NEW ISSUE
Book-Entry-Only

RATINGS: Moody's: "Aa2"
Standard & Poor's: "AA-"
See "RATINGS"

*In the opinion of Special Counsel, to be delivered upon the execution and delivery of the Series 2012A Certificates, under existing law and assuming compliance by the State with requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be met subsequent to the execution and delivery of the Series 2012A Certificates, with which the Lessee has certified, represented and covenanted its compliance, the portion of Base Rentals payable by the State which is designated and paid as interest, as provided in the Lease, is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, but is included in a corporation's adjusted current earnings for such purposes. Also in the opinion of Special Counsel, to be delivered upon the execution and delivery of the Series 2012A Certificates, under existing law, to the extent the portion of the Base Rentals payable by the State which is designated and paid as interest, as provided in the Lease, is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado. See "TAX MATTERS" herein.*

$56,095,000
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012A
(UCDHSC Fitzsimons Academic Projects)
Relating to the Lease Purchase Agreement
between the STATE OF COLORADO acting by and through
The Regents of the University of Colorado, as Lessee, and
FITZSIMONS ACADEMIC FACILITIES LEASING TRUST 2005, as Lessor

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

The Series 2012A Certificates are being executed and delivered as fully registered certificates in denominations of $5,000 and integral multiples thereof. When delivered, the Series 2012A Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York ("**DTC**"). DTC initially will act as securities depository for the Series 2012A Certificates. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers of the Series 2012A 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 2012A Certificates, as more fully described herein.

The Series 2012A Certificates evidence assignments of proportionate interests in rights to receive certain revenues pursuant to an annually renewable Lease Purchase Agreement, dated as of December 15, 2005 (the "**Original Lease**"), as amended and supplemented by a First Supplemental Lease Purchase Agreement, dated as of December 1, 2009 (the "**First Supplemental Lease**") and a Second Supplemental Lease Purchase Agreement, dated as of April 1, 2012 (the "**Second Supplemental Lease**") (together, the "**Lease**"), between Fitzsimons Academic Facilities Leasing Trust 2005 (the "**Lessor**" or the "**Trust**"), as Lessor, and the State of Colorado acting by and through The Regents of the University of Colorado (the "**Lessee**"), as lessee. The Series 2012A Certificates will be delivered pursuant to and secured by a Mortgage and Indenture of Trust, dated as of December 15, 2005, as amended and supplemented by a First Supplemental Mortgage and Indenture of Trust dated as of December 1, 2009 (the "**First Supplemental Indenture**") and a Second Supplemental Mortgage and Indenture of Trust dated as of April 1, 2012 (the "**Second Supplemental Indenture**")(together, the "**Indenture**"), between The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (the "**Trustee**") and the Trust. The net proceeds of the Series 2012A Certificates are to be used to (i) advance refund $57,595,000 principal amount of Certificates of Participation (UCDHSC Fitzsimons Academic Projects), Series 2005B, currently outstanding in the aggregate principal amount of $151,550,000 and (ii) pay costs of issuance of the Series 2012A Certificates.

Principal of and interest on the Series 2012A Certificates will be payable to DTC, or its nominee, as owner of the Series 2012A Certificates, by the Trustee. Interest on the Series 2012A Certificates is payable on May 1 and November 1 of each year, commencing November 1, 2012, as more fully described herein. Principal of the Series 2012A 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 2012A Certificates are not subject to optional redemption but are subject to extraordinary redemption, as more fully described herein.

The Series 2012A Certificates are payable (except as otherwise described herein) solely from (1) annually appropriated Base Rentals, Prepayments, Net Proceeds or any Purchase Option Price paid by the Lessee under the Lease, (2) moneys and securities held by the Trustee under the Indenture, and (3) following an Event of Nonappropriation or Event of Default under the Lease, any moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other lease remedies, subject to certain limitations described herein. **Neither the Lease nor the Series 2012A Certificates constitutes a general obligation or other indebtedness of the State of Colorado (the "State") or The Regents of the University of Colorado (the "Regents"). All obligations of the State under the Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay 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 or the Regents 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 or the Regents and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State or the Regents 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 Lessee does not renew the Lease, the sole security available to the Trustee, under the Lease, shall be the Leased Property leased under the Lease, subject to the terms of the Lease.**

An investment in the Series 2012A Certificates includes risk. Each prospective investor should read this Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

The Series 2012A Certificates are offered when, as and if delivered, subject to the approving opinion of Hogan Lovells US LLP, Denver, Colorado, as Special Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the Lessee in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State, for the Trustee by its in-house counsel, for the Trust by Kutak Rock LLP and for the Underwriters by Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado. BD Advisors LLC has acted as financial advisor to the Lessee in connection with the offering and execution and delivery of the Series 2012A Certificates. It is expected that the Series 2012A Certificates will be executed and available for delivery in New York, New York on or about May 17, 2012.

STIFEL, NICOLAUS **RBC CAPITAL MARKETS**

Dated: April 18, 2012

MATURITY SCHEDULE

Series 2012A Certificates
(CUSIP (six digit) No. 196711[1])

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2018	$6,910,000	5.000%	1.720%	NS0
2019	7,260,000	5.000	1.980	NT8
2020	7,605,000	4.250	2.230	NU5
2021	7,965,000	5.000	2.470	NV3
2022	8,350,000	4.500	2.720	NW1
2023	8,770,000	5.250	2.900	NX9
2024	9,235,000	5.000	3.100	NY7

(1) Neither the State of Colorado nor The Regents of the University of Colorado takes responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2012A Certificates.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2012A 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 2012A Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State of Colorado (the "**State**"), The Regents of the University of Colorado (the "**Regents**") or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, the Regents, the Underwriters, 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 or the Regents. In accordance with its responsibilities under federal securities laws, 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 2012A Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the State or the Regents, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

The Settlor, the Trust and the Trustee have not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2012A Certificates. None of the Settlor, the Trust or the Trustee has or assumes 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 2012A Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2012A Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the State, the Regents, the Series 2012A Certificates and the terms of the offering, including the merits and risks involved. The Series 2012A 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 2012A 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 2012A CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2012A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," and in **Appendix D –** "STATE GENERAL FUND" and in **Appendix G** – "STATE PENSION SYSTEM" contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimates," "intends," "expects," "believes," "anticipates," "plans," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

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INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of Refunding Certificates of Participation, Series 2012A (UCDHSC Fitzsimons Academic Projects) (the "**Series 2012A Certificates**"), evidencing assignments of proportionate interests in the rights to receive certain revenues pursuant to a Lease Purchase Agreement, dated as of December 15, 2005 (the "**Original Lease**"), as amended and supplemented by a First Supplemental Lease Purchase Agreement, dated as of December 1, 2009 (the "**First Supplemental Lease**") and a Second Supplemental Lease Purchase Agreement, dated as of April 1, 2012 (the "**Second Supplemental Lease**")(together, the "**Lease**"), between Fitzsimons Academic Facilities Leasing Trust 2005 (the "**Lessor**" or the "**Trust**"), as Lessor, and the State of Colorado acting by and through The Regents of the University of Colorado (the "**Lessee**"). The Series 2012A Certificates are being delivered pursuant to a Mortgage and Indenture of Trust, dated as of December 15, 2005 (the "**Original Indenture**"), as amended and supplemented by a First Supplemental Mortgage and Indenture of Trust dated as of December 1, 2009 (the "**First Supplemental Indenture**"), and a Second Supplemental Mortgage and Indenture of Trust dated as of April 1, 2012 (the "**Second Supplemental Indenture**")(collectively, the "**Indenture**") between The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (the "**Trustee**") and the Trust. *Capitalized terms used herein and not otherwise defined have the meanings given thereto under the heading titled* "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – Certain Definitions" in **Appendix B** hereto.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2012A Certificates to potential investors is made only by means of the entire Official Statement.

The Series 2012A Certificates

The Series 2012A Certificates are being delivered under the Indenture and will be payable solely from amounts annually appropriated by the Colorado General Assembly as described in "Sources of Payment for the Series 2012A Certificates" under this caption. **Investors should closely review the financial and other information included in this Official Statement regarding the State of Colorado (the "State") to evaluate any risks of nonappropriation by the Colorado General Assembly. See "STATE FINANCIAL INFORMATION" and Appendix D – "THE STATE GENERAL FUND." See also Appendix A hereto.**

Purpose of the Series 2012A Certificates

A portion of the proceeds of the Series 2012A Certificates will be used to advance refund $57,595,000 principal amount of Certificates of Participation (UCDHSC Fitzsimons Academic Projects), Series 2005B Certificates currently outstanding in the aggregate principal amount of $151,550,000 (the "**Series 2005B Certificates**"). The Series 2005B Certificates which have not been so refunded are referred to herein as the "**Unrefunded Series 2005B Certificates**". See "The Series 2005B Certificates" under this caption. The remaining portion of the proceeds of the Series 2012A Certificates will be used to pay costs of issuance of the Series 2012A Certificates. See "PLAN OF FINANCING." The portion of the Series 2005B Certificates to be refunded with proceeds of the Series 2012A Certificates is referred to as the "**Refunded Certificates.**"

The Prior Certificates

The Series 2005B Certificates were issued pursuant to the Original Indenture in order to finance certain projects described in "The Fitzsimons Project" under this caption. The Certificates of Participation (UCDHSC Fitzsimons Academic Projects), Series 2009 Certificates currently outstanding in the aggregate principal amount of $18,655,000 (the "**Series 2009 Certificates**") were issued pursuant to the First Supplemental Indenture in order to advance refund certain Series 2005B Certificates. Following issuance of the Series 2012A Certificates, the Unrefunded Series 2005B Certificates and the Series 2009 Certificates (collectively, the "**Prior Certificates**") will be outstanding in the aggregate principal amount of $112,610,000. The Series 2012A Certificates, the Prior Certificates and any additional certificates to be issued under the Indenture are referred to herein as the "**Certificates**". The payment of base rentals relating to the Unrefunded Series 2005B Certificates will be on parity with such base rental payments due under the Lease in connection with the Series 2012A Certificates. See "BASE RENTALS."

Payment of the principal of and interest on the Unrefunded Series 2005B Certificates is guaranteed under a municipal bond insurance policy issued by MBIA Insurance Corporation (the "**Series 2005B Certificate Insurer**"). Pursuant to the Lease and the Indenture, the Series 2005B Certificate Insurer has certain rights, including rights to receive notices, to grant consents and to direct the exercise of remedies in an event of default under the Indenture. Although the Original Indenture states that, notwithstanding any other provision of the Lease and the Indenture, any rights granted or conferred upon the Series 2005B Certificate Insurer under those agreements are related only to the Series 2005B Certificates, because the Series 2012A Certificates and the Unrefunded Series 2005B Certificates will be on parity with respect to Base Rentals and Additional Rentals payments due under the Lease and will be secured on parity by the Trust Estate under the Indenture, the Series 2005B Certificate Insurer (to the extent any Unrefunded Series 2005B Certificates are Outstanding and the Series 2005B Certificate Insurer is not then in default under its certificate insurance policy) will have certain consent rights that will affect the Series 2012A Certificates. See "Sources of Payment for the Series 2012A Certificates" under this caption, "THE SERIES 2012A CERTIFICATES – Redemption – *Extraordinary Redemption*" and **Appendix B** hereto for a description of such rights.

The Fitzsimons Project

The Fitzsimons Project involves seven buildings constructed for and located at the Anschutz Medical Campus of the University of Colorado Denver (the "**UCD**"), which is part of the University of Colorado (the "**University**"). These buildings were constructed on the site (the "**Anschutz Medical Site**") which is a part of a larger development of 640 acres (one square mile) located in Aurora, Colorado that formerly was the Fitzsimons Army Medical Center. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A CERTIFICATES – The Fitzsimons Project" for further information about the Fitzsimons Project.

The Regents of the University of Colorado (the "**Regents**") have entered into a Ground Lease Agreement with the Trust dated as of December 15, 2005 (the "**Ground Lease**") pursuant to which land owned by the Regents and comprised of six parcels at the Anschutz Medical Site (the "**Sites**") have been subleased and used for the Fitzsimons Project. On behalf of the State and in accordance with the terms of an Interagency Agreement between the Regents and the State dated as of December 15, 2005, as amended by the First Amendment to the Interagency Agreement dated as of December 1, 2009 and the Second Amendment to the Interagency Agreement dated as of April 1, 2012 (collectively, the "**Interagency Agreement**"), the Regents managed construction of the seven facilities financed with proceeds of the Series 2005B Certificates (the "**Buildings**") on the Sites, and also acquired equipment, machinery or similar property related to the Buildings (the "**Equipment**") to the extent permitted by the Lease. Under the Interagency Agreement, the Regents are permitted to use the Buildings and Equipment as part of the Anschutz Medical Site. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and "– The Fitzsimons Project." Pursuant to the terms of the Lease, on November 1, 2008, all Equipment financed as part of the Fitzsimons Project was released from the lien of the Indenture. The Sites, the Buildings and Equipment (to the extent included in the Lease) are collectively referred to herein as the "**Leased Property**."

The University of Colorado

The University includes several campuses in the cities of Boulder, Colorado Springs, Denver and Aurora. The University is the largest institution of higher education in the State. Its total student enrollment for the fall semester 2011 was over 57,739 students. The Regents are a body corporate which has been entrusted by statute and the State Constitution with the supervision and governance of the University. See "THE REGENTS OF THE UNIVERSITY."

Authority for Issuance

The Series 2012A Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including particularly House Bill 03-1256 adopted on April 28, 2003 (the "**Authorizing Act**"), Article VIII, Section 5 of the State Constitution, and Sections 23-20-101 et. seq., Colorado Revised Statutes, as amended.

Terms of the Series 2012A Certificates

Payments

The Series 2012A Certificates will be dated the date of delivery and bear interest from such date to maturity, payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012. Principal on the Series 2012A Certificates is payable on November 1 in the years and in the amounts shown on the inside cover page of this Official Statement. See "THE SERIES 2012A CERTIFICATES – Generally."

Denominations

The Series 2012A Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof.

Redemption

The Series 2012A Certificates are subject to extraordinary redemption in the event the Lease Term is terminated by reason of the occurrence of an Event of Nonappropriation or an Event of Default under the

Lease, as described in "THE SERIES 2012A CERTIFICATES – Redemption – Extraordinary Redemption." The Series 2012A Certificates are not subject to optional redemption prior to maturity. See "THE SERIES 2012A CERTIFICATES – Redemption – No Optional Redemption."

Book-Entry System

The Series 2012A Certificates are deliverable only as fully registered certificates without coupons in the denomination of $5,000, and any integral multiples thereof. The Depository Trust Company, New York, New York ("**DTC**") is acting as securities depository for the Series 2012A Certificates through its nominee, Cede & Co., to which principal and interest payments on the Series 2012A Certificates are to be made. One or more fully registered certificates in denominations in the aggregate equal to the principal amount per maturity of the Series 2012A Certificates bearing interest at the same rate will be registered in the name of Cede & Co. Individual purchases will be made in book entry form only and purchasers of the Series 2012A Certificates will not receive physical delivery of bond certificates, all as more fully described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2012A Certificates. For a more complete description of the book-entry system, see "THE SERIES 2012A CERTIFICATES – Book-Entry System."

Additional Certificates

The Indenture permits amendments and supplements to the Lease, the Ground Lease and the Indenture to provide for the execution and delivery of Certificates in addition to the Prior Certificates and the Series 2012A Certificates, without notice to or approval of the owners of the Outstanding Certificates, generally, to pay the costs of refunding or refinancing any of the Outstanding Certificates, or any existing lease-purchase agreements; to pay the costs of making additions, modifications and improvements to the Leased Property; to pay the costs of acquiring or improving any additional property for the Lessee; and to fund reserves, capitalized interest and other related costs, all as provided in the Indenture. See "THE SERIES 2012A CERTIFICATES – Additional Certificates." If Additional 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 Lessee in connection with the execution and delivery of such Additional Certificates.

For a more complete description of the Series 2012A Certificates, the Lease, the Ground Lease and the Indenture pursuant to which such Series 2012A Certificates are being executed and delivered, see "THE SERIES 2012A CERTIFICATES" and "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE" in Appendix B hereto.

Sources of Payment for the Series 2012A Certificates

The Series 2012A Certificates and the interest thereon are payable solely from annually appropriated Base Rentals and certain other Revenues received by the Trustee pursuant to the Lease and Indenture. See "SECURITY AND SOURCES OF PAYMENT." The Lease provides that, upon annual appropriation as described herein, the Lessee's obligation to pay Base Rentals and Additional Rentals to the extent and for the fiscal year so appropriated by the Colorado General Assembly or, in the case of Additional Rentals, included by the Regents in its approved budget will be absolute and unconditional, and may not be abated through accident or unforeseen circumstances, nor may the Lessee under the Lease or the Regents under the Interagency Agreement assert any right of set-off or counterclaim against its respective obligation to make such annual payments. Neither the Lease nor the Series 2012A Certificates constitutes a general obligation or other indebtedness of the State or the Regents. Neither the Indenture nor the Series 2012A Certificates constitutes a multiple fiscal year direct or indirect debt or other financial obligation of the State or the Regents or obligates the State or the Regents to make any payments beyond those appropriated or budgeted for any fiscal year in which the Lease is in effect. The Colorado General Assembly may choose not to appropriate, and therefore terminate the Lessee's obligations under, the Lease on an annual basis.

If on or before the June 30 prior to the beginning of any fiscal year of the State, (i) the Colorado General Assembly fails to appropriate sufficient funds for the Base Rentals, or (ii) the Regents fail to include in their approved budget such Additional Rentals as are estimated to become due as described in the Lease and the State fails to appropriate such amounts for Additional Rentals as due, then the Lessee will be considered to have failed to renew the Lease (subject to certain waiver and cure provisions thereof). Upon such a nonrenewal of the Lease, the Trustee, at the direction of the majority holders of the Series 2012A Certificates and with consent of the Series 2005B Certificate Insurer (to the extent any Unrefunded Series 2005B Certificates are Outstanding and the Series 2005B Certificate Insurer is not then in default in its payments under its certificate insurance policy), will attempt to sell or lease the Buildings and Equipment (if any) or any portion thereof, to sell an assignment of the Trustee's interest under the Ground Lease or exercise any other remedies available to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – Remedies in Event of Nonrenewal of the Lease Term" and "– The Leased Property." See also "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Nonrenewal by the Lessee," "– Conveyance of the Buildings and the Equipment" and "– Release and Conveyance of Portions of the Leased Property" in **Appendix B**. The net proceeds of such dispositions will be applied toward the ratable payment of the Series 2012A Certificates and the Unrefunded Series 2005B Certificates, subject to the prior payment of any amounts owed as a result of the Deed Restrictions. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Deed Restrictions." **There can be no assurance that such proceeds will be sufficient to pay all of the principal and interest due on the Series 2012A Certificates and the Unrefunded Series 2005B Certificates.**

The Lessee has the option to pay the Purchase Option Price and to terminate the Lease and to purchase the Leased Property to which the Lessor holds title upon not less than 35 days' written notice to the Trustee, as provided in the Lease. The State also has the option to purchase any portion of the Leased Property (*e.g.*, any of the Buildings) by paying a Purchase Option Price with respect to such portion of the Leased Property. See "BASE RENTALS – Scheduled Base Rentals." The Trustee is required to use the Purchase Option Price to pay the principal of and premium, if any, and interest on the Series 2012A Certificates and Unrefunded Series 2005B Certificates. See "THE SERIES 2012A CERTIFICATES – Purchase Option Price."

Certain Risks to Owners of the Series 2012A 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 2012A 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."*

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2011 by Development Research Partners for use by the State. See **Appendix F** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

Development Research Partners has consented to the inclusion of such information in this Official Statement. The State, the Regents and the Underwriters do not assume responsibility for the accuracy, completeness or fairness of the information contained in **Appendix F**. The information in **Appendix F** –

"CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" has been included in this Official Statement in reliance upon the authority of Development Research Partners as experts in the preparation of economic and demographic analyses. Potential investors should read **Appendix F** in its entirety for information with respect to the economic and demographic status of the State.

Availability of Continuing Information

Upon delivery of the Series 2012A Certificates, the Lessee will execute a Continuing Disclosure Undertaking, a form of which is appended hereto as **Appendix C**, in which it will agree, for the benefit of the owners of the Series 2012A Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE UNDERTAKING".

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 Act) may be obtained during the offering period, upon request to the Stifel Nicolaus and Company Incorporated at 1125 Seventeenth Street, Suite 1600, Denver, Colorado 80202.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the Regents and the purchasers or holders of any of the Series 2012A Certificates.

THE TRUST (AS LESSOR)

J.P. Morgan Trust Company, National Association, acted as settlor (the "**Settlor**") to create the Trust under the laws of the State of Colorado and pursuant to an Irrevocable Trust Agreement dated December 14, 2005 as amended by the First Amendment to the Irrevocable Trust Agreement dated as of December 1, 2009 and the Second Amendment to the Irrevocable Trust Agreement dated as of April 1, 2012 (the "**Trust Agreement**"). The Trust is not intended to be, is not to be deemed, and is not to be treated as, a business trust, general partnership, limited partnership, joint venture, corporation, limited liability company or partnership, investment company or joint stock company. Under the Trust Agreement, The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association, has been appointed as trustee for the Trust and may exercise, on behalf of the Trust, the rights and responsibilities of the Trust. Upon payment in full of the principal of and interest on the Certificates, the Regents will be the sole, residual beneficiary of the Trust. The Trust serves as the lessee under the Ground Lease, as a lessor under the Lease and as the grantor under the Indenture. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE."

The Settlor, the Trust and the Trustee have not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2012A Certificates. None of the Settlor, the Trust or the Trustee has or assumes any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

PLAN OF FINANCING

Sources and Uses of Funds

The sources and uses of funds relating to the Series 2012A Certificates are set forth in the following table.

	Amount
SOURCES OF FUNDS:	
Proceeds from the Series 2012A Certificates	$56,095,000
Original issue premium (1)	10,901,968
TOTAL SOURCES OF FUNDS	$66,996,968
USES OF FUNDS:	
Deposit to Escrow Account (2)	$66,412,712
Costs of issuance (3)	584,256
TOTAL USES OF FUNDS	$66,996,968

(1) See "TAX MATTERS – Original Issue Premium."

(2) See "The 2012A Refunding Project" under this caption.

(3) Costs of issuance include legal fees, rating agency fees, printing costs, financial advisor fees, verification agent fees and underwriters' discount. See "UNDERWRITING."

The 2012A Refunding Project

Certain proceeds of the Series 2012A Certificates will be used to advance refund and redeem a portion of the Outstanding Series 2005B Certificates in order to lower the amount and restructure the timing of the Base Rentals payable by the Lessee under the Lease. The Series 2005B Certificates so refunded are referred to as the "**Refunded Certificates**."

Proceeds of the Series 2012A Certificates (other than proceeds which are to be used to pay costs of issuance relating of the Series 2012A Certificates) will be deposited into an escrow account established pursuant to an Escrow Agreement dated as of April 1, 2012 (the "**Escrow Agreement**") between The Bank of New York Mellon Trust Company, N.A., as escrow agent, the Lessee, and the Trust, and together with other legally available moneys deposited therein, will be used to purchase certain federal securities, the principal and interest on which will be sufficient to pay the interest on the Refunded Certificates to and including the applicable maturity or redemption date as well as to pay the principal of the Refunded Certificates upon maturity or prior redemption. See "Sources and Uses of Funds" under this caption. See also "VERIFICATION OF CERTAIN CALCULATIONS."

THE SERIES 2012A CERTIFICATES

Generally

General information describing the Series 2012A 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 Lease, the Indenture and the form of Series 2012A Certificates included in the

Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE" in **Appendix B** hereto.

The Series 2012A 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 2012A 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 2012A Certificates will be payable to the registered owner (Cede & Co.) upon presentation and surrender of the Series 2012A Certificates to the Trustee in Denver, Colorado. Interest on the Series 2012A Certificates will be payable by check or draft mailed by the Trustee on or before each interest payment date to the registered owners of the Series 2012A Certificates as of the Record Date, or by wire transfer so long as DTC, or its nominee, Cede & Co., is the registered owner thereof. The "Record Date" for the Series 2012A Certificates will be the April 15 or October 15 (whether or not a Business Day) immediately prior to each interest payment date.

Book-Entry System

DTC will act as securities depository for the Series 2012A Certificates. The Series 2012A 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 2012A 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2012A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2012A 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 Owners entered into the transaction. Transfers of ownership interests in the Series 2012A 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 2012A Certificates, except in the event that use of the book-entry system for the Series 2012A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 2012A 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 2012A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012A Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2012A Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2012A Certificates may wish to ascertain that the nominee holding the Series 2012A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices by provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2012A 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 2012A 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 Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012A 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 2012A 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 Regents or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2012A Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, nor the Trustee, the State or the Regents, 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 2012A Certificates at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012A Certificates are required to be printed and delivered as described in the Indenture.

The Trust, at the direction of the Lessee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012A Certificates will be printed and delivered as described in the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012A Certificates, payment of principal, interest, and other payments on the Series 2012A Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2012A Certificates, and other related transactions by and between DTC, the Direct Participants, the Indirect Participants, and the Beneficial Owners is based solely on information provided by DTC. Such information has been obtained from sources that the State and the Regents believe to be reliable, but the State and the Regents take no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Additional Certificates

So long as the Lease Term remains in effect and no Event of Nonappropriation or Event of Default has occurred and is continuing, in addition to the Series 2012A Certificates and the Prior Certificates, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions as provided in the Indenture. Additional Certificates may be executed and delivered to provide funds to pay any one or more of the following: (a) Costs of the Projects in excess of the amount available therefore in the Project Fund; (b) the costs of refunding or refinancing all or any portion of the Outstanding Certificates or refunding or refinancing any existing lease-purchase agreement; (c) the costs of making at any time or from time to time such additions, modifications and improvements in, on or to the Leased Property, or any portion thereof, as the Lessee may deem necessary or desirable; (d) costs of acquiring or improving any additional property for the Lessee, to the extent the Lessee has the power pursuant to State law to provide such property if the Lease is appropriately amended to include such property as Leased Property under the Lease; and (e) the costs of the execution and delivery and sale of the Additional Certificates, any required reserves, and capitalized interest for such period as may be determined by the Lessee and the Trustee.

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

(i) Originally executed counterparts of a supplement to the Indenture and, to the extent applicable, amendments to the Ground Lease, Lease and Interagency Agreement adopted in accordance with the requirements of the Lease and the Indenture, expressly providing that, for all the purposes of the Indenture, the Leased Property will include any property being financed by the Additional Certificates and that the Certificates will mean and include the Prior Certificates being executed and delivered as well as any Series 2012A Certificates, Prior Certificates and Additional Certificates theretofore executed and delivered (including the Series 2012A

Certificates), except that the series description of the Additional Certificates, the date or dates of the Additional Certificates, the maturity dates and interest payment dates for the Additional Certificates, the rate or rates of interest on the Additional Certificates, and provisions for the redemption thereof, if any, all shall be as provided in the supplemental indenture and amendment to the Lease rather than as provided in the Indenture; and further providing for an increase in the Base Rentals required or authorized to be paid to the Trustee under the Lease to reflect the increase in the outstanding principal amount of the Certificates.

(ii) To the extent the Additional Certificates are executed and delivered for the purposes described in clauses (a), (c) or (d) of the first paragraph under this caption, originally executed legislation enacted by the Colorado General Assembly authorizing the Lessee to enter into the supplements and amendments described in subparagraph (i) above and providing for the payment of the increase in Base Rentals to be paid to the Trustee under the Lease reflecting the increase in the outstanding principal amount of the Certificates as a result of the issuance of the Additional Certificates.

(iii) A written opinion of nationally recognized municipal bond counsel mutually acceptable to the Lessee and the Trustee, to the effect that the execution and delivery of the Additional Certificates as set forth in the Indenture have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, that the execution and delivery of Additional Certificates will not adversely affect the exclusion from gross income for federal income tax purposes of the portion of Base Rentals which is designated in the Lease and paid by the Lessee as interest and that the execution, and that the sale and delivery of the Additional Certificates will not constitute a default under the Ground Lease, the Lease or the Indenture.

(iv) The title insurance commitments, policies or endorsements required by the Lease.

(v) A written order to the Trustee by the Lessee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum plus accrued interest.

Each of the Additional Certificates executed and delivered pursuant to the Indenture will evidence an assignment of a proportionate interest in rights to receive Revenues under the Lease, as amended, proportionately and ratably secured with the Series 2012A Certificates and the Parity Certificates originally executed and delivered and all other series of Additional Certificates, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any Series 2012A Certificates, Parity Certificates, or Additional Certificates over any other; provided that nothing in the Indenture precludes the creation of a separate reserve fund or funds or the obtaining of separate surety bonds or insurance policies for subsequent series of Additional Certificates which may or may not be pledged toward the payment of other Series of Certificates.

Redemption

No Optional Redemption

The Series 2012 Certificates are not subject to optional redemption prior to maturity.

Extraordinary Redemption

The Series 2012A Certificates are subject to redemption prior to their respective maturity dates, in whole for a redemption price equal to the principal amount thereof plus accrued interest to the redemption date (subject to the availability of funds therefore as described below and provided in the Indenture) on such date as the Trustee may determine to be in the best interests of the Certificate owners, subject to the consent of the Series 2005B Certificate Insurer (to the extent any Unrefunded Series 2005B Certificates are Outstanding and the Series 2005B Certificate Insurer is not then in default in its payments under its certificate insurance policy) in the event that the Lease Term is terminated by reason of the occurrence of an Event of Nonappropriation or an Event of Default under the Lease. See "CERTAIN RISK FACTORS – Option to Renew the Lease Annually." If the Series 2012A Certificates are to be redeemed by reason of any such event, the Certificate owners will have no right to payment from the State, the Regents, the Lessor or the Trustee, in redemption of their Series 2012A Certificates or otherwise, except as expressly set forth in the Indenture.

If Net Proceeds otherwise received and other moneys available under the Indenture are insufficient to provide for the payment in full of all Outstanding Series 2012A Certificates and other Outstanding Certificates and interest thereon, the Trustee may, with the Series 2005B Certificate Insurer's consent or shall, at the direction of the Series 2005B Certificate Insurer (to the extent any Unrefunded Series 2005B Certificates are Outstanding and the Series 2005B Certificate Insurer is not then in default in its payments under its certificate insurance policy) and the Owners of at least a majority in aggregate principal amount of the Unenhanced Certificates Outstanding, commence proceedings for the subleasing of the Sites and the Buildings or any portion thereof or the sale of an assignment of its interest in the Ground Lease, and the repossession and liquidation of the Equipment, if any, as provided in the Indenture. The Series 2012A Certificates and all other Certificates then Outstanding will be redeemed by the Trustee from the Net Proceeds of such subleasing, liquidation, and sale of the Leased Property and all other moneys, if any, then on hand and being held by the Trustee for the Certificate owners (including amounts in the Project Fund).

In the event that such Net Proceeds and other moneys are insufficient to redeem the Series 2012A Certificates and all other Certificates then Outstanding at 100% of the principal amount thereof plus accrued interest thereon to the redemption date, then such Net Proceeds and other moneys will be allocated proportionately among the Series 2012A Certificates and all other Outstanding Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds and other moneys are in excess of the amount required to redeem the Series 2012A Certificates and all other Certificates then Outstanding at 100% of the principal amount thereof plus accrued interest to the redemption date, then such excess moneys will be paid to the State as an overpayment of the Purchase Option Price. Prior to any distribution of the Net Proceeds in redemption of the Series 2012A Certificates and other Outstanding Certificates, the Trustee will be entitled to payment of its reasonable and customary fees for all services rendered in connection with such subleasing, liquidation, and sale, as well as reimbursement for all reasonable costs and expenses incurred thereby, from proceeds of such liquidation and sale.

IF THE OUTSTANDING SERIES 2012A CERTIFICATES ARE TO BE REDEEMED UNDER THE EXTRAORDINARY REDEMPTION PROVISIONS OF THE INDENTURE DESCRIBED HEREIN FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE SERIES 2012A CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO CERTIFICATE OWNER WILL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE STATE, THE REGENTS, THE LESSOR OR THE TRUSTEE.

Partial Redemption

If less than all of the Series 2012A Certificates are to be redeemed, the Series 2012A Certificates to be redeemed shall be selected by the Trustee on a reasonably proportionate basis from the remaining maturities as determined by the Trustee. Series 2012A Certificates within each maturity bearing interest at the same rate shall be selected for redemption by the Trustee by lot. Series 2012A Certificates shall be redeemed only in integral multiples of $5,000. The Trustee shall treat any Series 2012A Certificate of denomination greater than $5,000 as representing that number of separate Series 2012A Certificates each of the denomination of $5,000 as can be obtained by dividing the actual principal amount of such Series 2012A Certificate by $5,000. Upon surrender of any Series 2012A Certificate for redemption in part, the Trustee shall execute and deliver to the Owner thereof, at no expense of the Owner, a new Series 2012A Certificate or Series 2012A Certificates of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2012A Certificates so surrendered.

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2012A Certificates or portions thereof to be redeemed and specifying the terms of such redemption, is to be given by the Trustee, upon being satisfactorily indemnified as to expenses, by mailing a copy of the redemption notice by United States first class mail, postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption, to the registered owner of each Series 2012A Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of any proceedings for the redemption of Series 2012A Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

If at the time of mailing of notice of redemption there have not been deposited with the Trustee moneys sufficient to redeem all the Series 2012A Certificates called for redemption (subject to the availability of funds therefor as described above under this caption), which moneys are or will be available for redemption of Series 2012A Certificates, such notice must state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Purchase Option Price

The Lessee has the option to purchase, for the benefit of the Regents, all or any portion of the Leased Property if it is not then in default under the Lease. In the event the Lessee elects to pay the Purchase Option Price in respect of all the Leased Property, the Purchase Option Price is the amount necessary to defease and discharge the Indenture. If the Lessee so exercises its option to purchase all of the Leased Property, amounts then on deposit in the related funds or accounts held under the Indenture will be credited toward the Purchase Option Price. The Lessee must also pay, as part of the Purchase Option Price, all fees and expenses due to the Lessor and the Trustee.

In the event the Lessee elects to pay the Purchase Option Price in respect of any portion of the Leased Property separately (*i.e.*, purchase any of the Buildings), the Purchase Option Price is the amount equal to the outstanding Lease balance attributable to such Leased Property plus all Base Rentals representing interest that may be due in respect of such Leased Property to the proposed date of payment of the Purchase Option Price based on separate schedules of Base Rentals payments attached to the Lease. See “BASE RENTALS – Scheduled Base Rentals.”

With respect to the Equipment, on November 1, 2008, the Lessee was deemed to have paid the Purchase Option Price of all Equipment financed with the proceeds of the Series 2005B Certificates.

BASE RENTALS

Scheduled Base Rentals

The following table sets forth the Lessee's combined Base Rental obligations under the Lease with respect to all portions of the Leased Property after execution and delivery of the Series 2012A Certificates (assuming that the Lessee chooses not to terminate the Lease during the Lease Term, which it has an annual option to do).

