Very truly yours,

APPENDIX E

THE STATE GENERAL FUND

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APPENDIX E

THE STATE GENERAL FUND

General Fund Overview

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund.

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2003-04 through Fiscal Year 2007-08 and the forecast for Fiscal Years 2008-09 and 2009-10 from the most recent OSPB June Revenue Forecast.

The table assumes current law for General Fund appropriations, transfers to the General Fund and rebates and expenditures. It also reflects legislation passed by the 2009 General Assembly and signed into law by the Governor, as well as the effect of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "**Jobs Act**") enacted in 2003. The Jobs Act funds two types of financial assistance for the states. Under the first type of financial assistance, the State received a total of about $86.4 million through the Federal Medical Assistance Percentage Enhancement for Medicaid, which is reflected in the table. In addition, the State received approximately $146.0 million as flexible federal grants that are not reflected in the table because they were treated as custodial funds.

The table also takes into account two provisions of the Jobs Act that provide tax relief for State taxpayers but also affect State tax revenues. The growth incentives for businesses offered under the Jobs Act include a 50% bonus depreciation allowance and a small business expensing provision. These incentives have the effect of reducing federal adjusted income, which is the basis for the State's income tax, thus resulting in a corresponding reduction in State income tax revenues. Since the State uses an accrual system of accounting, some of the Fiscal Year 2003-04 decline in income tax receipts was counted against Fiscal Year 2002-03 revenues.

The table also assumes the infusion of federal stimulus funding under the American Recovery and Reinvestment Act of 2009 ("**ARRA**") for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Based on the OSPB June Revenue Forecast, under ARRA, Colorado is anticipated to receive an additional $198.4 million and $345.8 million through the Federal Medical Assistance Percentage Enhancement for Medicaid in Fiscal Years 2008-09 and 2009-10, respectively. All of these additional federal funds are anticipated to reduce General Fund expenditures for Medicaid.

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

State of Colorado
General Fund Overview

	Actual (Unaudited)[1]					OSPB Forecast	
	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUE:							
Beginning Reserve	$ 216.6	$ 224.0	$ 237.4	$ 251.7	$ 267.0	$ 283.5	$ 147.7
Gross General Fund Revenue [2]:	6,045.2	6,474.8	6,964.6	7,539.8	7,742.9	6,689.0	7,160.0
General Fund	--	--	*5,848.5*	*6,231.6*	*6,573.5*	*6,689.0*	*7,160.0*
General Fund Exempt [3]	--	--	*1,116.1*	*1,308.2*	*1,169.4*	--	--
Deposit to the State Education Fund [2]	--	--	357.2	395.1	407.9	343.1	363.8
Gross General Fund Revenue Plus Deposit to the State Education Fund[2]	6,045.2	6,474.8	7,321.8	7,934.9	8,150.8	7,032.1	7,523.8
Diversion to the Highway Users Tax Fund[4]	--	--	(220.4)	(228.6)	(238.1)	--	--
Transfer to the State Education Fund (net)[2]	(278.7)	(313.9)	--	--	--	--	--
Net Transfers to (from) the General Fund[5]	52.1	64.2	155.1	--	(5.0)	612.5	(23.3)
TOTAL REVENUE	6,035.2	6,449.0	7,139.5	7,562.9	7,766.9	7,585.1	7,284.4
EXPENDITURES:							
Allowable General Fund Appropriations Limit[6]	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,546.9	10,466.1
Total General Fund Appropriations Limit Not Supported by Revenues	--	--	--	--	--	(161.3)	(3,136.7)
Current Appropriation Subject to Limit	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,385.5	7,411.2
Current Appropriation (Above) Below Revenues[7]	--	--	--	--	--	--	(81.8)
General Fund Appropriations (Subject to Limit) Supported by Forecast	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,385.5	7,329.4
Appropriations Change From Prior Year	*185.8*	*337.2*	*361.2*	*382.9*	*412.3*	*297.7*	*(56.2)*
Percent Change	*3.4%*	*6.0%*	*6.1%*	*6.1%*	*6.2%*	*4.2%*	*(0.8)%*
Exemptions to the Appropriations Limit [8]	--	1.3	5.0	11.1	31.9	0.2	--
Spending Outside the Appropriations Limit:	88.6	176.4	153.4	360.0	320.2	250.0	154.2
Federal Medical Assistance Enhancement for Medicaid	*(71.4)*	--	--	--	--	--	--
TABOR Refund	–	*41.1*	--	--	--	--	--
Rebates and Expenditures[9]	*112.8*	*110.7*	*153.4*	*164.6*	*173.8*	*137.4*	*153.2*
Senior Homestead Exemption[10]	--	--	--	*74.2*	*79.8*	*87.7*	*1.0*
Transfers to the Capital Construction Fund[11]	*9.5*	*0.2*	*10.1*	*145.9*	*93.7*	*24.9*	--
Transfer to Controlled Maintenance Trust Fund [12]	--	*55.0*	--	--	--	--	--
General Fund Payback[13]	*56.2*	--	--	--	--	--	--
Reversions and Accounting Adjustments	*(18.5)*	*(30.6)*	*(10.1)*	*(24.7)*	*(27.1)*	--	--
Enhanced Medicaid Match (Reduces General Fund Expenditures)[14]	--	--	--	--	--	(198.4)	(345.8)
TOTAL OBLIGATIONS	5,688.8	6,112.9	6,451.1	7,046.6	7,439.9	7,437.3	7,137.8
RESERVES							
Year-End Reserve	346.3	335.4	688.4	516.3	327.0	147.7	146.6
Year-End Reserve as a Percent of Appropriations[15]	*6.2%*	*5.6%*	*10.9%*	*7.7%*	*4.6%*	*2.0%*	*2.0%*
Unappropriated Reserve Requirement[15]	224.5	237.4	251.7	267.0	283.5	147.7	146.6
Moneys in Excess of Statutory Reserve:	121.8	98.0	436.7	249.3	43.4	--	--
Transfer to the Highway Users Tax Fund (2/3)[16]	*81.2*	*65.3*	*291.1*	*166.2*	*29.0*	--	--
Transfer to the Capital Construction Fund (1/3)[16]	*40.6*	*32.7*	*145.6*	*83.1*	*14.5*	--	--

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

1 This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's Comprehensive Annual Financial Reports which are audited for the applicable Fiscal Years.

[Notes continued on the next page]

[2] Amendment 23 mandates that, effective January 1, 2001, an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited to the State Education Fund. For Fiscal Years 2003-04 and 2004-05, for purposes of the OSPB revenue forecasts, the amount deposited to the State Education Fund was included in gross General Fund revenues and then deducted to arrive at total funds available. Beginning with Fiscal Year 2005-06, such deposit is no longer included in gross General Fund revenues but rather is shown in the OSPB revenue forecasts as an addendum for informational purposes. For comparative purposes, for Fiscal Years 2005-06 and thereafter, gross General Fund revenues are shown as the sum of the amount reported in the OSPB revenue forecasts plus the amount deposited to the State Education Fund.

[3] Under Referendum C, a General Fund Exempt Account is created in the General Fund, which consists of moneys collected in excess of the TABOR limit in accordance with Referendum C. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Colorado Economic Recovery Act of 2005.*"

[4] For Fiscal Years 2006-07 through 2008-09, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues are sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10.

[5] This line item constitutes other transfers both to and from the General Fund, including, without limitation, repayment to the Colorado State Veteran's Trust Fund and the Older Coloradans Cash Fund, budget balancing cash fund transfer bills (such as SB 09-210, SB 09-208 and SB 09-279), transfers from tobacco tax and litigation settlement moneys (per SB 09-269 and SB 09-270), Government Services Funds from ARRA and transfers of enhanced federal financial participation per SB 09-264 for specific programs that incorporate the certification of public expenditures process. For Fiscal Year 2008-09 it also includes the conditional transfers authorized by SB 09-279 upon written direction of the Governor as discussed in "Revenue Estimation – *Revenue Shortfalls; – Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10.*"

[6] See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures, Balanced Budget and Statutory Spending Limitation*" in the front part of this Official Statement.

[7] This projected shortfall exceeds one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, and therefore the Governor will be required to implement the procedures discussed in "Revenue Estimation – *Revenue Shortfalls*" below.

[8] In Fiscal Year 2005-06, $5.0 million was appropriated to the Department of Education as a result of a requirement of a state court order. In Fiscal Years 2006-07 and 2007-08, a total of $11.1 million and $31.9 million, respectively, is not subject to the Appropriations Limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but is used as the base for calculation of the following year's Appropriation Limit. For Fiscal Year 2008-09, $0.2 million is currently projected to be exempt from the Appropriations Limit.

[9] This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions. Per SB 03-263, State expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association were eliminated in Fiscal Years 2003-04 and 2004-05. Per SB 05-209, the Volunteer Firefighter Retirement Plan and Volunteer Firefighter Death and Disability Insurance appropriations are not subject to the limitation on General Fund appropriation growth limit and are included in the amounts shown for Fiscal Years 2003-04 and beyond. This line item also includes the impact of the reduction or suspension of contributions to the Fire and Police Pensions Association old hire plan members' benefit trust fund in Fiscal Years 2008-09, 2009-10 and 2010-11 per SB 09-203 and SB 09-227.

[10] The senior Homestead Exemption property tax credit was suspended for Fiscal Years 2003-04 through 2005-06, reinstated in Fiscal Years 2006-07 through 2008-09 and again suspended for Fiscal Year 2009-10 (except for an exemption for qualified disabled veterans).

[11] HB 04-1412 eliminated the General Fund transfer to the Capital Construction Fund provided by Section 24-75-302(2), C.R.S., in Fiscal Years 2004-05 and 2005-06. The transfers shown in the table in these Fiscal Years are per HB 04-1003 and HB 04-1021, respectively. Also included are continuation costs for Fiscal Year 2009-10 capital requests, Level I Controlled Maintenance funding and certificate of participation payments appropriated from capital construction funds.