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			Series 2012A Certificates[1]		
Fiscal Year (ended June 30)	Unrefunded Series 2005B Certificates Base Rentals[1]	Series 2009 Certificates Base Rentals[1]	Base Rentals Principal Component	Base Rentals Interest Component	Total Fiscal Year Base Rentals[2][3]
2012	$2,283,281.25	$379,962.50	--	--	$2,663,243.75
2013	9,711,162.50	2,032,075.00	--	$2,606,648.06	14,349,885.56
2014	9,713,250.00	2,031,125.00	--	2,727,887.50	14,472,262.50
2015	9,712,487.50	2,032,850.00	--	2,727,887.50	14,473,225.00
2016	9,712,637.50	2,031,900.00	--	2,727,887.50	14,472,425.00
2017	9,714,987.50	2,027,525.00	--	2,727,887.50	14,470,400.00
2018	9,711,437.50	2,034,712.50	--	2,727,887.50	14,474,037.50
2019	2,843,937.50	2,031,750.00	$6,910,000.00	2,555,137.50	14,340,825.00
2020	2,843,937.50	2,032,250.00	7,260,000.00	2,200,887.50	14,337,075.00
2021	2,843,937.50	2,033,625.00	7,605,000.00	1,857,781.25	14,340,343.75
2022	2,843,937.50	2,030,750.00	7,965,000.00	1,497,050.00	14,336,737.50
2023	2,843,937.50	2,033,375.00	8,350,000.00	1,110,050.00	14,337,362.50
2024	2,843,937.50	1,865,500.00	8,770,000.00	691,962.50	14,171,400.00
2025	2,843,937.50	--	9,235,000.00	230,875.00	12,309,812.50
2026	2,843,937.50	--	--	--	2,843,937.50
2027	13,143,593.75	--	--	--	13,143,593.75
2028	13,142,375.00	--	--	--	13,142,375.00
2029	13,146,375.00	--	--	--	13,146,375.00
2030	13,146,250.00	--	--	--	13,146,250.00
2031	13,145,625.00	--	--	--	13,145,625.00
	$149,034,962.50	$24,597,400.00	$56,095,000.00	$26,389,829.31	$256,117,191.81

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

(2) There will be credited against the amount of Base Rentals otherwise payable under the Lease amounts equal to (a) any earnings derived from the investment of the Certificate Fund; (b) any moneys deposited into the Certificate Fund from the Reserve Fund or the Projects Fund pursuant to the provisions of the Indenture; and (c) any moneys otherwise deposited into the Certificate Fund and directed by the Lessee to be applied toward Base Rentals.

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

Under the Lease (i) each of the seven Buildings (each referred to as a "**portion of the Leased Property**") have separate schedules of Base Rentals payments having the final scheduled Base Rentals payment on November 1, 2030, and (ii) the Lessee has the option to purchase all portions of the Leased Property or any portion of the Leased Property separately based upon its separate schedule of Base Rentals payments. See "THE SERIES 2012A CERTIFICATES – Purchase Option Price." However, the Lessee may not choose to renew the Lease with respect to less than all of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT. All-or-None Renewal of the Lease."

SECURITY AND SOURCES OF PAYMENT

Payments by the Lessee

Each Series 2012A Certificate evidences the assignment of a proportionate interest in rights to receive certain revenues pursuant to the Lease. The Lessor has assigned its right to receive payments pursuant to the Lease (other than its rights to payments or reimbursements of certain fees and expenses under the Lease) to the Trustee under the Indenture, and the Trustee has agreed to hold such moneys in trust for the benefit of the Owners of the Series 2012A Certificates. As more fully described under the captions

"CERTAIN RISK FACTORS" and "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE - The Lease" in **Appendix B**, the Lease is subject to nonrenewal on an annual basis at the option of the Lessee. The Lease Term and the schedule of payments of Base Rentals are designed to produce moneys sufficient to pay the Outstanding Certificates and interest thereon when due (if the Lessee elects to renew the Lease through the end of the Lease Term). The Lease provides that it is the intention of the Lessee that any decision not to renew the Lease is to be made ultimately by the Colorado General Assembly and not by any official of the State or the Regents. See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE - The Lease - The Lease Term" in **Appendix B**. **None of the Lease, the Series 2012A Certificates or the Prior Certificates constitutes a general obligation or other indebtedness of the State or the Regents. None of the Indenture, the Series 2012A Certificates or the Prior Certificates constitutes a multiple fiscal year direct or indirect debt or other financial obligation of the State or the Regents or obligates the State or the Regents to make any payments beyond those appropriated or budgeted for any fiscal year in which the Lease is in effect. The Lessee may choose not to renew, and therefore terminate its obligations under, the Lease on an annual basis.** Neither the Lessor nor the Regents has any obligation to make, nor will either of them make, any payment on the Series 2012A Certificates. The Series 2012A Certificates do not constitute a debt or pecuniary liability of the Lessor or the Regents.

Base Rentals and Additional Rentals may be paid from any lawfully available State or Regent moneys appropriated or budgeted (respectively) for that purpose. It is presently anticipated that amounts to pay substantially all Base Rentals, if appropriated by the Colorado General Assembly, will be appropriated as provided in the Authorizing Act from the State's General Fund to the Capital Construction Fund and the Fitzsimons Trust Fund, for transfer to the Trustee. See "STATE FINANCIAL INFORMATION" and **Appendix D –** "THE STATE GENERAL FUND."

THE LESSEE IS NOT OBLIGATED TO PAY BASE RENTALS OR ADDITIONAL RENTALS UNDER THE LEASE UNLESS FUNDS ARE APPROPRIATED FOR SUCH RENTALS BY THE COLORADO GENERAL ASSEMBLY (IN THE CASE OF THE BASE RENTALS) OR FUNDS ARE BUDGETED FOR SUCH PURPOSES BY THE REGENTS OR APPROPRIATED BY THE COLORADO GENERAL ASSEMBLY (IN THE CASE OF ADDITIONAL RENTALS) EACH YEAR. IF IN ANY YEAR THE COLORADO GENERAL ASSEMBLY OR THE REGENTS FAIL TO SO APPROPRIATE OR BUDGET SUCH FUNDS, AS APPLICABLE, THE LESSEE WILL BE DEEMED TO HAVE CHOSEN NOT TO RENEW ITS OBLIGATIONS UNDER THE LEASE. THE OBLIGATIONS OF THE LESSEE TO PAY BASE RENTALS AND ALL OTHER OBLIGATIONS OF THE LESSEE 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 OR THE REGENTS 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 OR THE REGENTS AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE OR THE REGENTS 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 LESSEE DOES NOT RENEW THE LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE UNDER THE LEASE, SHALL BE THE LEASED PROPERTY LEASED UNDER THE LEASES, SUBJECT TO THE TERMS OF THE LEASE. SEE "CERTAIN RISK FACTORS."

All-or-None Renewal of the Lease

Notwithstanding the Lessee's option to purchase a portion or all of the Leased Property, the Lessee may not choose 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 Lessee and the Regents of all of the Leased Property.

Remedies in Event of Nonrenewal of the Lease Term

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default, the Lessee is required to vacate the Leased Property (a) by September 1 of the Fiscal Year following an Event of Nonappropriation, in the case of an Event of Nonappropriation, or (b) within 90 days after notice from the Trustee, in the case of an Event of Default. Subject to the Deed Restrictions, the Trustee may proceed to repossess, liquidate or otherwise dispose of the Leased Property or exercise any other remedies available to the Trustee for the benefit of the Owners of the Series 2012A 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 Ground Lease. See "The Leased Property – Deed Restrictions" below. The Lease places certain limitations on the availability of money damages against the Lessee as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Nonappropriation only to the extent the Lessee 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 Outstanding Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," "THE SERIES 2012A CERTIFICATES – Redemption – Extraordinary Redemption" and "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Indenture – Remedies on Default" in **Appendix B**.

Pursuant to the Indenture, the Lessor has also granted to the Trustee a mortgage and a security interest in the Leased Property.

The Leased Property

Generally

The Leased Property currently consists of the Buildings and the Sites, as further described in "The Fitzsimons Project." The Lessee may not choose 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 and the Regents.

Interagency Agreement

In connection with the execution and delivery of the Series 2005B Certificates, the State and the Regents entered into the Interagency Agreement pursuant to which the Regents have agreed, in exchange for use of the Leased Property, to pay thereunder (subject to their right to not budget as described in the following sentence): (i) all Additional Rentals due under the Lease; and (ii) any amounts necessary to cause the abrogation of the Deed Restrictions with respect to any Building and Site (as described in "Deed Restrictions" under this caption). The Regents' obligation to pay such amounts under the Interagency Agreement is subject to annual appropriation. Failure by the Regents to include the estimated amount of Additional Rentals due in any Fiscal Year in its approved budget by June 30, or failure to pay such amounts when due, shall result in an Event of Nonappropriation under the Lease, unless the State chooses to appropriate such amounts. See "CERTAIN RISK FACTORS." The Regents have also agreed, on behalf of the State, to construct the Buildings and, to acquire any Equipment as it may determine is necessary, all subject to the availability of moneys therefore in the Project Fund. See "– The Fitzsimons Project" under this caption. In connection therewith, the State gave the Regents full authority over the design of, and the Regents entered into Project Contracts related to, the Buildings. Pursuant to the Interagency Agreement, the Regents have also agreed to maintain the Leased Property and to provide all insurance for the Leased Property as required by the Lease. The Regents have agreed to continue to provide the same utility support to the Buildings upon an Event of Nonappropriation as is provided during the Lease Term.

Deed Restrictions

"**Deed Restrictions**" means those certain covenants and conditions subsequent contained in the Deed relating to the use of, among other properties, the Buildings and the Sites. **The breach of the Deed Restrictions results in a right of reverter in favor of the United States of America, acting through the Secretary of Education (the "DOE"), as further described in the Deed.** The "Deed Restrictions" include, generally, the following: (i) the subject property will be used solely and continuously for educational purposes; (ii) the subject property will not be sold, resold, leased, rented, mortgaged, encumbered or otherwise transferred except as the DOE may authorize in advance in writing (which authorization has been obtained with respect to the Lease, the Ground Lease and the Interagency Agreement); and (iii) the Regents, as grantee under the Deed, shall (a) comply with Title VI of the Civil Rights Act of 1964 (P.L. No. 88-352), Title IX of the Education Amendments of 1972 (P.L. No. 92-318), Section 504 of the Rehabilitation Act of 1973 (P.L. No. 93-112), and such other acts and regulations as are specified in the Deed, (b) provide certain operation and maintenance reports to the DOE, and (c) remain a tax supported institution or a nonprofit institution, organization, or association exempt under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

Pursuant to the Indenture, in the event that, following the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the Trustee chooses to proceed to sell or lease any of the Buildings or the leasehold interest in any of the Sites, and in the event that any such action constitutes, in the sole judgment of the DOE, a breach of the Deed Restrictions, the proceeds of such action, whether sale or lease proceeds, are to be applied first to the abrogation of the Deed Restrictions in accordance with the Deed prior to any payments to the Owners of the Outstanding Certificates.

In addition, pursuant to Consent to Lease and Subordination Agreements each dated as of December 22, 2005 (collectively, the "**Consents**") among the DOE, the Regents, the Trust and the Trustee, which Consents authorize the Lease and the Ground Lease, the Trustee is required to abrogate the Deed Restrictions with respect to any Building and Site if the Regents have failed to cure, as determined by the DOE, any breach of the Deed Restrictions. In such event, the Regents have agreed, pursuant to the Interagency Agreement, to pay to the Trustee the amounts necessary to cause such abrogation. The cost to abrogate the Deed Restrictions is based on the fair market value of the Site as of the effective date of the abrogation multiplied by a discount that is determined by the number of months remaining between the date of calculation and December 12, 2030 divided by 360. There has been no appraisal of fair market value of the Site and as of April 1, 2012, the applicable discount is 34.72%. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of the Lease – Factors Affecting Value of Leased Property."

Purchase Option Price

The Lessee has the right to purchase all of the Leased Property or any portion of the Leased Property, separately, if it is not then in default under the Lease, as described in "THE SERIES 2012A CERTIFICATES – Purchase Option Price."

Insurance

The Leased Property is required to be insured as described in "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Provisions Regarding Liability and Property Damage Insurance Coverages" in **Appendix B**, and the insurance proceeds are required to be applied by the Trustee as described in "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Damage, Destruction and Condemnation" in **Appendix B**. Pursuant to the Interagency Agreement, the Regents has undertaken to provide such insurance as required by the Lease. See "Interagency Agreement" under this caption.

The Fitzsimons Project

Generally

The University of Colorado Denver is part of the University and historically had two campuses, one in Downtown Denver and the other at a 46-acre campus located at 9th Avenue and Colorado Boulevard in Denver (the "**9th Avenue Site**"). With the federal closure of the Fitzsimons Army Medical Center in Aurora, Colorado, the University of Colorado Denver, in coordination with the City of Aurora and the United States Army, proposed a redevelopment plan (the "**Fitzsimons Redevelopment Plan**") for the 640-acre site which was formerly the Fitzsimons Army Medical Center and is located seven miles from downtown Denver. The Fitzsimons Redevelopment Plan was submitted to, and subsequently approved by, the federal government. Under the Fitzsimons Redevelopment Plan, approximately 196 acres was conveyed by the federal government to the Regents at no cost but subject to the Deed Restrictions limiting use of the land as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Deed Restrictions." A portion of the land transferred to the Regents under the Fitzsimons Redevelopment Plan has been developed as a health sciences complex providing clinical care, education, research and product development, which includes the Anschutz Medical Site as well as other facilities not owned by the Regents, such as facilities for the University of Colorado Hospital, Children's Hospital and University Physicians, Inc. See "THE REGENTS OF THE UNIVERSITY – The University of Colorado" for further information about the University.

The primary objective for the campus with the Fitzsimons Project development was the creation of a world-class health science center at the Anschutz Medical Site. The Anschutz Medical Site is encompassed in the health sciences complex which include the following academic, research and support buildings and facilities (in addition to the seven buildings constructed with a portion of proceeds of the Series 2005B Certificates described below) with a total gross square footage ("**gsf**") of approximately 3 million: Nighthorse Campbell Native Health Building (completed August 2002), the Lazzara Center for Oral/Facial Health (completed August 2005), the Barbara Davis Center for Childhood Diabetes – Phases I & II (completed March 2005), Research Complex I, a 600,000 gsf biomedical research building (completed June 2004), Research Complex II, a 506,000 gsf research building (completed July 2008). In 2007, the construction of seven additional buildings was completed on the Anschutz Medical Site as part of the Fitzsimons Project, namely: (i) Academic Office West, (ii) the Library, (iii) ED 1B, (iv) the ED2/ED Bridge, (v) Academic Office East, (vi) the Facility Support Building and (vii) the EH&S 2

Building. The completion of this construction permitted the relocation of the entire University of Colorado Denver campus located at the 9th Avenue Site to the Anschutz Medical Site.

The Sites

The Sites are located on the land transferred to the Regents as part of the Fitzsimons Redevelopment Plan and which was developed as the Anschutz Medical Site. The Regents continue to own the Sites, but is leasing them to the Trust pursuant to the Ground Lease with the Trust.

<u>Academic Office-West Facility</u>. The Academic Office-West Facility ("**Academic Office West**") occupies a 0.790-acre site, with a convenient access to the Library, various administration buildings, parking and public transportation. Academic Office West is also within walking distance to the complementary Academic Office-East Facility ("**Academic Office East**") and other academic facilities.

<u>Library</u>. The Library occupies a 1.208-acre site immediately to the north of the Administration Building (Building 500), which was the original Fitzsimons Army Hospital and has been recently renovated as part of the Fitzsimons Redevelopment Plan. The Library forms the southeastern boundary of Fitzsimons Town Center which is to be developed as part of the Fitzsimons Redevelopment Plan and will include retail shops, restaurants and residences. The Library is centrally located to provide easy access to the hospital facilities, educational and research institutions and biotech partners involved in the Fitzsimons Redevelopment Plan. Vehicle access is from Montview Boulevard. A parking structure is located to the west of the Library's main entrance.

<u>Education Facility 1B</u>. Education Facility 1B ("**ED 1B**") occupies a 0.978-acre site immediately to the east of the Administration Building. ED 1B is adjacent to the Center for Oral Health, a facility which has recently been constructed on the Anschutz Medical Site. ED 1B's location allows for convenient access to the Library, various administrative buildings, student services and clinical and research facilities. Public transportation is available a short walk away on Aurora Court off 17th Place.

<u>ED2/ED Bridge and Academic Office-East Facility</u>. Academic Office East is located on the upper floors of both buildings shared with the Education 2 Building ("**ED2**"). The Academic Office East/ED2 building occupies a 1.885-acre site. The bridge between the two buildings allows for easy access between the buildings. The buildings' location allows for convenient access to the Library, various administrative buildings, student services and various clinical and research facilities. Public transportation is available a short walk away on Aurora Court off 17th Place.

<u>Facility Support Building</u>. The Facility Support Building ("**FSB**") occupies a 0.967-acre site on the eastern edge of the Anschutz Medical Site. Vehicle access to the FSB is from either Montview Boulevard or Colfax Avenue via Wheeling Street.

<u>Environmental Health and Safety Building 2</u>. The Environmental Health and Safety Building 2 ("**EHS 2**") occupies a 0.193-acre along 19th Avenue. Vehicle access is available from either 19th Avenue or Victor Street.

The Buildings

<u>Academic Office West</u>. This new, eight-level academic office facility includes program and faculty and staff offices, conference rooms and office support space to house the various faculty and staff of six schools of the Anschutz Medical Campus. This facility is programmed and designed to provide office environments that are flexible and functional, with an aesthetic character that provides a high quality academic environment. Academic Office West is comprised of 204,974 gsf and includes

academic faculty and staff offices, program administrative offices, conference rooms and office support space to house various faculty and staff of six schools at the Anschutz Medical Campus. The spaces were designed to provide flexible and functional office environments for current occupants and to serve the needs of the campus as future changes occur. The total project cost for Academic Office West was approximately $39.2 million.

Library. The three-level Library contains 113,005 gsf for administration, circulation, research, general use, a learning resource center, reference services, resource services, systems databases, material storage, education and health informatics, information access and study space, a drug information center, the History of Medicine collection and specialized building support space. Notable design highlights include: 1) open, quiet study areas for comfortable reader seating; 2) small group study rooms for collaborative learning; 3) flexibly designed stack areas that will accommodate various print materials more efficiently; 4) an open, circulating collection of books and bound journals, special collections and archives, reference collections and current journals; 5) wireless PDA technology that will allow computer laptops and other portable devices to be used throughout the facility; 6) adequate, well-designed and user-accessible staff space; and, 7) graphic and virtual reality technology. The total project cost for the Library (including the related Equipment) was approximately $33.3 million.

Education Facility 1B. This building allows for the integration of nursing, pharmacy, dental and medical students in a setting that is designed to parallel what they will face in the field of practice. ED 1B is comprised of 115,251 gsf on five levels and includes lecture halls, multipurpose classrooms and laboratories, specialized laboratories for gross anatomy and physiology, computer classrooms, mock inpatient and outpatient exam rooms and staff offices. The total cost for ED 1B (including the related Equipment) was approximately $37.2 million.

ED2/ED Bridge and Academic Office East. The Education Facility 2/Academic Office East/Education Bridge project involves a new facility complex designed to bring together campus faculty, students and programs in two interconnected physical structures. The project includes two, five-level instructional and office facilities connected by an enclosed single story second floor bridge that functions as a pedestrian passageway (the "**ED Bridge**") between the two structures. The ED2/ED Bridge and Academic Office East are comprised of a total of 275,376 gsf. Academic Office East is comprised of the upper three levels of the ED2/Academic Office East Building, with academic faculty and staff offices, program administrative offices, conference rooms and office support space to house the various faculty and staff of all schools and administration of the Anschutz Medical Campus. ED2 is comprised of the lower two levels of the ED2/Academic Office East Building and an adjacent building, with lecture halls, classrooms, small group meeting rooms, computer labs, student community space. The total project cost for ED2/ED Bridge/Office East (including the related Equipment) was approximately $72.2 million.

Facility Support Building. The FSB is comprised of 68,333 gsf on three levels and is designed for facilities operations programs and office functions, including campus maintenance shops, mail services, engineering and building safety, grounds maintenance, parking and transportation services and related exterior facilities maintenance and storage areas. The total project cost for the FSB was approximately $18 million.

Environmental Health and Safety Building 2. The one-level, 7,356 gsf EHS 2 waste-handling facility is designed to support the Anschutz Medical Center academic facilities. It is used for the purpose of packaging, shipping and limited treatment of hazardous waste/materials at the Anschutz Medical Site. The facility includes processing and holding space for hazardous and chemical waste. Space components include radiation material, chemical, biomedical waste storage areas and related building support space. The total project cost for EHS 2 was approximately $2.1 million.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5 million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011" 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 commenced in January of 2011 and will expire on the second Tuesday in January, 2015, following a general election to be held in November of 2014. No elected executive official may serve more than two consecutive terms in the same office. A new Governor, State Treasurer and Secretary of State were elected at the November 2010 general election

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 in order to evaluate the likelihood and results of an Event of Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also ***Appendix D*** *– "THE STATE GENERAL FUND" and* ***Appendix F*** *– "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." With the exception of* ***Appendix F****, the information in these three sections has been provided by the State. The information in* ***Appendix F*** *has* *been provided by Development Research Partners. Neither the Regents nor the Lessor takes any responsibility for the accuracy or completeness of such information.*

The State Treasurer

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

The State Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See "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.

Taxpayers' Bill of Rights

The Constitutional Provision

Article X, Section 20 of the State Constitution, commonly known as the Taxpayer's Bill of Rights ("**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. The Long Appropriation Bill (the "**Long Bill**"), designates resources that constitute the TABOR Reserve. For Fiscal Year 2010-11, the TABOR Reserve was estimated by the General Assembly to be $264.7 million, including $70.7 million of State real property designated in the Long Bill and a portion of $100.0 million designated from the Wildlife Cash Fund that is not in the form of cash or liquid assets. The State's Fiscal Year 2010-11 CAFR, appended as **Appendix A**, shows that the TABOR reserve based on audited actual revenue was $282.7 million.

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 2000-01 and 2002-03, when TABOR revenues declined by 13.1%, followed by an increase of 8.0% in Fiscal Year 2003-04. The same effect occurred between Fiscal Year 2007-08 and Fiscal Year 2009-10, but it did not result in subsequent required refunds because of Referendum C, which is discussed in Colorado Economic Recovery Act of 2005 below.

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, eliminated the "ratcheting down" of revenue available for expenditure by creating an new Excess State Revenue Cap and allowing the State to retain and spend revenue up to the new Excess State Revenue Cap (as adjusted), which new cap never ratchets down. See "Colorado Economic Recovery Act of 2005" below describing Referendum C. Revenue collected above the Excess State Revenue Cap (as adjusted) must be refunded to the taxpayers in the next Fiscal Year.

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." Such legislation allowed the State to recoup the prior decade's excess refunds by cumulatively increasing the spending limit in the current decade up to the growth dividend percentage over a period not to exceed nine years. The growth dividend was completely used before the expiration of the nine-year period through the elimination of the TABOR surplus in Fiscal Year 2003-04 and reduction of the TABOR surplus in Fiscal Year 2004-05. The adjustment allowed the State to keep $283.3 million in additional revenue in Fiscal Year 2003-04 and $187.2 million in Fiscal Year 2004-05.

The adjustment from the 2009 population estimate to the 2010 census was very small, which indicates that census population estimates in the decade were overstated rather than understated. The overstated population estimates did not cause under-refunding because Referendum C prevented refunds from 2006 to 2010 when the population growth estimates were large. As a result, there is no growth dividend for the 2000-2010 decade, and the TABOR limit and Excess State Revenue Cap created by Referendum C will be adjusted based on the actual population in a subsequent TABOR report.

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, C.R.S.

Referendum C permitted the State to retain and appropriate State revenues in excess of the then-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 did not, however, eliminate the 6% limit on the annual growth of total appropriations from the General Fund. The 6% limit was eliminated for Fiscal Year 2009-10 and thereafter by Senate Bill ("**SB**") 09-228. See "–Budget Process and Other Considerations – *Expenditures: The Balanced Budget and Statutory Spending Limitation*" below under this caption.

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. Since the highest total State revenues during this period were achieved during Fiscal Year 2007-08, the State revenues in such Fiscal Year became the base year for calculating the Excess State Revenue Cap. 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.

As a result of Referendum C, 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, in excess of the TABOR limit on State fiscal year spending. State revenues did not exceed the TABOR limit in either Fiscal Year 2008-09 or Fiscal Year 2009-10, but exceeded it by $770.6 million in Fiscal Year 2010-11. However, no refund was required because Fiscal Year 2010-11 spending was $1,260.1 million below the Excess State Revenue Cap. Based on current law as well as additional appropriations that are expected to be made, the OSPB March 2012 Revenue Forecast projects that Fiscal Year 2011-12 spending will exceed the TABOR limit by $1,073.2 million. However, Fiscal Year 2011-12 spending is expected to be $998.1 million below the Excess State Revenue Cap.

Effect of TABOR on the Series 2012A Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2012A Certificates because the State's obligations under the Leases are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year, and, therefore, such obligations are not a "multiple fiscal year direct or indirect . . . debt or other financial obligation."

Fiscal Year

The fiscal year of the State is the 12-month period commencing July 1 and ending June 30 of the following calendar year (the "**Fiscal Year**").

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 D**. The State also maintains 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 Governor's Office of State Planning and

Budgeting ("**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) General Fund Exempt appropriations primarily funded by excess TABOR revenues retained under Referendum C, (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services, (iv) re-appropriated appropriations funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2011-12 was adopted by the General Assembly on April 26, 2011.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two-thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2011-12 was approved in part and disapproved in part by the Governor on May 6, 2011. On May 11, 2011, the Senate and the House voted to override the Governor's vetoes.

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 the 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, General Assembly periodically modifies the required amount of the Unappropriated Reserve. Per SB 09-219 and SB 09-227, the Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated 4.0% to 2.0% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year. SB 11-156 sets the Unappropriated Reserve for Fiscal Year 2010-11 at 2.3% of the amount appropriated for expenditure from the General Fund in such Fiscal Year. SB 11-156 also requires the State Treasurer to transfer any General Fund surplus to the State Education Fund, although per SB 11-230, for Fiscal Year 2010-11, the amount by which the estimate of Fiscal Year 2010-11 General Fund revenue forecast in the OSPB June 2011 Revenue Forecast exceeds the amount forecasted by OSPB in the March 2011 revenue forecast, up to $67.5 million, is to be transferred to the State Public School Fund, and the balance is to be credited to the State Education Fund. The Unappropriated Reserve for Fiscal Year 2011-12 increases to 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Year.

The State's Fiscal Year 2010-11 CAFR shows that the State would have ended such Fiscal Year with $288.9 million in General Fund Surplus, which is in excess of the required 2.3% Unappropriated Reserve level, but for the transfers ($221.4 to the State Education Fund and $67.5 to the State Public School Fund) described in the previous paragraph. The OSPB March 2012 Revenue Forecast projects that the State will end Fiscal Year 2011-12 with reserves equal to $183.6 million above the 4.0% Unappropriated Reserve requirement.

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) 6% over General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

The limitation on the level of General Fund appropriations may be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. The excess funds appropriated as the result of such declaration are not to be included in calculating the maximum level of General Fund appropriations in subsequent Fiscal Years. See "– Taxpayer's 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 the 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 State Treasurer, or by electronic funds transfer. The signature of the 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. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants for payment of claims against the State. The State Controller prepares a comprehensive annual financial report ("**CAFR**") in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the State's Fiscal Year 2010-11 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 Purpose Revenue 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 receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

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

The State's Fiscal Year 2010-11 CAFR, 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 presented in the 2010-11 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain 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 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 Notes 14 and 15 to the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A** and **Appendix D** – "THE STATE GENERAL FUND – Investment of the State Pool."

CERTAIN RISK FACTORS

THE PURCHASE AND THE OWNERSHIP OF THE SERIES 2012A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2012A 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 2012A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2012A CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

Option to Renew the Lease Annually

The obligation of the 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 Lessee is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are appropriated for such Base Rentals by the Colorado General Assembly each year and, with respect to Additional Rentals, budgeted by the Regents or appropriated by the Colorado General Assembly, each year.** If, on or before June 30 of each year, (i) the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rentals for the next Fiscal Year, and (ii) the Regents do not specifically budget amounts sufficient to pay such Additional Rentals as are estimated to become due for the ensuing Fiscal Year and the Colorado General Assembly does not appropriate amounts to pay such Additional Rentals, then an

"Event of Nonappropriation" will occur. The Regents are not obligated to pay Additional Rentals unless such rentals are included in their approved budget each year. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Lease, the Lessee is deemed to have chosen not to renew its obligations under the Lease. Under the terms of the Lease, in addition to other circumstances, an Event of Nonappropriation may be declared by the Lessee if the Colorado General Assembly or the Regents fails to appropriate or budget sufficient funds to repair and replace the Leased Property or to pay the Purchase Option Price following certain events of damage, destruction or condemnation of the Leased Property. See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Damage, Destruction, and Condemnation" in **Appendix B**. The Trustee may waive an Event of Nonappropriation which is cured by the Lessee within a reasonable time, if in the Trustee's judgment the waiver is in the best interest of the Owners of the Series 2012A Certificates. See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Nonrenewal by the Lessee" in **Appendix B**. It is expected that such a waiver would be made only under extraordinary circumstances, such as a delay in the approval of the Colorado General Assembly's appropriation or the Regents' budget.

There is no assurance that the Lessee will renew the Lease from Fiscal Year to Fiscal Year and therefore not terminate the Lease, and the Lessee has no obligation to do so. There is no penalty to the State or the Regents (other than loss of the use of the Leased Property) if the Lessee 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 or budget of funds may be affected by the State or the Regents' continuing need for the Leased Property. In addition, the ability of the State or the Regents 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 and the Regents' control, such as the economy, legislative changes and federal funding. In addition, restrictions imposed under the State Constitution on the State and in certain circumstances the Regents' revenues and spending apply to the collection and expenditure of revenues to pay Base Rentals and Additional Rentals, and may impact the ability to appropriate or budget sufficient funds to pay Base Rentals and Additional Rentals each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION," and **Appendix D** hereto.

Payment of the principal of and interest on the Series 2012A Certificates upon the occurrence of an Event of Default under the Lease 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.

Notwithstanding the Lessee's option to purchase a portion or all of the Leased Property, the Lessee 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 and the Regents. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and "– The Fitzsimons Project."

Neither the Lessor nor the Regents has any obligation to, nor will either of them, make any payment on the Series 2012A 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 Default under the Lease, the State is required to vacate the Leased Property (a) by September 1 of the Fiscal Year following an Event of Nonappropriation, in the case of an Event of Nonappropriation, or (b) within 90 days after notice from the Trustee, in the case of an Event of Default. The Interagency Agreement will automatically terminate upon any nonrenewal of the Lease by the Lessee. Subject to the provisions of the Indenture related to the Deed Restrictions described in "Factors Affecting Value of Leased Property" below, 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 Ground 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 Lease. The Lease places certain limitations on the availability of money damages against the Lessee as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Nonappropriation only to the extent the Lessee 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 Prior Certificates and the Series 2012A Certificates, if and to the extent any such moneys are realized, and after any payments that are required to be made to the DOE pursuant to the Deed Restrictions and to the Regents pursuant to the Ground Lease are made. See "– Factors Affecting Value of Leased Property" and "– Other Factors" under this caption. See also "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE, THE GROUND LEASE AND THE INDENTURE – The Lease – Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2012A CERTIFICATES – Redemption – Extraordinary Redemption."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the Outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of 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 Certificates pursuant to the Indenture and upon such a partial payment, no owner of any Certificate (including any Series 2012A Certificate) will have any further claims for payment upon the State, the Regents, the Lessor or the Trustee.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2012A Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The value of the Leased Property could be adversely affected by the presence, or even by the alleged presence of, hazardous substances. **Upon termination of the Lease, there is no assurance of any payment of the principal of or interest on Series 2012A Certificates by the State, the Regents, the Lessor or the Trustee.**

In addition, the fee simple interest of the Lessor in the Buildings and any leasehold interest of the Lessor in the Sites are subject to the Deed Restrictions contained in the Deed restricting the use of the Sites and any improvements located thereon. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Deed Restrictions." Pursuant to the Indenture, in the event that the Trustee takes any action (including the sale or lease of any Building or the leasehold interest in any Site) which constitutes, in the sole judgment of the DOE, a breach of the Deed Restrictions, the proceeds of such action, whether sale or lease proceeds, are to be applied first to the abrogation of the Deed Restrictions in accordance with the Deed with respect to such Site. The cost to abrogate the Deed Restrictions is based on the fair market value of the Site as of the effective date of the abrogation multiplied by a discount that is determined by the number of months remaining between the date of calculation and December 12, 2030 divided by 360. **There has been no appraisal of fair market value of the Site and as of April 1, 2012, the applicable discount is 34.72%. No assurance is given that the Trustee would be able to sell or lease such portion of the Leased Property in such a manner as would avoid the need to abrogate such Restrictions and there can be no assurance that the cost of such abrogation would not materially diminish the residual value of Leased Property available for the benefit of the Owners. See "PLAN OF FINANCING" and "SECURITY AND SOURCES OF PAYMENT – The Leased Property."**

Other Factors

The ability of the Trustee to lease or sell the Buildings and the leasehold interest in any Site and to pay the principal amount of the Outstanding Certificates and interest accrued thereon is affected by the term of the Ground Lease. Unless extended by the Regents and the Trust, the term of the Ground Lease will terminate on November 1, 2040. There is no assurance that such term will be extended and that if not extended, the Trustee will be able to realize sufficient proceeds from the sale or lease of the Buildings or the leasehold interest in the Sites to pay principal of and interest on the Outstanding Certificates. See "SALE OR THE GROUND LEASE – Ground Lease Term" in **Appendix B** hereto.

Furthermore, under the Ground Lease, if the Lease Term is terminated then, if the Trustee subleases the Sites and Buildings or any portion thereof, or sells an assignment of its rights under this Ground Lease, the Regents, as ground lessor, will be entitled to receive rent equal to 15% of the gross proceeds of any such subleasing or sale. Such rent payable to the Regents will reduce the amounts realized by the Trustee from subleasing or sale of the Sites and Buildings which would otherwise be available to pay the principal of and interest on the Outstanding Certificates. See "THE GROUND LEASE – Rent Payments" in **Appendix B** hereto.

Upon termination of the Lease, there is no assurance of any payment of the principal of and interest on Series 2012A Certificates by the State, the Regents, the Lessor 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 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 use of the Leased Property by the Regents and the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under the Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the Regents. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or release the Leased Property as permitted under the Lease or to redeem or pay the Series 2012A Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2012A Certificates of a Nonrenewal Event

Special Counsel has specifically disclaimed any opinion as to the effect which any termination of the Lease may have upon the treatment for federal or state income tax purposes of amounts received by an Owner of Series 2012A Certificates. 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 Default will be excluded from gross income under federal or state laws. Special Counsel also has disclaimed any opinion as to the transferability of the Series 2012A Certificates under the federal securities laws after a termination of the Lease, and, upon such termination, there is no assurance that Owners would be able to transfer their interests without registration pursuant to federal securities laws.