[12] HB 04-1267 repealed the statutory requirement to repay the Controlled Maintenance Trust Fund in Fiscal Years 2004-05 and 2005-06. Per SB 05-211, $55 million was transferred to the Controlled Maintenance Trust Fund on June 30, 2005.

[13] Per HB 02-1391, the State is required to pay back some transfers into the General Fund if there are sufficient revenues. SB 03-191 required that $10 million be repaid to the Major Medical Fund on July 1, 2003, and SB 03-274 required that up to $6.9 million be repaid to the Local Government Limited Gaming Impact Fund by September 1, 2003, from any revenues above $5 million collected through the tax amnesty program.

[14] The OSPB June Revenue Forecast assumes the infusion of federal stimulus funding for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Colorado is anticipated to receive additional $198.4 million and $345.84 million through the Federal Medical Assistance Percentage Enhancement for Medicaid in Fiscal Years 2008-09 and 2009-10, respectively. All of these additional federal funds are anticipated to reduce General Fund expenditures for Medicaid and are therefore shown as negative values.

[15] See "STATE FINANCIAL INFORMATION – Budget Process – *Revenues and Unappropriated Amounts*."

[16] Per HB 02-1310, two-thirds of the General Fund reserve in excess of then applicable Unappropriated Reserve is required to be credited to the Highway Users Tax Fund, and one-third of such excess is to be credited to the Capital Construction Fund. This statutory requirement was repealed for Fiscal Year 2009-10.

Sources: State Treasurer's Office and OSPB June Revenue Forecast.

Recent General Fund Financial Results

The following is a discussion of General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" below.

Fiscal Year 2007-08. General Fund revenues increased by 2.7% in Fiscal Year 2007-08 compared to an increase of 8.3% in Fiscal Year 2006-07. In Fiscal Year 2007-08, sales and use tax revenues increased by 4.9% compared to an increase of 4.1% in Fiscal Year 2006-07. Other excise tax revenue declined by 0.7% in Fiscal Year 2007-08 compared to an increase of 2.0% in Fiscal Year 2006-07. Corporate and individual income tax collections increased by 2.1% in Fiscal Year 2007-08 compared to an increase of 11.3% in Fiscal Year 2006-07. Other revenues declined by 1.7% in Fiscal Year 2007-08 compared to a decline of 7.2% in Fiscal Year 2006-07. Total available funds for Fiscal Year 2007-08 (which excludes the amount deposited into the State Education Fund) were $7,766.9 million and total obligations were $7,439.9 million. In accordance with Amendment 23, $407.9 million was transferred to the State Education Fund, and in accordance with SB 97-1, $238.1 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $327.0 million, which was allocated as follows: $283.5 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the amount in excess of the Unappropriated Reserve ($29.0 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($14.5 million) was transferred to the Capital Construction Fund. See also Management's Discussion and Analysis in **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008," as well as "OSPB Revenue and Economic Forecasts" below.

Fiscal Year 2006-07. General Fund revenues increased by 8.3% in Fiscal Year 2006-07 compared to an increase of 13.1% in Fiscal Year 2005-06. In Fiscal Year 2006-07, sales and use tax revenues increased by 4.1% compared to an increase of 5.7% in Fiscal Year 2005-06. The "Other Revenue" category of General Fund revenues decreased by 7.2%, partially due to a $6.0 million, or 88.5%, decrease in estate taxes, which was due to the nearly complete phase out of federal estate taxes and related credit claimed by the State against those taxes. Total available funds for Fiscal Year 2006-07 (which excludes the amount deposited to the State Education Fund) were $7,562.9 million and total obligations were $7,046.6 million. In accordance with Amendment 23, $395.1 million was transferred to the State Education Fund, and in accordance with SB 97-1, $228.6 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $516.3 million, which was allocated as follows: $267.0 million constituted the statutorily required 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($166.2 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($83.1 million) was transferred to the Capital Construction Fund.

Fiscal Year 2005-06. General Fund revenues (including deposits to the State Education Fund per Amendment 23) grew 13.1% in Fiscal Year 2005-06, compared to an increase of 7.1% in Fiscal Year 2004-05. Sales and use tax revenues increased 5.7% in Fiscal Year 2005-06 compared to an increase of 5.2% in Fiscal Year 2004-05. Individual income tax revenues increased 17.9%, compared to an increase of 7.6% in Fiscal Year 2004-05. Total available funds for Fiscal Year 2005-06 (which excludes the amount deposited to the State Education Fund) were $7,139.5 million and total obligations were $6,451.1 million. In accordance with Amendment 23, $357.2 million was transferred to the State Education Fund, and in accordance with SB 97-001, $220.4 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $688.4 million, which was allocated as follows: $251.7 million constituted the statutorily required 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($291.1 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($145.6 million) was transferred to the Capital Construction Fund.

Fiscal Year 2004-05. General Fund revenues grew 7.1% in Fiscal Year 2004-05, compared to an increase of 6.7% in Fiscal Year 2003-04. Sales and use tax revenues increased 5.2% compared to an increase of 3.7% in Fiscal Year 2003-04. Individual income tax revenues increased 7.6% compared with an increase of 10.5% in Fiscal Year 2003-04. Total available funds for Fiscal Year 2004-05 were $6,449.0 million and total obligations were $6,112.9 million. In accordance with Amendment 23, $313.9 million was transferred to the State Education Fund. The General Fund year-end reserve was $335.4

million, which was allocated as follows: $237.4 million constituted the statutorily required 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($65.3 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($32.7 million) was transferred to the Capital Construction Fund.

Fiscal Year 2003-04. General Fund revenues rose 6.7% in Fiscal Year 2003-04, compared to a decrease of 3.1% in Fiscal Year 2002-03. Sales and use tax revenues increased 3.7% compared to a decline of 3.0% in Fiscal Year 2002-03. Individual income tax revenues increased 10.5%, compared to a decline of 6.7% in Fiscal Year 2002-03. Total available funds for Fiscal Year 2003-04 were $6,035.2 million and total obligations were $5,688.8 million. In accordance with Amendment 23, $278.7 million was transferred to the State Education Fund. The General Fund year-end reserve was $346.3 million, which was allocated as follows: $224.5 million constituted the statutorily required 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the 4% Unappropriated Reserve requirement ($81.2 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($40.6 million) was transferred to the Capital Construction Fund.

General Fund Revenue Sources

The following is a description of the revenue sources to the General Fund. The major revenue sources are the individual income tax, the general sales and use tax and the corporate income tax. In Fiscal Year 2007-08, individual and corporate income taxes comprised approximately 67% of total General Fund revenues, and general sales and use taxes contributed approximately 28% of total General Fund revenues (General Fund revenues described above are before State Education Fund diversion adjustments). The OSPB forecasts that General Fund revenue will grow at a compound average annual rate of 1.6% between Fiscal Years 2007-08 and 2011-12, with nearly all of this growth anticipated between Fiscal Year 2010-11 and Fiscal Year 2011-12.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 61.0% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 61.1% of total General Fund revenues in Fiscal Year 2008-09 and 60.1% of total General Fund revenues in Fiscal Year 2009-10. Individual income tax revenues increased by 10.5% in Fiscal Year 2003-04, 7.6% in Fiscal Year 2004-05, 17.9% in Fiscal Year 2005-06, 11.3% in Fiscal Year 2006-07 and 2.1% in Fiscal Year 2007-08. However, the OSPB forecasts that Fiscal Year 2008-09 individual income tax revenues will decline by 13.6% over Fiscal Year 2007-08 as a result of high unemployment and negative or very little job growth, but that Fiscal Year 2009-10 individual income tax revenues will increase by 5.2% over Fiscal Year 2008-09.

Corporate Income Tax. Corporate income tax revenues accounted for 6.2% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 4.0% of total General Fund revenues in Fiscal Year 2008-09 and 4.6% of total General Fund revenues in Fiscal Year 2009-10. Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax revenues increased 4.5% in Fiscal Year 2003-04. In Fiscal Year 2004-05, corporate income tax receipts rose 33.9% as a result of the 50% bonus depreciation and increased small business expensing provisions of the federal 2003 Jobs Act, the depreciation and expensing provisions of which expired in calendar year 2004. In addition, the cost cutting measures undertaken over the past several years, coupled with productivity increases, have improved corporate profitability and minimized losses. In Fiscal Year 2005-06, corporate income tax receipts increased 42.0% due to one-time revenue received from the repatriation of corporate foreign earnings under the American Jobs Creation Act of 2004. Corporate income tax receipts increased 11.3%

in Fiscal Year 2006-07 and 2.0% in Fiscal Year 2007-08, but are forecast by the OSPB to decline in Fiscal Year 2008-09 by 44.6% over Fiscal Year 2007-08. The OSPB forecasts that a recovery will begin in Fiscal Year 2009-10 as credit markets thaw and financial markets return to more stable rates of change, especially as federal stimulus funding begins to generate increased economic activity, with corporate income tax receipts forecast to increase by 22.6% over Fiscal Year 2008-09.

Sales and Use Taxes. Sales and use tax receipts accounted for 28.4% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 30.0% of total General Fund revenues in Fiscal Year 2008-09 and 30.4% of total General Fund revenues in Fiscal Year 2009-10. Sales and use tax revenues increased 3.7% in Fiscal Year 2003-04, 5.2% in Fiscal Year 2004-05, 5.7% in Fiscal Year 2005-06, 4.1% in Fiscal Year 2006-07, and 4.9% in Fiscal Year 2007-08. However, sales and use tax revenues for Fiscal Year 2008-09 are anticipated to decline by 9.0% from the previous year, attributable largely to the rapid collapse of auto sales, the rise in fuel prices and the subsequent inflationary increase in goods that drove out disposable income. The OSPB forecasts that as consumer confidence begins to rise and markets begin to stabilize, the State will experience relatively stable retail trade spending in the near term before pent up demand begins to escalate consumer spending again. However, per SB 09-275, the State will retain the full amount allowable from the 2.9% sales tax rate, without a reduction for administrative costs associated with vendors collecting the tax. This is forecast to result in the State receiving nearly $90 million in additional sales tax revenue during Fiscal Years 2009-10 and 2010-11, before this change is repealed. Therefore, the State is forecast to experience sizable revenue growth during these next two Fiscal Years before returning to a lesser rate of growth for Fiscal Year 2011-12.

Other Excise Taxes. In addition to the State sales and use tax, the State imposes excise taxes on the sale of cigarettes, tobacco products and liquor. These other excise tax receipts accounted for 1.1% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 1.3% of total General Fund revenues in Fiscal Year 2008-09 and 1.2% of total General Fund revenues in Fiscal Year 2009-10. Other excise tax revenues increased 2.3% in Fiscal Year 2003-04 and 0.2% in Fiscal Year 2004-05, followed by a decline of 4.9% in Fiscal Year 2005-06, an increase of 2.0% in Fiscal Year 2006-07 and a decline of 0.2% in Fiscal Year 2007-08. The OSPB forecasts that other excise tax receipts will decrease 0.4% in Fiscal Year 2008-09 and 0.9% in Fiscal Year 2009-10.

In 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20% and increased the tax on cigarettes by $0.60 per pack beginning in 2005. This caused a decline in sales of cigarettes and other tobacco products which in turn contributed to the large decline in other excise tax revenues in Fiscal Year 2005-06 and the decline in tobacco and cigarette tax revenues in Fiscal Year 2006-07 and thereafter. The additional revenues generated by the tax are TABOR exempt. Therefore, while cash collections increased as a result of the additional tax, General Fund revenues declined as the number of cigarette and other tobacco products purchased decreased. The additional cash collections are deposited to the Tobacco Tax Cash Fund created by Amendment 35.

Other Revenues. This category includes a diverse group of revenues such as estate taxes, insurance taxes, pari-mutuel taxes, interest income, court receipts, gaming taxes, and other income, and as a group are relatively volatile. Other revenues accounted for 3.2% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 3.5% of total General Fund revenues in Fiscal Year 2008-09 and 3.7% of total General Fund revenues in Fiscal Year 2009-10. As a whole, revenues in this category declined 12.1% in Fiscal Year 2003-04, 3.6% in Fiscal Year 2004-05, 17.3% in Fiscal Year 2005-06, 7.2% in Fiscal Year 2006-07 and 1.7% in Fiscal Year 2007-08. The large decrease in Fiscal Year 2005-06 was a result of HB 06-1201, which redirected approximately $24.0 million of Limited Gaming cash fund revenue that was previously transferred to the General Fund to the Colorado Travel and Tourism Promotion Fund ($18.0 million), the State Council on the Arts Cash Fund ($1.5 million), the Film Incentives Cash Fund ($0.5 million) and the New Jobs Incentives Cash Fund ($3.0 million). SB 07-246 transferred $7.0 million from the Limited Gaming Cash Fund revenues to the Clean Energy Fund, and the remainder of $6.5 million remained in the General Fund. In Fiscal Year 2007-08 and thereafter, all moneys from the Limited Gaming Cash Fund that previously would have been transferred to the General Fund are instead transferred to the Clean Energy Fund. The OSPB forecasts that other revenues will decline 4.8% in Fiscal Year 2008-09, followed by an increase of 12.1% in Fiscal Year 2009-10.

Historical and Projected Major Tax Receipts. The following table sets forth the State's receipts from major taxes for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2008-09 and 2009-10. See also "OSPB Revenue and Economic Forecasts" below and "FORWARD LOOKING STATEMENTS."

State of Colorado
Receipts from Major Taxes
(Dollar amounts expressed in millions)

	Actual					OSPB Estimate[1]	
	Fiscal Year 2003-04	**Fiscal Year 2004-05**	**Fiscal Year 2005-06**	**Fiscal Year 2006-07**	**Fiscal Year 2007-08**	**Fiscal Year 2008-09**	**Fiscal Year 2009-10**
Individual Income Tax	$3,450.0	$3,712.7	$4,376.1	$4,870.9	$4,973.7	$4,299.6	$4,523.7
Change from Prior Year	10.5%	7.6%	17.9%	11.3%	2.1%	(13.6)%	5.2%
Corporate Income Tax[2]	$235.2	$315.0	$447.4	$497.9	$507.9	$281.4	$345.1
Change from Prior Year	4.5%	33.9%	42.0%	11.3%	2.0%	(44.6)%	22.6%
Sales and Use Tax[3,4]	$1,908.3	$2,008.0	$2,123.2	$2,209.5	$2,317.9	$2,112.6	$2,287.7
Change from Prior Year	3.7%	5.2%	5.7%	4.1%	4.9%	(8.9)%	8.3%
Other Excise Taxes	$96.7	$96.9	$92.2	$94.0	$93.3	$92.9	$92.1
Change from Prior Year	2.3%	0.2%	(4.9)%	2.0%	(0.7)%	(0.4)%	(0.9)%
Other Revenues	$355.0	$342.2	$282.9	$262.5	$258.1	$245.6	$275.2
Change from Prior Year	(12.1)%	(3.6)%	(17.3)%	(7.2)%	(1.7)%	(4.8)%	12.1%

1 OSPB June Revenue Forecast.

2 The federal tax relief packages adopted in 2001, 2002 and 2003 significantly reduced State net corporate income tax revenues in Fiscal Year 2003-04. In Fiscal Year 2004-05, a number of these federal tax relief provisions were no longer in effect, resulting in a large percentage increase in Fiscal Year 2004-05 State net corporate income tax revenues.

3 For Fiscal Years 2006-07, 2007-08 and 2008-09, a portion of net sales and use tax revenues is required to be diverted to the Highway Users Tax Fund if General Fund revenues are sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10. The full amount of sales and use taxes collected are reported in this table although the amount diverted to the Highway Users Tax Fund is deducted from available revenues in the General Fund Overview table above.

4 Sales tax figures for Fiscal Year 2008-09 include the impact of SB 09-212, which reduced vendor allowances from 3.33% to 1.35% of all sales tax revenue. In addition, per SB 09-275, no vendor allowance is allowed in Fiscal Years 2009-10 or 2010-11. Finally, HB 09-1342 eliminated the $0.84 cigarette tax exemption for Fiscal Years 2009-10 and 2009-11.

Source: Office of State Planning and Budgeting

Revenue Estimation

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. The General Assembly is required to certify to the Controller by February 1st of each year the revenue estimate for the next Fiscal Year, taking into consideration the estimates of the OSPB and the staff of the Legislative Council. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast is provided by Action Economics, which describes itself as delivering in-depth analysis of all relevant data releases featuring a wide range of fundamental and technical analysis of key market instruments. The OSPB forecasts the State economy using a model developed in-house.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Action Economics forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic series estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts, the model forecasts only net corporate income tax revenues. For sales tax revenues, the forecast model uses separate equations for the 19 retail sales industries. Then, the separate forecasts are aggregated to arrive at a sales tax revenue forecast. For many of the smaller tax revenue categories, simple trend analyses are utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues 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 current forecasts, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The OSPB June Revenue Forecast projects a Fiscal Year 2009-10 budgetary shortfall in excess of one-half of the 2% Unappropriated Reserve requirement for such Fiscal Year, and thus the Governor will be required to implement the procedures described above. See "General Fund Overview" above, "OSPB Revenue and Economic Forecasts – Revenue Forecast," "Budgetary Reduction Measures for Fiscal Year 2008-09 and 2009-10"below, and "CERTAIN RISK FACTORS – Projected Fiscal Year 2009-10 Budgetary Shortfall."

Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10.

Fiscal Year 2008-09. During the 2009 regular legislative session of the General Assembly, which concluded on May 6, 2009, a number of budgetary reduction measures were enacted in order to address the additional General Fund revenue shortfall for Fiscal Year 2008-09. Such legislation provides for, among other things, transfers of up to $362.0 million from various cash funds to the General Fund in Fiscal Year 2008-09 and the reduction in the Unappropriated Reserve for Fiscal Year 2008-09 from 4% to 2% as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*." In addition, approximately $198.4 million of additional Federal Medicaid funding authorized under ARRA was used to balance the State budget for Fiscal Year 2008-09.

Further, SB 09-219 and SB 09-279 provide that if the OSPB June 2009 Revenue Forecast indicates that General Fund expenditures for Fiscal Year 2008-09, based on appropriations then in effect, will exceed General Fund revenues available for expenditure, the Governor may order a reduction in the Unappropriated Reserve for Fiscal Year 2008-09 from 2% to either a lower percentage or to zero as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*" and may order a temporary transfer of funds to the General Fund on June 30, 2009, up to $565.9 million, from certain identified cash funds as discussed in "OSPB Revenue and Economic Forecasts – Revenue Forecast" below. Based on the OSPB June Revenue Forecast, revenue estimates prepared by the Legislative Council and the recommendation of the Controller, on June 29, 2009, pursuant to the authority granted by SB 09-279, the Governor ordered the Treasurer and the Controller to transfer $458,057,698 from specified cash funds to the General Fund on June 30, 2009, in order to balance the Fiscal Year 2008-09 budget. This amount was comprised of the Controller's estimated General Fund deficit at June 30, 2009, of approximately $228.1 million, assuming the maintenance of the 2% Unappropriated Reserve in the General Fund, plus an amount to mitigate the effects of any statutorily authorized overexpenditure and any additional shortfall between estimated and actual revenues, which are not finally determinable until after the end of the Fiscal Year. Due to the uncertainty of final revenues and expenditures, the entire amount of such transfer ultimately may not be needed to meet actual Fiscal Year 2008-09 appropriations. Pursuant to the provisions of SB 09-279, these amounts were restored to the various cash funds on July 1, 2009. See also "Fiscal Year 2009-10" below. In addition, SB09-279 required the State Treasurer to transfer the balance ($219.0 million) of the Sales and Use Tax Holding Fund (SUTHF) to the General Fund on June 30, 2009. Under previously existing statutes, the balance in the SUTHF was transferred to the Highway Users Tax Fund except to the extent that it was needed to ensure that the Unappropriated Reserve was maintained at the statutorily required percentage.