Insurance on the Leased Property

The Lease requires that upon completion and acceptance of each of the Buildings, until termination of the Lease Term, casualty and property damage insurance for the Leased Property must be provided in an amount equal to the greater of full replacement value of the Leased Property or the aggregate principal amount of the Certificates then Outstanding. The Lessee may satisfy this obligation by means of a self-insurance fund so long as the Lessee provides annually to the Trustee and the Series 2005B Certificate Insurer the written certification of an independent insurance actuary which confirms that, using reasonable assumptions, the amounts on deposit in the related self-insurance fund are adequate to provide the insurance coverage being carried and maintained by the Lessee by means of such self-insurance fund. Pursuant to the Interagency Agreement, the Regents agreed to provide the insurance required by the Lease and such insurance is not covered or provided by the State's Risk Management Fund. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Interagency Agreement." 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 2012A Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See "THE SERIES 2012A CERTIFICATES – Redemption – Extraordinary Redemption."

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 OSPB is responsible for developing the General Fund revenue estimate. If the OSPB forecast projects a budgetary shortfall in excess of one-half of the Unappropriated Reserve requirement for the current Fiscal Year, by statute the Governor is required to take certain budget balancing measures to ensure that the Unappropriated Reserve as of the close of such Fiscal Year will be at least one-half of the required amount. See **Appendix D** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall" and "– OSPB Revenue and Economic Forecasts." Additionally, the Colorado Legislative Council prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The most recent OSPB revenue forecast was issued in March 19, 2012 (the "OSPB March 2012 Revenue Forecast"), and is summarized in this Official Statement. See **Appendix D** – "THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts." Based on current law as well as additional appropriations that are expected to be made, the OSPB March 2012 Revenue Forecast projects that the State will end Fiscal Year 2011-12 with reserves of $183.6 million above the Unappropriated Reserve requirement. See **Appendix D** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall" and "– Budgetary Reduction Measures for Fiscal Year 2011-12."

The next OSPB revenue forecast and the Colorado Legislative Council revenue forecast will be released in June 2012. General Fund revenue projections in the new forecasts may be materially different from the March revenue forecasts. If a revenue shortfall is projected for Fiscal Year 2011-12 and subsequent forecasted years, further budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rentals in subsequent Fiscal Years.

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."

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 execution and delivery of the Series 2012A Certificates will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2011, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be $90.70 million in Fiscal Year 2011-12 and $101.41 million in Fiscal Year 2012-13. See Notes 24 and 43 to the audited financial statements included in the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A** for a discussion of the State's notes, bonds, and certificates of participation payable and material subsequent events that occurred after June 30, 2011, but before publication of the Fiscal Year 2010-11 CAFR.

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 non-cancelable for financial reporting purposes. At June 30, 2011, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2011-12 and Fiscal Year 2012-13 were estimated to be $88.48 million and $77.68 million, respectively. See Note 22 to the Fiscal Year 2010-11 CAFR appended to this Official Statement as part of **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, 2011, CDOT had outstanding $828.24 million 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. 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 and construction of facilities and infrastructure. 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, 2011, see Notes 24 and 43 to the audited financial statements included in the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as part of **Appendix A**.

Pension and Post-Employment Benefits

The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in **Appendix G** – "STATE PENSION SYSTEM," the "Plan"), a defined contribution plan and a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("PERA"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each category of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. Most State employees participate in the Plan. For a general description of the Plan and PERA, see **Appendix G** – "STATE PENSION SYSTEM." For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A** and PERA's Comprehensive Annual Financial Report for calendar year 2010 (the "PERA 2010 CAFR"). The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010.

The Plan is funded with payments made by the State and by each participating State employee, the amounts of which are determined and established by statute. See **Appendix G** – "STATE PENSION SYSTEM – Funding and Contributions." Although the State has made all statutorily required contributions ("SRC") to the Plan, as of December 31, 2010 (the latest period for which audited information for the Plan is available), the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.8 billion and $20.4 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $7.6 billion and a funded ratio of 62.8%. The UAAL at December 31, 2010, would amortize over a 47-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). See **Appendix G** – "STATE PENSION SYSTEM – Funding and Contributions" and Table 1 therein for details on the State's SRC and ARC, and supplemental contributions made by the State to address funding shortfalls.

The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 62.8%. The funded ratio of the Plan at December 31, 2010, based on the market value of assets, was 61.3%, representing an unfunded accrued liability of $7.9 billion. See **Appendix G** – "STATE PENSION SYSTEM – Plan Assets, Liabilities and Funding Levels" for historical information regarding the Plan's assets, liabilities and funding levels. See also "Management's Discussion and Analysis" and Notes 18, 19 and 20 to the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A**. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation and contribution rates, discount rates, investment rates and life expectancy rates. No assurance can be given that the AAL and UAAL of the Plan will not materially increase or that the actuarial or market values of the Plan assets will not materially decrease.

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

The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance is provided under the PERA Health Care Trust Fund in which members from all divisions of PERA may participate. It is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees, and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.4 billion, a funded ratio of 17.5% and a 42-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, the actuary has not determined the portion of the UAAL that applies to each division participant. However, the State Division, which is itself a cost-sharing, multiple employer participant in the Health Care Trust Fund, represented approximately 34% of the covered payroll reported for the Health Care Trust Fund at December 31, 2010. Although at December 31, 2010, the funded ratio of the Health Care Trust fund was 17.5%, the benefit is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 10 and 11 to the PERA 2010 CAFR for additional information regarding the Health Care Trust Fund.

State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State. Generally, State authorities are legally separate, 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). Certain State authorities are presented in the State's CAFR as determined based on the financial accountability requirements as defined in Statements Number 14 and 39 (and 61 for Fiscal Year 2012-13) issued by GASB.

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. Under generally accepted accounting principles for governments, CHFA is not a component unit of the State and therefore, it is not included in the State's CAFR.

Note Issues of the State

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. See Note 43 to the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A** for all currently outstanding revenue anticipation notes issued by the State. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

THE REGENTS OF THE UNIVERSITY

The State is acting by and through the Regents in entering and carrying out its obligations under the Lease. Pursuant to the Interagency Agreement, the Regents managed the construction of the Buildings and acquisition of any Equipment on behalf of the State, and the State subleases the Leased Property to the Regents during the Lease Term under the Lease, so long as the Regents include in their approved budget Additional Rentals as due under the Lease. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property – The Interagency Agreement” and “CERTAIN RISK FACTORS.”

Governance

The governance of the University is vested in the Board of Regents of the University which is comprised of nine persons pursuant to the State Constitution. Regents are elected by popular vote in the State’s biennial general elections and serve staggered terms of six years (limited by State Constitution to two terms). Each of seven Regents must be a qualified elector of and elected by the qualified electors of each of the State’s seven congressional districts. The remaining two Regents must be qualified electors of the State and are elected on an at-large basis. Vacancies are filled by appointment of the Governor for a term that continues until the next general election. The Board makes University policy decisions, grants degrees and honors, and appoints a President, Secretary, and Treasurer to carry out specific duties. Regents serve without compensation but are reimbursed for expenses in performing their duties.

The current members and officers of the Board, the date of expiration of their current terms, and their principal occupations are, respectively, as follows:

The Regents of the University of Colorado

Regent	Principal Occupation	Term Expires (January 1)
Kyle Hybl, Chair	Attorney	2013
Michael Carrigan, Vice Chair	Attorney	2017
Steve Bosley	Retired Banker	2017
Tilman “Tillie” Bishop	Retired College Administrator	2013
Jim Geddes	Physician	2015
Irene Griego	Educational Administrator	2013
Stephen Ludwig	Corporate Communications	2013
Joe Neguse	Attorney	2015
Sue Sharkey	Businesswoman	2017

The University of Colorado

The University was created in 1861 by an act of the territorial legislature. In 1876 the State Constitution established “The Regents of the University of Colorado” as a body corporate, and entrusted the Regents with the supervision and governance of the University. The University began operation in 1877, with its first class graduating in 1882.

The University is the largest institution of higher education in the State, based on number of students, size of operating budget and other criteria. The University is accredited by the North Central

Association of Colleges and Secondary Schools. The University and its various schools and colleges are recognized or accredited by at least 20 other organizations devoted to various aspects of higher education.

The University competes against many nationally recognized institutions for students, and it also competes against institutions within the State for students. Its primary competitors inside the State are Colorado State University, the Colorado School of Mines, the University of Denver, and Colorado College.

Two campuses of the University participate in National Collegiate Athletic Association ("**NCAA**") athletics. The Colorado Springs campus competes in the NCAA Division II and the Boulder campus competes in the NCAA Division I. The Boulder campus athletic teams have historically competed in the Big XII conference, but in June 2010, the Board of Regents voted to change conferences and become members of the PAC 12. That change became effective on July 1, 2011. It is anticipated that this may result in increased revenue to the University.

The University includes campuses in the cities of Boulder and Colorado Springs, as well as a campus in Downtown Denver and at the Anschutz Medical Center (formerly known as the University of Colorado Denver – Health Sciences Center or UCDHSC) in Aurora, Colorado.

The largest University campus is in Boulder, a city of approximately 95,000 residents located about 30 miles northwest of Denver. The University of Colorado at Boulder campus offers undergraduate, graduate and professional programs. Since 1967, the Boulder campus has been a member of the Association of American Universities, which consists of 61 of the leading institutions of higher education in the United States and Canada. The University of Colorado at Colorado Springs campus is community oriented, serving the educational needs of residents of El Paso County. El Paso County has a population of approximately 566,000. The University of Colorado Denver, Downtown Denver Campus is community-oriented, serving the educational needs of residents of metropolitan Denver and is part of the Auraria Higher Education Center located in downtown Denver. Metropolitan Denver has a population of approximately 2.11 million.

The Anschutz Medical Campus is located on the Anschutz Medical Site and has six major schools: the School of Medicine, the School of Nursing, the School of Dentistry, the School of Pharmacy, a Graduate School and the Colorado School of Public Health. The Anschutz Medical Site includes more than 6 million square feet of new or remodeled facilities comprised of the state-of-the-art teaching, research and patient care facilities, including the Fitzsimons Project, the University of Colorado Hospital ("**University Hospital**") and The Children's Hospital. See "SECURITY AND SOURCES OF PAYMENT – The Fitzsimons Project." The Fitzsimons Redevelopment Authority is in the process of developing a Biomedical Research Park to adjoin the Anschutz Medical Site. There are approximately 3,159 students and approximately 3,722 full-time faculty and staff members at the Anschutz Medical Campus.

The University Hospital and The Children's Hospital are also located on the Anschutz Medical Site. University Hospital is owned and operated by the University of Colorado Hospital Authority and is independent from the Regents. The Children's Hospital is a non-profit hospital and is independent from the Regents.

Administrative Officers

The President is the principal executive officer of the University and is charged by the State Constitution with carrying out the policies and programs established by the Board. Each of the three Chancellors is responsible for the administration of his or her respective campus and reports directly to the President. The President, the Treasurer and the Secretary are elected by and serve at the pleasure of the Board. University Counsel is appointed by the President with the approval of the Board and serves at the pleasure of the Board. The Chancellors, Vice Presidents, Associate and Assistant Vice Presidents are appointed by the President.

The administrative officers and employees of the University who are most directly involved in the financial operation and general administration of the University, and their principal occupations during at least the past five years, are as follows:

Bruce D. Benson, President of the University. Mr. Benson was named the 22nd President of the University of Colorado in March, 2008. In addition to his duties as president, he is Executive in Residence and Professor Attendant at the Business School at University of Colorado Denver. Before being named President, Mr. Benson was active in a variety of educational, civic, political and business activities. In 1965, he founded Benson Mineral Group, an oil and gas exploration and production company. The company has also been involved in geothermal power, real estate development and management, banking, mortgage servicing, cable television, restaurants, manufacturing and trucking. Mr. Benson served as chairman of the Metropolitan State College Board of Trustees from 2002-07. He was chairman of the Colorado Commission on Higher Education from 1986-89 and chaired the Governor's Blue Ribbon Panel for Higher Education for the 21st Century from 2001-03. Mr. Benson is an alumnus of the University of Colorado, having earned a bachelor's degree in Geology in 1964. He has been an active supporter of his alma mater, where he received an honorary Doctor of Humane Letters degree in 2004. In addition to providing significant philanthropic support to the University, Mr. Benson was the national chairman of CU's four-campus, $1 Billion Comprehensive Fund-Raising Campaign from 1997-2003 and served on the board of directors of the CU Foundation from 1990-96.

Dr. Philip P. DiStefano, Chancellor of the University of Colorado, Boulder. Prior to his appointment as Chancellor of the University of Colorado at Boulder on May 5, 2009, Dr. DiStefano was the top academic officer at the University of Colorado at Boulder for eight years as the Provost and Executive Vice Chancellor for Academic Affairs. He served as interim chancellor twice during pivotal times in the University's history. Dr. DiStefano co-chaired the steering committee for visionary strategic plan, Flagship 2030, conceived with campus, community and statewide input, to guide the University of Colorado at Boulder for decades to come. Dr. DiStefano continues to work toward the implementation of Flagship 2030. Dr. DiStefano has served the University of Colorado at Boulder for 35 years. He joined the University of Colorado in 1974 as an Assistant Professor of Curriculum and Instruction at the School of Education. His academic career flourished as he assumed a series of academic and administrative positions, including Professor, Associate Dean, Dean and Vice Chancellor. He was appointed Provost and Executive Vice Chancellor for Academic Affairs in 2001. As Chancellor, Dr. DiStefano works closely with students, faculty, staff, alumni, donors, governing officials and business and community leaders in extending the University's legacy as a preeminent national comprehensive research university. A first-generation college graduate, Dr. DiStefano earned a Bachelor of Science degree from Ohio State University and a Master of Arts degree in English Education from West Virginia University. He holds a Doctorate in Humanities Education from Ohio State University, where he served as a teaching and research associate. Dr. DiStefano began his educational career as a high school English teacher in Ohio. He has authored and co-authored numerous books and articles on various topics in literacy education.

Pamela Shockley-Zalabak, Chancellor of the University of Colorado, Colorado Springs. Dr. Pamela Shockley-Zalabak is Chancellor and Professor of Communication at the University of Colorado at Colorado Springs. The author of six books and over 100 articles on organizational communication, Dr. Shockley-Zalabak's research interests include organizational cultures as they relate to individual employee values and overall organizational effectiveness. Prior to assuming Chancellor responsibilities on June 1, 2002, Dr. Shockley-Zalabak was Vice Chancellor for Student Success and the founding chair of the University of Colorado at Colorado Springs Communication Department. Dr. Shockley-Zalabak is the recipient of the University of Colorado Thomas Jefferson Award, the President's Award for Outstanding Service, the Chancellor's Award for Distinguished Faculty and the Colorado Speech Communication Association Distinguished Member Award.

Don Elliman, Interim Chancellor of the University of Colorado, Denver. Prior to his appointment as Interim Chancellor of the University of Colorado, Denver in 2012, Mr. Elliman served as Executive Director of the Charles C. Gates Center for Regenerative Medicine and Stem Cell Biology at the University of Colorado. In 2009, he was appointed by the Governor of Colorado to serve as his Chief Operating Officer after previously serving the Governor as director of the Colorado Office of Economic Development. Mr. Elliman served as Chair of the board of the Children's Hospital Colorado between 2004 and 2006 and in such capacity co-chaired the campaign to raise funds for the hospital's move to the Anschutz medical campus. From 2000 to 2004, Mr. Elliman served as Chief Executive Officer of Ascent Communications. After graduating from Middlebury College in 1967 and until 1999, he held various positions in the publishing industry including President and Publisher of Sports Illustrated, publisher of People magazine and Executive Vice President of Time Inc. Mr. Elliman serves on the governing boards of Colorado State University, Middlebury College, Children's Hospital Colorado, The Gates Family Foundation, the Colorado Economic Development Commission and the Fitzsimons Redevelopment Authority.

Lilly Marks, Vice President for Health Affairs and Executive Vice Chancellor of the Anschutz Medical Campus. Prior to assuming the role of Vice President for Health Affairs and Executive Vice Chancellor of the Anschutz Medical Campus, Ms. Marks served as the Senior Associate Dean of Administration and Finance at the Colorado School of Medicine and Executive Director of University Physicians, Inc. She has spent over 25 years in academic medicine in a variety of administrative and leadership positions.

Leonard Dinegar, Vice President for Administration and Chief of Staff. Mr. Dinegar was appointed to his position as Vice President for Administration on June 29, 2006. He also has concurrent title and responsibilities as Chief of Staff to the University President. He was appointed as Interim Vice President for Administration and Chief of Staff to the President, effective October 10, 2005. Prior to coming to Colorado in 1993, Mr. Dinegar served as an executive in the White House Office of National Drug Control Policy as well as in the Office of the Assistant Secretary for Public Affairs at the U.S. Department of Health and Human Services. At the University, Mr. Dinegar served as the chief lobbyist for the Health Sciences Center, University of Colorado Hospital and for the University of Colorado System. He also served as the Associate Director for Public Affairs and was the Director of the Office of State Government Relations prior to his appointment as Chief of Staff to the President of the University in 2002. Mr. Dinegar received a Bachelor's Degree in Philosophy from The Catholic University of America and his Masters Degree from University of Colorado Denver.

Kelly Fox, Vice President and Chief Financial Officer. Kelly Fox was appointed Vice President and Chief Financial Officer at the University of Colorado in May 2009. The Vice President and Chief Financial Officer serves in the Office of the President and university system administration, overseeing capital and operating budgets as well as the Controller's office, the Treasurer's office, the University Risk Management office and the University Procurement Service Center. From 2006 to 2009, Ms. Fox held the position of Assistant Vice President for Budget and Finance at the University of Colorado and also worked at the University as System Budget Director from 2001 to 2004. From 2004 to 2006, she was Director of Policy, Planning and Analysis at the Colorado School of Mines. She has also held budget, policy and planning posts with the Colorado Office of State Planning and Budgeting and the National Conference of State Legislatures. Ms. Fox earned a Bachelor's Degree in Psychology from the

University of Nebraska and a Master's Degree in Public Administration from the University of Colorado Denver.

Dan Wilkerson, Esquire, Vice President, University Counsel and Secretary of the University and of the Board of Regents. Mr. Wilkerson was appointed to his position as Vice President and University Counsel in July of 2007 and as Secretary in August of 2007. He is a distinguished military graduate from Cornell University and graduated from Willamette University College of Law in 1985 where he served on the law review and moot court board. Mr. Wilkerson began his legal career with the United States Army in the Judge Advocate General's Corps. In 1989, Mr. Wilkerson joined the Office of University Counsel and has held a number of positions within the office representing a wide variety of University interests.

Donald A. Eldhart, Treasurer, Chief Investment Officer and Associate Vice President for Budget and Finance. Mr. Eldhart was appointed to this position on August 4, 2005. Since joining the University in 1986, he has held Auxiliary Accountant, Assistant Treasurer and Associate Treasurer positions. Before joining the University, he held positions as a financial auditor, tax accountant and private and governmental accountant, and he served as chief financial officer for a private corporation. He had also served a total of 21 years in the United States Air Force and in the Air National Guard, retiring as a Lieutenant Colonel. Mr. Eldhart received his Bachelor of Science Degree in Mathematics from the University of Nebraska at Lincoln. He has also been a certified public accountant and a certified cash manager.

FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," and "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," and in **Appendices D and G** 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 GOVERNMENTAL IMMUNITY

No Litigation Affecting the Series 2012A Certificates

As of the date hereof, no litigation challenging the validity of the execution and delivery of the Series 2012A Certificates is pending or threatened against the State. Upon the initial execution and delivery of the Series 2012A Certificates, the Underwriters of the Series 2012A Certificates will receive a certificate of the State Attorney General to the effect that there is no litigation pending or threatened materially adversely affecting the right of the Lessee to enter the Lease and the Interagency Agreement.

Current Litigation

State

For a description of pending material litigation in which the State is a defendant, see Note 42 to the State's Fiscal Year 2010-11 CAFR appended as **Appendix A** to this Official Statement. There can be no assurance regarding the ultimate outcome of the actions described in Note 42 and except as provided in Note 42, no provision has been made in the financial statements related to the actions discussed in such Note.

The Regents

As of the date hereof, there were several pending tort actions, actions under the federal Constitution or statutes, contract, State Constitutional or statutory, and common law actions involving the University, the Board, or one or more employees of the University. For a discussion of pending material litigation in which the University is a defendant, see Note 19 to the University of Colorado 2011 Annual Financial Report.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "**Immunity Act**"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered to $150,000 for injury to one person in a single occurrence, and an aggregate of $600,000 for 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, the Regents or their employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State, the Regents or their 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 6H, 21, 42 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2010-11 CAFR appended to this Official Statement as **Appendix A**. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

TAX MATTERS

The following discussion is a summary of the opinion of Special Counsel to the Lessee that is to be rendered on the Base Rentals payable by the Lessee which is designated and paid as interest, as provided in the Lease, and of certain federal and state income tax considerations that may be relevant to prospective purchasers of the Series 2012A Certificates. This discussion is based upon existing law, including current provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change.

In the opinion of Hogan Lovells US LLP, Special Counsel to the Lessee, to be delivered upon the execution and delivery of the Series 2012A Certificates, under existing law the portion of Base Rentals payable by the Lessee which is designated and paid as interest, as provided in the Lease, is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, but is included in a corporation's adjusted current earnings for such purposes.

The foregoing opinion will assume compliance by the Lessee with certain requirements of the Code that must be met subsequent to the execution and delivery of the Series 2012A Certificates. The Lessee will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause such interest to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of execution and delivery of the Series 2012A Certificates.

The opinion of Special Counsel relating to the Series 2012A Certificates will also provide to the effect that, under existing law, to the extent the portion of Base Rentals payable by the Lessee which is designated and paid as interest, as provided in the Lease, is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation of the State of Colorado.

Special Counsel has specifically disclaimed any opinion as to the effect which any termination of the Lease may have upon the treatment for federal or State income tax purposes of amounts received by an owner of Series 2012A Certificates. 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 Default will be excluded from gross income under federal or state laws. Special Counsel also disclaims any opinion as to the transferability of the Series 2012A Certificates under the federal securities laws after a termination of the Lease, and, upon such termination, there is no assurance that owners would be able to transfer their interests without registration pursuant to federal securities laws.

The Series 2012A Certificates (the "**Premium Certificates**") are being offered and sold to the public in their original public offering with amortizable bond premium. Generally, amortizable bond premium is the excess of the issue price of any Premium Certificate over the stated redemption price at maturity of the Premium Certificate. For federal income tax purposes, no portion of that bond premium is deductible by the holder of a Premium Certificate, and the holder's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period such person holds the Premium Certificate. As a result, a holder may realize taxable gain for federal income tax purposes upon the sale of a Premium Certificate for an amount equal to or less than the amount paid by the holder for the Premium Certificate. A purchaser of a Premium Certificate at its issue price in the initial public offering who holds that Certificate to maturity will realize no gain or loss upon the retirement of that Certificate. Purchasers of any Premium Certificates should consult their own tax advisors regarding the proper computation and accrual of amortizable bond premium.

Other than the matters specifically referred to above, Special Counsel expresses and will express no opinions regarding the federal, state, local or other tax consequences of the purchase ownership and disposition of the Series 2012A Certificates. Prospective purchasers of the Series 2012A Certificates should be aware, however, that the Code contains numerous provisions under which receipt of interest on the Series 2012A Certificates may have adverse federal tax consequences for certain taxpayers. Such consequences include the following: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2012A Certificates or, in the case of financial institutions, that portion of a holder's interest expense allocated to the interest on the Series 2012A Certificates; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2012A Certificates; (iii) interest on the Series 2012A Certificates earned by certain foreign corporations doing business in the United States could be subject to branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including the interest on the Series 2012A Certificates, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain Social Security and certain railroad retirement benefits to take into account, in determining the inclusion of such benefits in gross income, receipts or accruals of the interest on the Series 2012A Certificates.

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Series 2012A Certificates, the exclusion of the portion of Base Rentals designated and paid as interest from gross income, alternative minimum taxable income, State taxable income, or any combination from the date of execution and delivery of the Series 2012A Certificates or any other date, or that such changes will not result in other adverse federal or state tax consequences. For example, the Obama Administration recently released a legislative proposal which, for tax years beginning on or after January 1, 2013, could result in additional federal income tax being imposed on certain holders of state or local obligations, including the Series 2012A Certificates, if enacted. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on state and local obligations such as the Series 2012A Certificates. Prospective purchasers of the Series 2012A Certificates should consult their own tax advisors as to the applicability and extent of federal, state, local or other tax consequences of the purchase, ownership and disposition of the Series 2012A Certificates, <u>including the potential consequences of any pending or proposed legislation</u>, in light of their particular tax situation.

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2012A Certificates will be audited. If an audit is commenced, under current Service procedures the holders of the Series 2012A Certificates may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Series 2012A Certificates could adversely affect their value and liquidity.

Special Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinion after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Special Counsel is not binding on the courts or the Service; rather, such opinion represent Special Counsel's legal judgment based upon its review of existing law and upon the certifications, representations and covenants referenced above.

UNDERWRITING

The Series 2012A Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $66,716,492.50 (representing the principal amount of the Series 2012A Certificates in the amount of $56,095,000 less an underwriting discount of $280,475.00, plus a premium of $10,901,967.50). The Underwriters have agreed to accept delivery of and pay for all the Series 2012A Certificates if any are delivered, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement between the Trust and Stifel, Nicolaus as representative of itself and the other Underwriter listed on the cover page of this Official Statement, the approval of certain legal matters by counsel and certain other conditions.

LEGAL MATTERS

Legal matters relating to the authorization and delivery of the Series 2012A Certificates are subject to the approving opinion of Hogan Lovells US LLP, Denver, Colorado, as Special Counsel to the Lessee, which will be delivered with the Series 2012A Certificates, a form of which is appended hereto as **Appendix E**.

Hogan Lovells US LLP will also pass upon certain legal matters relating to the Series 2012A Certificates as Special Counsel to the Lessee. Sherman & Howard L.L.C., Denver, Colorado, has also acted as counsel to the Lessee in connection with the preparation of this Official Statement. Sherman & Howard L.L.C. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State or the Regents contained in this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State, for the Trustee by its in-house counsel, for the settlor of the Trust by Kutak Rock LLP and for the Underwriters by Brownstein Hyatt Farber Schreck, LLP, Denver, Colorado.

RATINGS

Moody's Investor Service and Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc., have assigned the Series 2012A Certificates the ratings set forth on the cover page of this Official Statement. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Series 2012A Certificates.

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of, or methodology with respect to, such rating may be obtained from the applicable rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2012A Certificates, the State and its financial condition and operations, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2012A Certificates. The State has undertaken responsibility to oppose any proposed change in, suspension or withdrawal of a rating.

FINANCIAL ADVISOR

The Lessee has retained BD Advisors LLC, Denver, Colorado, as financial advisor (the "**Financial Advisor**") in connection with the Series 2012A Certificates and with respect to the authorization, execution and delivery of the Series 2012A Certificates. *The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2012A Certificates.

VERIFICATION OF CERTAIN CALCULATIONS

Causey Demgen & Moore Inc., independent certified public accountants, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules as of the delivery date of the Series 2012A Certificates to determine that the anticipated receipts from the securities and cash deposits to be held in escrow will be sufficient to pay, when due, (i) the principal, interest and redemption premium, if any, with respect to the Refunded Certificates. The independent certified public accountants will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series 2012A Certificates.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its execution and delivery of the Series 2012A Certificates, the Lessee will execute a Continuing Disclosure Undertaking (the "**Disclosure Certificate**"), a form of which is appended hereto as **Appendix C**, wherein it will agree for the benefit of the Owners of the Series 2012A 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, 2012, 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. Except as discussed below, during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertaking entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. From January 2011 to May 2011, the State Treasurer failed to file with the Municipal Securities Rulemaking Board (the "MSRB") periodic cash flow schedules for the State's General Fund Tax and Revenue Anticipation Notes, Series 2010A (the "Series 2010A General Fund Notes"), which were issued on December 14, 2010, and paid in full at maturity. Although such periodic filings were not required by Rule 15c2-12, the authorizing resolution for the Series 2010A General Fund Notes included an affirmative covenant by the State Treasurer to file such schedules with the MSRB.

MISCELLANEOUS

This Official Statement, and its distribution and use, have been duly authorized and approved by the State. This Official Statement has been executed and delivered by the Chair of the Regents, acting by and on behalf of the State.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

Appendices A, B, C, D, E, F and G are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

STATE OF COLORADO
Acting by and through the Regents of the University of Colorado

By: *_/s/ Kyle Hybl_*
Chair

APPENDIX A

State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011

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STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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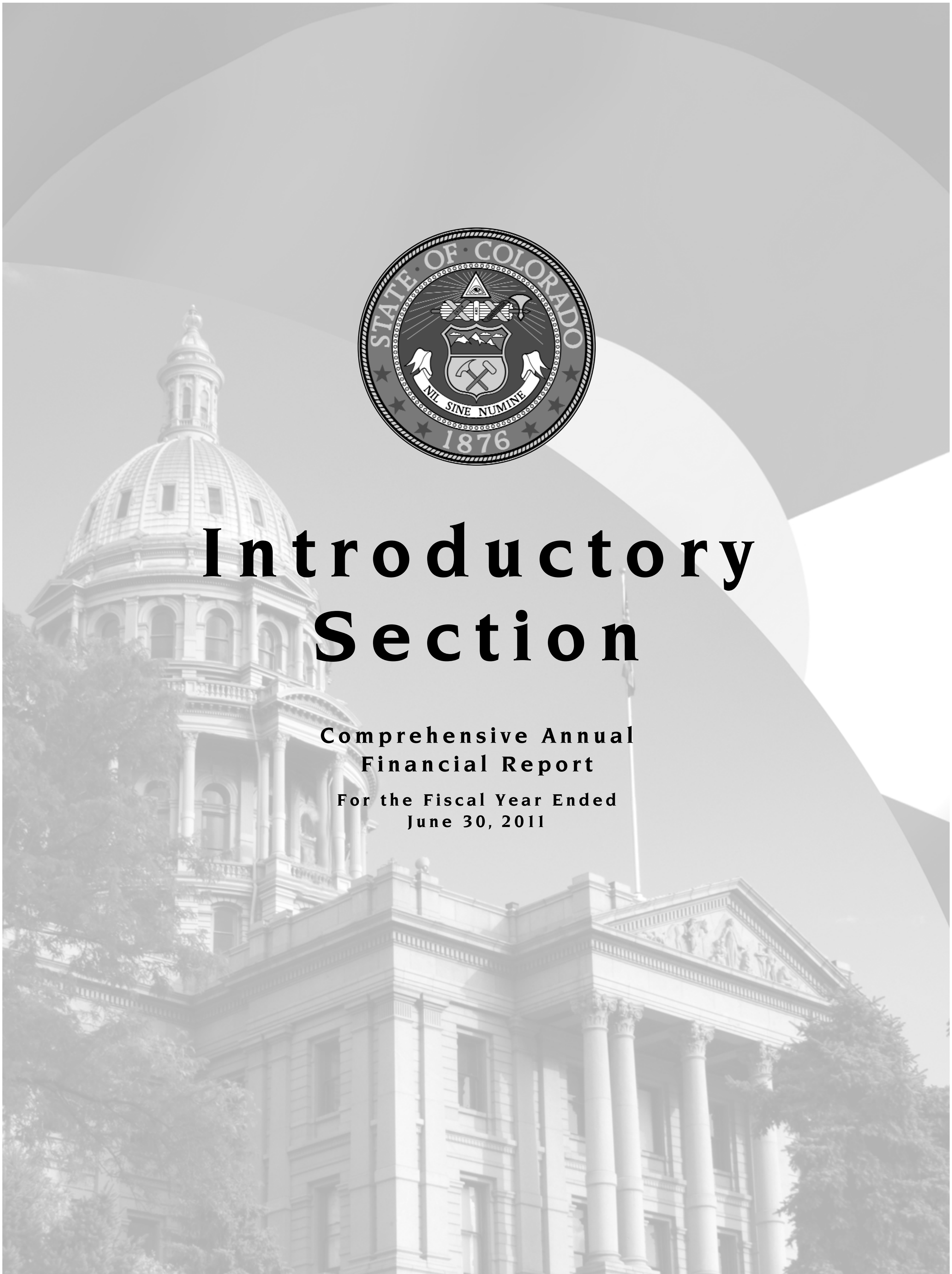


Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

State of Colorado

John W. Hickenlooper
Governor

Kathy Nesbitt
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
(303) 866-6200
Fax(303) 866 -4233
www.colorado.gov/dpa

December 16, 2011

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, 2011. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

We believe the financial statements are fairly presented in all material aspects. They are presented in a manner designed to set forth the financial position, results of operations, and changes in net 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 39 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
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority
- HLC @ Metro, Inc.
- University of Colorado Real Estate Foundation

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 71). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 feet above sea level. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the State's semi-arid climate, water resource development, allocation, and conservation are ongoing challenges for State management.

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

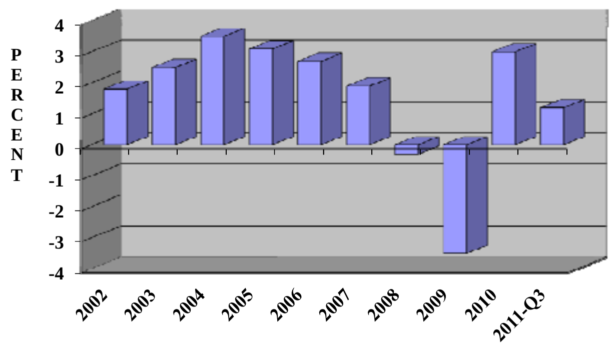
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited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

The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more than 300 justices and judges in 22 judicial districts across the State (excluding 23 Denver county court judges). Municipal courts are not part of the State system. There are also seven water courts, one in each of the State's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

The State's General Fund revenues reflect the overall condition of the State economy, which showed improved growth in Fiscal Year 2010-11; General Fund revenues increased by $632.0 million (9.8 percent) from the prior year. Although improving, General Fund revenue is $417.0 million (5.6 percent) below the pre-recession level in Fiscal Year 2007-08. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 2.5 percent for 2010 and is forecast to increase by 5.0 percent for 2011. State nonagricultural employment levels continued to decline with 25,500 jobs lost in 2010; however, 17,700 jobs are forecasted to be added in 2011.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



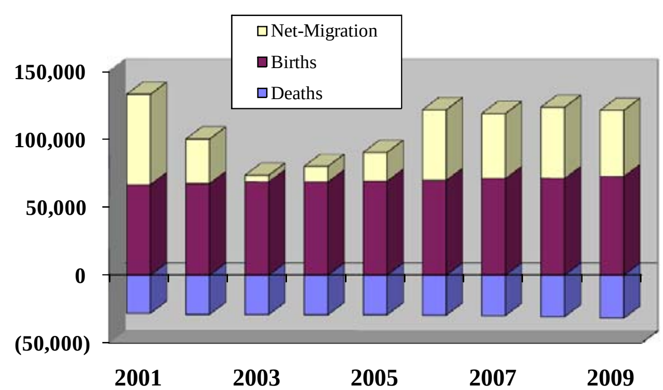
The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 3.0 percent in the third quarter of calendar year 2010 and 1.2 percent in the third quarter of 2011. Inflation adjusted GDP increased 1.5 percent from the third quarter of 2010 to the third quarter of 2011 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.2 percent. Personal consumption was lead by a 7.0 percent increase in durable goods (including recreational goods and vehicles increasing at 11.6 percent) and was offset by anemic growth in household services consumption and a decline in nonprofit spending. Notwithstanding a 7.5 percent increase in fixed investment (including significant increases in transportation – 20 percent, industrial equipment – 12.5 percent and other equipment and software – 5.1 percent), private domestic investment was up only 0.4 percent in aggregate as nonfarm inventories grew only slightly and farm inventories declined. Also holding back private domestic investment, residential investment grew slightly by 1.4 percent from a significantly lowered base, and other information processing equipment and software declined by 2.5 percent. Government spending declined quarter-over-quarter by 2.4 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 5.9 percent and imports grew by 1.9 percent; net imports continued to be a reduction of GDP but by a lesser amount than in the third quarter of 2010.

The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. The September 2011 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

> "…several sections of the economy have continued to weaken due to the persistence of a combination of negative factors affecting households, businesses, investors, and governments. The economy continues to deal with high debt levels, elevated food and gas prices, a slumped housing market, and the stock market volatility resulting from sovereign debt problems. Private investment – an important ingredient for economic growth – has mostly languished in this environment and unfortunately signals that a stronger pickup in growth is unlikely in the near term. However, there are positive trends in the economy. The services industries continue to expand, exports remain strong, and bank loans to businesses are increasing."

The recovery of the Colorado economy from the recession continues at a slow pace. According to the Office of State Planning and Budgeting (OSPB), uncertainties remain as to the strength of the recovery at the national level and Colorado has yet to experience significant job growth. Although there has been jobs added in economically important industries, the high unemployment rate persists which leaves households in a weaker financial state and the consumer reluctant to spend. Businesses remain uncertain as to the path of the recovery, with residential construction as the primary cause of weak private investment. Mixed signals exist regarding the pace of economic recovery in Colorado, and employment has yet to develop a discernable trend.

COMPONENTS OF COLORADO'S POPULATION CHANGE



Historically, Colorado economic activity and in-migration have been interdependent. However unlike the recession in 2001-2002, the recession in 2008-2009 has not resulted in a decreasing in-migration, which has averaged approximate 50,200 from 2006 to 2009. It remains slightly off its nine-year peak amount of about 66,400 which occurred in 2001, but is significantly in excess of its low of about 4,900 in 2003. International in-migration decreased from approximately 13,248 to 13,078 for 2008 and 2009, respectively, while in-migration from other states decreased more significantly from about 38,500 to about 35,600 for 2008 and 2009, respectively. The information in the adjacent chart is based on current Census Bureau estimates. Data for the year 2010 is not included in the chart because an adjustment was made to total state population for that year and matching estimates for deaths and births are not available. The Colorado State Demographer forecasts net population growth of 82,671 for 2011 and 84,399 for 2012, and OSPB forecasts net migration of 40,800 and 40,000, for those years respectively, which indicates persistent in-migration in spite of high unemployment and the State's economic challenges.

The OSPB September 20, 2011 quarterly estimate predicts that Colorado's recovery from the recession will continue throughout calendar years 2011 and 2012, albeit at a slow rate until employment conditions improve and increases in personal income are realized. OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 8.8 percent for 2011 compared with 8.9 percent and 8.3 percent in 2010 and 2009, respectively, and it is expected to slightly decrease in 2012 to 8.7 percent.
- Wages and salary income will increase by 3.5 percent in 2011 and by 2.1 percent in 2012 before increasing to 5.0 percent growth in 2014.
- Total personal income will increase by 5.0 percent in 2011 followed by 2.7 percent in 2012.
- Net in-migration is expected to be 40,800 in 2011 and 40,000 in 2012 with total population growth of about 1.6 percent in each year.
- Retail trade sales will increase 5.3 percent in 2011 followed by an increase of 3.0 percent in 2012.
- Colorado inflation will increase by 3.5 percent in 2011 and 2.6 percent in 2012.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2011 session. However, in an environment of continued revenue shortfalls, resources available for major initiatives were very limited. Colorado is constitutionally required to maintain a balanced budget as well as a positive General Fund fund balance on the budgetary basis. As a result, the main fiscal focus of the session was on near term budget balancing and revenue issues.

The General Assembly enacted the following measures which had significant financial impacts:

- The General Assembly enacted several tax measures that overall increased State revenue by $32.5 million in Fiscal Year 2011-12 and $5.6 million in Fiscal Year 2012-13. These include revenues generated by a temporary reduction in the sales tax vendor fee, and the extension of sales and use tax to the sale of cigarettes. Additional revenue is offset by reductions from the reinstatement of the sales tax exemption on certain agricultural products, the extension of the time period for disputing sales tax, a sales tax exemption for standardized computer software, and changes to the trigger mechanism for child care credits. The timing of conservation easement tax credits changed as a result of modifications to the cap related to an expedited dispute resolution process.
- In an effort to address the declining funded status of the State and other divisions of the Public Employees' Retirement Association (PERA), the General Assembly authorized the one year continuation of a provision enacted in the 2010 legislative session temporarily decreasing the employer contribution and increasing the employee contribution.
- In an effort to reform financing of unemployment benefits, the General Assembly enacted a changes to the calculation of base wages subject to premiums, changes to the premium structure, along with a requirement for an on-line application for account management. The changes are anticipated to generate additional revenues of about $68.0 million in Fiscal Year 2011-12, and reach an estimated $202.8 million by Fiscal Year 2013-14.
- An amendment to the "Public School Finance Act of 1994" was enacted to modify the funding for K-12 public schools in Fiscal Year 2011-12 by extending the budget stabilization factor, renamed the negative factor, thereby reducing State expenditures by an estimated $229.0 million. This represents a 12.97 percent funding reduction as compared to not applying the negative factor. The legislation also diverted ending Fiscal Year 2010-11 General Fund Surplus to education including $67.5 million to the Public School Fund, and $221.4 million to the State Education Fund. Other legislative changes in property tax exemptions on certain agricultural lands will also serve to increase the local share of education funding and reduce the state share, as well as provide supplemental K-12 education funding through diversions from a tax amnesty program.
- The General Assembly enacted several measures concerning health care including an increase to the nursing facility provider fees received, a decrease in nursing facility provider rates paid, and increases to certain poverty levels for eligibility for the Children's Basic Health Plan These provisions are anticipated to reduce the state share of health care expenditures by $19.9 million in Fiscal Year 2011-12 and by a similar amount in Fiscal Year 2012-13. The General Assembly declared a State fiscal emergency for Fiscal Year 2010-11 allowing the use of Amendment 35 tobacco tax moneys for health-related purpose including funding of the Children's Basic Health Plan. Approximately $19.2 million was redirected from other tobacco tax funded programs to the Children's Basic Health Plan.

- The General Assembly addressed State's capital needs with the appropriation of $51.5 million of general-purpose revenues to fund four capital projects, sixteen maintenance projects, and three lease payments starting in Fiscal Year 2011-12. The Fort Lyons Prison was decommissioned at a savings of approximately $6.3 million in operating costs annually starting in Fiscal Year 2011-12. Additionally, future state historic preservation funds were allocated for the Capitol dome restoration project.
- The General Assembly reduced contributions to the Fire and Police Protection Association for the old hire pension plans by $20.0 million in Fiscal Year 2011-12, and $15.3 million in Fiscal Year 2012-13, and extended the date for funding the pension liability to April 30, 2019.
- In light of recurring reductions in discretionary budget allocations to institutions of higher education, the General Assembly provided institution's further flexibility in setting student fee policies, establishing not-for-profit entities, indemnifying contractors, managing classified employees, and carrying out capital activities.
- The General Assembly enacted legislation to merge the Division of Parks and the Division of Wildlife, and designated the new combined division as a TABOR enterprise. The merger will decrease the Excess State Revenue Cap under the Taxpayer Bill of Rights by an estimated $50.0 million in Fiscal Year 2011-12, and it will make a similar reduction in revenue subject to the Cap.

The State expended $2,047.1 million of American Recovery and Reinvestment Act (ARRA) funds in Fiscal Year 2010-11 – a significant portion of which backfilled shortfalls in General Fund general-purpose revenue. Notwithstanding the refinancing of general funds to federal ARRA funds, the State carried out the following major actions to maintain service levels.

- The General Assembly authorized the transfer of $158.1 million from various cash funds in Fiscal Year 2010-11 to augment General Fund revenues and to prevent a deficit fund balance. Additionally nine 2010 bills authorized additional augmenting transfers of $130.2 million in Fiscal Year 2011-12.
- The General Assembly authorized the refinancing of certain Medicaid expenditures hospital provider fees, $50.0 million for Fiscal Year 2011-12 and $25.0 million for Fiscal Year 2012-13.
- The General Fund required reserve was maintained at two and three-tenths percent, which is slightly more than half the normal four percent reserve that increases to 6.5 percent in Fiscal Year 2016-17 and beyond.

Additional information on the current and long-term impact of some of these initiatives can be found in the Management Discussion and Analysis and Notes to the Financial Statements.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly appropriates the annual State budget for 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 the State Controller approves an appropriation rollforward based on extenuating circumstances. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

The State records the budget and certain nonappropriated spending authority (including most institutions of higher education activity) in its accounting system along with estimates of federal awards and custodial funds of the various departments. The accounting system will not disburse monies without spending authority. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A). Encumbrances are also recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances represent appropriations that are approved for rollforward into the subsequent fiscal year, unspent revenue related to specific non-legislatively directed purposes, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 41).

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, 2010. This was the thirteenth 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, CPA
Colorado State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

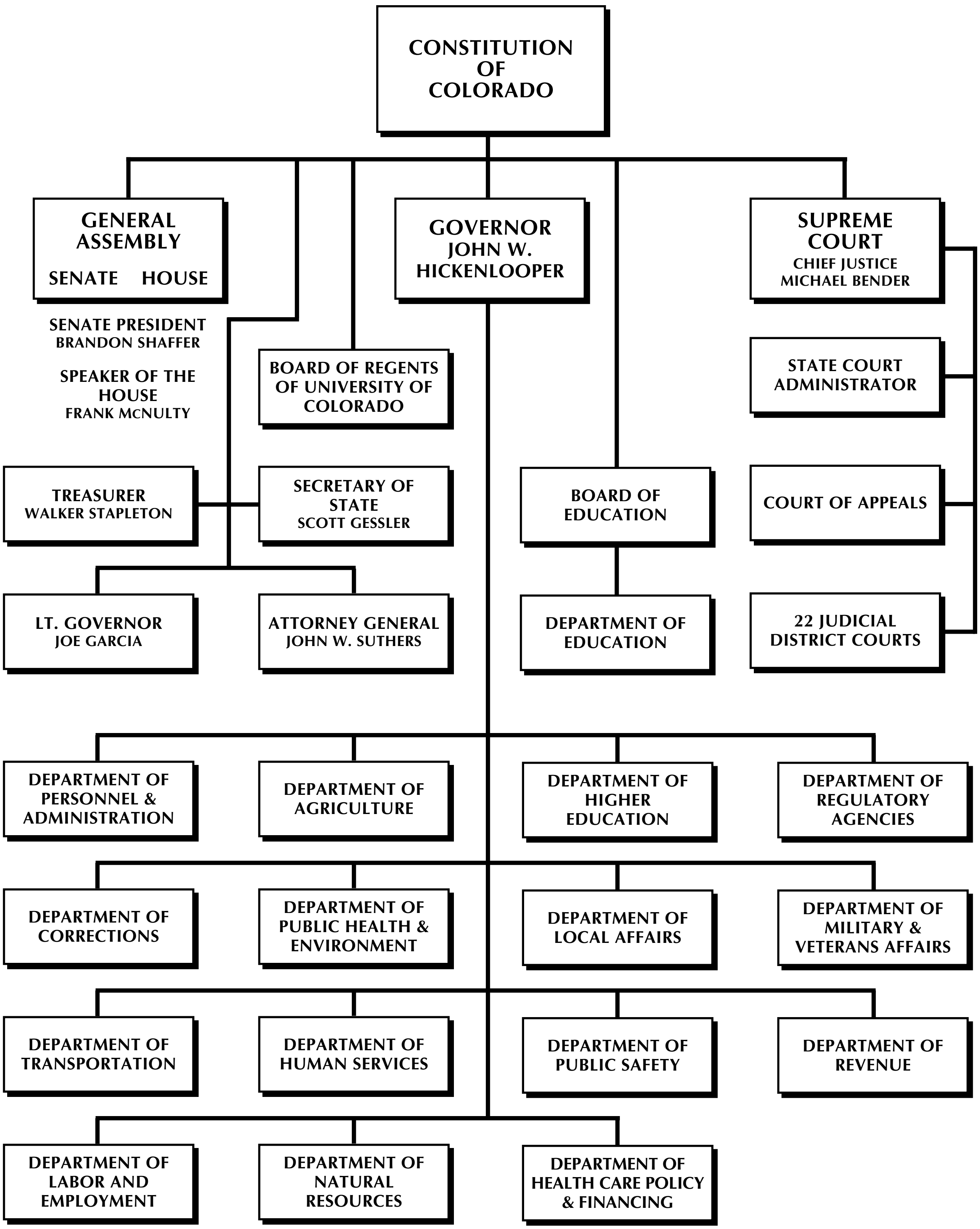
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

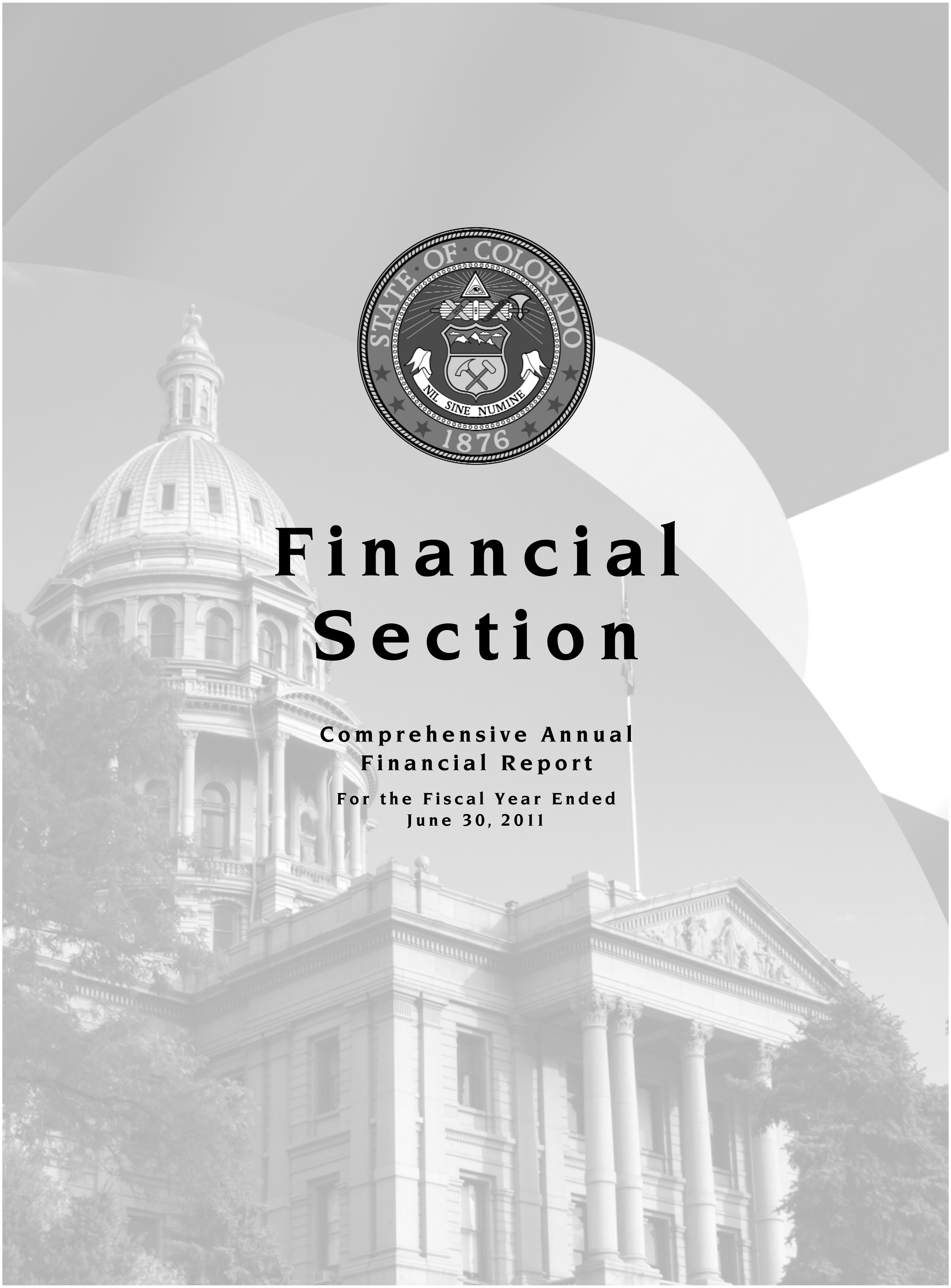
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

STATE OF COLORADO 1876

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

December 16, 2011

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State) as of and for the fiscal year ended June 30, 2011, 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 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 revenues of the discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents approximately 3 percent of the assets, 4 percent of the net assets, and 8 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net assets, and 5 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors.

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, Colorado School of Mines Foundation, and University of Northern Colorado Foundation, discretely presented major component units; and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

Legislative Services Building • 200 East 14th Avenue • Denver, Colorado 80203-2211
Ph. 303.869.2800 • Fax: 303.869.3060

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2011, 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 6J to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in Fiscal Year 2011.

In accordance with *Government Auditing Standards*, we will issue a separate 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. 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 management's discussion and analysis and required supplementary information listed in the table of contents, beginning on page 1, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors 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, supplementary information, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $13,393.1 million, a decrease of $62.2 million as compared to the prior year amount of $13,455.3 million. There was not a single factor impacting the decline, but several offsetting changes. Causes of the decrease in Net Assets include a reduction in cash and restricted cash balances of $352.0 million, primarily related to using existing resources in the General Fund ($27.1 million), the Capital Projects Fund ($39.7 million), and the State Education Fund ($42.2 million) to complete construction projects and to backfill general-purpose revenue shortfalls. Investments and restricted investments decreased by $66.2 million from liquidations of financing proceeds for construction activities, offset by additional investment proceeds for public school construction. Other long-term assets increased by $116.6 million, largely due to an increase in long-term taxes receivable. Capital assets decreased by $214.9 million, primarily due to $738.6 million in depreciation charges offsetting new transportation and public school construction, along with the construction of the Colorado History Center and the Ralph L. Carr Judicial Complex. Governmental activities notes, bonds, and certificates of participation payable decreased by $430.5 million because in the current fiscal year the State retired its short-term education tax revenue anticipation notes before fiscal year end while similar financing in the amount of $515.0 million in the prior fiscal year was defeased but still outstanding at June 30, 2010. Assets of the State's business-type activities exceeded liabilities by $5,264.7 million, an increase of $518.2 million as compared to the prior year amount of $4,746.5 million. The overall increase was primarily the result of the following net asset changes: an increase of $428.2 million in Higher Education Institutions and an increase of $171.0 million in Other Enterprises (primarily related to a newly created Transportation Enterprise). In total, net assets of the State increased by $456.0 million to $18,657.8 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $4,842.0 million (prior year $4,676.3 million). In total, governmental fund balances increased by $165.7 million from the prior year due to increases in the General Fund and State Education Fund, which were partially offset by reductions in the Highways Users Tax Fund (HUTF), in the Capital Projects Fund and in the Other Governmental Funds. The General Fund increase is primarily due to the reclassification of $293.7 million into the General Fund as required by the newly implemented fund balance reporting standard and includes the Public School Fund, and various portions of Other Governmental Funds – the most significant of which is the Building Excellent Schools Today (BEST) public school construction program. These funds are referred to as the Special Purpose General Fund, while the general-purpose revenue funded portion of the General Fund is referred to as the General Purpose Revenue Fund. The General Purpose Revenue Fund fund balance increased by $40.2 million over the prior year due to increased tax collections that also allowed for the transfer of $221.4 million to the State Education Fund. Although revenue increased over the prior year, a portion of the normal four percent statutory reserve was needed to offset revenue shortfalls in relation to appropriations. While all revenues and expenditures contributed to the increase in the General Fund fund balance, the change includes an augmenting transfer into the General Fund of $158.1 million, which is down significantly from $815.3 million in Fiscal Year 2008-09 and $418.4 million in Fiscal Year 2009-10. The newly reported major Resource Extraction Fund has a fund balance of $868.5 million; it primarily consists of the Water Projects Fund and the Resource Extraction Fund, which were both reported as nonmajor funds in the prior year. The HUTF decreased primarily due to increased expenditures without the benefit of increasing revenue. The Capital Projects Fund decreased primarily due to the spending of proceeds of Certificates of Participation from the Ralph L. Carr Justice Complex and Colorado History Center projects. The

State Education Fund increased due to the transfer in of $221.4 million of General Fund Surplus at the end of Fiscal Year 2010-11. The Other Governmental Funds decreased by $1,223.1 million, largely due to the required reclassifications resulting from the new fund balance reporting standard GASB Statement No. 54. On the basis of generally accepted accounting principles (GAAP), the unreserved undesignated/unassigned fund balance of the General Purpose Revenue Fund was a deficit of ($21.5) million and ($30.8) million at June 30, 2011 and June 30, 2010, respectively. In addition (on the GAAP basis), the State was $156.6 million short of the amount of net assets required for the statutorily mandated 2.3 percent reserve. The reserve requirement was reduced through legislation from four percent to two and three-tenths percent for Fiscal Years 2010-11; that legislation restored the reserve to four percent for Fiscal Year 2011-12 and required it to increase by 0.5 percent each fiscal year from Fiscal Year 2012-13 through 2016-17. Thereafter, the reserve is to be maintained at 6.5 percent.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $5,264.7 million (prior year $4,746.5 million), of which, $3,746.4 million (prior year $3,586.6 million) was restricted or invested in capital assets, and the balance of $1,518.3 million (prior year $1,159.9 million) was unrestricted. The total increase of $518.2 million in Enterprise Fund net assets was primarily due to an increase of $428.2 million in Institutions of Higher Education, and $171.0 million in Other Enterprises primarily from the newly created Transportation Enterprises – the Bridge Enterprise and the High Performance Transportation Enterprise.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2011, were $1,766.9 million (prior year $2,197.4 million), which is 29.3 percent (prior year 33.8 percent) of financial assets (cash, receivables, and investments) and 9.8 percent (prior year 11.9 percent) of total assets of governmental activities. The governmental activities debt declined due to the retirement of short-term notes during the year as discussed in the Government-Wide section above; the largest single portion is 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 $3,196.2 million (prior year $2,783.3 million). The $412.9 million increase in revenue bonds from the prior year is primarily related to the issuance of $300.0 million in bonds by the Bridge Enterprise in the Department of Transportation. The majority of the remaining outstanding revenue bonds are related to institutions of higher education and are invested in 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 TABOR limit for Fiscal Years 2005-06 through 2009-10. Partially due to the economic downturn, the State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2010-11, and although it did exceed the TABOR limit by $770.2 million, no refund was required because Referendum C removed the ratchet down provision of TABOR. 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, 2011. (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 comparisons and funding progress for other post-employment benefits is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

The government-wide statements focus on the government as a whole. These statements are similar to those reported by businesses in the private sector, but they are not consolidated financial statements because certain intra-entity transactions have not been eliminated. Using the economic resources perspective and the accrual basis of accounting, these statements include all assets 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 financially, 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 current 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 with additional fund detail presented in the Supplementary section of this report. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds.

- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the State's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds generally charge other State agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an increase or reduction to program expenses on the government-wide *Statement of Activities.* On the fund-level statements, nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.
- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported are not available to finance the State's programs, and therefore, these funds are not included in the government-wide statements. The State's fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

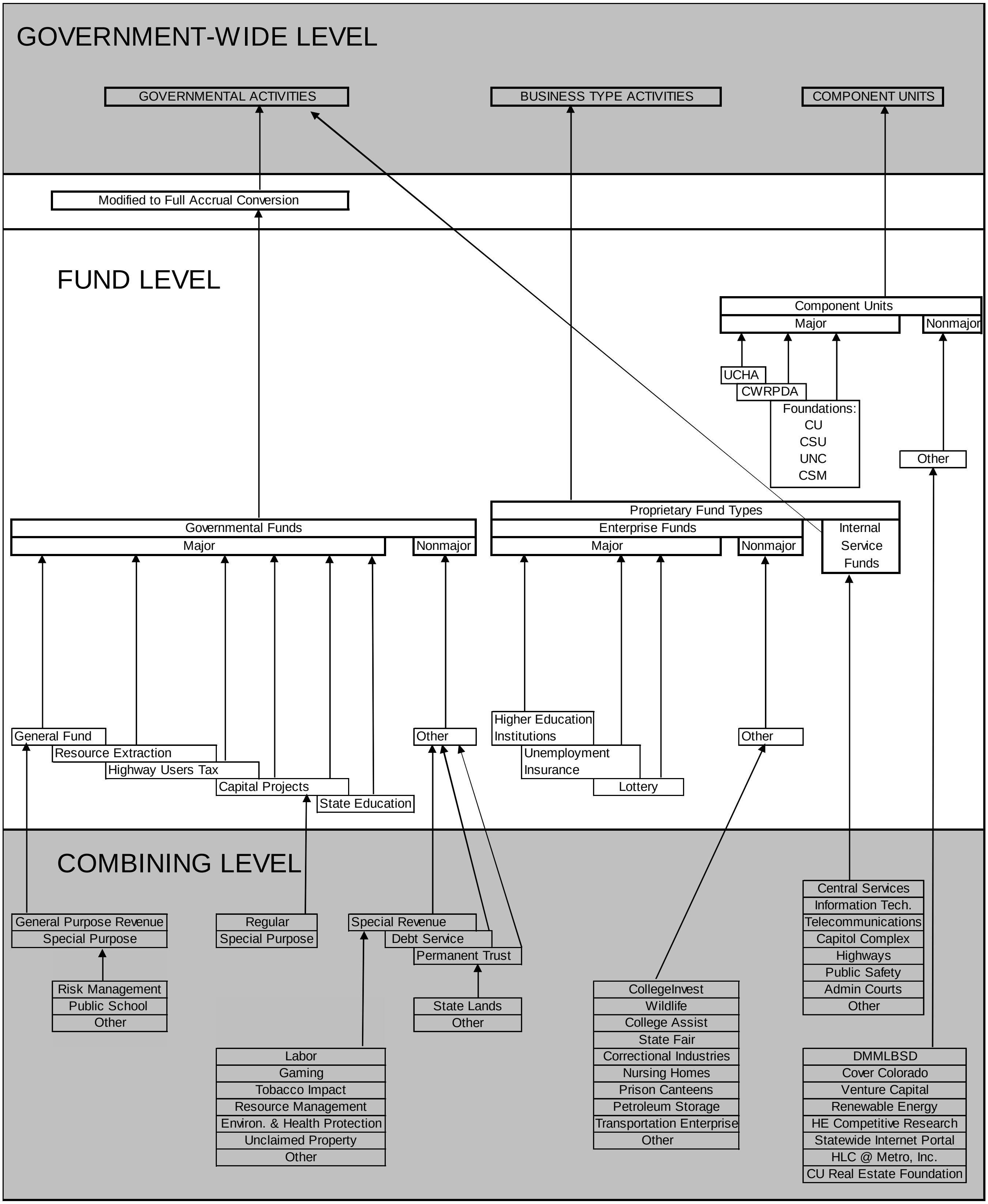
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

Generally accepted accounting principles require certain supplementary information to be presented following the notes to the financial statements. Required supplementary information differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes budgetary comparison schedules and a schedule of funding progress for other post-employment benefits.

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


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
Major
Nonmajor
UCHA
CWRPDA
Foundations:
CU
CSU
UNC
CSM
Other
Proprietary Fund Types
Enterprise Funds
Internal Service Funds
Governmental Funds
Major
Nonmajor
Major
Nonmajor
General Fund
Resource Extraction
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
Lottery
Other
COMBINING LEVEL
General Purpose Revenue
Special Purpose
Risk Management
Public School
Other
Regular
Special Purpose
Special Revenue
Debt Service
Permanent Trust
State Lands
Other
Labor
Gaming
Tobacco Impact
Resource Management
Environ. & Health Protection
Unclaimed Property
Other
CollegeInvest
Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Transportation Enterprise
Other
Central Services
Information Tech.
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Courts
Other
DMMLBSD
Cover Colorado
Venture Capital
Renewable Energy
HE Competitive Research
Statewide Internet Portal
HLC @ Metro, Inc.
CU Real Estate Foundation

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	
	2011	2010	2011	2010	2011	2010
Noncapital Assets	$ 6,874,659	$ 7,208,926	$ 4,588,450	$ 4,180,622	$ 11,463,109	$11,389,548
Capital Assets	11,112,240	11,327,140	5,600,890	5,119,819	16,713,130	16,446,959
Total Assets	17,986,899	18,536,066	10,189,340	9,300,441	28,176,239	27,836,507
Deferred Outflow of Resources	-	-	-	7,778	-	7,778
Current Liabilities	1,965,976	2,551,854	1,362,845	1,482,306	3,328,821	4,034,160
Noncurrent Liabilities	2,627,815	2,528,940	3,559,806	3,079,433	6,187,621	5,608,373
Total Liabilities	4,593,791	5,080,794	4,922,651	4,561,739	9,516,442	9,642,533
Deferred Inflow of Resources	-	-	2,006	-	2,006	-
Invested in Capital Assets, Net of Related Debt	9,836,378	10,118,621	2,990,094	2,854,803	12,826,472	12,973,424
Restricted	2,706,388	2,284,632	756,305	731,810	3,462,693	3,016,442
Unrestricted	850,342	1,052,019	1,518,284	1,159,867	2,368,626	2,211,886
Total Net Assets	$13,393,108	$13,455,272	$ 5,264,683	$ 4,746,480	$ 18,657,791	$18,201,752

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 $12,826.5 million or 68.7 percent of the State's total net assets, which represents a decrease of $146.9 million from the prior year; capital assets decreased in the governmental activities and increased in the business-type activities. The reduction in governmental capital assets is the result of depreciation on existing capital assets, primarily infrastructure, outpacing capital asset replacement and acquisition activity. Approximately $716.0 million in depreciation charges for bridge and roadway infrastructure offset increases related to transportation projects, public school construction, the Colorado History Center, and the Ralph L. Carr Justice Complex that totaled approximately $527.7 million. The current year increase of $135.3 million in business-type activities indicates that capital asset purchases from current resources and borrowing combined with paying down capital related debt exceeded the reduction in carrying value of capital assets caused by recognizing depreciation of those capital assets. It should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $3,462.7 million or 18.6 percent of net assets, which represents an increase of $446.3 million over the prior year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, the amount may not be available for the general use of the State's programs. The constitutionally mandated State Education Fund 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 $421.8 million of the increase and business-type activities accounted for the remaining $24.5 million. The restriction increases in governmental activities are largely due to the implementation of the new GASB Statement No. 54 accounting standard that require analysis of restrictions for each of the State's funds. The largest individual restriction increases related to Gaming Fund moneys ($58.2 million), various federal funds ($49.6 million), State Aviation Fund moneys ($33.0 million), and Lottery funds held for parks and outdoor recreation projects ($25.4 million).

The Unrestricted Net Assets of $2,368.6 million represents 12.7 percent of total net assets and is the amount by which total assets exceed total liabilities after all restrictions and capital asset exclusions are considered. This represents an increase of $156.7 million from the prior fiscal year. The governmental activities unrestricted net assets declined by $201.7 million offset by an increase of $358.4 million in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds; however, legislative action is generally required to make the Special Revenue Fund resources available for State programs other than the program for which the revenue was collected.

Another important measure of the State's financial health is the change in net assets from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments and accounting changes, that the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by $77.1 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 $165.7 million. Program revenue of the governmental activities increased by $618.9 million (7.8 percent) related to increased grants and charges for services, and general-purpose revenues increased by $867.9 million (11.2 percent) primarily due to increased tax collections. Expenses increased by $570.3 million (3.5 percent) from the prior year primarily due to continued spending under the American Recovery and Reinvestment Act (ARRA),

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	$ 1,632,567	$ 1,398,714	$ 4,808,159	$ 3,991,677	$ 6,440,726	$ 5,390,391
Operating Grants and Contributions	6,218,836	5,885,657	3,689,492	3,957,310	9,908,328	9,842,967
Capital Grants and Contributions	659,288	607,383	25,432	24,619	684,720	632,002
General Revenues:						
Taxes	7,576,943	6,739,757	-	-	7,576,943	6,739,757
Restricted Taxes	928,260	873,287	-	-	928,260	873,287
Unrestricted Investment Earnings	6,523	10,215	-	-	6,523	10,215
Other General Revenues	91,608	112,138	-	-	91,608	112,138
Total Revenues	17,114,025	15,627,151	8,523,083	7,973,606	25,637,108	23,600,757
Expenses:						
General Government	192,579	189,865	-	-	192,579	189,865
Business, Community, and Consumer Affairs	667,929	662,854	-	-	667,929	662,854
Education	5,432,143	5,096,032	-	-	5,432,143	5,096,032
Health and Rehabilitation	696,539	659,187	-	-	696,539	659,187
Justice	1,538,363	1,527,857	-	-	1,538,363	1,527,857
Natural Resources	149,878	144,445	-	-	149,878	144,445
Social Assistance	6,397,426	6,091,958	-	-	6,397,426	6,091,958
Transportation	1,974,009	2,105,688	-	-	1,974,009	2,105,688
Interest on Debt	32,487	33,203	-	-	32,487	33,203
Higher Education Institutions	-	-	4,755,385	4,451,541	4,755,385	4,451,541
Unemployment Insurance	-	-	2,141,728	2,496,188	2,141,728	2,496,188
CollegeInvest	-	-	-	68,650	-	68,650
Lottery	-	-	470,480	456,352	470,480	456,352
Wildlife	-	-	108,425	105,037	108,425	105,037
College Assist	-	-	402,648	410,027	402,648	410,027
Other Business-Type Activities	-	-	191,123	170,410	191,123	170,410
Total Expenses	17,081,353	16,511,089	8,069,789	8,158,205	25,151,142	24,669,294
Excess (Deficiency) Before Contributions, Transfers, and Other Items	32,672	(883,938)	453,294	(184,599)	485,966	(1,068,537)
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(110,266)	(94,993)	110,266	94,993	-	-
Permanent Fund Additions	460	357	-	-	460	357
Special Item	-	-	1,493	(79,575)	1,493	(79,575)
Total Contributions, Transfers, and Other Items	(109,806)	(94,636)	111,759	15,418	1,953	(79,218)
Total Changes in Net Assets	(77,134)	(978,574)	565,053	(169,181)	487,919	(1,147,755)
Net Assets - Beginning	13,455,272	15,477,205	4,746,480	4,880,112	18,201,752	20,357,317
Prior Period Adjustment	14,970	(594,624)	(46,850)	35,549	(31,880)	(559,075)
Accounting Changes	-	(448,735)	-	-	-	(448,735)
Net Assets - Ending	$13,393,108	$ 13,455,272	$ 5,264,683	$ 4,746,480	$18,657,791	$18,201,752

albeit at a lower level than in the prior year. The table on the previous page was derived from the current and prior year government-wide *Statement of Activities*.