Overall, the measures described above provided for approximately $1,163.7 million of additional resources in the General Fund, including amounts made available as the result of the reduction in the required amount of the Unappropriated Reserve and transfers or diversion of approximately $1,027.9 million of other cash funds into the General Fund, in order to balance the Fiscal Year 2008-09 budget. The use of some of these funds to balance the Fiscal Year 2008-09 budget was authorized by statute only for Fiscal Year 2008-09. Similar transfers were approved for balancing the Fiscal Year 2009-10 budget. However, these sources of funds will not continue to be available as a long-term balancing mechanism.

Fiscal Year 2009-10. Several bills enacted by the General Assembly during the 2009 legislative session also directly affect moneys available for the Fiscal Year 2009-10 budget, including, without limitation, the reduction in the Unappropriated Reserve for Fiscal Year 2009-10 from 4% to 2%.

The OSPB June Revenue Forecast projects that gross General Fund revenues in Fiscal Year 2008-09 will fall 13.6% below prior year levels, followed by an increase of 7.0% in Fiscal Year 2009-10 over Fiscal Year 2008-09 levels. Although the Fiscal Year 2009-10 budget signed by the Governor provides for only a 0.35% increase in appropriations over the Fiscal Year 2008-09 budget, the OSPB June Revenue Forecast projects that nevertheless there will be a Fiscal Year 2009-10 budgetary shortfall of $81.1 million. This projection is based in part on the assumption that there would be a one-day transfer of cash funds to the General Fund of at least $261.4 million for Fiscal Year 2008-09 in accordance with SB 09-279, which funds were required to be repaid on July 1, 2009. As discussed above, the actual transfer of cash funds to the General Fund pursuant to SB 09-279 was approximately $458.1 million. However, the portion of such transfer in excess of $228.1 million constituted a contingency to cover any variance between the projected deficit used to calculate the amount of the transfer and the actual Fiscal Year 2008-09 General Fund deficit (before the transfer) as eventually determined. The amount of this contingency that will actually be needed to meet Fiscal Year 2008-09 appropriations, and the impact of the larger than assumed SB 09-279 transfer on the Fiscal Year 2009-10 budgetary shortfall projected in the OSPB June Revenue Forecast, cannot yet be determined.

As the result of the-Fiscal Year 2009-10 budgetary shortfall projected in the OSPB June Revenue Forecast, additional reductions in appropriations and/or transfer of funds will be required in order to maintain a balanced budget for Fiscal Year 2009-10. The Governor has announced that immediate steps will be taken to determine the exact amount of the shortfall and then formulate a plan to balance the Fiscal Year 2009-10 budget. In addition, since the projected shortfall is in excess of one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, the Governor will also be required to implement the procedures described in "Revenue Estimation – Revenue Shortfall" above. See also "General Fund Overview," "Recent General Fund Financial Results," "General Fund Revenue Sources," and "OSPB Revenue and Economic Forecasts – Revenue Forecast."

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates covering a four year period. Currently, the OSPB is forecasting for Fiscal Year 2008-09 through Fiscal Year 2011-12. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts. The most recent OSPB Revenue Forecast was issued on June 22, 2009, and is summarized below.

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 "FORWARD LOOKING STATEMENTS.".

Revenue Forecast. The OSPB June Revenue Forecast projects that Gross General Fund revenues in Fiscal Year 2008-09 will fall 13.6% below prior year levels, attributable predominately to individual income tax collections declining by the same percentage and corporate income taxes falling more than 44.6%. State revenues are anticipated to begin a slow recovery over the next two Fiscal Years, mirroring the anticipated movement of Colorado's economy.

The OSPB June Revenue Forecast also indicates that Fiscal Year 2008-09 revenues will be less than current appropriated amounts by $256.3 million. However, per SB 09-279, for Fiscal Year 2008-09 only, the Governor is authorized to take certain actions to balance the Fiscal Year 2008-09 budget. See "Revenue Estimation – *Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10*."

The OSPB June Revenue Forecast indicates that, assuming the transfers authorized by SB 09-279 occur, the State will have a budgetary shortfall of $81.8 million in Fiscal Year 2009-10. Because this projected shortfall exceeds one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, the Governor is required to implement the procedures discussed in "Revenue Estimation – *Revenue Shortfalls*" above.

See also "General Fund Overview" above.

Economic Forecast. The OSPB quarterly revenue forecasts also include both Colorado and national economic forecasts. The OSPB June Revenue Forecast states that both the national and Colorado economies remain in a recession; however, Colorado continues to fare better by comparison, due largely to its diverse base and its expansion of renewable energy, aerospace and biotechnology industries. The mix of Colorado's base will allow the State to emerge strongly, once conditions improve. For purposes of the OSPB June Revenue Forecast, OSPB projects improvement in economic conditions in Colorado toward the end of calendar year 2009 and continuing into 2010.

The OSPB June Revenue Forecast notes that although some signs of recovery are becoming apparent, the national economy remains weakened, and that the main risk to the Colorado economic forecast is that the national economy will contract further. Additional considerations include the extent to which ARRA affects the economy, further unanticipated fiscal or monetary intervention, and energy market volatility.

Employment

In April 2009, the Colorado seasonally adjusted unemployment rate decreased to 7.4%, down from 7.5% in March. While the decline of one-tenth of a percentage point does represent the first time since October 2007 that the unemployment rate has fallen, several months of data are needed in order to determine a trend. Between April 2008 and April 2009, the number of Coloradoans unsuccessfully seeking work increased by 74,000, and total employment has fallen 62,900 over the same period.

The OSPB forecasts that it is likely that unemployment will continue to remain high in Colorado, especially as new graduates emerge from educational institutions and due to the lagging nature of job creation. Further, it should be noted that unemployment is a lagging indicator, which means that despite an economic turnaround, it will take some time before Colorado will realize more traditional levels of unemployed individuals relative to the workforce. The OSPB forecasts unemployment rates of 7.2% both in 2009 and 2010.

The OSPB forecasts that total nonagricultural employment will decline by 2.2% in 2009 and then increase only 1.0% in 2010 from the lower 2009 base.

Inflation

The Consumer Price Index ("**CPI**") measures the average price of a specified market basket of goods and services purchased by consumers. Measured by the federal Bureau of Labor Statistics every six months for the Denver-Boulder-Greeley metropolitan area, the CPI identifies price fluctuations for many components, including food, housing, medical care, transportation, education, energy, entertainment, etc.

Consumer prices in the Denver-Boulder-Greeley area increased 3.9% in 2008, following a 2.2% increase in 2007. High fuel prices that extended through the second and third quarters of calendar year 2008 contributed to upward price pressure for clothing, food, transportation and even heating and cooling costs in Colorado. National data trends and significant slack in labor markets suggest diminished inflationary pressures in Colorado for the near term, and high unemployment and decreased aggregate demand are expected to minimize the potential for demand-pull inflationary pressure. However, for the long term, movement toward historical averages is still anticipated. The OSPB forecasts that inflation will remain flat in 2009 and increase by only 1.5% in 2010.

Wages and Income

Colorado personal income increased 4.8% in 2008 compared to 2007, while national personal income increased 3.8%. The OSPB forecasts that Colorado personal income will increase 0.2% in 2009 and 2.5% in 2010 as the economy begins to expand. These forecasted increases are consistent with expectations of slight investment earnings and reduced or flat wage growth, both for hourly and non-hourly workers.

The OSPB forecasts that Colorado wage and salary income will remain relatively unchanged in 2009 (declining only 0.2%) and increase by 1.0% in 2010. Wage and salary income expectations are influenced by current labor market conditions and the expected absence of upward inflationary pressures in 2009. This variable is projected to show improvement in 2010 as labor market conditions improve.

Population and Migration

In 2008, net in-migration to Colorado was approximately 50,000 and total population growth was 2.0%. The diversity of Colorado's economic base and unique tourist attractions make the State an attractive destination for both companies and people alike. Additionally, Colorado is positioned to emerge strongly from the current nationwide recession, and population growth is expected to increase as the State's economy recovers. The OSPB forecasts that Colorado population will increase by 2.8% in 2009 and 1.8% in 2010.

Construction

Housing starts in Colorado were down 35.3% in 2008 from the prior year. The housing sector continues to remain sluggish as the economic downturn persists. The OSPB forecasts housing starts to decrease 44.2% in 2009 followed by an increase of 41.5% in 2010 from the prior year. The OSPB June Revenue Forecast notes that the increase in 2010 will be from a base that is comparable to levels not seen since the early 1990s.

Nonresidential construction value declined 12.5% in 2008 from the prior year. The OSPB forecasts that nonresidential construction will continue to decrease 10.0% in 2009 but will increase by

3.6% in 2010. The construction sector is forecast to show improvements in 2010 as lending is expected to increase and demand increases.

Retail Trade

The OSPB reports that negative job growth, high unemployment and diminished consumer confidence contributed to a 0.8% decline in retail trade sales in 2008. The OSPB forecasts that retail trade sales will further decline by 1.7% in 2009, attributable to declining employment opportunities and expectations of low wage and salary growth during 2009. The 2009 decrease is anticipated to be followed by a 3.0% increase in 2010 influenced by an expectation of increased personal income in that year and an expectation of economic expansion toward the end of 2009 and into 2010. Another contributing factor is the personal saving rate, which continues to trend upward but is anticipated to be reversed as consumer confidence improves and the economy stabilizes, at which point pent-up savings is expected to bolster retail trade sales.

See also **Appendix F** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

Investment of the State Pool

General. The investment of public funds by the Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Moneys invested by the Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the Treasury's investment safekeeping bank.

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Fiscal Year 2008-09 Investments of the State Pool. The following table sets forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2008-09 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2008-09
(Amounts expressed in millions)[1]

	Jul 2008	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009
Agency CMOs	$ 291.8	$ 297.3	$ 293.0	$ 314.2	$ 340.9	$ 336.0	$ 331.1	$ 324.8	$ 317.8	$ 310.7	$303.0
Commercial Paper	724.0	409.5	403.4	--	79.7	149.7	50.0	0.0	99.9	189.9	99.9
U.S. Treasury Notes	520.5	510.6	485.5	490.9	581.3	569.0	448.8	423.8	414.1	414.1	429.1
Federal Agencies	3,183.0	3,011.3	3,145.5	3,319.6	3,061.9	2,613.1	3,354.5	3,137.5	3,118.5	3,341.0	3,358.7
Asset-Backed Securities	878.6	850.1	819.6	786.9	765.6	974.2	734.1	693.1	676.7	646.0	631.3
Money Market	370.0	320.0	265.0	235.0	365.0	466.4	382.0	297.0	256.5	347.0	297.0
Corporates	478.5	451.1	449.1	447.8	455.8	454.2	449.2	434.2	429.2	414.5	416.5
Certificates of Deposit	76.3	79.2	76.2	73.7	72.4	79.7	78.3	78.0	78.0	76.5	77.2
Totals	$6,522.7	$5,929.1	$5,937.3	$5,668.1	$5,722.6	$5,642.3	$5,828.0	$5,388.4	$5,390.7	$5,739.7	$5,612.7

[1] This table includes all moneys in the State pool, which includes the General Fund and other moneys that are invested by the State Treasurer. Data for June 2009 not available as of the date hereof.

Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The Treasurer has certain administrative powers to remedy negative balances, including the ability to both issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and use any amounts in certain State funds from which the Treasurer is authorized to borrow under State law. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The Treasurer."

The following tables present on a cash basis the actual and estimated cash flows of the General Fund for Fiscal Year 2008-09, and the estimated cash flows for the General Fund for Fiscal Year 2009-10, by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the Treasurer to arrive at a cash basis presentation. The tables should be read in conjunction with the information set forth above in this section.

Monthly cash flow projections are based upon (i) the General Fund appropriations for Fiscal Year 2008-09 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the OSPB June Economic Forecast discussed in "OSPB Revenue and Economic Forecasts" above.

Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of cash flow estimated for Fiscal Year 2009-10. Additionally, the timing of transactions from month to month may vary from the forecasts. See "FORWARD LOOKING STATEMENTS."

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State of Colorado
Actual and Estimated General Fund Cash Flow
Fiscal Year 2008-09
Current Law

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

	Actual											Estimated	
	Jul 2008	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Total
Beginning Cash and Investments Balance	$ 216.5												$ 216.5
Revenues:													
General Fund Revenue:													
Sales and Use Tax	184.2	$ 171.4	$ 179.7	$ 171.9	$ 158.8	$ 146.2	$ 194.2	$ 130.1	$ 136.2	$ 152.9	$ 132.7	$ 154.3	1,912.6
Individual Income Tax	332.4	297.7	449.3	368.7	286.6	357.3	464.5	136.1	181.6	520.4	248.0	313.9	3,956.5
Corporate Income Tax	7.2	(1.9)	101.8	5.2	(1.6)	55.3	(9.0)	(6.8)	6.9	65.7	12.6	46.0	281.4
Other	52.6	18.1	14.1	49.5	16.0	9.0	28.3	40.1	35.6	244.8	15.3	15.2	538.6
Total General Fund Revenue	576.4	485.3	744.9	595.3	459.8	567.8	678.0	299.5	360.3	983.8	408.6	529.3	6,689.0
Federal Revenue	187.6	328.5	429.4	327.3	364.0	464.5	346.5	414.9	439.7	371.0	428.9	481.8	4,584.1
Total Revenues	764.0	813.8	1,174.3	922.6	823.8	1,032.3	1,024.5	714.4	800.0	1,354.8	837.5	1,011.2	11,273.2
Expenditures:													
Payroll	138.1	124.0	120.9	119.6	119.7	120.7	122.5	121.5	121.3	120.3	122.7	120.0	1,471.3
Medical Assistance	209.0	289.4	289.3	263.6	303.3	294.0	237.9	304.1	307.3	205.2	240.4	191.0	3,134.5
Public School Distribution	751.3	23.0	907.9	39.5	15.0	806.8	61.7	60.0	757.6	138.5	46.0	63.4	3,670.7
Higher Education Distribution	5.4	45.0	5.4	5.4	5.4	38.6	0.9	0.5	0.1	0.1	0.0	0.1	106.9
Grants and Contracts	49.0	175.0	165.9	149.6	157.7	210.6	172.9	162.4	196.4	245.8	195.9	306.8	2,188.0
Other	66.6	280.4	119.8	116.0	104.1	275.6	98.3	119.8	86.7	6.1	7.0	9.5	1,289.9
Total Expenditures	(1,219.4)	(936.8)	(1,609.2)	(693.7)	(705.2)	(1,746.3)	(694.2)	(768.3)	(1,469.4)	(716.0)	(612.0)	(690.9)	(11,861.4)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(238.9)	(123.0)	(434.9)	228.9	118.6	(714.0)	330.3	(53.9)	(669.4)	638.8	225.5	320.3	(371.7)
Revenue Accrual Adjustment	(1,244.4)	(43.8)	(22.4)	56.3	(14.9)	(43.8)	34.6	13.3	(93.4)	107.3	(106.2)	(96.9)	(345.1)
Expenditure Accrual Adjustment	1,298.0	14.8	111.9	(136.7)	65.5	(5.7)	(45.5)	16.1	76.8	84.7	(69.4)	(18.4)	282.9
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfer In Cash and Investments Per Statute	--	--	--	--	--	--	--	--	--	190.3	--	616.8	807.1
Homestead Exemption	--	--	--	--	--	--	--	--	--	(85.6)	--	--	(85.6)
General Fund Notes	350.0	--	--	--	--	--	--	--	--	--	--	(360.0)	(10.0)
Capital Construction Transfer	(93.7)	--	--	--	--	--	--	--	--	--	--	--	(93.7)
Reserve Transfer to Highway Users Tax Fund	--	--	(25.1)	--	--	(2.8)	--	--	--	--	--	--	(27.9)
Reserve Transfer to Capital Construction Fund	--	--	(12.6)	--	--	(1.4)	--	--	--	--	--	--	(14.0)
Actual/Projected Monthly Cash Change	71.0	(152.0)	(383.1)	148.5	169.2	(767.7)	319.4	(24.5)	(686.0)	935.5	49.9	461.8	142.0
General Fund Cash Balance End of Month	**$ 71.0**	**$ (81.0)**	**$ (464.1)**	**$ (315.6)**	**$ (146.4)**	**$ (914.1)**	**$ (594.7)**	**$ (619.2)**	**$(1,305.2)**	**$ (369.7)**	**$ (319.8)**	**$ 142.0**	

[1] General Fund revenues are derived from the OSPB June Revenue Forecast, and all other amounts for June 2009 are estimates made by the Treasurer's office. No representation or guaranty is made herein that such forecasted amounts will be realized.

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2009-10[1]
Current Law

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

	Jul 2009	Aug 2009	Sept 2009	Oct 2009	Nov 2009	Dec 2010	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Total
Beginning Cash and Investments Balance	$ (54.7)												$ (54.7)
Revenues:													
General Fund Revenue:1													
Sales and Use Tax	158.7	$ 149.0	$ 154.1	$ 155.1	$ 140.9	$ 109.2	$ 197.4	$ 199.8	$ 150.9	$ 172.9	$ 154.6	$ 182.4	1,924.9
Individual Income Tax	284.6	324.6	442.3	345.2	314.0	354.4	567.2	176.1	244.8	605.2	437.8	398.1	4,494.3
Corporate Income Tax	9.8	5.0	71.2	7.1	1.5	59.9	6.8	9.4	28.4	49.9	19.5	79.8	348.3
Other	95.3	36.6	18.6	76.7	32.9	32.1	(23.2)	4.1	49.3	(6.7)	(6.7)	83.7	392.4
Total General Fund Revenue	548.4	515.2	686.1	584.0	489.4	555.6	748.2	389.4	473.4	821.2	605.2	743.9	7,160.0
Federal Revenue	204.4	408.8	286.5	308.4	364.8	380.7	307.0	350.6	357.9	369.9	437.6	607.5	4,384.2
Total Revenues	752.8	924.0	972.6	892.4	854.2	936.3	1,055.3	740.0	831.3	1,191.1	1,042.9	1,351.4	11,544.2
Expenditures:													
Payroll	138.1	124.0	120.9	119.6	119.7	120.7	122.5	121.5	121.3	120.3	122.7	120.0	1,471.3
Medical Assistance	196.1	271.6	271.5	247.4	284.6	275.9	223.3	285.4	288.4	192.6	225.6	287.2	3,049.5
Public School Distribution	710.3	21.7	858.3	37.3	14.2	762.8	58.3	56.7	716.2	130.9	43.5	53.3	3,463.7
Higher Education Distribution	5.3	44.1	5.3	5.3	5.3	37.8	0.9	0.5	0.1	0.1	0.0	0.1	104.7
Grants and Contracts	49.0	175.0	165.9	149.6	157.7	210.6	172.9	162.4	196.4	245.8	195.9	306.8	2,188.0
Other	(191.3)	139.4	111.2	201.5	157.3	(16.4)	69.3	162.9	(9.2)	55.0	356.4	553.3	1,589.5
Total Expenditures:	(907.6)	(775.8)	(1,533.1)	(760.7)	(738.8)	(1,391.4)	(647.2)	(789.4)	(1,313.2)	(744.7)	(944.1)	(1,320.7)	(11,866.2)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(209.5)	148.2	(560.5)	131.7	115.4	(455.1)	408.1	(49.4)	(482.0)	446.4	98.8	30.6	(377.3)
Revenue Accrual Adjustment	96.9	111.0	(123.5)	128.0	28.5	(257.0)	158.8	(6.2)	(58.7)	85.4	63.9	(193.9)	33.3
Expenditure Accrual Adjustment	(115.6)	(0.6)	12.0	(38.5)	0.4	53.3	(32.2)	(2.8)	15.6	5.4	30.9	(73.6)	(145.7)
Extraordinary Items Impacting Cash:													
Transfer In Cash and Investments Per Statute	(122.7)	--	--	--	--	--	--	--	26.5	--	--	21.6	(74.6)
Homestead Exemption	--	--	--	--	--	--	--	--	--	--	--	--	--
The Series 2009A Notes	650.0	--	--	--	--	--	--	--	--	--	--	(669.5)	(19.5)
Capital Construction Transfer	--	--	--	--	--	--	--	--	--	--	--	--	
Reserve Transfer to Highway Users Tax Fund	--	--	--	--	--	--	--	--	--	--	--	--	
Reserve Transfer to Capital Construction Fund	--	--	--	--	--	--	--	--	--	--	--	--	
Actual/Projected Monthly Cash Change	299.1	258.6	(672.0)	221.3	144.3	(658.8)	534.7	(58.3)	(498.6)	537.2	193.6	(884.7)	(583.8)
General Fund Cash Balance End of Month	**$ 299.1**	**$ 557.7**	**$ (114.3)**	**$ 107.0**	**$ 251.2**	**$ (407.6)**	**$ 127.1**	**$ 68.7**	**$ (429.8)**	**$ 107.3**	**$ 300.9**	**$ (583.8)**	