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $565.1 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 $549.5 million (6.9 percent) and expenses decreased by $88.4 million. Most of the program revenue increase occurred in Higher Education Institutions' Charges for Services ($474.4 million) that offset reductions in Operating Grants and Contributions related to phase-out of American Recovery and Reinvestment Act of 2009 funding ($340.1 million), along with increases in Unemployment Insurance's Charges for Services ($290.7 million). The decrease in expenses is primarily attributable to a 14.6 percent decrease in Unemployment Insurance benefits paid.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2010-11 is the eighteenth year of State operations under Article X, Section 20 of the State Constitution revenue limitations, which is also known as TABOR. With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

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

TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

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

In years when Referendum C 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 current and future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

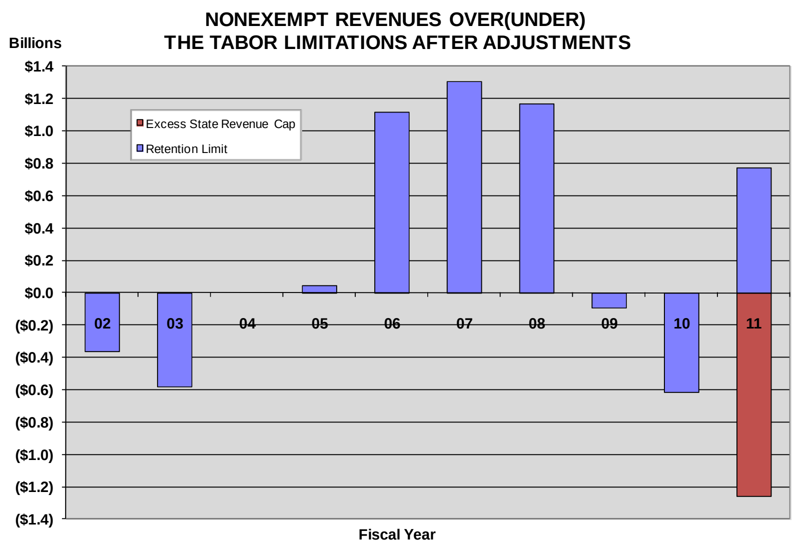
In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The State was required to refund $41.1 million in Fiscal Year 2004-05. At the end of Fiscal Year 2010-11, 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 except for the $0.7 million amount currently shown in the financial statements.

With the end of the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2005-06 through Fiscal Year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the TABOR retention limit continues to apply, but the new ESRC replaces it as the limit that triggers taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in Fiscal Year 2007-08. For Fiscal Year 2010-11, unaudited State revenues subject to TABOR were $9,424.8 million, which was $1,260.1 million under the ESRC, and $770.2 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

During Fiscal Year 2010-11, Ft. Lewis College requalified as TABOR enterprises because it received less than 10 percent of revenues from the State. As required by TABOR, the State Controller makes the qualification or requalification of enterprises neutral in the excess revenue calculation by removing the newly qualified or requalified enterprise's nonexempt revenues from the TABOR base before adjusting for allowable growth. In Fiscal Year 2010-11, the TABOR limit was decreased by $17.7 million related to the enterprise qualification.

Legislation was enacted in the 2011 legislative session to merge the Division of Parks (a nonexempt-TABOR activity) and the Division of Wildlife (a TABOR enterprise); the new Division is in its entirety authorized as a TABOR enterprise starting in Fiscal Year 2011-12.

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 State retained $3,593.6 million during the five-year refund time-out authorized by Referendum C.

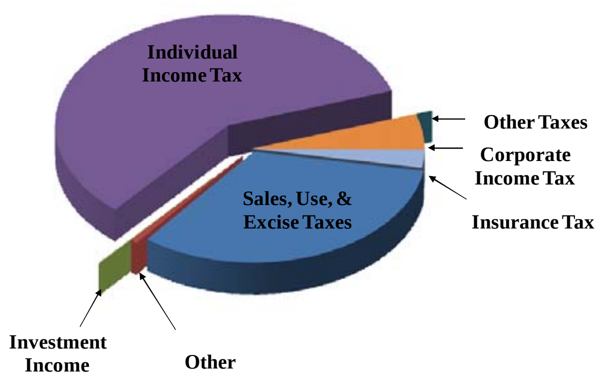
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery the State's revenues are not expected to exceed the ESRC cap during Fiscal Year 2010-11. Neither the Legislative Council nor the Governor's economic forecast projects TABOR revenue in excess of the TABOR limit throughout the forecast period that goes through Fiscal Year 2013-14.

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. Beginning in Fiscal Year 2010-11, with the implementation of new accounting standards, the General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund and Other Special Purpose Funds reside in the General Fund along with Risk Management. These funds are referred to as Special Purpose General Funds, and the traditional General Fund is referred to as the General Purpose Revenue Fund. Revenues of the General Purpose Revenue Fund consist of two broad categories - general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Augmenting revenues include federal funds, transfers-in, fees and charges, or specific user taxes. Augmenting revenues are usually limited as to how they can be spent. Even though significant federal grant revenues are accounted for in the General Purpose Revenue Fund, they have little impact on fund balance because most federal revenues are earned on a reimbursement basis and are closely matched with federal expenditures.

GENERAL-PURPOSE REVENUES BY SOURCE

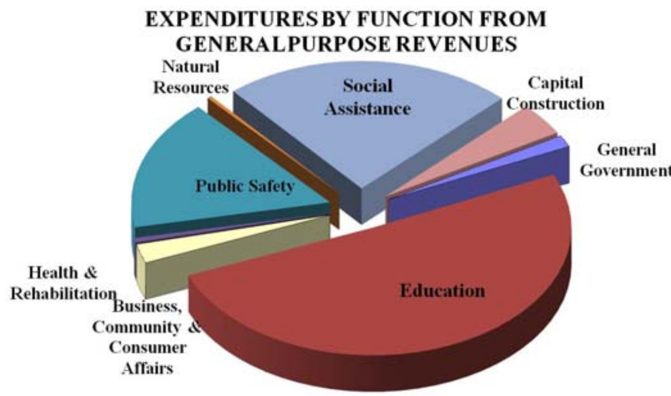


The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $602.8 million, $32.4 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. On a comparable basis, the net assets of General Purpose Revenue Fund increased by $39.6 million from the prior year. While the State was able to fund the General Fund Statutory Reserve of $156.6 million on the budget basis due to the deferral of certain expenditures into the following fiscal year, the required reserve on a GAAP basis was zero and the Unassigned Fund Balance was a deficit of $21.5 million. On both the budget basis and the GAAP basis, the General Purpose Revenue Fund received augmenting transfers of $158.1 million in Fiscal Year 2010-11 ($418.4 million Fiscal Year 2009-10) to address the State's budget crisis. In Fiscal Year 2010-11 the augmenting transfers were not necessary to prevent a General Purpose Revenue Fund deficit as was the case in the prior year; General Purpose Revenue Fund fund deficits are constitutionally prohibited. However, absent these transfers general-purpose-revenue-funded programs would eventually be required to reduce expenditures by the transferred amounts. The General Purpose Revenue Fund's $173.6 million year-end cash balance increased by $293.0 million from the prior year primarily due to improving tax collections.

General-purpose revenues for Fiscal Years 2010-11 and 2009-10 were $7,085.8 million (see page 165) and $6,456.1 million, respectively – an increase of $629.7 million or 9.8 percent. Individual income tax revenue increased by $377.1 million or 10.0 percent. The major categories of individual income tax, that contributed to the increase, were estimated payments (up 38.3 percent), and withholding payments (up 4.8 percent). Cash with income tax returns and income tax refunds did not change significantly from the prior year. The significant percentage increase in estimated tax payments is normally associated with improving self-employment income and taxpayers' investment earnings. The increase in withholding reflects modest job growth and some wage inflation. Corporate income tax receipts increased by $15.5 million or 4.4 percent reflecting corporate cost cutting and improved profitability. Sales, use, and excise taxes increased by $251.6 million or 12.1 percent, which is consistent with the 5.0 percent projected increase in personal income in 2011. Other revenue decreased by $14.7 million or 24.3 percent primarily related to a $14.2 million decrease in court receipts that were redirected to support the Ralph L. Carr Judicial Complex.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2010-11 and 2009-10 were $6,921.6 million (see page 165) and $6,727.7 million, respectively. For Fiscal Year 2010-11, the total annual increase in general-funded appropriations was limited to five percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process. In Fiscal Year 2010-11, revenues were not sufficient to support the allowed appropriation growth and budget cuts were enacted that resulted in the budget decreasing by 8.4 percent.

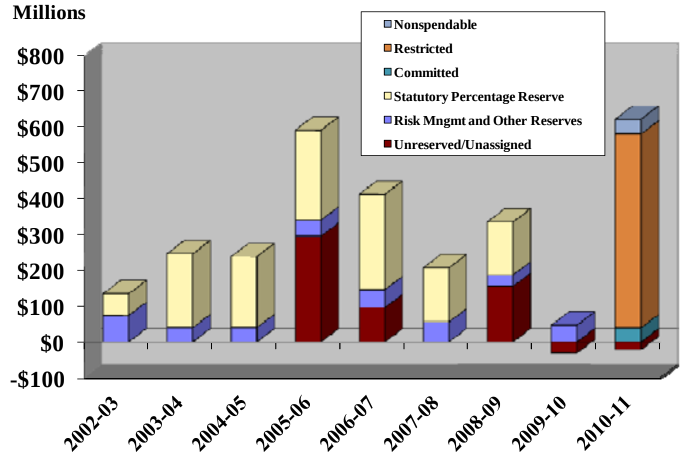
The Special Purpose portion of the General Fund fund balance totaled $570.4 million in Fiscal Year 2010-11. Risk Management was previously reported in the General Fund, and continues to be reported in the General Fund as part of the Special Purpose General Fund. Beginning in Fiscal Year 2010-11 the Public School Fund and Other Special Purpose Funds are also reported as part of the Special Purpose General Fund, and together they increased General Fund beginning fund balance by $557.1 million.



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 81.7 percent of all Fiscal Year 2010-11 general-funded expenditures, which is a decrease of 0.6 percent from the prior year. The Departments of Higher Education, Corrections, and Health Care Policy and Financing's general-funded expenditures increased $276.3 million (64.4 percent), $92.6 million (16.4 percent), and $151.6 million (13.2 percent), respectively. The percentage use of general-funded resources by these three departments increased as a result of the phase-out of American Recovery and Reinvestment Act of 2009 moneys for education stabilization and government services stabilization, and because of increased Medicaid caseloads coupled with the deferral of two additional weeks of Medicaid expenditures from Fiscal Year 2009-10 into Fiscal Year 2010-11. The Departments of Revenue, Education and Human Services' general-funded expenditures decreased by $18.5 million (34.2 percent), $275.8 million (8.5 percent), and $27.0 million (3.6 percent), respectively. The percentage reductions of general-funded resources by these three departments was primarily the result of fewer Old Age Pension payments in the Department of Revenue, the receipt of federal funds offsetting mandated increased in the Department of Education related to local public school districts pursuant to Amendment 23 passed in the 2000 legislative session, and reductions in the Department of Human Services related to child welfare services, residential treatment placement in the Division of Youth Corrections, and in the mental health institutes.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2010-11, the State met the statutory required reserve on a budgetary basis, but not on the GAAP basis. The statutorily required process of deferring expenditures moved $86.4 million of payroll, $166.7 million of Medicaid, and $1.3 million of OIT expenditures into Fiscal Year 2011-12. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $101.3 million. In total, the effect was to increase General Fund budgetary fund balance by $151.8 million, which was $16.4 million less than the effect of deferring Fiscal Year 2009-10 expenditures into Fiscal Year 2010-11. Although Medicaid expenditures continue to increase, the Medicaid related deferral declined because the additional two weeks of Medicaid expenditure deferral that occurred in the prior year did not recur in the current fiscal year. These deferrals made available funds to meet the statutorily required reserve and allowed excess general-purpose resources (including the $158.1 million referenced in the revenue section above) in the amount of $221.4 million and $67.5 million to be transferred to the State Education Fund and the State Public School Fund, respectively.

GENERAL FUND - FUND BALANCE[1]



[1] Beginning in Fiscal year 2010-11, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management remained part of General Fund fund balance and other Special Purpose Funds became part of General Fund fund balance.

The chart shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes in effect for Fiscal Year 2010-11 require a two and three-tenths percent fund balance reserve of $156.6 million; however, as previously discussed, the General Purpose Revenue Fund did not have adequate unassigned resources to meet the required two and three-tenths percent reserve on the GAAP basis and ended the year with a ($21.5) million shortfall. Statutory compliance was achieved on a budgetary basis by deferring $151.8 million of payroll, Medicaid, and other costs into Fiscal Year 2011-12. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03, and has prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06 and 2006-07 when adequate resources were available for a positive budgetary reserve without the deferral. In Fiscal Year 2010-11 the statutorily required reserve was lowered from four percent to two and three-tenths percent of appropriations. As previously noted and shown in the graph above, the implementation of GASB Statement No. 54 in Fiscal Year 2010-11 modified the required fund balance classifications. As a result, "Risk Management and Other Reserves" are included as Special Purpose Fund balances. The implementation also moved a number of Special Purpose Funds that do not have sufficient original source revenue streams to qualify as special revenue funds into the General Fund; this significantly increased the overall General Fund fund balance ($293.7 million). See Note 29B and the General Fund Components Combining Statement in the Supplementary Information section of this report for additional information on the GASB Statement No. 54 implementation.

Resource Extraction Fund

The Resource Extraction Fund comprises receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments and regulatory costs. This fund also accounts for construction loans made to local governments and special districts to enhance the use of water resources of the State. The Resource Extraction Fund was previously reported as a nonmajor special revenue fund, and with the implementation of GASB Statement No. 54, the Water Projects Fund, also formerly a nonmajor special revenue fund, was combined into the Resource Extraction Fund. A significant portion, $427.2 million, of the fund's net assets of $868.5 million comprises long-term loans receivables related to the financing of local government water projects by the Water Projects Fund.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $39.5 million from the prior year largely due to increased expenditures and minimal increases in revenue. Legislation in response to the economic downturn has permanently eliminated General Purpose Revenue Fund Surplus diversions to HUTF and also terminated the diversion of sales and use tax from the General Fund to the Highway Fund until at least Fiscal Year 2018-19.

The HUTF shows a fund balance of $1,203.0 million. This amount includes $854.3 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,160.8 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance decreased by $165.7 million from the prior fiscal year primarily due to significant spending of Certificates of Participation proceeds to construct the Ralph L. Carr Justice Complex and the Colorado History Center. Fund expenditures of $217.5 million were primarily related to projects appropriated in previous years. Capital outlay expenditures increased by $53.6 million due to the Ralph L. Carr Justice Complex construction, General Government expenditures decreased by $6.8 million, and Justice expenditures decreased by $41.9 million due to the use of refunding proceeds that occurred in Fiscal Year 2009-10, but not Fiscal Year 2010-11. Investment income declined by $4.2 million. The Capital Projects Fund reported fund balance restrictions of $185.4 million related to certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance increased by $171.2 million during Fiscal Year 2010-11. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer tax liability, and the fund's portion of those receipts increased in Fiscal Year 2010-11 by $41.5 million from the prior year. Investment income declined by $6.8 million from the prior year primarily due to unrealized investment losses, that reduced realized investment income by over two-thirds. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Transfers-in from the General Purpose Revenue Fund increased by $221.4 million which contributed to the improved fund balance position. Expenditures of the fund were $416.6 million and $475.0 million in Fiscal Year 2010-11 and 2009-10, respectively.

Higher Education Institutions

Current activity reduced by a prior period adjustment of $46.3 million increased the net assets of the Higher Education Institutions by $428.3 million. The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $188.0 million, sales of goods and services increased by $286.4 million, federal revenues decreased by $168.9 million, and Other Operating revenues increased by $13.4 million. In addition, investment income (including an increase in fair value of investments) was $166.2 million. Overall, revenues increased by 7.6 percent and expenses increased by 7.2 percent The State made capital contributions of $11.3 million and $32.8 million in Fiscal Years 2010-11 and 2009-10, respectively, that were funded by the Capital Projects Fund and transferred $185.6 million ($174.5 million in Fiscal Year 2009-10) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training. In response to the State's budget crises, the Governor's Office provided the remaining $29.1 million of funding from American Recovery and Reinvestment Act (ARRA) moneys in the State Fiscal Stabilization Fund to institutions of higher education. The money was used to fund normal operations and to prevent reductions that would otherwise have been made to the related general-funded appropriations.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund were in deficit by ($117.9) million because the fund's current liabilities exceeded the fund's assets. This represents a slight decrease in net assets of $2.2 million, as high unemployment persists due to the sluggish economy. Unemployment benefits paid decreased by $364.9 million, or (14.6) percent, after increasing $1,357.0 million in the prior year. The reduced benefits paid caused a reduction of $135.9 million in federal grants – including ARRA funds that extended the duration of unemployment benefits. Unemployment insurance premiums collected increased by $290.7 million over the prior year. The change in net assets was also affected by a $2.6 million decrease in investment earnings. 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 of $2.7 million from Fiscal Year 2009-10 was completely depleted, and it borrowed $1.7 million of General Purpose Revenue Fund pooled cash to avoid a cash deficit. In addition, the fund reports a $302.5 million payable to the federal government for borrowing to support the State's share of unemployment benefit payments.

State Lottery

The Lottery produced operating income of $113.3 million ($113.8 million in Fiscal Year 2009-10) on sales of $526.3 million ($512.3 million in Fiscal Year 20009-10). The change represents a 0.4 percent decrease in operating income. The Lottery distributed $56.0 million ($56.4 million in Fiscal Year 2009-10) to the Great Outdoors Colorado program, a related organization, and transferred $57.9 million ($57.1 million in Fiscal Year 2009-10) to other State funds, of which, $10.1 million was used to fund operations of the State's Division of Parks and Recreation and $45.3 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 nominally from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 165. 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 $13.0 million.

Department of Education – The department's original budget exceeded the final budget by $576.4 million. House Bill 10-1369 reduced the budgeted amount by $363.5 million in order to balance the State budget due to general-purpose revenue shortfalls. Another reduction of $216.4 million in general-funded budget was enacted as federal money became available through two sources.

Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $77.2 million. The primary reasons for the decrease include:

- $140.7 million decrease due to the additional transfers in from cash sources including transfers from the Health Care Expansion Fund, the Hospital Provider Fee Cash fund, the Supplemental Old Age Pension Fund, and tobacco tax funds,
- $53.4 million increase due to the phase-out of ARRA funding, offset by new Children's Health Insurance Reauthorization Act bonus moneys,
- $13.1 million increase required by the deferral of June 2010 Medicaid payments from Fiscal Year 2009-10 into Fiscal Year 2010-11 (a matching deferral was not done in June 2011), and
- $8.2 million decrease related to rate reductions in payments to nursing facility providers.

Department of Higher Education – The department's original budget was $44.8 million under the final budget. This difference comprises a $15.4 million reduction of general-funded budget to be funded from the proceeds of the sale of CollegeInvest's loan portfolio, and an increase of $60.0 million in institution of higher education fee for service contracts and area vocation support that had been ARRA-funded (federal funds) in the prior year.

Department of Human Services – The department's original budget exceeded the final budget by $13.0 million. This was largely the result of decreases in community services for people with developmental disabilities. A portion of the costs were refinanced with Medicaid funds, and a portion of the costs were eliminated with reductions in contract placement services in the Division of Youth Corrections.

Department of Revenue – The department's original budget exceeded the final budget by $19.3 million. This was largely the result of decreases in general-funded appropriations for driver and vehicle services that were refinanced to cash-funded appropriations.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $171.7 million for Fiscal Year 2010-11 including deficit fund balances that are considered overexpenditures and excluding $18.2 million of duplicate overexpenditures resulting from inadequate imputed spending authority related to Long Bill cash fund annotations where reappropriations were not made. General-funded overexpenditures are discussed in detail in Note 8A on page 84 at the individual line item appropriation level. After reduction for general-funded overexpenditures ($12.0 million), State departments reported general-funded appropriation reversions of $19.4 million. In addition, departments reverted $6.7 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $2.3 million (0.4 percent) primarily due to difficulty in hiring qualified drug and alcohol counselors coupled with the uncertainty of funding those positions in the future. Additional funds were appropriated for wrap around services for parolees; however, the availability of services was limited. There were smaller reversions related to parole board contracts, dispatch services, and medical services.
- Department of Health Care Policy and Financing – The department had negative reversions of $6.1 million (0.5 percent) primarily caused by the general fund overexpenditure of $8.5 million detailed in Note 8A. Caseloads and utilization of medical services increased more than forecasted.
- Department of Human Services – The department reverted $3.9 million (0.6 percent) comprising numerous small amounts, the most significant of which are:
  - $1.0 million of county tax-base relief moneys that were not expended for Tier I counties were reverted in lieu of being transferred for county administration costs,
  - $0.8 million of general administration appropriations not expended due availability of additional federal indirect costs recoveries, and worker's compensation and risk management costs being lower than anticipated,
  - $0.6 million due to unanticipated cash collections for which the department could add cash-funded spending authority which also reduced general-funded needy and disabled state support expenditures,
  - $0.4 million from a one-time federal reimbursement reducing general-funded food assistance expenditures, and
  - $0.3 million in reduced Division of Youth Corrections' spending related to slightly lower than estimated caseloads and a policy changes prohibiting conference expenses.
- Legislative Branch – The Legislative Branch reverted $3.0 million (8.7 percent) including $1.6 million due to amounts appropriated for a Special Session, which did not occur. Other reversions were not deemed individually significant and were related to personal services, travel, and leased computers.

- Department of Public Safety – The department reverted $1.9 million (2.3 percent) from its community corrections appropriation, primarily due to the underutilization of residential beds. Prior year legislative changes continue to account for reduced referrals to the program.
- Department of Revenue – The department reverted $9.4 million (5.5 percent) compromising several amounts the most significant which are:
  - $5.7 million for demand driven old age pension programs administered by the Department of Human Services,
  - $1.6 million in personal services and benefits for various programs throughout the department,
  - $1.3 million for old age heat and fuel rebates that have decreased with the requirement for verification of legal presence, and
  - $0.3 million for cigarette tax rebates issued to counties, based on monthly cigarette tax collections that have been declining.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2011, was $16.7 billion ($16.4 billion in Fiscal Year 2009-10). Included in this amount were $14.0 billion of depreciable capital assets after reduction for $6.1 billion of accumulated depreciation. Also included was $2.7 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,440.4 million and $1,362.7 million of capital assets in Fiscal Year 2010-11 and 2009-10, respectively. Of the Fiscal Year 2010-11 additions, $656.1 million was recorded by governmental funds and $784.4 million was recorded by business-type activities. General-purpose revenues funded $42.3 million of capital and controlled maintenance expenditures during Fiscal Year 2010-11 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 capital assets at June 30, 2011 and 2010, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 153	$ 154	$ 384	$ 360	$ 537	$ 514
Collections	9	9	19	18	28	27
Construction in Progress	738	613	534	829	1,272	1,442
Infrastructure	881	861	1	-	882	861
Total Capital Assets Not Being Depreciated	1,781	1,637	938	1,207	2,719	2,844
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,908	1,662	6,383	5,483	8,291	7,145
Software	209	173	109	74	318	247
Vehicles and Equipment	647	646	852	815	1,499	1,461
Library Books, Collections, and Other Capital Assets	44	41	489	481	533	522
Infrastructure	9,466	9,313	25	21	9,491	9,334
Total Capital Assets Being Depreciated	12,274	11,835	7,858	6,874	20,132	18,709
Accumulated Depreciation	(2,943)	(2,145)	(3,195)	(2,961)	(6,138)	(5,106)
Total	$ 11,112	$ 11,327	$ 5,601	$ 5,120	$ 16,713	$ 16,447

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2011, the State had commitments of $62.1 million in the Capital Projects Fund ($91.7 million in Fiscal Year 2009-10) and $854.3 million in the Highway Users Tax Fund ($960.9 million in Fiscal Year 2009-10). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation. The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the

State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. TABOR does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the State has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and State highway users taxes. 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 2010-11
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 107.6	$ 33.8	$ 869.3	$ 142.1	$ 897.6	$ 660.7	$ 1,874.5	$ 836.6
Business-Type Activities	48.4	17.2	2,762.2	2,278.8	430.5	219.9	3,241.1	2,515.9
Total	$ 156.0	$ 51.0	$ 3,631.5	$ 2,420.9	$ 1,328.1	$ 880.6	$ 5,115.6	$ 3,352.5

Fiscal Year 2009-10
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 97.1	$ 30.9	$ 992.4	$ 190.7	$ 690.0	$ 595.1	$ 1,779.5	$ 816.7
Business-Type Activities	83.4	31.3	2,306.7	1,776.2	432.7	241.5	2,822.8	2,049.0
Total	$ 180.5	$ 62.2	$ 3,299.1	$ 1,966.9	$ 1,122.7	$ 836.6	$ 4,602.3	$ 2,865.7

In Fiscal Year 2009-10, the total principal amount of capital leases, revenue bonds, and COPs was 40.4 percent of assets other than capital assets. In Fiscal Year 2010-11, that measure increased to 44.6 percent because noncapital assets increased 0.6 percent while the principal amount of capital leases, revenue bonds, and COPs increased by 11.2 percent. The majority of the increase for governmental activities is related to several financed construction projects for local schools under the Build Excellent Schools Today (BEST) program ($217.5 million), offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($119.4 million), while the majority of the increase for business-type activities is related to the issuance of bonds by the Bridge Enterprise in the Department of Transportation ($300.0 million). Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,050 , $1,022 , $1,201, $1,134, and $1,064 per person in Fiscal Years 2010-11, 2009-10, 2008-09, 2007-08, and 2006-07, respectively.

INFRASTRUCTURE ASSETS PREVIOUSLY REPORTED UNDER THE MODIFIED APPROACH

Each year the Colorado Department of Transportation (CDOT) provides the Colorado Transportation Commission with estimates of the funding needed to either maintain or improve existing infrastructure condition over the next 20 years. Based on the estimates, the State previously reported bridge and roadway infrastructure owned and maintained by the State's Department of Transportation under the modified approach. The main feature of the modified approach is that annual maintenance and preservation costs were reported rather than depreciation. However, the State was unable to provide adequate resources to meet acceptable condition assessment targets and bridges were taken off the modified approach in Fiscal Year 2007-08; roadways were taken off the modified approach in Fiscal Year 2009-10.

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 Commission established condition levels as required by the modified approach. Therefore, the department began reporting depreciation of its bridges in Fiscal Year 2007-08. CDOT monitors and rates the condition of approximately 3,800 bridges under its jurisdiction. Bridges that are unsafe are closed to traffic without regard to their condition rating. Although the modified approach is no longer used for bridges, the following information is included to show historical condition levels through the current fiscal year.

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Poor	5.53	5.48	5.62	6.21	5.81	5.61	3.39	3.84	4.37

Beginning in Fiscal Year 2009-10, the Department of Transportation reported that due to several years of decreases in General Fund diversions and transfers, available resources were no longer adequate to maintain the State's roadways at the Commission established condition levels as required by the modified approach. Therefore, the department began reporting depreciation of its roadways in Fiscal Year 2009-10. Although the modified approach is no longer used, the following information is included to show historical condition levels through the current fiscal year.

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Good/Fair	48	48	50	53	59	63	65	61	58
Percent Rated Poor	52	52	50	47	41	37	35	39	42

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2009-10 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2010-11, as follows:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the State to retain all revenues in excess of the TABOR limit for a five-year period from Fiscal Year 2005-06 through 2009-10. During that period, the State retained $3,593.6 million that it would otherwise have been required to refund to State taxpayers. Due to the shortfall in current and prior year revenues, no amounts were retained in Fiscal Years 2008-09 or 2009-10. Referendum C created an Excess State Revenue Cap (ESRC) that increases each year for inflation and population growth and allows the State to retain and spend amounts above the TABOR limit and below the ESRC. This provision removes the effect of the TABOR ratchet down provision (discussed earlier in this MDA). However, economic recovery and State revenue growth rates in excess of the population and inflation adjustment could result in future refunds of TABOR revenues in excess of the new ESRC. In Fiscal Year 2010-11, the State was $1,260.2 million under the ESRC, but absent Referendum C, would have been required to refund $770.2 million per the TABOR limit due to its ratchet down provision. Both the Legislative Council economist and the Governor's Office of State Planning and Budgeting economists project there will be no TABOR refunds in their three-year forecast period.

- Pension Plan Contributions

  - Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns of 17.4 percent and 14.0 percent in 2009 and 2010, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 62.8 percent at December 31, 2010. Because of the four-year smoothing, the full effect of the 2008 negative return and subsequent partial recovery is not reflected in the funding ratio. In 2000, when the State Division and the School Division were reported as a single division, the combined division had a funding ratio of 104.7 percent. At December 31, 2010, the amortization period for the plan was 47 years, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will be fully funded by December 31, 2057. The employer contribution rate of 12.25 percent for most State employees as of June 30, 2011, was 0.8 percentage points (or 7.0 percent) above the average during the 1990s. If not for Senate Bill 10-146 (discussed below) requiring State employees to pay an additional 2.5 percent of salary in Fiscal Year 2010-11, the State's contribution would have been 14.75 percent – 3.6 percent points or 32.3 percent above the 1990s' average. However, based on the 2008, 2009, and 2010 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.16, 16.09, and 17.77 percent, respectively, to achieve the 30-year amortization period required by the Governmental Accounting Standards Board.

  - In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 session. In the 2010 legislative session, the General Assembly extended the increases required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 15.65 percent in 2012 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.

  - To provide budgetary relief for the State, Senate Bill 10-146 requires that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunsets as of June 30, 2012, after which employee contribution rates will return to the 8.0 percent level in effect prior to July 1, 2010, and State employer contributions will increase to 15.65 percent including the AED and SAED. The Governor's most recent budget balancing plan does not recommend the extending of the 2.5 percent contribution swap past June 30, 2012.

  - Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the current 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires after 2011, to 90 for new hires after 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. In its 2010 Comprehensive Annual Financial Report, PERA assessed a negative outcome as unlikely, and in June 2011, the Denver District Court dismissed the lawsuit.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C in 2000 and the deterioration of general-funded revenues during Fiscal Years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in Fiscal Year 2010-11, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For Fiscal Year 2011-12, $658.9 million is budgeted from the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Children's' Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift beginning in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Fund. In Fiscal Year 2009-10 this treatment was extended to two weeks of Medicaid payments. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($153.1 million net of related deferred revenue in Fiscal Year 2010-11) 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, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $173.6 million at June 30, 2011, providing apparent liquidity. However, as noted previously, this amount was augmented by $158.1 million of cash transfers from other funds. When combined with nontax receivables it is still significantly less than the $892.2 million due to vendors, other governments, and other funds at June 30, 2011. These conditions demonstrate that the General Fund increasingly comprises tax receivables ($1,065.5 million) net of tax refunds payable ($615.2 million) and deferred revenue ($281.9 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy turns down again, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on General Purpose Revenue Fund fund balance. Although there were increased tax collections in Fiscal Year 2010-11, the anemic State economy has over time resulted in significantly lower general-purpose revenues than pre-recession amounts and has exacerbated the lack of General Fund liquidity. The General Fund legally has access to short-term borrowing from the cash balances of other funds. Additional cash transfers occurred in Fiscal Year 2010-11 and more are scheduled for Fiscal Year 2011-12 and beyond; however, those transfers become increasingly difficult as accessible cash fund balances are depleted.

- Debt Service
  - Principal and interest payments on the remaining $828.2 million 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 service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.
  - In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued $300.0 million of enterprise fund revenue bonds to be paid from the revenue stream mentioned above. The department has additional large borrowings planned.
  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Complex, the Colorado History Center, a prison, a hospital building, and a number of school buildings in local school districts. The average debt service over next five years totals $64.3 million. The majority of the revenue streams to cover the debt service payments comprises cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.
- Intergovernmental Fiscal Dependency – The State expended $9,547.4 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2010-11 which represents 38.0 percent of the $25,151.1 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is up from the 36.0 percent reported in Fiscal Year 2009-10. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately $0.7 trillion for the 2012 federal Fiscal Year, and a $3.2 trillion deficit for federal Fiscal Years 2011-2015. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

- American Reinvestment and Recovery Act – In response to the global economic downturn that occurred during 2008, the United States Congress passed the American Recovery and Reinvestment Act (ARRA) in February of 2009. ARRA is intended to stimulate the U. S. economy by providing $787 billion of funding to states for job creation and retention and to spur economic activity and long-term growth, as well as providing transparency and accountability in government spending. The Act as passed provided $288 billion in tax cuts, $224 billion for education, health care and entitlement programs, and $275 billion for various federal grants, contracts and loans. These funds have been and continue to be made available to the public through state and local governments.

  The State expects to receive approximately $7.2 billion dollars in ARRA funds with approximately $3.5 billion overseen or distributed by State government. The State expended $533.5 million of funds in Fiscal Year 2008-09, $2,461.8 million in Fiscal Year 2009-10, and $1,769.0 million in Fiscal Year 2010-11. These amounts differ from the amounts reported under Section 1512 of the Act because entitlement based amounts such as Unemployment Benefits and Medicaid services were not subject to 1512 reporting. The most significant Fiscal Year 2010-11 ARRA expenditures were:

  - $798.6 million of Unemployment Benefits ($1,355.2 million in the prior year),
  - $397.5 million of increased Medicaid funding ($415.3 million in the prior year),
  - $346.5 million distributed to local school districts by the Colorado Department of Education ($93.1 million in the prior year),
  - $62.6 million for Social Assistance programs in the Department of Human Services ($32.2 million in the prior year), and
  - $29.4 million of State Fiscal Stabilization Funds expended by the Higher Education Institutions ($382.1 million in the prior year).