[1] General Fund revenues are derived from the OSPB June Revenue Forecast, and all other amounts are estimates made by the Treasurer's office. No representation or guaranty is made herein that such forecasted amounts will be realized. See "FORWARD LOOKING STATEMENTS."

Source: State Treasurer's Office

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APPENDIX F

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX F

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the State as of the dates indicated. The statistics have been obtained from the referenced sources and represent the most current information available from the sources indicated; however, certain information is released only after a significant amount of time has passed since the most recent date of the reported data, and therefore such information in many cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State, the State Court Administrator, the President of the State Historical Society, or any other officer or employee of or advisor to the State.*

Overview

Colorado is the most populous state in the Rocky Mountain region. The State has two distinctive geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to farming, and the Front Range, that contains the major metropolitan areas. The western half of the State includes the Rocky Mountains and the Western Slope. A significant portion of the land in the western half of the State is heavily forested and mountainous, owned by the federal government and devoted to national parks or forests.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State capital, is the major economic center in the State and the Rocky Mountain region, having developed as a regional center for transportation, communication, finance and banking. More recently, the Front Range has attracted advanced-technology industries and is experiencing a resurgence in natural gas, oil and coal extraction.

The State's economy is sensitive to the national economy, leading to economic performance that depends a great deal on economic performance at the national level.

Population and Age Distribution

The following table sets forth population figures for the State and the United States since 1960.

Population Estimates

	Colorado		United States	
Year[1]	Population (Millions)	% Change	Population (Millions)	% Change
1960	1.77	--	179.97	--
1970	2.22	26.29%	203.80	13.49%
1980	2.90	30.77	227.22	10.81
1990	3.30	13.84	249.62	9.79
2000	4.33	31.61	282.17	12.81
2008	4.94	14.09	304.06	8.04

[1] 1960-2000 figures are census counts as of July 1 of the given year.

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

The following table sets forth a comparative age distribution profile for Colorado and the United States.

Age Distribution as of July 1, 2008
(Totals may not add due to rounding)

Age	Colorado Population (Millions)	% of Total	U.S. Population (Millions)	% of Total
Under 18	1.21	24.4%	73.94	24.3%
18 to 24	0.47	9.4	29.76	9.8
25 to 44	1.46	29.7	83.43	27.4
45 to 64	1.29	26.1	78.06	25.7
65 and over	0.51	10.3	38.87	12.8
Total	4.94	100.0%	304.06	100.0%
Median Age	35.7		36.8	

Source: United States Department of Commerce, Bureau of the Census.

Income

The following table sets forth annual per capita personal income levels of the State, the Rocky Mountain region and the United States.

Per Capita Personal Income in Current Dollars

	Colorado		Rocky Mountain Region[1]		United States	
Year	Income	% Change	Income	% Change	Income	% Change
2004	$35,594	--	$31,337	--	$33,157	--
2005	37,611	5.7%	33,213	6.0%	34,690	4.6%
2006	39,612	5.3	35,082	5.6	36,794	6.1
2007	41,192	4.0	36,527	4.1	38,615	4.9
2008	42,377	2.9	37,459	2.6	39,751	2.9

1 Includes Colorado, Utah, Idaho, Montana and Wyoming.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment

The following table sets forth recent total nonfarm labor force and unemployment statistics for the State.

Civilian Labor Force, Nonfarm Employment, and Unemployment Rates
(Seasonally Adjusted)

Year	Colorado Civilian Labor Force (Thousands)	% Change	Colorado Nonfarm Employment (Thousands)	% Change	Unemployment Rate (Annual Average) Colorado	Unemployment Rate (Annual Average) United States
2004	2,535.4	--	2,179.7	--	5.6%	5.5%
2005	2,580.8	1.8%	2,226.0	2.1%	5.1	5.1
2006	2,642.7	2.4	2,279.1	2.4	4.4	4.6
2007	2,686.4	1.7	2,331.4	2.3	3.9	4.6
2008	2,730.4	1.6	2,350.0	0.8	4.9	5.8
2009[1,2]	2,719.7	--	2,261.6	--	7.6	9.4

1 As of May 2009.

2 Preliminary.

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

The following table sets forth the number of individuals employed within selected industries in the State for the period 2004 through 2008 based on the North American Industrial Classification System ("NAICS") codes.

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

Industry	2004	2005	2006	2007	2008
Agriculture, Forestry, Fishing, Hunting	14,547	14,963	14,834	14,592	14,083
Mining	14,374	17,007	20,682	25,033	28,328
Utilities	7,927	7,949	8,101	7,949	8,220
Construction	151,430	160,102	167,623	167,697	161,801
Manufacturing	154,548	150,586	148,848	146,744	144,158
Wholesale Trade	92,229	93,781	96,343	99,389	100,137
Retail Trade	241,410	246,048	248,443	253,591	252,685
Transportation and Warehousing	61,025	61,103	62,089	64,064	63,611
Information	81,243	77,438	75,614	76,132	76,977
Finance and Insurance	104,415	106,823	109,057	108,021	104,918
Real Estate, Rental and Leasing	46,005	46,854	47,690	47,865	46,857
Professional and Technical Services	144,793	155,997	162,988	170,573	176,438
Management of Companies and Enterprises	22,437	24,900	26,992	28,418	28,641
Administrative and Waste Services	131,697	135,276	141,856	149,122	146,470
Educational Services	23,485	24,823	25,754	26,969	27,687
Health Care and Social Assistance	192,430	197,134	202,378	210,524	219,877
Arts, Entertainment and Recreation	42,144	43,212	44,226	44,261	45,674
Accommodation and Food Services	209,187	214,191	220,745	225,799	227,275
Other Services	65,315	65,132	65,656	67,048	68,500
Nonclassifiable	196	263	268	510	906
Government	341,707	345,972	351,372	358,032	367,684
Total	2,142,544	2,189,554	2,241,559	2,292,693	2,310,936

Source: Colorado Department of Labor and Employment

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Set forth in the following table are the estimated largest private sector employers in Colorado in 2008. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the State or changes in their estimated number of employees since compilation of data for the table. It is possible that there are other large employers in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado – 2008

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	Discount Stores	25,674
Dillon Companies (King Soopers/City Market)	Supermarkets	17,965
Centura Health	Health Care	13,000
Safeway Stores	Supermarkets	10,795
HCA-Healthone	Health Care	9,600
Qwest Corporation	Telecommunications	9,055
Target Corporation	Discount Retailer	7,500
Exempla Healthcare	Hospital	7,092
Wells Fargo	Banking/Financial Services	6,000
University of Denver	Private University	5,989
United Airlines	Air Transportation	5,400
Kaiser Foundation Health Plan	Health Maintenance Organization	5,285
United Parcel Service	Delivery Services	4,910
International Business Machines Corp	Computers	4,750
Ecosphere	Satellite Television	4,519
Comcast Mo Group	Cable Service Provider	4,500
Frontier Airlines	Air Transportation	4,500
Lockheed Martin Space Systems	Aerospace and Defense	4,500
Molson Coors Brewing	Brewery	4,100
Xcel Energy	Utility	3,853
Ball Corporation	Containers, Aerospace	3,800
University of Colorado Hospital	Hospital	3,688
Children's Hospital Association	Hospital	3,422
Albertson's	Supermarkets	2,800
Sun Microsystems	Computers	2,593

[1] Figures include full-time and part-time employees.

Source: Colorado Department of Labor and Employment

Set forth in the following table are the estimated largest public sector employers in Colorado in 2008.

Estimated Largest Public Sector Employers in Colorado – 2008

Employer	Estimated Employees[1]
Federal Government	35,141
State of Colorado	33,000
University of Colorado System	28,089
City And County of Denver	13,081
Jefferson County Public Schools	12,122
Denver Public Schools	11,324
US Postal Service	11,169
Cherry Creek School District No. 5	9,167
Douglas County School District RE-1	7,362
Colorado State University	6,900
Denver Health	4,880
Adams 12 Five Star Schools	4,868
Colorado Springs Memorial Hospital	4,800
Aurora Public Schools	4,744
Poudre School District R-1	4,100
Boulder Valley School District RE-2	3,964
Colorado Springs School District 11	3,915
City of Aurora	3,868
St. Vrain Valley School District RE-1J	3,550
Mesa County Valley School District 51	3,380
Colorado Springs	2,840
Jefferson County	2,693
Academy School District #20	2,554
Thompson School District R2J	2,534
Pueblo School District #60	2,450
Regional Transportation District (RTD)	2,407
Greeley School District 6	2,380
Littleton Public Schools	2,102
Arapahoe County	1,953

[1] Figures include full-time and part-time employees.

Source: Colorado Department of Labor and Employment.

Retail Sales

Set forth below are recent annual sales figures for Colorado as reported for State sales tax purposes.

Colorado Retail Sales
(Dollar amounts in billions)

	Gross Sales		Retail Sales	
Year	**Amount**	**% Change**	**Amount**	**% Change**
2004	$152.571	--	$114.281	--
2005	164.998	8.1%	122.907	7.5%
2006	184.677	11.9	133.531	8.6
2007	202.478	9.6	148.673	11.3
2008	211.215	4.3	152.748	2.7

Source: Colorado Department of Revenue

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The following table sets forth Colorado retail sales figures by industry.

Colorado Retail Sales by Industry[1]
(Dollar amounts in millions)

	2004	% Change	2005(2)	% Change	2006(2)	% Change	2007(2)	% Change	2008(2)	% Change
Agriculture, Forestry and Fisheries	$ 164.8	15.6%	$ 173.3	5.2%	$ 298.9	72.4%	$ 341.1	14.1%	$ 305.9	(10.3)%
Mining	990.6	48.0	1,399.7	41.3	2,102.1	50.2	2,842.6	35.2	3,382.6	19.0
Public Utilities	4,678.8	16.5	5,840.0	24.8	5,454.5	(6.6)	6,300.1	15.5	7,068.4	12.2
Construction Trades	2,548.1	6.0	2,679.4	5.2	3,261.2	21.7	3,677.9	12.8	3,770.6	2.5
Manufacturing	7,356.0	15.0	8,383.1	14.0	10,056.9	20.0	11,351.3	12.9	11,877.7	4.6
Wholesale Trade	9,487.8	19.7	11,110.7	17.1	12,393.6	11.5	14,552.6	17.4	14,475.6	(0.5)
Retail Trade:										
Motor Vehicles and Auto Parts	13,976.8	2.1	13,591.8	(2.8)	13,263.3	(2.4)	14,135.1	6.6	12,133.0	(14.2)
Furniture and Home Furnishings	2,328.4	9.9	2,381.3	2.3	2,486.9	4.4	2,577.3	3.6	2,353.2	(8.7)
Electronics and Appliance Stores	1,874.6	5.7	1,911.1	1.9	2,068.1	8.2	2,306.3	11.5	2,244.0	(2.7)
Building Materials/Improvement/Nurseries	4,961.7	15.1	5,582.4	12.5	5,822.1	4.3	5,786.2	(0.6)	5,307.7	(8.3)
Food & Beverage Stores	9,835.8	2.3	10,428.7	6.0	11,067.5	6.1	12,090.8	9.2	12,930.8	6.9
Health/Personal Care Stores	1,725.0	19.3	1,733.4	0.5	1,984.1	14.5	2,139.2	7.8	2,263.3	5.8
Service Stations	3,579.7	16.6	4,328.6	20.9	4,886.1	12.9	5,210.3	6.6	5,766.9	10.7
Clothing/Accessory Stores	2,600.9	6.9	2,587.6	(0.5)	2,878.3	11.2	3,189.8	10.8	3,103.9	(2.7)
Sporting Goods/Hobby/Book/Music Stores	2,295.7	2.1	2,383.1	3.8	2,542.9	6.7	2,694.5	6.0	2,593.4	(3.8)
General Merchandisers/Warehouse Stores	9,125.9	7.1	9,803.5	7.4	10,300.0	5.1	10,992.3	6.7	11,334.9	3.1
Miscellaneous Stores	2,193.0	(6.9)	2,388.5	8.9	2,416.0	1.2	2,459.7	1.8	2,364.4	(3.9)
Non-Store Retailers	1,380.2	15.2	1,535.5	11.3	2,002.9	30.4	3,709.8	85.2	4,299.8	15.9
Total Retail Trade	55,877.8	5.9	58,655	5.0	61,718	5.2	67,291.3	9.0	66,695.2	(0.9)
Transportation and Warehousing	703.3	25.6	789.8	12.3	887.0	12.3	829.4	(6.5)	760.4	(8.3)
Information Producers/Distributors	5,164.3	(2.6)	5,691.5	10.2	5,798.9	1.9	6,241.8	7.6	6,879.8	10.2
Finance and Insurance	1,013.7	(4.8)	1,368.5	35.0	1,994.2	45.7	2,293.6	15.0	2,964.8	29.3
Real Estate, Rental and Leasing Services	2,822.8	3.2	3,027.9	7.3	3,391.7	12.0	3,647.4	7.5	3,615.4	(0.9)
Professional, Scientific and Technical Services	6,367.3	14.2	5,501.3	(13.6)	5,987.3	8.8	6,622.2	10.6	6,912.9	4.4
Business, Administrative, Support, Waste/ Remediation Services	1,286.2	11.9	1,402.2	9.0	1,445.9	3.1	1,739.8	20.3	1,955.6	12.4
Educational Services	262.7	20.5	329.2	25.3	389.6	18.3	424.9	9.1	461.6	8.6
Health Care and Social Assistance Services	3,019.2	6.2	3,267.2	8.2	3,566.1	9.2	4,472.0	25.4	5,274.6	17.9
Arts, Entertainment and Recreation Services	713.1	1.1	771.3	8.2	889.9	15.4	955.3	7.3	971.8	1.7
Hotel and Other Accommodation Services	2,103.5	3.8	2,271.5	8.0	2,602.1	14.6	2,905.3	11.7	3,035.1	4.5
Food and Drinking Services	6,470.3	9.2	6,745.6	4.3	7,456.2	10.5	8,052.3	8.0	8,264.9	2.6
Other Personal Services	2,975.6	8.7	3,145.6	5.7	3,480.2	10.6	3,826.0	9.9	3,825.2	(0.0)
Government Services	274.9	9.0	354.4	28.9	356.8	0.7	306.4	(14.1)	249.7	(18.5)
	$114,280.8	8.4%	$122,907.6	7.5%	$133,531.3	8.6%	$148,673.2	11.3%	$152,747.7	2.7%

[1] Does not reflect all sales due to data suppressed to protect the confidentiality of employers, and therefore may not accurately estimate the increase or decrease in sales in certain years.

[2] The percentages represent the change from the previous year retail figures.

Source: State of Colorado Department of Revenue

Tourism

The following table presents information on tourism in the State as reflected in visits to National Park Service territories in Colorado and Colorado ski areas, as well as statistics regarding conventions in the Denver area.

Colorado Tourism Statistics

	National Parks Visits		Conventions		Conventions Delegates		Spending		Skier Visits[2]	
Year	Number (Millions)	% Change	Number	% Change	Number (Thousands)	% Change	Amount (Millions)	% Change	Number (Millions)	% Change
2004	5.98	--	30	--	114.5	--	181.6	--	11.25	--
2005	5.99	0.17%	40	33.3%	153.4	34.0%	305.7%	68.3%	11.82	5.0%
2006	5.90	(1.5)	55	37.5	180.2	17.5	358.9	17.4	12.53	6.1
2007	5.66	(4.07)	75	36.4	215.4	19.5	429.1	19.5	12.57	0.3
2008	5.44	(3.89)	75	0.0	293.4	36.2	n/a	n/a	12.54	(0.2)

[1] Includes only those conventions held at the Colorado Convention Center.

[2] Data for skier visits reflects the number of visits in the ski season ending in the referenced year.

Source: Colorado Office of Economic Development & International Trade, Colorado Tourism Office, National Parks Service and Denver Metropolitan Convention & Visitors Bureau, Downtown Denver, Inc., and Colorado Ski Country USA

Residential Housing Starts

The following table sets forth a five-year history of residential building permit issuances for the State.

Residential Housing Starts
New Privately Owned Housing Units Authorized

Year	Building Permits[(1)]	% Change
2004	46,499	--
2005	45,891	(1.3)%
2006	38,343	(16.4)
2007	29,454	(23.2)
2008	18,998	(35.5)

[1] Includes permits for structures with one or multiple units.

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

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Residential Foreclosures

The following table sets forth the number of foreclosures filed in Colorado during the time periods shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

Foreclosure Filings and Sales in Colorado

Year	Foreclosure Filings	% Change	Foreclosure Sales at Auction	% Change
2004	16,801	--	7,782	--
2005	21,782	29.6%	12,699	63.2%
2006	28,435	30.5	17,451	37.4
2007	39,915	40.4	25,054	43.6
2008[1]	39,307	(1.5)	21,301	(15.0)
First Quarter				
2008[1, 2]	11,634	--	5,899	--
2009	10,745	(7.6)%	4,354	(26.2)%

[1] Due to the legal change in the foreclosure process, foreclosure sales of new foreclosures filed during 2008 were not permitted during March and April, and legislation that took effect in August 2008 effectively prevented the issuance of a large number of notices of election and demand. The effect of these changes was to lessen the amount of foreclosure activity that could legally take place during the first, second and third quarters of 2008.

[2] First quarter 2007 information was incomplete and therefore no percentage changes are shown.

Source: Colorado Division of Housing

APPENDIX G

STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND

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APPENDIX G

STATE HISTORICAL FUND AND JUSTICE CENTER CASH FUND

State Historical Fund

Creation of Funds

The State Historical Fund was established by amendment (the "**Limited Gaming Amendment**") to Article XVIII, Section 9 of the Constitution of the State, effective January 3, 1991. The Limited Gaming Amendment legalized limited gaming in Central City, Black Hawk, and Cripple Creek, Colorado as of October 1, 1991. In 1991, pursuant to the Limited Gaming Amendment, the General Assembly enacted the Limited Gaming Act of 1991 (the "Limited Gaming Act"), Sections 12-47.1-101 to 1501, Colorado Revised Statutes. The Limited Gaming Act provides for the creation of "the division of gaming" within the Department of Revenue. Section 9(2) of the Limited Gaming Amendment also mandated the creation of a limited gaming control commission, and thus Section 12-47.1-301 of the Limited Gaming Act provides for the creation of the Colorado Limited Gaming Control Commission within the Division of Gaming.