  With a substantial portion of ARRA funding expended, the State will have to reduce State services unless it identifies other revenue streams to replace ARRA funding. Current revenue forecasts do not project adequate revenues to compensate for the reduction in ARRA funding.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,548,435	$ 1,306,800	$ 2,855,235	$ 223,855
Investments	45,548	273,605	319,153	72,810
Restricted Securities Not Held for Investment	-	-	-	7,884
Taxes Receivable, net	830,730	186,161	1,016,891	-
Contributions Receivable, net	-	-	-	42,817
Other Receivables, net	147,768	302,042	449,810	197,235
Due From Other Governments	486,655	177,822	664,477	2,122
Internal Balances	18,620	(18,620)	-	-
Due From Component Units	62	19,736	19,798	-
Inventories	19,837	43,600	63,437	17,069
Prepaids, Advances, and Deferred Charges	56,543	18,018	74,561	10,426
Other Current Assets	-	-	-	435
Total Current Assets	3,154,198	2,309,164	5,463,362	574,653
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,635,476	409,652	2,045,128	112,899
Restricted Investments	1,097,797	98,146	1,195,943	511,691
Restricted Receivables	173,347	24,980	198,327	22,416
Restricted Securities Not Held for Investment	-	-	-	40,793
Investments	52,343	1,623,569	1,675,912	2,486,498
Contributions Receivable, net	-	-	-	56,799
Net Pension Asset	-	-	-	6,800
Other Long-Term Assets	761,498	122,939	884,437	1,255,050
Depreciable Capital Assets and Infrastructure, net	9,331,295	4,662,346	13,993,641	729,462
Land and Nondepreciable Infrastructure	1,780,945	938,544	2,719,489	78,944
Total Noncurrent Assets	14,832,701	7,880,176	22,712,877	5,301,352
TOTAL ASSETS	17,986,899	10,189,340	28,176,239	5,876,005
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	-	625,145	-
Accounts Payable and Accrued Liabilities	785,496	556,294	1,341,790	116,648
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	216,956	331,246	548,202	397
Due To Component Units	-	524	524	-
Deferred Revenue	111,506	234,662	346,168	10,839
Accrued Compensated Absences	9,741	14,579	24,320	17,902
Claims and Judgments Payable	44,641	-	44,641	26,910
Leases Payable	12,872	4,950	17,822	700
Notes, Bonds, and COPs Payable	145,165	79,106	224,271	77,598
Other Current Liabilities	13,748	141,484	155,232	137,722
Total Current Liabilities	1,965,976	1,362,845	3,328,821	388,716
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	-	14	270,691
Accrued Compensated Absences	137,139	205,621	342,760	-
Claims and Judgments Payable	340,003	35,373	375,376	-
Capital Lease Payable	94,716	43,466	138,182	2,032
Derivative Instrument Liability	-	6,182	6,182	-
Notes, Bonds, and COPs Payable	1,621,749	3,117,100	4,738,849	1,873,316
Due to Component Units	-	2,374	2,374	-
Other Postemployment Benefits	-	105,876	105,876	-
Other Long-Term Liabilities	434,194	43,814	478,008	139,548
Total Noncurrent Liabilities	2,627,815	3,559,806	6,187,621	2,285,587
TOTAL LIABILITIES	4,593,791	4,922,651	9,516,442	2,674,303
DEFERRED INFLOW OF RESOURCES:	-	2,006	2,006	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	9,836,378	2,990,094	12,826,472	210,847
Restricted for:				
Construction and Highway Maintenance	1,160,789	-	1,160,789	-
Education	485,171	-	485,171	-
Debt Service	10,127	6,753	16,880	-
Emergencies	85,400	12,368	97,768	24
Permanent Funds and Endowments:				
Expendable	8,017	5,936	13,953	768,198
Nonexpendable	641,802	73,956	715,758	659,318
Other Purposes	315,082	657,292	972,374	576,703
Unrestricted	850,342	1,518,284	2,368,626	986,612
TOTAL NET ASSETS	$ 13,393,108	$ 5,264,683	$ 18,657,791	$ 3,201,702

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS) Functions/Programs	Expenses: Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 209,361	$ (16,782)	$ 115,099	$ 262,891	$ -
Business, Community, and Consumer Affairs	665,833	2,096	128,502	305,940	921
Education	5,431,151	992	20,032	1,017,935	84
Health and Rehabilitation	695,524	1,015	83,967	383,316	-
Justice	1,533,786	4,577	193,663	67,514	1,146
Natural Resources	148,761	1,117	170,661	55,309	15
Social Assistance	6,395,276	2,150	517,493	4,032,317	18
Transportation	1,972,582	1,427	403,150	93,614	657,104
Interest on Debt	32,487	-	-	-	-
Total Governmental Activities	17,084,761	(3,408)	1,632,567	6,218,836	659,288
Business-Type Activities:					
Higher Education	4,753,306	2,079	3,112,618	1,903,938	20,260
Unemployment Insurance	2,141,728	-	792,951	1,348,832	-
Lottery	470,020	460	527,184	560	-
Wildlife	107,983	442	101,338	22,256	5,172
College Assist	402,565	83	3,859	390,851	-
Other Business-Type Activities	190,779	344	270,209	23,055	-
Total Business-Type Activities	8,066,381	3,408	4,808,159	3,689,492	25,432
Total Primary Government	25,151,142	-	6,440,726	9,908,328	684,720
Component Units:					
University of Colorado Hospital Authority	745,108	-	847,564	3,585	1,568
Colorado Water Resources and Power Development Authority	71,793	-	47,965	69,097	-
University of Colorado Foundation	120,512	-	5,100	200,974	-
Colorado State University Foundation	25,741	-	-	73,146	-
Colorado School of Mines Foundation	26,681	-	-	39,304	-
University of Northern Colorado Foundation	9,341	-	-	18,114	-
Other Component Units	141,072	-	95,215	3,529	2,870
Total Component Units	$ 1,140,248	$ -	$ 995,844	$ 407,749	$ 4,438

General Revenues:
Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings (Losses)
Other General Revenues
Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(Transfers-Out) / Transfers-In
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Fiscal Year Beginning
Prior Period Adjustment (See Note 29)

Net Assets - Fiscal Year 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
$ 185,411	$ -	$ 185,411	
(232,566)	-	(232,566)	
(4,394,092)	-	(4,394,092)	
(229,256)	-	(229,256)	
(1,276,040)	-	(1,276,040)	
76,107	-	76,107	
(1,847,598)	-	(1,847,598)	
(820,141)	-	(820,141)	
(32,487)	-	(32,487)	
(8,570,662)	-	(8,570,662)	
-	281,431	281,431	
-	55	55	
-	57,264	57,264	
-	20,341	20,341	
-	(7,938)	(7,938)	
-	102,141	102,141	
-	453,294	453,294	
(8,570,662)	453,294	(8,117,368)	
-	-	-	107,609
-	-	-	45,269
-	-	-	85,562
-	-	-	47,405
-	-	-	12,623
-	-	-	8,773
-	-	-	(39,458)
-	-	-	267,783
2,280,693	-	2,280,693	12
236,945	-	236,945	-
4,151,119	-	4,151,119	-
441,778	-	441,778	-
466,408	-	466,408	-
340,910	-	340,910	-
29,589	-	29,589	-
557,168	-	557,168	-
593	-	593	-
6,523	-	6,523	180,179
91,608	-	91,608	-
-	-	-	40,718
-	1,493	1,493	-
(110,266)	110,266	-	-
460	-	460	-
8,493,528	111,759	8,605,287	220,909
(77,134)	565,053	487,919	488,692
13,455,272	4,746,480	18,201,752	2,713,010
14,970	(46,850)	(31,880)	-
$ 13,393,108	$ 5,264,683	$ 18,657,791	$ 3,201,702

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 212,360	$ 474,072	$ 30,229
Taxes Receivable, net	1,065,527	19,859	-
Other Receivables, net	44,712	20,171	2,849
Due From Other Governments	468,171	567	61
Due From Other Funds	125,006	1,325	288
Due From Component Units	62	-	-
Inventories	8,742	270	9,390
Prepaids, Advances, and Deferred Charges	33,008	18,066	55
Restricted Cash and Pooled Cash	187,125	-	1,161,810
Restricted Investments	284,059	-	-
Restricted Receivables	184	-	171,134
Investments	6,578	-	-
Other Long-Term Assets	-	427,188	15,813
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,435,534	$ 961,518	$ 1,391,629
LIABILITIES:			
Tax Refunds Payable	$ 615,164	8,396	$ 1,439
Accounts Payable and Accrued Liabilities	533,266	6,765	100,686
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	72,344	60,715	63,190
Due To Other Funds	317,839	895	4,854
Deferred Revenue	285,392	16,247	18,421
Compensated Absences Payable	47	-	-
Claims and Judgments Payable	314	-	-
Other Current Liabilities	7,606	-	26
Deposits Held In Custody For Others	9	-	-
TOTAL LIABILITIES	1,832,687	93,018	188,616
FUND BALANCES:			
Nonspendable:			
Inventories	8,742	270	9,390
Permanent Fund Principal	-	-	-
Prepaids	33,009	18,066	55
Restricted	542,997	13,792	1,160,789
Committed	39,458	836,372	32,779
Assigned	109	-	-
Unassigned	(21,468)	-	-
TOTAL FUND BALANCES	602,847	868,500	1,203,013
TOTAL LIABILITIES AND FUND BALANCES	$ 2,435,534	$ 961,518	$ 1,391,629

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 51,152	$ -	$ 760,278	$ 1,528,091
-	-	39,235	1,124,621
132	861	78,607	147,332
4,091	-	13,256	486,146
13,711	221,372	9,324	371,026
-	-	-	62
-	-	179	18,581
88	-	3,331	54,548
10,222	103,989	172,330	1,635,476
173,053	44,958	595,727	1,097,797
2,029	-	-	173,347
9,214	1,308	80,791	97,891
102	-	23,107	466,210
-	-	17,162	17,162
$ 263,794	$ 372,488	$ 1,793,327	$ 7,218,290
$ -	$ -	$ 146	$ 625,145
41,930	6,656	53,992	743,295
-	-	-	706
-	-	20,707	216,956
573	31	50,333	374,525
1,959	-	82,943	404,962
-	-	-	47
-	-	81	395
-	-	2,641	10,273
-	-	5	14
44,462	6,687	210,848	2,376,318
-	-	179	18,581
-	-	658,883	658,883
88	-	3,331	54,549
185,363	365,801	262,343	2,531,085
33,881	-	657,743	1,600,233
-	-	-	109
-	-	-	(21,468)
219,332	365,801	1,582,479	4,841,972
$ 263,794	$ 372,488	$ 1,793,327	$ 7,218,290

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2011

(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	$ 1,528,091	$ 20,344	$ -	$ -	$ -	$ -	$ -	$ 1,548,435
Investments	-	-	-	-	-	45,548	-	45,548
Taxes Receivable, net	1,124,621	-	-	-	-	(293,891)	-	830,730
Other Receivables, net	147,332	436	-	-	-	-	-	147,768
Due From Other Governments	486,146	509	-	-	-	-	-	486,655
Due From Other Funds	371,026	2,323	-	-	-	-	(354,729)	18,620
Due From Component Units	62	-	-	-	-	-	-	62
Inventories	18,581	1,256	-	-	-	-	-	19,837
Prepaids, Advances, and Deferred Charges	54,548	1,995	-	-	-	-	-	56,543
Total Current Assets	3,730,407	26,863	-	-	-	(248,343)	(354,729)	3,154,198
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,635,476	-	-	-	-	-	-	1,635,476
Restricted Investments	1,097,797	-	-	-	-	-	-	1,097,797
Restricted Receivables	173,347	-	-	-	-	-	-	173,347
Investments	97,891	-	-	-	-	(45,548)	-	52,343
Other Long-Term Assets	466,210	58	-	-	-	295,230	-	761,498
Depreciable Capital Assets and Infrastructure, net	-	73,721	9,257,574	-	-	-	-	9,331,295
Land and Nondepreciable Infrastructure	17,162	939	1,762,844	-	-	-	-	1,780,945
Total Noncurrent Assets	3,487,883	74,718	11,020,418	-	-	249,682	-	14,832,701
TOTAL ASSETS	7,218,290	101,581	11,020,418	-	-	1,339	(354,729)	17,986,899
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	625,145	-	-	-	-	-	-	625,145
Accounts Payable and Accrued Liabilities	743,295	12,034	-	10,371	-	19,796	-	785,496
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	216,956	-	-	-	-	-	-	216,956
Due To Other Funds	374,525	-	-	-	-	(19,796)	(354,729)	-
Deferred Revenue	404,962	435	-	-	-	(293,891)	-	111,506
Compensated Absences Payable	47	43	-	-	-	9,651	-	9,741
Claims and Judgments Payable	395	-	-	-	33,042	11,204	-	44,641
Leases Payable	-	9,658	-	3,214	-	-	-	12,872
Notes, Bonds, and COPs Payable	-	3,535	-	141,630	-	-	-	145,165
Other Current Liabilities	10,273	258	-	-	-	3,217	-	13,748
Total Current Liabilities	2,376,304	25,963	-	155,215	33,042	(269,819)	(354,729)	1,965,976
Noncurrent Liabilities:								
Deposits Held In Custody For Others	14	-	-	-	-	-	-	14
Accrued Compensated Absences	-	6,870	-	-	-	130,269	-	137,139
Claims and Judgments Payable	-	-	-	-	102,013	237,990	-	340,003
Capital Lease Payable	-	54,066	-	40,650	-	-	-	94,716
Notes, Bonds, and COPs Payable	-	4,749	-	1,617,000	-	-	-	1,621,749
Other Long-Term Liabilities	-	-	-	-	-	434,194	-	434,194
Total Noncurrent Liabilities	14	65,685	-	1,657,650	102,013	802,453	-	2,627,815
TOTAL LIABILITIES	2,376,318	91,648	-	1,812,865	135,055	532,634	(354,729)	4,593,791
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	17,162	2,652	11,020,418	(1,203,854)	-	-	-	9,836,378
Restricted for:								
Construction and Highway Maintenance	1,346,545	-	-	(185,756)	-	-	-	1,160,789
Education	765,914	-	-	(280,743)	-	-	-	485,171
Debt Service	10,127	-	-	-	-	-	-	10,127
Emergencies	85,400	-	-	-	-	-	-	85,400
Permanent Funds and Endowments:								
Expendable	8,017	-	-	-	-	-	-	8,017
Nonexpendable	641,802	-	-	-	-	-	-	641,802
Other Purposes	315,082	-	-	-	-	-	-	315,082
Unrestricted	1,651,923	7,281	-	(142,512)	(135,055)	(531,295)	-	850,342
TOTAL NET ASSETS	$ 4,841,972	$ 9,933	$ 11,020,418	$ (1,812,865)	$ (135,055)	$ (531,295)	$ -	$ 13,393,108

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 technology and telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services, and
- Debt collection.

(B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net 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 single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

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

(E) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net 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*.
- Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net 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, 2011

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,153,913	$ -	$ -
Corporate Income	365,558	-	-
Sales and Use	2,233,521	-	-
Excise	89,544	-	557,168
Other Taxes	190,140	140,047	593
Licenses, Permits, and Fines	21,787	1,945	327,705
Charges for Goods and Services	72,840	6,553	119,879
Rents	409	5	1,485
Investment Income (Loss)	13,652	21,167	16,990
Federal Grants and Contracts	5,838,528	159,631	682,441
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	127,265	998	50,189
TOTAL REVENUES	13,107,157	330,346	1,756,450
EXPENDITURES:			
Current:			
General Government	489,381	-	9,061
Business, Community, and Consumer Affairs	214,732	5,904	-
Education	720,436	-	-
Health and Rehabilitation	492,477	-	9,953
Justice	1,187,343	-	84,869
Natural Resources	61,828	45,414	-
Social Assistance	5,456,134	-	-
Transportation	-	-	1,062,710
Capital Outlay	111,529	239	27,906
Intergovernmental:			
Cities	62,572	51,259	141,283
Counties	1,170,506	47,574	187,075
School Districts	3,906,584	3,398	-
Special Districts	45,929	6,704	44,537
Federal	337	502	-
Other	36,012	2,400	668
Debt Service	9,925	-	-
TOTAL EXPENDITURES	13,965,725	163,394	1,568,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(858,568)	166,952	188,388
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,253,424	298	1,405
Transfers-Out	(3,341,863)	(209,059)	(230,140)
Face Amount of Bond/COP Issuance	217,530	-	-
Bond/COP Premium/Discount	25	-	-
Capital Lease Proceeds	13,698	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	1,165	-	831
TOTAL OTHER FINANCING SOURCES (USES)	1,143,979	(208,761)	(227,904)
NET CHANGE IN FUND BALANCES	285,411	(41,809)	(39,516)
FUND BALANCE, FISCAL YEAR BEGINNING	15,784	519,520	1,242,529
Prior Period Adjustment (See Note 29)	7,953	-	-
Accounting Changes (See Note 29)	293,699	390,789	-
FUND BALANCE, FISCAL YEAR END	$ 602,847	$ 868,500	$ 1,203,013

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 342,173	$ -	$ 4,496,086
-	28,326	-	393,884
-	-	34,237	2,267,758
-	-	147,368	794,080
-	-	147,033	477,813
10	-	393,268	744,715
-	-	531,064	730,336
-	-	126,690	128,589
3,169	2,432	39,173	96,583
33,851	-	202,797	6,917,248
-	-	460	460
-	-	40,446	40,446
2,236	94	39,883	220,665
39,266	373,025	1,702,419	17,308,663
12,163	-	49,223	559,828
1	-	167,008	387,645
7,764	31,012	18,297	777,509
650	-	89,159	592,239
8,095	-	33,454	1,313,761
2,465	-	22,508	132,215
461	-	198,826	5,655,421
-	-	1,442	1,064,152
183,512	-	5,562	328,748
185	-	44,224	299,523
146	-	72,333	1,477,634
-	385,266	8,897	4,304,145
-	-	7,041	104,211
-	-	1,482	2,321
2,011	319	37,100	78,510
-	-	197,897	207,822
217,453	416,597	954,453	17,285,684
(178,187)	(43,572)	747,966	22,979
59,072	221,482	240,055	4,775,736
(49,958)	(6,695)	(1,028,155)	(4,865,870)
-	-	-	217,530
-	-	-	25
2,950	-	-	16,648
-	-	46	46
389	-	65	2,450
12,453	214,787	(787,989)	146,565
(165,734)	171,215	(40,023)	169,544
385,059	194,586	1,728,058	4,085,536
7	-	(11,736)	(3,776)
-	-	(93,820)	590,668
$ 219,332	$ 365,801	$ 1,582,479	$ 4,841,972

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

(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	$ 4,496,086	$ -	$ -	$ -	$ (2,813)	$ 4,493,273
Corporate Income	393,884	-	-	-	76,220	470,104
Sales and Use	2,267,758	-	-	-	12,938	2,280,696
Excise	794,080	-	-	-	32	794,112
Other Taxes	477,813	-	-	-	8,239	486,052
Licenses, Permits, and Fines	744,715	-	-	-	(24)	744,691
Charges for Goods and Services	730,336	-	-	-	39	730,375
Rents	128,589	-	-	-	-	128,589
Investment Income (Loss)	96,583	189	-	-	86	96,858
Federal Grants and Contracts	6,917,248	-	-	-	1,601	6,918,849
Additions to Permanent Funds	460	-	-	-	-	460
Unclaimed Property Receipts	40,446	-	-	-	-	40,446
Other	220,665	-	38	-	164	220,867
TOTAL REVENUES	17,308,663	189	38	-	96,482	17,405,372
EXPENDITURES:						
Current:						
General Government	559,828	121	5,111	-	10,436	575,496
Business, Community, and Consumer Affairs	387,645	738	4,579	-	(18,890)	374,072
Education	777,509	(11)	1,961	-	46	779,505
Health and Rehabilitation	592,239	465	22,625	-	(1,027)	614,302
Justice	1,313,761	1,933	22,913	-	154	1,338,761
Natural Resources	132,215	430	6,675	-	(507)	138,813
Social Assistance	5,655,421	2,213	10,094	-	(1,740)	5,665,988
Transportation	1,064,152	1,085	449,078	-	(1,083)	1,513,232
Capital Outlay	328,748	-	(304,466)	-	-	24,282
Intergovernmental:						
Cities	299,523	-	-	-	-	299,523
Counties	1,477,634	-	-	-	-	1,477,634
School Districts	4,304,145	-	-	-	-	4,304,145
Special Districts	104,211	-	-	-	-	104,211
Federal	2,321	-	(176)	-	-	2,145
Other	78,510	-	-	-	-	78,510
Debt Service	207,822	3,141	-	(130,310)	-	80,653
TOTAL EXPENDITURES	17,285,684	10,115	218,394	(130,310)	(12,611)	17,371,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,979	(9,926)	(218,356)	130,310	109,093	34,100
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,775,736	7,900	-	-	-	4,783,636
Transfers-Out	(4,865,870)	(9,482)	-	-	-	(4,875,352)
Face Amount of Bond/COP Issuance	217,530	-	-	(217,530)	-	-
Bond/COP Premium/Discount	25	-	-	20	-	45
Capital Lease Proceeds	16,648	-	-	(16,648)	-	-
Sale of Capital Assets	46	-	(21,396)	-	-	(21,350)
Insurance Recoveries	2,450	-	-	-	-	2,450
TOTAL OTHER FINANCING SOURCES (USES)	146,565	(1,582)	(21,396)	(234,158)	-	(110,571)
Internal Service Fund Charges to BTAs	-	(663)	-	-	-	(663)
NET CHANGE FOR THE YEAR	$ 169,544	$ (12,171)	$ (239,752)	$ (103,848)	$ 109,093	$ (77,134)

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

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

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

- Fleet management,
- Printing and mail services,
- Information technology services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court 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, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,090,730	$ -
Investments	271,367	-
Premiums Receivable, net	-	186,161
Student and Other Receivables, net	247,251	10,548
Due From Other Governments	162,204	7,976
Due From Other Funds	9,785	-
Due From Component Units	19,736	-
Inventories	28,927	-
Prepaids, Advances, and Deferred Charges	12,197	-
Total Current Assets	1,842,197	204,685
Noncurrent Assets:		
Restricted Cash and Pooled Cash	326,854	-
Restricted Investments	98,146	-
Restricted Receivables	-	-
Investments	1,241,150	-
Other Long-Term Assets	118,409	-
Depreciable Capital Assets and Infrastructure, net	4,540,550	-
Land and Nondepreciable Infrastructure	672,134	-
Total Noncurrent Assets	6,997,243	-
TOTAL ASSETS	8,839,440	204,685
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	493,779	9,272
Due To Other Governments	-	302,542
Due To Other Funds	18,115	1,720
Due To Component Units	524	-
Deferred Revenue	202,958	-
Compensated Absences Payable	13,838	-
Leases Payable	4,731	-
Notes, Bonds, and COPs Payable	78,332	-
Other Current Liabilities	90,638	9,059
Total Current Liabilities	902,915	322,593
Noncurrent Liabilities:		
Accrued Compensated Absences	196,081	-
Claims and Judgments Payable	35,373	-
Capital Lease Payable	39,525	-
Derivative Instrument Liability	6,182	-
Notes, Bonds, and COPs Payable	2,807,824	-
Due to Component Units	2,374	-
Other Postemployment Benefits	105,876	-
Other Long-Term Liabilities	18,036	-
Total Noncurrent Liabilities	3,211,271	-
TOTAL LIABILITIES	4,114,186	322,593
DEFERRED INFLOW OF RESOURCES:	2,006	-
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,621,596	-
Restricted for:		
Debt Service	6,753	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	5,936	-
Nonexpendable	73,956	-
Other Purposes	635,191	-
Unrestricted	1,379,816	(117,908)
TOTAL NET ASSETS	$ 4,723,248	$ (117,908)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 39,200	$ 176,870	$ 1,306,800	$ 20,344
-	2,238	273,605	-
-	-	186,161	-
19,406	24,797	302,002	436
-	7,642	177,822	509
-	4,456	14,241	2,323
-	-	19,736	-
1,232	13,441	43,600	1,256
4,509	1,312	18,018	1,995
64,347	230,756	2,341,985	26,863
-	82,798	409,652	-
-	-	98,146	-
-	24,980	24,980	-
-	382,419	1,623,569	-
-	4,530	122,939	58
3,783	118,013	4,662,346	73,721
-	266,410	938,544	939
3,783	879,150	7,880,176	74,718
68,130	1,109,906	10,222,161	101,581
2,744	32,614	538,409	12,034
22	28,682	331,246	-
25,622	5,249	50,706	-
-	-	524	-
-	31,704	234,662	435
25	716	14,579	43
-	219	4,950	9,658
-	774	79,106	3,535
32,472	9,315	141,484	258
60,885	109,273	1,395,666	25,963
807	8,733	205,621	6,870
-	-	35,373	-
-	3,941	43,466	54,066
-	-	6,182	-
-	309,276	3,117,100	4,749
-	-	2,374	-
-	-	105,876	-
69	25,709	43,814	-
876	347,659	3,559,806	65,685
61,761	456,932	4,955,472	91,648
-	-	2,006	-
3,783	364,715	2,990,094	2,652
-	-	6,753	-
-	12,368	12,368	-
-	-	5,936	-
-	-	73,956	-
-	22,101	657,292	-
2,586	253,790	1,518,284	7,281
$ 6,369	$ 652,974	$ 5,264,683	$ 9,933

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 782,417
License and Permits	-	80
Tuition and Fees	2,073,305	-
Scholarship Allowance for Tuition and Fees	(506,667)	-
Sales of Goods and Services	1,460,118	8,900
Scholarship Allowance for Sales of Goods & Services	(22,839)	-
Investment Income (Loss)	1,189	-
Rental Income	15,908	-
Gifts and Donations	18,669	-
Federal Grants and Contracts	1,038,682	1,345,621
Intergovernmental Revenue	12,773	-
Other	239,358	-
TOTAL OPERATING REVENUES	4,330,496	2,137,018
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,265,941	1,310
Operating and Travel	906,254	2,131,539
Cost of Goods Sold	145,748	-
Depreciation and Amortization	281,242	-
Intergovernmental Distributions	31,919	-
Debt Service	-	-
Prizes and Awards	424	-
TOTAL OPERATING EXPENSES	4,631,528	2,132,849
OPERATING INCOME (LOSS)	(301,032)	4,169
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	21	1,552
Investment Income (Loss)	165,018	3,232
Rental Income	11,115	2
Gifts and Donations	114,173	-
Intergovernmental Distributions	(22,418)	-
Federal Grants and Contracts	335,214	-
Gain/(Loss) on Sale or Impairment of Capital Assets	18,959	-
Insurance Recoveries from Prior Year Impairments	159	-
Debt Service	(118,599)	(8,900)
Other Expenses	(146)	-
Other Revenues	5,650	-
TOTAL NONOPERATING REVENUES (EXPENSES)	509,146	(4,114)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	208,114	55
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	86,826	-
Additions to Permanent Endowments	34	-
Special and/or Extraordinary Item (See Note 35)	1,493	-
Transfers-In	185,579	-
Transfers-Out	(7,601)	(2,205)
TOTAL CONTRIBUTIONS AND TRANSFERS	266,331	(2,205)
CHANGE IN NET ASSETS	474,445	(2,150)
NET ASSETS - FISCAL YEAR BEGINNING	4,294,966	(115,758)
Prior Period Adjustments (See Note 29)	(46,163)	-
Accounting Changes (See Note 29)	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 4,723,248	$ (117,908)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 782,417	$ -
60	84,037	84,177	-
-	217	2,073,522	-
-	-	(506,667)	-
526,285	180,130	2,175,433	192,326
-	-	(22,839)	-
-	11,110	12,299	-
-	1,521	17,429	11,523
-	-	18,669	-
-	444,942	2,829,245	-
-	22,395	35,168	-
836	18,819	259,013	394
527,181	763,171	7,757,866	204,243
9,169	176,754	3,453,174	111,365
57,968	450,089	3,545,850	71,709
11,818	37,871	195,437	7,597
795	7,752	289,789	16,959
-	8,128	40,047	98
-	16,386	16,386	-
334,104	794	335,322	-
413,854	697,774	7,876,005	207,728
113,327	65,397	(118,139)	(3,485)
-	36,731	36,731	-
-	373	1,946	-
560	4,927	173,737	189
3	958	12,078	-
-	3,515	117,688	-
(56,018)	-	(78,436)	-
-	-	335,214	657
(110)	5,942	24,791	(4,805)
-	64	223	-
-	(9,779)	(137,278)	(3,095)
-	(91)	(237)	(49)
-	-	5,650	-
(55,565)	42,640	492,107	(7,103)
57,762	108,037	373,968	(10,588)
-	10,526	97,352	553
-	-	34	-
-	-	1,493	-
-	3,937	189,516	7,347
(57,871)	(29,633)	(97,310)	(9,482)
(57,871)	(15,170)	191,085	(1,582)
(109)	92,867	565,053	(12,170)
6,478	560,794	4,746,480	22,012
-	(687)	(46,850)	-
-	-	-	91
$ 6,369	$ 652,974	$ 5,264,683	$ 9,933

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,578,124	$ -
Fees for Service	1,387,785	-
Sales of Products	4,011	-
Gifts, Grants, and Contracts	1,554,597	1,346,650
Loan and Note Repayments	384,438	-
Unemployment Insurance Taxes	-	795,132
Income from Property	27,022	-
Other Sources	77,121	-
Cash Payments to or for:		
Employees	(3,104,616)	-
Suppliers	(941,533)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(2,145,452)
Scholarships	(115,391)	-
Others for Student Loans and Loan Losses	(394,083)	-
Other Governments	(31,919)	-
Other	(64,054)	(21)
NET CASH PROVIDED BY OPERATING ACTIVITIES	361,502	(3,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	185,530	-
Transfers-Out	(7,601)	(2,205)
Receipt of Deposits Held in Custody	651,113	-
Release of Deposits Held in Custody	(648,245)	-
Gifts and Grants for Other Than Capital Purposes	106,864	-
Intergovernmental Distributions	(22,418)	-
NonCapital Debt Proceeds	2,867	-
NonCapital Debt Service Payments	(2,897)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	265,213	(2,205)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(678,440)	-
Capital Contributions	14,492	-
Capital Gifts, Grants, and Contracts	65,988	-
Proceeds from Sale of Capital Assets	27,629	-
Capital Debt Proceeds	351,234	-
Capital Debt Service Payments	(306,766)	-
Capital Lease Payments	(44,289)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(570,152)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 776	$ 1,578,900	$ 3
-	223,860	1,611,645	189,661
526,390	53,437	583,838	1,157
-	453,997	3,355,244	622
-	16,273	400,711	-
-	-	795,132	-
3	197,279	224,304	11,486
896	41,766	119,783	267
(8,400)	(119,620)	(3,232,636)	(85,037)
(32,443)	(209,567)	(1,183,543)	(95,791)
(370,867)	(5,821)	(376,688)	(706)
-		(2,145,452)	-
-	-	(115,391)	-
-	(553,316)	(947,399)	-
-	(7,767)	(39,686)	(98)
(14)	(10,971)	(75,060)	(180)
115,565	80,326	553,702	21,384
-	3,937	189,467	5,812
(57,871)	(29,633)	(97,310)	(7,947)
-	11	651,124	529
-	(11)	(648,256)	(271)
-	1,619	108,483	-
(60,645)	-	(83,063)	-
-	-	2,867	7
-	(983)	(3,880)	(7)
(118,516)	(25,060)	119,432	(1,877)
(857)	(62,904)	(742,201)	(66,559)
-	-	14,492	-
-	2,748	68,736	-
-	5,436	33,065	55,603
-	260,228	611,462	-
-	(8,585)	(315,351)	(5,548)
-	(822)	(45,111)	(1,861)
(857)	196,101	(374,908)	(18,365)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	69,480	3,232
Proceeds from Sale/Maturity of Investments	4,512,469	-
Purchases of Investments	(4,408,640)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(4,100)	-
NET CASH FROM INVESTING ACTIVITIES	169,209	3,232
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	225,772	(2,664)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,191,812	2,664
Accounting Changes (See Note 29)	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,417,584	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (301,032)	$ 4,169
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	281,242	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	360,203	1,553
(Gain)/Loss on Disposal of Capital and Other Assets	49	-
Compensated Absences	12,804	-
Interest and Other Expense in Operating Income	(11,997)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(33,233)	(98,512)
(Increase) Decrease in Inventories	(73)	-
(Increase) Decrease in Other Operating Assets	2,750	-
Increase (Decrease) in Accounts Payable	2,357	93,782
Increase (Decrease) in Other Operating Liabilities	48,432	(4,683)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 361,502	$ (3,691)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	9,667	-
Capital Assets Acquired by Grants or Donations and Payable Increases	19,530	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	99,637	-
Loss on Disposal of Capital and Other Assets	1,330	-
Disposal of Capital Assets	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	563	8,900
Assumption of Capital Lease Obligation or Mortgage	7,948	-
Financed Debt Issuance Costs	81	-
Fair Value Change in Derivative Instrument	1,596	-
Deferral of Loss on Derivative Instrument	8,499	-

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

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
	806	11,183	84,701	42
	-	80,757	4,593,226	34
	-	(374,897)	(4,783,537)	-
	(246)	(1,163)	(5,509)	114
	560	(284,120)	(111,119)	190
	(3,248)	(32,753)	187,107	1,332
	42,448	292,421	1,529,345	18,913
	-	-	-	99
	$ 39,200	$ 259,668	$ 1,716,452	$ 20,344
	$ 113,327	$ 65,397	$ (118,139)	$ (3,485)
	795	7,752	289,789	16,959
	-	(11,109)	(11,109)	(54)
	3	38,633	400,392	661
	-	(228)	(179)	4
	(145)	(638)	12,021	4,290
	-	(4,129)	(16,126)	162
	577	202,187	71,019	(1,745)
	38	(784)	(819)	28
	(526)	219	2,443	(1,453)
	(889)	(209,930)	(114,680)	5,978
	2,385	(7,044)	39,090	39
	$ 115,565	$ 80,326	$ 553,702	$ 21,384
	-	-	9,667	-
	-	9,146	28,676	1,929
	-	1,403	101,040	-
	110	-	1,440	652
	-	-	-	1,376
	-	-	9,463	-
	-	-	7,948	-
	-	-	81	-
	-	-	1,596	-
	-	-	-	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 41,102	$ 112,477	$ 1,173,671
Taxes Receivable, net	-	-	132,480
Other Receivables, net	556	9,515	379
Due From Other Governments	8	-	-
Due From Other Funds	20,770	4,766	12,144
Inventories	-	-	6
Noncurrent Assets:			
Investments:			
Government Securities	-	13,411	-
Repurchase Agreements	-	748	-
Mutual Funds	-	4,015,280	-
Other Investments	-	38,698	-
Other Long-Term Assets	-	-	19,168
TOTAL ASSETS	62,436	4,194,895	$ 1,337,848
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	4,493
Accounts Payable and Accrued Liabilities	14,182	8,147	1,143
Due To Other Governments	-	-	216,831
Due To Other Funds	-	-	39
Deferred Revenue	-	9,191	-
Claims and Judgments Payable	13,904	-	516
Other Current Liabilities	-	-	1,064,991
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,919	40,452
Accrued Compensated Absences	54	-	-
Other Long-Term Liabilities	-	-	9,383
TOTAL LIABILITIES	28,140	20,257	$ 1,337,848
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	33,830	-	
Individuals, Organizations, and Other Entities	-	4,174,638	
Unrestricted	466	-	
TOTAL NET ASSETS	$ 34,296	$ 4,174,638	

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, 2011

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 812,330
Member Contributions	79,525	-
Employer Contributions	205,726	-
Investment Income/(Loss)	402	615,230
Employee Participation Fees	1,062	-
Unclaimed Property Receipts	-	24,939
Other Additions	7,175	2,867
Transfers-In	405	-
TOTAL ADDITIONS	294,295	1,455,366
DEDUCTIONS:		
Distributions to Participants	-	267,335
Health Insurance Premiums Paid	129,813	-
Health Insurance Claims Paid	119,300	-
Other Benefits Plan Expense	19,121	-
Payments in Accordance with Trust Agreements	-	419,785
Other Deductions	16,810	-
Transfers-Out	250	92
TOTAL DEDUCTIONS	285,294	687,212
CHANGE IN NET ASSETS	9,001	768,154
NET ASSETS - FISCAL YEAR BEGINNING	25,295	3,406,484
NET ASSETS - FISCAL YEAR ENDING	$ 34,296	$ 4,174,638

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011

(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	$ 26,793	$ 104,179	$ 14,348
Investments	-	-	-
Restricted Securities Not Held for Investment	-	7,884	-
Contributions Receivable, net	-	-	29,299
Other Receivables, net	103,308	86,296	84
Due From Other Governments	-	1,719	-
Inventories	17,069	-	-
Prepaids, Advances, and Deferred Charges	10,085	-	85
Other Current Assets	-	-	-
Total Current Assets	157,255	200,078	43,816
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	108,892	-
Restricted Investments	207,202	304,489	-
Restricted Receivables	17,834	4,582	-
Restricted Securities Not Held for Investment	-	40,793	-
Investments	685,357	-	1,159,997
Contributions Receivable, net	-	-	23,368
Net Pension Asset	6,800	-	-
Other Long-Term Assets	11,463	1,221,201	-
Depreciable Capital Assets and Infrastructure, net	556,507	48	2,537
Land and Nondepreciable Infrastructure	29,901	-	-
Total Noncurrent Assets	1,515,064	1,680,005	1,185,902
TOTAL ASSETS	1,672,319	1,880,083	1,229,718
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	76,377	18,009	10,264
Due To Other Governments	-	397	-
Deferred Revenue	-	568	396
Compensated Absences Payable	17,902	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	700
Notes, Bonds, and COPs Payable	13,295	63,795	-
Other Current Liabilities	17,457	109,211	10,795
Total Current Liabilities	125,031	191,980	22,155
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	242,268
Capital Lease Payable	-	-	2,032
Notes, Bonds, and COPs Payable	702,365	1,047,011	-
Other Long-Term Liabilities	22,957	73,937	18,798
Total Noncurrent Liabilities	725,322	1,120,948	263,098
TOTAL LIABILITIES	850,353	1,312,928	285,253
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	74,975	48	(196)
Restricted for:			
Emergencies	-	-	-
Expendable	-	-	549,066
Nonexpendable	-	-	322,524
Other Purposes	18,220	501,647	-
Unrestricted	728,771	65,460	73,071
TOTAL NET ASSETS	$ 821,966	$ 567,155	$ 944,465

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
$ 491	$ 6,050	$ 2,315	$ 69,679	$ 223,855
-	-	-	72,810	72,810
-	-	-	-	7,884
6,331	1,876	640	4,671	42,817
-	2,836	331	4,380	197,235
-	-	-	403	2,122
-	-	-	-	17,069
162	-	-	94	10,426
-	-	-	435	435
6,984	10,762	3,286	152,472	574,653
-	146	-	3,861	112,899
-	-	-	-	511,691
-	-	-	-	22,416
-	-	-	-	40,793
296,900	216,272	95,882	32,090	2,486,498
22,681	9,375	465	910	56,799
-	-	-	-	6,800
513	281	101	21,491	1,255,050
17	216	996	169,141	729,462
-	-	-	49,043	78,944
320,111	226,290	97,444	276,536	5,301,352
327,095	237,052	100,730	429,008	5,876,005
951	1,968	1,294	7,785	116,648
-	-	-	-	397
-	-	-	9,875	10,839
-	-	-	-	17,902
-	-	-	26,910	26,910
-	-	-	-	700
-	-	-	508	77,598
-	-	-	259	137,722
951	1,968	1,294	45,337	388,716
12,245	15,448	686	44	270,691
-	-	-	-	2,032
-	-	-	123,940	1,873,316
885	10,306	203	12,462	139,548
13,130	25,754	889	136,446	2,285,587
14,081	27,722	2,183	181,783	2,674,303
17	216	996	134,791	210,847
-	-	-	24	24
148,167	47,267	18,717	4,981	768,198
133,333	138,287	65,174	-	659,318
-	-	-	56,836	576,703
31,497	23,560	13,660	50,593	986,612
$ 313,014	$ 209,330	$ 98,547	$ 247,225	$ 3,201,702

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 47,869	$ 5,100
Sales of Goods and Services	826,814	-	-
Investment Income (Loss)	-	14,194	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,232
Federal Grants and Contracts	-	6,475	-
Other	20,750	95	943
TOTAL OPERATING REVENUES	847,564	68,633	113,275
OPERATING EXPENSES:			
Salaries and Fringe Benefits	332,597	1,293	-
Operating and Travel	181,457	19,530	22,109
Cost of Goods Sold	162,407	-	-
Depreciation and Amortization	44,228	9	-
Debt Service	-	50,961	-
Foundation Program Distributions	-	-	98,402
TOTAL OPERATING EXPENSES	720,689	71,793	120,511
OPERATING INCOME (LOSS)	126,875	(3,160)	(7,236)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	91,470	-	125,332
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	-	-
Debt Service	(23,519)	-	-
Other Expenses	(900)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	67,023	-	125,332
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	193,898	(3,160)	118,096
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	5,181	62,623	-
TOTAL CONTRIBUTIONS AND TRANSFERS	5,181	62,623	-
CHANGE IN NET ASSETS	199,079	59,463	118,096
NET ASSETS - FISCAL YEAR BEGINNING	622,887	507,692	826,369
NET ASSETS - FISCAL YEAR ENDING	$ 821,966	$ 567,155	$ 944,465

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
$ -	$ -	$ -	$ 86,043	$ 139,012
-	-	-	-	826,814
-	-	-	4,917	19,111
-	-	-	9,172	9,172
44,293	10,290	4,955	1,681	168,451
-	-	-	3,319	9,794
120	198	610	2,540	25,256
44,413	10,488	5,565	107,672	1,197,610
-	-	-	-	333,890
2,056	3,102	2,409	131,322	361,985
-	-	-	-	162,407
-	-	-	6,700	50,937
-	-	-	-	50,961
23,685	23,580	6,933	-	152,600
25,741	26,682	9,342	138,022	1,112,780
18,672	(16,194)	(3,777)	(30,350)	84,830
52,136	36,350	16,456	2,221	323,965
-	-	-	9,243	9,243
-	-	-	-	(28)
-	-	-	-	(23,519)
-	-	-	(3,049)	(3,949)
-	-	-	30,343	30,343
52,136	36,350	16,456	38,758	336,055
70,808	20,156	12,679	8,408	420,885
-	-	-	-	67,804
-	-	-	-	67,804
70,808	20,156	12,679	8,408	488,689
242,206	189,174	85,868	238,817	2,713,013
$ 313,014	$ 209,330	$ 98,547	$ 247,225	$ 3,201,702

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 139,012	Charges for Services	$ 139,012
Sales of Goods and Services	826,814	Charges for Services	826,814
Investment Income (Loss)	19,111	Unrestricted Investment Earnings	19,111
Rental Income	9,172	Charges for Services	9,172
Gifts and Donations	168,451	Operating Grants & Contributions	166,770
Federal Grants and Contracts	9,794	Operating Grants & Contributions	9,794
		Capital Grants & Contributions	1,681
Other	25,256	Charges for Services	20,846
		Operating Grants & Contributions	2,080
		Payment from State	2,330
TOTAL OPERATING REVENUES	1,197,610		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	333,890	Expenses	333,890
Operating and Travel	361,985	Expenses	361,985
Cost of Goods Sold	162,407	Expenses	162,407
Depreciation and Amortization	50,937	Expenses	50,937
Debt Service	50,961	Expenses	50,961
Foundation Program Distributions	152,600	Expenses	152,600
TOTAL OPERATING EXPENSES	1,112,780		
OPERATING INCOME (LOSS)	84,830		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	323,965	Unrestricted Investment Earnings	161,068
		Operating Grants & Contributions	162,897
Gifts and Donations	9,243	Payment from State	9,243
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	Operating Grants & Contributions	(28)
Debt Service	(23,519)	Expenses	(23,519)
Other Expenses	(3,949)	Expenses	(3,949)
Other Revenues	30,343	Payment from State	29,142
		Capital Grants & Contributions	1,189
		Sales and Use Tax	12
TOTAL NONOPERATING REVENUES (EXPENSES)	336,055		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	420,885		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	67,804	Operating Grants & Contributions	66,236
		Capital Grants & Contributions	1,568
TOTAL CONTRIBUTIONS AND TRANSFERS	67,804		
CHANGE IN NET ASSETS	488,689		488,689
NET ASSETS - FISCAL YEAR BEGINNING	2,713,013		2,713,013
NET ASSETS - FISCAL YEAR ENDING	$ 3,201,702		$ 3,201,702

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 2010-11, the State implemented GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions and Statement No. 59 – Financial Instruments Omnibus.

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. 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
  - Higher Education Competitive Research Authority
  - Statewide Internet Portal Authority
  - HLC @ Metro, Inc.
  - University of Colorado Real Estate Foundation

With the exception of the University of Colorado Hospital Authority, HLC @ Metro, Inc., and the five 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, the Higher Education Competitive Research Authority, the Renewable Energy Authority, and HLC @ Metro, Inc. 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 Purpose Revenue Fund, and therefore, it qualifies as a component unit because it would be misleading to exclude it. The Statewide Internet Portal Authority is included because it manages a single point of access to electronic State government information, and therefore, it would be misleading to exclude it.

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

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-417, 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, CO 80523-9100

Colorado School of Mines Foundation, Inc.
P. O. Box 4005
Golden, Colorado 80401-0005

University of Northern Colorado Foundation, Inc.
Judy Farr Center
1620 Reservoir Road
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

Higher Education Competitive Research Authority
c/o Colorado Department of Higher Education
1560 Broadway, Suite 1600
Denver, CO 80202

Statewide Internet Portal Authority
633 17th Street, Suite 1610
Denver, CO 80202

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

University of Colorado Real Estate Foundation
1800 Grant St., Suite 250
Denver, CO 80203

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

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

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

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

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

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

The government-wide financial statements focus on the government as a whole. The *Statement of Net 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. 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, Certificates of Participation, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The State does not report restrictions of net 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 in State government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or business-type activities. Direct costs are those that can be specifically identified with a program. The State allocates indirect costs based on 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 premiums supporting a business-type activity, are presented as general-purpose revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The State reports only its proprietary funds as business-type activities. The business-type activities follow all current GASB pronouncements. The proprietary statements and government-wide statements 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 business-type activities, the effects of interfund services provided and used have not been eliminated. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund
Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. With the implementation of GASB Statement No. 54, the Public School Fund, previously a major fund, the Public School Building Fund, previously a nonmajor special revenue fund, and portions of the Environmental Health and Protection (nonmajor special revenue fund), Resource Management (nonmajor special revenue fund) and Other Special Revenue Funds (a major fund) were moved into the General Fund. As a result of comingling current and cumulative special-purpose revenue into the General Fund, combining statements detailing the components of the General Fund are included as supplementary information. The statements segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which will be referred to as the General Purpose Revenue Fund.

Resource Extraction
This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects. These activities were previously reported as two nonmajor special revenue funds, Water Projects and Resource Extraction.

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

Capital Projects Fund
Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. As a result of changes in fund balance categorization due to the implementation of GASB Statement No. 54, a combining statement of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

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

PROPRIETARY FUND TYPE:

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

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

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund
Although the General Fund and its components are classified as a major fund in the basic financial statements, special-purpose revenue activities in the General Fund expanded with the implementation of GASB Statement No. 54. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining statement detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects
Although the Capital Projects Fund and its components are classified as a major fund in the basic financial statements, the implementation of GASB Statement No. 54 resulted in fund balance classifications that did not support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

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

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

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

PROPRIETARY FUND TYPE (NONMAJOR):

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

Internal Service Funds
The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services (previously reported as the General Government Computer Center and before April 22, 2011, Telecommunications), Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services (previously reported as 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 Group Benefits Plan.

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

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

PRESENTATION OF INTERNAL BALANCES

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

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

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

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

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

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

Natural Resources
Department of Natural Resources

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

Transportation
Department of Transportation

Component Units

The 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, 2011.

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, 2010.

Four of the eight nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority, and the Higher Education Competitive Research Authority use 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, 2010, with the exception of the Higher Education Competitive Research Authority, and the Statewide Internet Portal Authority, which are presented as of June 30, 2011.

The five foundations presented as component units and HLC @ Metro, Inc. 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 five foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2011.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, deferred inflows, deferred outflows, 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 are recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

The 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, the University of Northern Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines 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.) as selected by individual State agencies. The method used in each agency is consistent from year to year.

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

The mission of the Venture Capital Authority, 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). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

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

(Amounts in Dollars)

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

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	3	127
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	3	22
Infrastructure	20	75

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

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

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, building improvements, and equipment.

The University of Colorado Real Estate Foundation records land, buildings, and improvements at cost, which includes the acquisition cost plus any subsequent investments in improvements, while donated assets are reported at fair market value as of the date of acquisition. Property and equipment over $3,000 and a useful life of more than 3 years is capitalized and depreciated over a period from 3 to 40 years, or the lease term, if shorter.

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 governmental 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 had an agreement with Pinnacol Assurance through June 30, 2011, a related organization, to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed 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. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

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).

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

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

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

<u>Restricted for Unemployment Insurance</u> – The entire net assets balance of the Unemployment Insurance Fund is normally reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims. However, starting in Fiscal Year 2009-10, the net asset balance went into a deficit due to a significant increase in the unemployment claims paid by the State and a normal lag in the receipt of additional employer unemployment insurance premiums. The current deficit of approximately $117.9 million is reported as unrestricted.

<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 net assets of the governmental activities are held by the Department of Personnel & Administration and by the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program. The Higher Education Institutions Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

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

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

Restricted for Other Purposes – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties, as follows:

- Net assets of $127.0 million are of settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Net assets of $58.2 million related to Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution are restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Net assets of $49.6 million consist of federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Net assets of $33.0 million in the Aviation Fund, consists on constitutionally restricted funds under Article X, Section 18 exclusively for aviation purposes.
- Net assets of $25.4 million in Lottery proceeds are directed by Article XXVII of the State Constitution for parks and outdoor projects.
- Net assets of $21.9 million for various purposes including voter approved tobacco taxes for health related programs, grants funds, and others not individually significant.

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

Nonspendable – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The net assets consist primarily of prepaid advances to counties for social assistance programs and to local entities for energy-related grants, and permanent funds related to state lands.

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

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

Spendable fund balance classifications include:

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

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

In addition to restrictions on the government-wide *Statement of Net Assets*, the *Balance Sheet-Governmental Funds* includes a restriction in the Highway Users Tax Fund and the Other Special Purpose General Fund for net assets related to Certificates of Participation and other financing arrangements under which the proceeds are restricted to the purpose of the issuance. Fund balance of $10.3 million in the General Fund is held in the General Purpose Revenue Fund by the Department of Corrections for energy efficiency projects and $280.7 million in the

Other Special Purpose General Fund for public school construction under the BEST program. Fund balance of $175.5 million is held in the Capital Projects Fund by the Colorado Historical Society primarily related to the construction of the Colorado History Center and in the Judicial Department related to the construction of the Ralph L. Carr Justice Complex.

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

In the General Purpose Revenue Fund the Committed category would normally represent the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the four percent reserve when revenues were projected to be inadequate to fund appropriations and the reserve. In the 2009 session, the General Assembly passed legislation reducing the required reserve to two percent of General Purpose Revenue Fund appropriations for Fiscal Year 2009-10, and in the 2011 session partially restored the reserve to 2.3 percent for Fiscal Year 2010-11. The reserve is applicable for both GAAP and budget basis purposes.

A Committed fund balance related to the statutory reserve is only presented when the Unassigned fund balance in the General Purpose Revenue Fund is greater than zero. In Fiscal Year 2010-11, on a GAAP basis, the resources available in the General Purpose Revenue Fund (exclusive of other fund balance classifications) were not sufficient to support all appropriated expenditures or to fund any portion of the required 2.3 percent statutory reserve. In addition, expenditures exceeded the available resources of the fund causing a ($21.5) million Unassigned fund balance deficit on the *Balance Sheet - Governmental Funds*. As shown on the *Schedule of Revenues, Expenditures, and Changes in General Fund Surplus – Budget and Actual – Budgetary Basis*, the State exceeded the 2.3 percent reserve requirement on the budget basis by deferring Medicaid, payroll, information technology expenditures, and certain other expenditures to the following fiscal year.

A portion of the Committed fund balance represents the current fiscal year appropriation that the legislature expressly directed to rollfoward for availability in the subsequent fiscal year.

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

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

Assigned – This classification represents the portion of the fund balance related to Fiscal Year 2010-11 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2011-12.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit.

J. RESTATEMENT OF BEGINNING BALANCES

The Governmental Accounting Standards Board issues statements for financial reporting to improve the usefulness of financial information, provide consistency across entities, clarify existing provisions, and in response to changing conditions in the financial environment. When standards impact the presentation of net assets, or components thereof, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. The implementation of GASB Statement No. 54 in Fiscal Year 2010-11 impacted governmental fund types and resulted in an accounting change restating beginning balances. See Note 30 for additional details.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2010-11.

The Plan uses costs from Fiscal Year 2008-09 that will be incorporated in State agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2012-13. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

Included in the allocation of indirect costs reported on the *Statement of Activities* is $936.6 thousand of central service agency costs for Fiscal Year 2010-11 related to the American Recovery and Reinvestment Act (ARRA). The President's Office of Management and Budget authorized the State to collect a three-year estimate of the ARRA costs from ARRA grants. The State collected the three-year estimate in Fiscal Year 2008-09 in the General Purpose Revenue Fund where the unexpended portion is included as Committed Fund Balance. Based on a three-year appropriation, the moneys not expended at the end of Fiscal Year 2010-11 will be provided to central service agencies in Fiscal Year 2011-12.

C. OPERATING REVENUES AND EXPENSES

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

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net 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's institutions of higher education have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service, or related support services to an individual or entity separate from the institution.

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 157. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2011, were $171,674,677 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medicare Modernization Act of 2003 State Contribution</u> – The Department of Health Care Policy and Financing overexpended this line item by $396,224 of general funds. The Clawback payment under the Act was based on a projected caseload for Fiscal Year 2010-11. The payment results from an entitlement program driven by eligible populations. The actual expenditure exceeded the appropriation by 0.7 percent due to caseload in excess of the estimate upon which the budget was based.
- <u>Medicaid Mental Health Capitation Payments</u> – The Department of Health Care Policy and Financing over expended this line item by $2,909,851 of general funds. The department stated that the expenditure increase in this entitlement program was driven by an unanticipated eligible population that increased to 540,599 from an estimate of 536,311.
- <u>Medical Services Premiums</u> – The Department of Health Care Policy and Financing overexpended this line item by $8,471,270 in general funds and $30,676,423 in cash funds. This program is an entitlement program driven by eligible populations. The department reported that caseloads increased from the estimate of 558,307 to 560,722 clients per month. Other contributing factors include underearnings from cash funds intended to provide General Purpose Revenue Fund relief, actual recoveries that were higher than appropriated, and increases in new populations funded with nursing facility and hospital provider fees. The cash funded overexpenditure is related to a combination of cash sources transferred into the General Purpose Revenue Fund in excess the appropriated amounts. As a result of transfers into the General Purpose Revenue Fund, duplicate cash fund overexpenditures also occurred in the following source cash funds: Hospital Provider Fee Cash Fund - $17,092,220, Nursing Facility Provider Fee Cash Fund - $839,008, and Breast and Cervical Cancer Prevention and Treatment Cash Fund - $230,109.
- <u>Medicaid Mental Health Fee for Service Payments</u> - The Department of Health Care Policy and Financing overexpended this line by $135,964 in general funds. This program provides mental health services on an entitlement basis that are paid on a fee-for-service basis to providers. The department reported increased expenditures due to an unanticipated rise in caseloads.

- Pediatric Specialty Hospital – The Department of Health Care Policy and Financing overexpended this line item by $42,475 in general funds. Payments from this line are eligibility-based Medicaid entitlements. The overexpenditure resulted from timing issues related to the phase out of the enhanced federal funding under the American Recovery and Reinvestment Act of 2009 (ARRA), and the underearning of tobacco tax revenue.

- Various Programs – The Department of Health Care Policy and Financing overexpended four line items by a total of $276 in general funds related to the phase out of enhanced federal ARRA funding.

Approved Department of Human Services Non-Medicaid Overexpenditures Subject to the $1.0 Million Limit:

- Colorado Trails – The Department of Human Services overexpended this line item by $27,867 in general funds. Costs attributable to three programs fund Colorado Trails and costs are allocated based on Random Moment Sampling (RMS) statistics, which measure work effort on federal programs and are beyond the control of program management. The department reported that these statistics drove less federal funding than predicted.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

- Workers' Compensation – The Department of Education overexpended this line item by $844 in cash funds. The department reported a funding mix problem due to reorganizations in the department that resulted in changes in the sources from which employees are funded. Charges are allocated based on how the employees are funded and resulted in the proportion of the line item funded by cash sources to be greater than the estimate used to set the budget.

- Nurse Home Visitor Program – The Department of Health Care Policy and Financing overexpended this line item by $1,080 in general funds. The department reported that this was the result of the return of federal monies related to ARRA billings after the expiration of related ARRA funding.

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

- Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest overexpended this line item by $596,020. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does not anticipate realizing any of these currently recognized unrealized losses.

- Department of Labor and Employment – Unemployment Insurance (UI) Benefit Payments – The Department of Labor and Employment overexpended the Unemployment Insurance Compensation Fund by $128,416,383. The deficit fund balance was due to the payment of benefits exceeding UI Tax Premium funds available, which required borrowing federal funds from the U.S. Treasury to pay regular UI benefits. The economic recession and high unemployment have resulted in a deficit in the fund due to regular UI benefits exceeding UI Tax premium revenues.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2011-12 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2011:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $6,525,390
  Primary Care Fund - $594,125

- Department of Public Health and Environment

  Tobacco Education Fund - $ 440,625
  Prevention, Detection and
  Treatment Fund - $197,704

The General Fund Surplus Schedule (page 165) shows a negative reversion of $6.1 million 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 State Constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the State as a whole, not to individual funds, departments, or agencies of the State. Government run businesses accounted for as enterprise funds that have the authority to issue bonded debt and that receive less than ten percent of annual revenues from the State and its local governments are exempted from the TABOR revenue limits.

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

In the 2005 general election, voters approved Referendum C – a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. During this period the State retained $3.6 billion.

With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2010-11 ESRC of $10.68 billion. TABOR revenue was below the ESRC by $1,260.1 million, and over the TABOR limit by $770.2 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $770.2 million that would have occurred under the TABOR limit are not required.

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.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2010-11 that amount was $282,742,919.

At June 30, 2011, 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, a portion of the nonmajor Labor Fund – $85,400,000. The $94,000,000 designation by the Legislature has been reduced by $8,600,000 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).
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Fund's net assets not invested in capital assets (net of related debt) total $12,368,456, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Assets*. The remaining $87,631,544 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 $52,613,752 of cash and receivables that are reported as restricted.

The 2010 legislative session Long Appropriations Act designated up to $70,700,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2010 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $18,042,919 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 2010-11, under the direction of the Governor's Executive Orders, the State transferred $8.6 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- Reservoir Road Fire - $2.9 million
- Bear Fire - $2.5 million
- Indian Gulch Fire - $1.5 million
- Crystal Fire - $1.7 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $6,141.1 million ($6,146.8 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2011, the treasurer had invested $6,100.3 million (fair value) of the pool and held $46.4 million of demand deposits and certificates of deposit.

At June 30, 2011, the State had an accounting system cash deposit balance of $360.8 million, which includes the $46.4 million held as demand deposits and certificates of deposit in the Treasurer's pool.

Under the GASB Statement No. 40 definitions, $20.6 million of the State's total bank balance of $370.5 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 $26.8 million at June 30, 2011, and a related bank balance of $35.5 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 $1,418,530 at December 31, 2010, of which $250,000 was federally insured and $132,012 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $1,036,518 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 $64.4 million held by the State Treasurer in a Treasurer's Agency Fund and $147.3 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, 2010, 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 0.05 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 $6.7 million at December 31, 2010 – of that amount $6.3 million 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 Flows From Operating Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net 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 result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net 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 or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net Assets.* Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Assets* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.
- Deferral of Loss on Derivative Instrument – When a derivative instrument is terminated at a loss, there is a resulting change in the debt on the *Statement of Net Assets*. Since no cash is received or disbursed, the loss deferral is reported as noncash.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,016.9 million shown on the government-wide *Statement of Net Assets* primarily comprises the following:

- $771.6 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $293.9 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Assets.* These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*.
- $19.9 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $39.2 million recorded in nonmajor special revenue funds, of which, approximately $10.7 million is from gaming tax, $12.9 million is insurance premium tax, and $12.4 million is tobacco tax.
- $186.2 million of unemployment insurance premiums recorded in the Unemployment Insurance Fund.

In addition, $54.7 million of Taxes Receivable, $33.3 million of Other Receivables, and $83.2 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $449.8 million shown on the government-wide *Statement of Net Assets* are net of $194.8 million in allowance for doubtful accounts and primarily comprise the following:

- $247.3 million of student and other receivables of Higher Education Institutions.
- $44.7 million of receivables recorded in the General Fund, of which $19.7 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $14.2 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Institutes recorded $2.7 million of patient receivables.
- $78.6 million of receivables recorded by Other Governmental Funds including $44.8 million of tobacco settlement revenues expected within the following year, $5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $8.6 million of rent and royalty receivables recorded by the State Lands Funds.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $826.8 million, which it recorded net of third-party contractual allowances ($1,780.8 million), indigent and charity care ($224.8 million), provision for bad debt ($46.4 million), and self-pay discounts ($51.1 million). 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 hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the State of $52.3 million for Fiscal Year 2010-11. In 2010, the Colorado Health Care Affordability Act was modified, authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers in order to expand Medicaid coverage. The hospital was charged $16.1 million out of $441.1 million collected by the State in hospital provider fees for Fiscal Year 2010-11.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care (46 percent), other commercial insurance (2 percent), and self-pay and medically indigent (12 percent). However, the hospital's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category. 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 2010-11 was approximately $251.9 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The hospital reports pledges at their net present value. As of June 30, 2011, the hospital reported $3.3 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.3 billion at December 31, 2010. During 2010, the authority made new loans of $186.4 million and canceled or received repayments for existing loans of $91.3 million.

The University of Colorado Foundation contributions receivable of $29.3 million and $23.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2011, the amount reported as contributions receivable includes $60.2 million of unconditional promises to give which were offset by a $6.5 million allowance for uncollectible contributions and a $1.0 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2011, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $33.4 million, which were offset by $3.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2011, contributions from two donors represented approximately 61 percent of total contributions receivable for the foundation.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $11.3 million was offset by $0.5 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011, and approximately $3.7 million is due from trusts held by others.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $1.2 million was offset by $0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 27.4 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011.

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 $16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.1 million) and Other Long-Term Assets ($12.5 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 $63.4 million shown on the government-wide *Statement of Net Assets* at June 30, 2011, primarily comprise:

- $11.3 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $23.7 million of resale inventories, of which, Higher Education Institutions recorded $20.7 million, and
- $21.6 million of consumable supplies inventories, of which, $8.2 million was recorded by the Higher Education Institutions, $9.4 million was recorded by the Highway Users Tax Fund, $2.3 million by the General Purpose Revenue Fund, and $1.0 million by Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $74.6 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $22.7 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $18.0 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $4.6 million advanced to local entities related to energy-related weatherization grants.
- $4.5 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $3.6 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 a lease or lease purchase commitment, 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.

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

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper certain international banks, and certain loans and collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2010-11, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $94,711, for the Unclaimed Property Tourism Trust Fund of $24,414, for the Major Medical Fund of $19,863, and for the Treasurer's pooled cash of $645,307.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2011 and 2010, the treasurer had $30.6 million and $41.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $6.6 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $11.0 million as of June 30, 2011. See Note 40 for additional details.

The Colorado School of Mines and Colorado State University, which are reported in the Higher Education Institutions Fund, held $3,268,406 and $949,961, respectively, 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 $5,004,977 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2010-11.

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)	$ 360,786
Investments:	
Governmental Activities	7,296,027
Business-Type Activities	1,995,129
Fiduciary Activities	4,068,138
Total	$ 13,720,080
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,182,485
Add: Warrants Payable Included in Cash	233,322
Total Cash and Pooled Cash	4,415,807
Add: Restricted Cash	2,045,128
Add: Restricted Investments	1,195,943
Add: Investments	6,063,202
Total	$ 13,720,080

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $284.1 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

The remaining $9.6 million of the unexpended BEST issuance is reported in the Debt Service Fund, an Other Governmental fund.

The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for the Ralph L. Carr Justice Complex ($143.4 million reported in a Special Capital Projects Fund) and the Colorado History Center ($18.3 million reported in a Special Capital Projects Fund).

The trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

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

(Amounts in Thousands)

	Governmental Activities				
	Treasurer's Pool	General Fund	State Education	Other Governmental	Total
INVESTMENT TYPE					
U.S. Government Securities	$ 4,984,681	$ -	$ 20,337	$ 142,769	$ 5,147,787
Commercial Paper	79,999	-	-	-	79,999
Corporate Bonds	614,246	-	25,928	132,029	772,203
Asset Backed Securities	190,451	-	-	54,422	244,873
Mortgages Securities	230,965	6,578	-	334,611	572,154
Mutual Funds	-	-	-	20,627	20,627
Other	-	284,059	-	174,325	458,384
TOTAL INVESTMENTS	$ 6,100,342	$290,637	$ 46,265	$ 858,783	$ 7,296,027

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($40.0 million), Absolute Return Funds ($44.2 million), Real Estate ($17.7 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($26.1 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee's holdings including proceeds from the current year $300.0 million bond issuance, remaining unspent receipts of $40.0 million from the prior year short-term borrowing that were repaid in November 2010 using current resources, and interest earnings related to both balances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($38.7 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 161,685	$ 7,147	$ 168,832	$ 13,412
Commercial Paper	2,550	-	2,550	-
Corporate Bonds	185,116	17,726	202,842	-
Corporate Securities	140,805	-	140,805	-
Repurchase Agreements	15,878	-	15,878	748
Asset Backed Securities	185	-	185	-
Mortgages Securities	106,715	18,025	124,740	-
Mutual Funds	837,678	563	838,241	4,015,280
Other	159,859	341,197	501,056	38,698
TOTAL INVESTMENTS	$ 1,610,471	$ 384,658	$ 1,995,129	$ 4,068,138

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 144	$ -	$ 144	$ 2,534
Corporate Bonds	4,227	-	4,227	-
Corporate Securities	8,261	-	8,261	-
Repurchase Agreements	-	-	-	748
Mortgages Securities	9	-	9	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 12,641	$ -	$ 12,641	$ 3,282

Credit Quality Risk

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

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

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

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

- CollegeInvest held a funding agreement valued at $38.7 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- The trustees for the Higher Education Institutions Lease Purchase Financing Program, Building Excellent Schools Today (BEST) program, Ralph L. Carr Justice Complex, and the Colorado History Center issued Certificates of Participation and selected the State Treasurer's cash and investment pool as their primary investment vehicle. The trustees for the Department of Transportation's Bridge Enterprise bonds also selected the State Treasurer's cash and investment pool as their primary investment vehicle. The pool has not been separately rated. See interest rate risk disclosure section for additional information on the pool.

(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	$ 1,480,085	$ -	$ 39,504	$ -	$ 421,416	$ -	$ -	$ -	$ -	$ 1,941,005
High Grade	-	-	272,561	-	-	-	-	-	-	272,561
Upper Medium	-	-	268,782	-	-	-	-	-	-	268,782
Lower Medium	-	-	18,384	-	-	-	-	-	-	18,384
Very Speculative	-	-	15,015	-	-	-	-	-	-	15,015
Short-term Ratings										
Highest	2,690,922	79,999	-	-	-	-	-	-	-	2,770,921
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 36,262	$ -	$ 42,769	$ -	$ 24,633	$ 320,308	$ 102	$ -	$ 967	$ 425,041
High Grade	678	-	18,722	-	3,845	-	374	-	50	23,669
Upper Medium	2,369	499	78,730	-	6,204	-	119	-	209	88,130
Lower Medium	-	-	37,114	-	3,577	-	162	-	133	40,986
Speculative	-	-	3,357	-	796	-	60	-	-	4,213
Very Speculative	-	-	105	-	3,744	-	26	-	-	3,875
High Default Risk	-	-	-	-	7,613	-	9	-	-	7,622
Default	-	-	78	-	1,703	-	-	-	-	1,781
Short-term Ratings										
Highest	-	2,002	-	-	-	-	-	-	-	2,002
Unrated	44,188	-	4,183	15,878	54,784	64,261	127,481	-	70	310,845
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,534	$ -	$ -	$ 748	$ -	$ -	$ -	$ -	$ -	$ 3,282
High Grade	2,168	-	-	-	-	-	-	-	-	2,168
Unrated	1,911	-	-	-	-	4,015,278	-	-	-	4,017,189
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 99,159	$ -	$ 12,776	$ -	$ 378,003	$ 21,190	$ -	$ -	$ -	$ 511,128
High Grade	-	-	85,130	-	-	-	-	3,117	-	88,247
Upper Medium	-	-	65,397	-	-	3,167	-	-	-	68,564
Lower Medium	-	-	12,381	-	-	-	-	-	-	12,381
Unrated	-	-	-	-	17,609	14,857	-	-	-	32,466

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 between five and seven years, based on the credit quality rating.