Sources of Funding

The Limited Gaming Amendment provides that up to a maximum of forty percent of the adjusted gross proceeds of limited gaming shall be paid by each licensee, in addition to any applicable license fees, for the privilege of conducting limited gaming. For purposes of the Limited Gaming Amendment, "adjusted gross proceeds" means the total amount of all wagers made by players on limited gaming less all payments to players; said payments to players being deemed to include all payments of cash premiums, merchandise, tokens, redeemable game credits, or any other thing of value. Such payments are made into the Limited Gaming Fund created in the State Treasury pursuant to the terms of the Limited Gaming Amendment.

Allocations Under the State Historical Fund

From the moneys in the Limited Gaming Fund, the State Treasurer is authorized to pay all ongoing expenses of the Colorado Department of Revenue Division of Gaming and the Colorado Limited Gaming Control Commission. Such payment is not conditioned on any appropriation by the General Assembly. After payment of such ongoing expenses, the Limited Gaming Amendment directs the State Treasurer to distribute 28% of the remaining balance into the State Historical Fund. Twenty percent of moneys in the State Historical Fund are required to be used for the preservation and restoration of the cities of Central City, Black Hawk, and Cripple Creek. The remaining eighty percent of moneys in the State Historical Fund are administered by the Society as described below. The General Assembly expressed its intent in Section 12-47.1-1201, Colorado Revised Statutes, that the majority of the moneys deposited in and available for distribution from the eighty percent portion of the State Historical Fund administered by the Society shall be used for the historic preservation and restoration of historical sites and municipalities throughout the State.

The Colorado General Assembly subsequently adopted the Colorado Limited Gaming Act, codified as Section 12-47.1-101 *et. seq.*, Colorado Revised Statutes, which provides that the majority of the eighty percent portion of the State Historical Fund reserved for statewide distribution be administered by the Society as a grants program (the "**Statewide Grant Program for Preservation**") for a variety of historic preservation purposes enumerated therein, including (a) the identification, marking, and official designation of buildings, structures, objects, sites, or areas important in the history, architecture, archaeology, or culture of the State; (b) the acquisition and preservation of such designated properties; (c) education and training on how to plan for and accommodate the preservation of historic and archaeological structures, buildings, objects, sites, and districts; and (d) preparation and dissemination of educational, informational, and technical documents, guidance, and aids on historic preservation practices, standards, guidelines, techniques, economic incentives, protective mechanisms, and historic preservation planning.

With respect to the remaining amounts deposited to the State Historical Fund that are not reserved for the Statewide Grant Program for Preservation, the Authorizing Legislation amended Section 12-47.1-1201, Colorado Revised Statutes, to provide that such amounts, together with any moneys designated by the General Assembly, may be used to pay for the Colorado History Center Project. The Authorizing Legislation provides that, beginning on July 1, 2011 and for each fiscal year thereafter through the fiscal year beginning on July 1, 2045, so long as there are payments due on the Lease, the General Assembly may appropriate to the Society from the State Historical Fund an amount equal to the Base Rentals or other payments due from State funds, except that the amount shall not exceed $4,998,000 in any given fiscal year.

The following table summarizes, for Fiscal Years 2004-2008, amounts in the State Historical Fund administered by the Society, amounts in the State Historical Fund not required to be used for the Statewide Grant Program for Preservation, the Society's operating expenses and maintenance and grant expenditures, and the net amounts of moneys in the State Historical Fund that are available to fund purposes other than those related to the Statewide Grant Program for Preservation:

Moneys in the State Historical Fund Administered by the Society
Fiscal Years 2004-2008

Fiscal Year	Total Amounts in State Historical Fund Administered by the Society(1)	Amounts in the State Historical Fund Not Required to be Used For the Statewide Grant Preservation Program	Museum and Preservation Operating Expenses	Net Amounts Available in the State Historical Fund for Purposes other Than the Statewide Grant Preservation Program(2)
2004	$20,379,994	$10,169,617	$4,405,306	$5,764,311
2005	$20,697,933	$10,328,269	$5,876,730	$4,451,539
2006	$20,810,366	$10,384,373	$6,083,762	$4,300,611
2007	$22,433,032	$11,194,083	$6,630,022	$4,564,061
2008	$23,823,904	$11,888,128	$6,791,767	$5,096,361

[1] Represents 80% of the moneys deposited in the State Historical Fund which are administered by the Society pursuant to Limited Gaming Amendment and the Colorado Limited Gaming Act.

[2] Represents the net amount of moneys in the State Historical Fund that would have been available to fund costs associated with the Colorado History Center Project if the Authorizing Legislation had been in effect in Fiscal Years 2004 to 2008. The Authorizing Legislation came into effect on July 1, 2008.

Source: Colorado Historical Society

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Justice Center Cash Fund

The Justice Center Cash Fund was established pursuant to the Authorizing Legislation. The Authorizing Legislation authorizes the Colorado Judicial Department to raise docket and civil court filing fees and provides for the deposit of a portion of such fees, subject to appropriation, together with any lease payments received by the Judicial Department from agencies occupying the State Justice Center, in the Justice Center Cash Fund for the purpose of paying the costs of the Justice Center Project and Base Rentals on the Lease. The following table summarizes the range of civil filing fees, effective as of July 1, 2008, charged by various Colorado courts and the portion of such fees to be deposited to the Justice Center Cash Fund pursuant to the Authorizing Legislation:

Summary of Colorado Court Fees and
Portion of Such Fees Deposited to the Justice Center Cash Fund

Court	Range of Total Civil Filing Fees(1)	Portion of Civil Filing Fees Required to be Deposited to Justice Center Cash Fund Pursuant to Authorizing Legislation
County Court (2)	\$55-\$166	\$9-\$20
Small Claims Court(3)	\$26-\$70	\$11-\$20
District Court – Civil Filings(4)	\$55-\$529	\$15-\$204
District Court – Domestic Relations Matters(5)	\$70-\$224	\$10-\$68
District Court – Probate Matters(6)	\$15-\$190	\$15-\$20
District Court – Juvenile Matters(7)	\$70-\$227	\$15-\$68
District and County Court – Miscellaneous(8)	\$20-\$65	\$5-\$10
Court of Appeals(9)	\$148-\$223	\$68
Water Court(10)	\$45-\$447	\$10-\$68

1 Fees in effect as of July 1, 2008.

2 Jurisdictional limit of \$15,000 or less. Fees paid by plaintiffs, defendants, third party plaintiffs, judgment creditors, and other litigants, or for processing of name changes, foreign judgments, civil protection orders, or jury demands, as applicable.

3 Jurisdictional limit of \$7,500 or less. Fees paid by plaintiffs, defendants, parties with counter claims, and judgment creditors, as applicable.

4 Fees paid by plaintiffs, petitioners, defendants, respondents, judgment creditors, and other litigants.

5 Fees paid for matters before the Court relating to dissolutions of marriage, legal separation, declarations of invalidity, petitions for allocation of parental responsibilities, among other matters.

6 Fees paid for matters relating to decedents' estate, guardianship, conservatorship, personal injury settlement, trust registrations, registrations of foreign guardianship and/or conservatorship, and other probate matters.

7 Fees paid for matters relating to adoptions, actions under the Uniform Parentage Act, petitions to change name, victim's compensation costs, restitution, and related matters.

8 Fees paid for certificates of dismissal or no suit pending, certifications of records, preparing and issuing transcripts of judgments, writs of garnishment, writs of attachment, and other administrative matters.

9 Fees paid by Appellants/Petitioners and Appellees/Respondents for matters before the Court.

10 Fees paid for applications, complaints, petitions or any other pleading initiating a water matter, applications for changes of water rights plans or plans for augmentation, statements of opposition, pleadings in protest and other matters before the Water Court.

Source: Colorado Judicial Department

Set forth in the following table is a summary the number of cases filed from Fiscal Years 2003 to 2007 in the Colorado Supreme Court, Court of Appeals, District Court, County Court, and Water Court:

Colorado Judicial Department
Historical Court Filings
Fiscal Years 2003-2007

Year	Supreme Court	Court of Appeals	District	County	Water	TOTAL
2003	1,401	2,589	169,458	479,682	1,672	654,802
2004	1,317	2,558	177,358	496,540	1,285	679,058
2005	1,466	2,766	183,512	537,310	1,109	726,163
2006	1,393	2,748	189,415	534,868	1,303	729,727
2007	1,534	2,548	189,235	532,687	1,220	727,224

Source: Colorado Judicial Department

After the passage of the Authorizing Legislation in 2008, the Colorado Judicial Department raised civil filing fees in the Court of Appeals, the District and County Courts, and the Small Claims Court. The fees that were increased include Court of Appeals civil filing fees; domestic, civil, probate, and water filing fees in District Court; civil filing fees in County Court and Small Claims Court; and various miscellaneous fees, such as fees for certification of documents. The following table lists monthly fee collections of the Judicial Department deposited in the Justice Center Cash Fund for purposes of the Justice Center Project from July, 2008 through April, 2009.

Colorado Judicial Department
Deposits to the Justice Center Cash Fund
of Monthly Court Fee Collections in Fiscal Year 2008-2009

Month	Fee Collections
July	$1,150,351
August	1,171,707
September	1,130,446
October	1,201,287
November	1,040,222
December	1,117,436
January	1,107,374
February	1,122,381
March	1,239,576
April	1,251,870
Year to Date Total	$11,532,650

Source: Colorado Judicial Department