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $39.2 million that have duration of 8.1 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 14.91-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,984,681	1.054	$ 16,586	1.734	$ 10,288	14.907	$ 170,253	3.853
Commercial Paper	79,999	0.015	2,502	0.475	-	-	-	-
Corporate Bonds	614,246	3.133	76,783	2.630	-	-	175,683	4.605
Asset Backed Securities	421,416	1.060	185	1.040	-	-	389,033	3.555
Municipal Bonds	-	-	-	-	-	-	3,117	13.460
Total Investments	$ 6,100,342		$ 96,056		$ 10,288		$ 738,086	

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 $15,878,202 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the university does not have interest rate risk associated with these agreements. The $15.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 0.4 years.

The University of Colorado has invested $2,396,215 in U.S. Treasury Inflation Protected Securities with duration of 8.3 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.

Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program ($26.1 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program ($293.6 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex ($143.4 million reported in a Special Capital Projects Fund), and the Colorado History Center ($18.3 million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of Transportation's Bridge Enterprise trustees' notes and bonds. In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 57,672	6.330
U.S. Treasury Strips	942	18.900
U.S. Government Agency Notes	64,412	2.980
U.S. Government Agency Strips	16,111	1.160
Municipal Bonds	1,378	17.650
Corporate Bonds	105,436	5.820
Asset Backed Securities	181,471	14.130
Bond Mutual Funds	127,481	2.380
Colorado State University:		
Bond Mutual Funds	$ 851	1.870
Colorado School of Mines:		
Corporate Bonds	$ 2,199	5.000
Colorado Mesa University:		
U.S. Government Securities	$ 796	4.235
Corporate Bonds	639	2.942
Money Market Mutual Funds	41	0.164
Bond Mutual Funds	149	7.864
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 81,411	4.400
Bond Mutual Fund-2	27,835	5.200
Bond Mutual Fund-3	428,227	5.200
Bond Mutual Fund-4	616,142	4.800
Bond Mutual Fund-5	293,422	1.700
Bond Mutual Fund-6	1,250	3.800
Bond Mutual Fund-7	1,111	13.800
Bond Mutual Fund-8	742	8.800

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $30.3, British Pound - $21.4, Japanese Yen - $16.4, Swiss Franc - $7.3, Brazilian Real - $5.3, Chinese Yuan - $4.6, Korean Won - $3.5, Canadian Dollar - $3.0, Australian Dollar - $3.0, Swedish Kroner - $2.7, and Russian Ruble - $1.5, and various other currencies totaling $16.1 most of which are unidentifiable within the investment.

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

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the 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 investments in the fund; Colgate Palmolive – 11.3 percent, Eli Lilly – 11.2 percent, Verizon – 11.1 percent, General Electric – 11.2 percent, and Bank of America – 11.2 percent., The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance, which has failed to materialize. New resources of the State Education Fund are being invested through the Treasurer's pooled cash.

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category. Fiscal Year 2009-10 has been recast under the fund structure adopted for GASB Statement No. 54 implementation to provide comparability. Total unrealized gains for Fiscal Year 2009-10 have not been changed.

(Amounts in Thousands)

	Fiscal Year 2010-11	Recast Fiscal Year 2009-10
Governmental Activities:		
Major Funds		
General-General Purpose	$ (5,436)	$ 6,710
General-Special Purpose	(505)	1,465
Resource Extraction	(3,335)	3,866
Highway Users Tax	(6,963)	8,090
Capital Projects-Regular	(2,659)	(2,800)
Capital Projects-Special	(79)	286
State Education	(3,472)	(1,016)
NonMajor Funds:		
State Lands	(5,192)	15,628
Other Permanent Trusts	(44)	61
Labor	(331)	4,829
Gaming	(1,009)	1,042
Tobacco Impact Mitigation	(2,143)	(317)
Resource Management	(85)	236
Environment Health Protection	(1,186)	1,871
Other Special Revenue	(193)	1,052
Unclaimed Property	(1,650)	3,197
Information Technology	140	-
Highways (Internal Service)	(12)	(1)
Administrative Courts	17	-
Other Internal Service	3	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	95,536	75,707
Lottery	(246)	374
NonMajor Funds:		
CollegeInvest	1,834	6,237
Wildlife	(451)	355
College Assist	(619)	659
State Fair Authority	(8)	4
Correctional Industries	(46)	46
State Nursing Homes	(42)	8
Prison Canteens	(86)	24
Petroleum Storage Tank	(22)	(21)
Transportation Enterprise	(272)	948
Other Enterprise Activities	(47)	(24)
Fiduciary:		
Pension/Benefits Trust	(437)	397
Private Purpose Trust	562,745	413,976
	$ 623,705	$ 542,889

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, 2011:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
Cash Equivalents	$ 259,747
U.S. Government Securities	107,721
Corporate Bonds	72,386
Corporate Securities	325,013
Asset Backed Securities	14,316
Mutual Funds	142,396
Guaranteed Investment Contracts	854
Other	(14,498)
TOTAL INVESTMENTS	$ 907,935

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, 2010, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 113,190
Repurchase Agreements	191,299
TOTAL INVESTMENTS	$ 304,489

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, 2011:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 24,606	$ 1,171	$ -	$ -	$ 25,777
High Grade	-	26,580	14,316	854	41,750
Upper Medium	-	36,135	-	-	36,135
Lower Medium	-	6,411	-	-	6,411
Speculative	-	928	-	-	928
Unrated	-	1,161	-	-	1,161

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent, and all of the underlying securities are rated A - AAA.

CoverColorado, a nonmajor component unit, holds only bonds of U.S. Government agencies and corporate bonds guaranteed by U.S. Government agencies. The investments were rated Aaa by Moody's Investors Service at the dates of purchase. The Renewable Energy Authority, also a nonmajor component unit, held a money market fund rated AAA at December 31, 2010.

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, 2011:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 40,733	4.235
Corporate Bonds	72,386	2.219
Asset Backed Securities	14,316	1.270

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $304.5 million of investments subject to interest rate risk with the following maturities; one year or less – 17 percent, two to five years – 25 percent, six to ten years – 26 percent, eleven to fifteen years – 21 percent, and 16 years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $72.8 million of investments subject to interest rate risk with the following maturities; one year or less – 32 percent, one to two years – 30 percent, and two to three years – 38 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, 2011, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $21.7 million, British Pound - $9.7 million, Swiss Franc - $4.5 million, Japanese Yen - $4.3 million, Chinese Yuan - $3.3 million, Canadian Dollar - $2.3 million, South Korean Wan - $1.9 million, Brazilian Real - $1.8 million, Hong Kong Dollar - $1.6 million, Norwegian Kroner - $1.3 million, and Taiwan New Dollar - $1.2 million. An additional $5.9 million was held in various international currencies, none of which exceeded $1.0 million.

Concentration of Credit Risk

At June 30, 2011, 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, 2010, 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 also uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2011, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of $71.2 million and a floating-to-fixed rate swap having a notional value of $100.2 million. At June 30, 2011, the agreements had fair values of ($7,597,000) and ($12,182,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

Realized and unrealized gains and losses on the swap agreements are reported as investment income on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. During Fiscal Year 2010-11, the two swaps produced a net cash outflow of approximately $5.3 million. None of the hospital's swaps qualified 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, 2011, the University of Colorado Foundation held $250.9 million of domestic equity securities, $191.3 million of international equity securities, $178.3 million of fixed income securities, $436.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment income of $123.2 million is net of $5.5 million of investment fees and comprises $12.2 million of interest and dividends, $19.0 million of realized gains, and $97.5 million of unrealized gains.

At June 30, 2011, the Colorado State University Foundation held $123.8 million of equity securities, $148.3 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $20.6 million of fixed income securities, and $4.2 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2011, the CSMF held bonds and bond mutual funds totaling $29.3 million, stocks and stock mutual funds totaling $71.1 million, and investments in limited partnerships and real estate totaling $81.9 million in its long-term investments pool.

Of the foundation's $216.1 million of investments, $16.6 million, or 7.7 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 $1.3 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty-five 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, 2011, the University of Northern Colorado Foundation held $38.6 million of equity securities, $31.4 million of fixed income securities, and $25.9 million of cash and other investments. The foundation's investment income of $16.5 million is net of $0.2 million of management fees and comprises $14.1 million of net realized and unrealized gains, and $2.6 million of interest and dividends.

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The $884.4 million shown as Other Long-Term Assets on the government-wide Statement of Net Assets is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $293.9 million and $54.7 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The $466.2 million of Other Long-Term Assets shown on the fund-level Balance Sheet – Governmental Funds is primarily related to loans issued by the Highway Users Tax Fund ($15.8 million), a major special revenue fund, and the Resource Extraction Fund ($427.2 million), a major special revenue fund. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years 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.

The $122.9 million shown as Other Long-term Assets on the Statement of Net Assets – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs.

Component Units

In 2010 the Colorado Water Resources and Power Development Authority purchased securities with Water Revenue Bonds Program 2010 Series A bond proceeds on behalf of a governmental agency that entered into a loan agreement with the Authority. The securities mature in conjunction with the borrower's projected construction cost schedule and the borrower retains the risk of loss related to the value of the securities. The securities are shown as *Securities Not Held for Investment* on the *Statement of Net Assets-Component Units* totaling $48.7 million; $7.9 million is short-term and $40.8 million is long-term.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2010-11 the State capitalized $35.0 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of $34.4 million, while most of the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2010-11.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 144,268	$ 3,235	$ -	$ (3,863)	$ 143,640
Land Improvements	9,638	-	-	(131)	9,507
Collections	8,955	21	-	-	8,976
Construction in Progress (CIP)	613,385	590,846	(450,705)	(15,244)	738,282
Infrastructure	860,978	-	19,562	-	880,540
Total Capital Assets Not Being Depreciated	1,637,224	594,102	(431,143)	(19,238)	1,780,945
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	103,582	1,398	-	(116)	104,864
Buildings	1,558,447	1,998	244,694	(1,888)	1,803,251
Software	173,396	14,033	18,102	3,950	209,481
Vehicles and Equipment	646,074	40,830	2,453	(42,643)	646,714
Library Materials and Collections	6,178	426	-	(168)	6,436
Other Capital Assets	34,707	3,089	-	-	37,796
Infrastructure	9,312,574	179	165,894	(13,006)	9,465,641
Total Capital Assets Being Depreciated	11,834,958	61,953	431,143	(53,871)	12,274,183
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(54,864)	(4,670)	-	71	(59,463)
Buildings	(641,020)	(41,289)	-	785	(681,524)
Software	(77,149)	(20,256)	-	(1,996)	(99,401)
Vehicles and Equipment	(388,023)	(46,465)	-	32,561	(401,927)
Library Materials and Collections	(4,028)	(398)	-	168	(4,258)
Other Capital Assets	(20,914)	(1,832)	-	-	(22,746)
Infrastructure	(959,044)	(717,342)	-	2,817	(1,673,569)
Total Accumulated Depreciation	(2,145,042)	(832,252)	-	34,406	(2,942,888)
Total Capital Assets Being Depreciated, net	9,689,916	(770,299)	431,143	(19,465)	9,331,295
TOTAL GOVERNMENTAL ACTIVITIES	11,327,140	(176,197)	-	(38,703)	11,112,240
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	341,863	26,180	-	(2,379)	365,664
Land Improvements	17,908	707	164	-	18,779
Collections	18,175	797	150	(6)	19,116
Construction in Progress (CIP)	829,076	592,178	(883,946)	(3,371)	533,937
Infrastructure	26	-	1,022	-	1,048
Total Capital Assets Not Being Depreciated	1,207,048	619,862	(882,610)	(5,756)	938,544
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	432,547	7,093	17,529	(21,771)	435,398
Buildings	5,048,924	50,636	837,018	9,937	5,946,515
Software	74,419	5,438	29,641	(653)	108,845
Vehicles and Equipment	815,294	80,617	(4,372)	(39,254)	852,285
Library Materials and Collections	471,228	19,293	-	(11,212)	479,309
Other Capital Assets	10,095	63	-	(29)	10,129
Infrastructure	20,911	1,368	2,794	-	25,073
Total Capital Assets Being Depreciated	6,873,418	164,508	882,610	(62,982)	7,857,554
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(195,854)	(18,279)	-	725	(213,408)
Buildings	(1,805,041)	(173,002)	-	8,709	(1,969,334)
Software	(30,402)	(14,745)	-	649	(44,498)
Vehicles and Equipment	(584,668)	(61,820)	-	33,904	(612,584)
Library Materials and Collections	(333,471)	(21,221)	-	11,212	(343,480)
Other Capital Assets	(441)	(157)	-	29	(569)
Infrastructure	(10,770)	(565)	-	-	(11,335)
Total Accumulated Depreciation	(2,960,647)	(289,789)	-	55,228	(3,195,208)
Total Capital Assets Being Depreciated, net	3,912,771	(125,281)	882,610	(7,754)	4,662,346
TOTAL BUSINESS-TYPE ACTIVITIES	5,119,819	494,581	-	(13,510)	5,600,890
TOTAL CAPITAL ASSETS, NET	$ 16,446,959	$ 318,384	$ -	$ (52,213)	$ 16,713,130

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	$ 12,707
Business, Community, and Consumer Affairs	4,965
Education	1,917
Health and Rehabilitation	7,192
Justice	33,724
Natural Resources	6,689
Social Assistance	9,476
Transportation	738,622
Internal Service Funds (Charged to programs and BTAs based on useage)	16,960
Total Depreciation Expense Governmental Activities	832,252
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	281,241
State Lottery	795
Other Enterprise Funds	7,753
Total Depreciation Expense Business-Type Activities	289,789
Total Depreciation Expense Primary Government	$ 1,122,041

Component Units

At June 30, 2011, the University of Colorado Hospital Authority reported $29.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $679.6 million and equipment of $244.0 million. Accumulated depreciation related to these capital assets was $367.1 million resulting in net depreciable capital assets of $556.5 million.

In June 2009, the hospital initiated a strategic plan to implement a fully integrated electronic medical record system and to standardize its human resources and financial systems. The project plan has a revised budget of $42.0 million and a five-year time line. Costs incurred as of June 30, 2011, for the project approximated $32.3 million.

In January 2010, the Hospital began plans for a $393.0 million expansion to inpatient and emergency department services, and the construction of two parking structures. To date, the total spent on the expansion is $26.0 million with an expected occupancy date of March 2013.

The Colorado Water Resources and Power Development Authority reported capital assets of $47,703 net of accumulated depreciation of $86,814, at December 31, 2010.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $143.0 million, net of accumulated depreciation of $67.0 million, at December 31, 2010. 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 $2.5 million, net of accumulated depreciation of $9.1 million, at June 30, 2011.

The University of Colorado Real Estate Foundation reported land, buildings and improvements, and furniture and equipment of $61.0 million net of accumulated depreciation of $10.8 million, at June 30, 2011.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

<u>Administration of the Plan</u>

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

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

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

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

Based on changes in the 2010 legislative session, slightly different plan requirements were in effect during part of Fiscal Year 2010-11. Requirements stated are as of June 30, 2011.

<u>Defined Retirement Benefits</u>

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 between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 3 years of service.

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

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

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

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

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

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

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

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

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

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

In the 2010 legislative session, the general assembly set the current benefit increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009, and moved the payment date for all increases to July.

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

<u>Money Purchase Retirement Benefit</u>

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

<u>Service Requirement and Termination</u>

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

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

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

B. FUNDING POLICY

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

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

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2010-11				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100
Fiscal Year 2009-10				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100
Fiscal Year 2008-09				
1-1-09 to 6-30-09	16.46	15.65	12.95	100
7-1-08 to 12-31-08	15.56	14.75	12.05	100

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary 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.

In the 2006 legislative session, 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.

For State employers, each year's one half percentage point increase in the SAED will be deducted from the amount otherwise available to increase State employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. For the Judicial Division, the AED and SAED are frozen at the 2010 levels. At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

The preceding contribution table reflects the increase required by the AED/SAED legislation.

The Fiscal Year 2010-11 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, 2010, to December 31, 2010, 10.33 percent was allocated to the defined benefit plan, and
- From January 1, 2011, to June 30, 2011, 11.23 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, 2010, the State Division of PERA had a funded ratio of 62.8 percent and a 47-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

The State made the following retirement contributions:

- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (*previously restated*)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million
- Fiscal Year 2001-02 - $135.8 million

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

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

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

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2010	$452,821	18.93%	62%
2009 (restated)	$426,999	17.91%	69%
2008 (restated)	$437,537	18.45%	61%

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

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2010-11 and 2009-10, the Department of Local Affairs transferred $4.3 million and $4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. The transfers are not scheduled to resume until Fiscal Year 2011-12.

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 $86,000 to this plan in Fiscal Year 2010-11. 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 $20.1 million in Fiscal Year 2010-11 to this plan. The amount of the actuarially computed net periodic pension cost was $20.4 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.8 million as of June 30, 2011, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2010, 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, 2008. The Authority also provides three other retirement plans, as discussed in Note 20.

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $24.3 million, $24.0 million, $24.6 million, $23.1 million, $24.4 million, and $20.6 million in Fiscal Years 2010-11, 2009-10, 2008-09, 2007-08, and 2006-07, 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 2010. As of December 31, 2010, there were 48,455 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and a four and one-half percent projection of salary increases, both assuming a three and three-quarter percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at three and one-half percent. There are no post-retirement benefit increases, and the UAAL is being amortized as a level dollar amount on an open basis over 30 years.

University of Colorado – Other Postemployment Benefits Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2010-11, the University contributed $13.0 million to the plan. Plan members contributed 0.2 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.8 percent of covered payroll.

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

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

(Amounts In Thousands)

Annual required contribution	$ 40,717
Interest on net OPEB obligation	3,563
Adjustment to annual required contribution	(4,861)
Annual OPEB cost (expense)	39,419
Contributions made	(13,041)
Increase in net OPEB obligation	26,378
Net OPEB obligation - beginning of year	33,022
Prior Period Adjustment (see Note 29)	46,163
Net OPEB obligation - end of year	$ 105,563

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2010-11 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 39,419	33.1%	$105,563

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $343.1 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $343.1 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1,023.5 million, and the ratio of UAAL to covered payroll was 33.5 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return and various rates ranging from five to nine percent for annual increase in medical claims. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

<u>Colorado State University – Other Postemployment Benefits Plans</u>

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

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

The contribution requirements of all plan members and the university are established by the university's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the university in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2010-11, the university contributed $506,311 to the RMPR, $1,246,899 to the RMPS, $82,227 to the URX and $1,030,679 to the LTD. Plan members are not required to contribute to any of the four plans.

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

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

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2010-11	$ 2,482	20.4%	$ 7,207
RMPS	2010-11	$ 3,980	31.3%	$ 11,016
URX	2010-11	$ 189	43.5%	$ 341
LTD	2010-11	$ 1,177	87.6%	$ 635

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2010-11 were as follows:

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,447	$ 4,137
Interest on net OPEB obligation	211	331
Adjustment to annual required contribution	(176)	(488)
Annual OPEB cost (expense)	2,482	3,980
Contributions made	(506)	(1,247)
Increase in net OPEB obligation	1,976	2,733
Net OPEB obligation - beginning of year	5,231	8,283
Net OPEB obligation - end of year	$ 7,207	$ 11,016

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 194	$ 1,173
Interest on net OPEB obligation	11	20
Adjustment to annual required contribution	(16)	(16)
Annual OPEB cost (expense)	189	1,177
Contributions made	(82)	(1,031)
Increase in net OPEB obligation	107	146
Net OPEB obligation - beginning of year	234	489
Net OPEB obligation - end of year	$ 341	$ 635

As of the most recent actuarial valuation date of January 1, 2011, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $28.9 million, $53.2 million, $2.8 million, and $13.0 million respectively, resulting in unfunded actuarial accrued liabilities of $28.9 million, $53.2 million, $2.8 million and $13.0 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $248.2 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.65 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return and a three percent inflation adjustment. The RMPR plan also used a four percent salary increase assumption, while the RMPS, URX, and LTD plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement, not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-seven years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the State offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded plans were no longer offered, and the State and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the State returned to a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

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

Effective July 1, 2005, the State terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the State discontinued one of the self-funded medical plan options due to low enrollment. Effective July 1, 2010, the State began offering two state-wide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

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

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar years 2009 and 2010, PERA members are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. On December 31, 2010, the plan had net assets of $1,902.3 million and 73,860 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. For Fiscal Years 2010-11 and 2011-12 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2010, the plan had 3,479 participants.

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

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association (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 $100.4 million and $95.5 million during Fiscal Years 2010-11 and 2009-10, respectively. In addition, the State paid $80.9 million and $78.0 million in FICA and Medicare taxes on employee wages during Fiscal Years 2010-11 and 2009-10, respectively.

Component Units

Employees of the Colorado Water Resources and Power Development Authority and the Statewide Internet Portal Authority may voluntarily contribute to 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 hospital to make matching contributions of $6.6 million in Fiscal Year 2010-11. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2010-11 48 faculty members participated in the program at a present value accrued cost of $9.0 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased 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, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University (formerly Mesa State College), and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $200,000 per individual. In Fiscal Year 2010-11, the State recovered approximately $7.0 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $10.5 million of insurance recoveries during Fiscal Year 2010-11. Of that amount approximately $2.1 million was related to asset impairments that occurred in prior years primarily at the Departments of Corrections and Transportation, in the General Purpose Revenue Fund and Highway Users Tax Fund, respectively. The remaining $8.4 million relates to the current year and was primarily recorded by Group Benefits Plans ($7.0 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education $0.8 million in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2010-11, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $200,000 per person and $10.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2010-11 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected $1,074,189 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2009 through 2011. 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 2010-11, 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. The university is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims up to statutory limits.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $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 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The university has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($50,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $500,000 of employee fraud insurance ($1,000 deductible), $500.0 million of commercial property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

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

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

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2010-11	$22,938	$ 6,885	$ 5,090	$24,733
2009-10	17,703	9,941	4,706	22,938
2008-09	17,703	6,435	6,435	17,703
Workers' Compensation				
2010-11	100,787	44,977	35,442	110,322
2009-10	84,147	53,278	36,638	100,787
2008-09	83,203	37,147	36,203	84,147
Group Benefit Plans:				
2010-11	17,873	133,109	137,078	13,904
2009-10	16,621	143,098	141,846	17,873
2008-09	17,254	135,837	136,470	16,621
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2010-11	11,561	4,659	6,243	9,977
2009-10	11,663	5,905	6,007	11,561
2008-09	14,080	4,040	6,457	11,663
University of Colorado Denver:				
Medical Malpractice				
2010-11	4,589	1,864	1,327	5,126
2009-10	5,065	273	749	4,589
2008-09	4,175	2,830	1,940	5,065
Graduate Medical Education Health Benefits Program				
2010-11	1,321	6,319	6,349	1,291
2009-10	1,603	6,280	6,562	1,321
2008-09	1,257	8,693	8,347	1,603
Colorado State University:				
Medical, Dental, and Disability Benefits				
2010-11	21,766	34,865	29,618	27,013
2009-10	18,537	32,285	29,056	21,766
2008-09	17,798	28,919	28,180	18,537
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2010-11	25	92	96	21
2009-10	24	92	91	25
2008-09	75	15	66	24
Fort Lewis College:				
Workers' Compensation				
2010-11	288	124	97	315
Colorado Mesa University:				
Workers' Compensation				
2010-11	282	303	445	140

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust – 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 for claims arising within the State). The trust also provides coverage of $1.0 million for claims arising outside the State 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 2010-11, the hospital recorded premium and administrative expenses of $505,000. The trust had a fund balance of $1.1 million, which was net of approximately $5.1 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, 2011, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 56,875	$ 139,115
Business-Type Activities	5,130	44,369	24,484
Total	$ 5,865	$ 101,244	$ 163,599

At June 30, 2011, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 263	$ 575	$ 838
Business-Type Activities	-	10	10
Total	$ 263	$ 585	$ 848

During the year ended June 30, 2011, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 19	$ 19
Total	$ -	$ 19	$ 19

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. 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, vehicles, and equipment from the foundation. At June 30, 2011, the total obligation for the space was $2.9 million, with an average annual lease payment of $136,086, and the total obligation for the vehicles and equipment was $4.1 million, with total annual lease payments of $1.7 million.

Colorado Mesa University has a lease-purchase agreement with the Colorado Mesa University Foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation $1.2 million under this agreement at June 30, 2011.

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

The Colorado Community College System made lease payments of $469,765 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 2010-11, the State recorded building and land rent of $50.2 million and $19.1 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $9.4 million and $31.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

The State recorded $3.3 million of lease interest costs in the governmental activities and $2.0 million in the business-type activities.

The State entered into approximately $5.9 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2011, 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
2012	$ 45,050	$ 19,098	$ 17,272	$ 7,057
2013	39,293	15,479	15,872	7,031
2014	33,856	13,713	14,214	6,305
2015	28,157	11,801	12,695	5,236
2016	20,056	11,085	10,577	4,812
2017 to 2021	46,350	18,150	37,514	16,434
2022 to 2026	158	3,954	21,794	11,865
2027 to 2031	116	1,875	9,701	6,123
2032 to 2036	124	830	1,740	793
2037 to 2041	126	645	-	-
2042 to 2046	136	645	-	-
2047 to 2051	61	193	-	-
Total Minimum Lease Payments	213,483	97,468	141,379	65,656
Less: Imputed Interest Costs			33,791	17,240
Present Value of Minimum Lease Payments	$ 213,483	$ 97,468	$ 107,588	$ 48,416

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.1 million for Fiscal Year 2010-11. Future minimum lease payments for these leases at June 30, 2011, are:

(Amounts in Thousands)

Fiscal Year	Amount
2012	$ 4,985
2013	3,389
2014	2,841
2015	2,598
2016	1,968
2017-2020	2,862
Total Minimum Obligations	$ 18,643

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, 2010 was $118,581. The total minimum rental commitment under this lease is $215,557 as of December 31, 2010.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $2.7 million at June 30, 2011. Total minimum lease payments including interest at June 30, 2011, were $3.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2011 was $156,071. The total minimum rental commitment under the leases was $0.5 million at June 30, 2011.

NOTE 23 – SHORT-TERM DEBT

On December 14, 2010, the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2010. The notes were due and payable on June 27, 2011, at a coupon rate of 2.0 percent. The total interest related to this issuance was $5.4 million, however, the notes were issued at a premium of $4.6 million resulting in net interest costs of $808,611 and a yield of 0.29 percent. The notes were issued for cash management purposes and were repaid before June 30, 2011, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On December 10, 2010, the State Treasurer issued $325.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2010B. The notes had a coupon rate of 2.0 percent, resulting in net interest costs of $601,361. The notes matured on June 30, 2011 and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2011:

(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	$ 515,000	325,000	$ (840,000)	-
Total Governmental Activities Short-Term Financing	515,000	825,000	(1,340,000)	-
Business Type Activities:				
Short-Term External Loans	40,000	-	(40,000)	-
Total Business Type Activities Short-Term Financing	40,000	-	(40,000)	-
Total Short-Term Financing	$ 555,000	$ 825,000	$ (1,380,000)	$ -

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

Primary Government

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

During Fiscal Year 2010-11 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 $611.6 million of available net revenue after operating expenses to meet the $183.2 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 37.)

The State recorded $244.5 million of interest costs, of which, $90.1 million was recorded by governmental activities and $154.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $50.0 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $16.3 million of interest primarily on Certificates of Participation issued by the Judicial Branch. The business-type activities interest cost primarily comprises $119.1 million of interest on revenue bonds issued by institutions of higher education, and $16.0 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, 2011, are as follows:

(Amounts in Thousands)

	Governmental Activities					
Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2012	$ 125,265	$ 42,725	$ 19,900	$ 39,803	$ 145,165	$ 82,528
2013	132,105	35,889	24,985	37,768	157,090	73,657
2014	140,545	27,446	25,360	36,853	165,905	64,299
2015	146,575	21,418	25,710	35,649	172,285	57,067
2016	156,565	11,426	33,190	42,345	189,755	53,771
2017 to 2021	127,185	3,180	125,076	152,251	252,261	155,431
2022 to 2026	-	-	183,120	126,399	183,120	126,399
2027 to 2031	-	-	256,965	91,760	256,965	91,760
2032 to 2036	-	-	65,590	57,096	65,590	57,096
2037 to 2041	-	-	74,225	33,181	74,225	33,181
2042 to 2046	-	-	55,440	7,588	55,440	7,588
2047 to 2051	-	-	-	-	-	-
Subtotals	828,240	142,084	889,561	660,693	1,717,801	802,777
Unamortized Prem/Discount	41,042	-	7,954	-	48,996	-
Accrued Capital Appreciation Certificates	-	-	117	-	117	-
Totals	$ 869,282	$ 142,084	$ 897,632	$ 660,693	$ 1,766,914	$ 802,777

(Amounts in Thousands)

Fiscal Year			Business-Type Activities						Totals	
			Revenue Bonds		Notes Payable		Certificates of Participation			
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012		$ 68,115	$ 136,195	$ 477	$ 147	$ 9,964	$ 21,028	$ 78,556	$ 157,370
	2013		93,180	133,480	447	129	18,150	20,507	111,777	154,116
	2014		76,475	130,284	463	110	18,954	19,715	95,892	150,109
	2015		78,670	127,203	483	89	19,834	18,933	98,987	146,225
	2016		79,620	123,780	506	65	20,749	18,035	100,875	141,880
2017	to	2021	432,935	564,390	1,098	69	119,895	73,760	553,928	638,219
2022	to	2026	507,950	457,202	60	8	138,715	39,356	646,725	496,566
2027	to	2031	527,140	322,780	-	-	84,960	8,603	612,100	331,383
2032	to	2036	502,195	183,449	-	-	-	-	502,195	183,449
2037	to	2041	324,995	64,553	-	-	-	-	324,995	64,553
2042	to	2046	24,475	3,463	-	-	-	-	24,475	3,463
Subtotals			2,715,750	2,246,779	3,534	617	431,221	219,937	3,150,505	2,467,333
Unamortized Prem/Discount			18,498	-	(31)	-	(684)	-	17,783	-
Unaccreted Interest			(14,592)	-	-	-	-	-	(14,592)	-
Totals			$ 2,719,656	$ 2,246,779	$ 3,503	$ 617	$ 430,537	$ 219,937	$ 3,153,696	$ 2,467,333

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2011, Mine's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

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

Fiscal Year			Principal	Interest	Interest Rate Swap, Net	Total
	2012		$ 550	$ 365	$ 1,435	$ 2,350
	2013		575	360	1,415	2,350
	2014		600	355	1,395	2,350
	2015		625	349	1,373	2,347
	2016		625	344	1,352	2,321
2017	to	2021	3,350	1,627	6,396	11,373
2022	to	2026	4,800	1,453	5,711	11,964
2027	to	2031	11,250	1,100	4,323	16,673
2032	to	2036	14,100	508	1,996	16,604
2037	to	2041	6,035	27	105	6,167
Totals			$ 42,510	$ 6,488	$ 25,501	$ 74,499

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,487,565	$ -	$ 912,979	$ 2,400,544
Business Type Activities	3,221,796	6,552	457,759	$ 3,686,107
Total	$ 4,709,361	$ 6,552	$ 1,370,738	$ 6,086,651

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2010, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ 63,795	$ 51,898	$ 115,693
2012	60,025	49,542	109,567
2013	58,425	46,801	105,226
2014	59,275	44,165	103,440
2015	56,155	41,386	97,541
2016 to 2020	281,155	166,709	447,864
2021 to 2025	226,400	103,899	330,299
2026 to 2030	131,745	60,970	192,715
2031 to 2035	131,525	31,844	163,369
2036 to 2040	24,775	8,427	33,202
2041 to 2043	17,065	1,822	18,887
Total Future Payments	$ 1,110,340	$ 607,463	$ 1,717,803

The original principal amount for the outstanding bonds was $1,757.5 million. Total interest paid during 2010 amounted to $51.0 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds (except for the 1996 Series A bonds) are insured as to payment of principal and interest by Nation Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The 1996 Series A bonds as well as the Clean Water Revenue Bonds Series 1989A are insured by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. 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, 2005C, and 2005D, Series 2008A, Series 2009A, and Series 2010A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2010, it had $59.5 million of these bonds outstanding.

In May 2011, the University of Colorado Hospital Authority issued Series 2011A Revenue Bonds. The net proceeds of $200.0 million will be used to partially fund construction of a new inpatient tower on the Anschutz Medical Campus. The revenue bonds are variable rate, bear interest weekly, and pay principal according to a mandatory sinking fund schedule. The average interest rate in 2011 was 0.14%. To provide liquidity support for the Series 2011A the Authority entered into a letter of credit agreement with Wells Fargo Bank, which will expire May 2016 unless extended by the bank.

Also in May 2011, the hospital converted the replacement Standby Bond Purchase Agreement with Wells Fargo Bank to a letter of credit agreement with JP Morgan Chase to provide liquidity support for the Series 2004A Revenue Bonds. The letter of credit agreement expires May 2016 unless extended by the bank. As a result of the conversion, the hospital terminated the Assured Guaranty investment policy on the Series 2004A.

During Fiscal Year 2010-11, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2010-110 were $23.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2011, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	$ 13,295	$ 27,620	$ 40,915
2013	13,655	27,092	40,747
2014	12,748	26,596	39,344
2015	13,180	26,025	39,205
2016	13,450	25,464	38,914
2017 to 2021	77,330	117,319	194,649
2022 to 2026	97,450	97,119	194,569
2027 to 2031	123,800	70,767	194,567
2032 to 2036	149,485	45,078	194,563
2037 to 2040	175,365	19,202	194,567
2041 to 2042	38,480	436	38,916
Total Long-Term Debt Payments	728,238	$ 482,718	$ 1,210,956
Less: Unamortized Discount	(1,772)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,161)		
Series 2008 B Bonds	(7,414)		
Series 2009 A Bonds	(231)		
Total Carrying Amount of Long-Term Debt	$ 715,660		

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

In April 2009, the Denver Metropolitan Major League Baseball Stadium District entered into a five-year noninterest bearing Promissory Note for $2.4 million to acquire certain real and personal property relating to maintaining a view plane to preserve mountain views from Coors Field. The note is collateralized by the underlying property and related rentals under a Deed of Trust. The note may be prepaid in whole or in part at any time without penalty.

Metropolitan State College of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the College's Hotel and Hospitality Learning Center. The issuance comprised $49,640,000 of Taxable Revenue Bonds Series 2010A (Build America Bonds – Direct Payment), $4,500,000 Tax-Exempt Revenue Bonds Series 2010B, and $745,000 Taxable Revenue Bonds Series 2010C. The Series bonds have both serial and term components maturing between Fiscal Year 2015-16 and Fiscal Year 2042-43 and interest rates ranging from 2.0 percent to 6.5 percent.

The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ -	$ 1,613	$ 1,613
2012	-	3,226	3,226
2013	-	3,226	3,226
2014	410	3,226	3,636
2015	710	3,218	3,928
2016 to 2020	5,800	15,615	21,415
2021 to 2025	7,395	14,139	21,534
2026 to 2030	8,870	11,880	20,750
2031 to 2035	10,820	8,870	19,690
2036 to 2040	13,285	5,090	18,375
2041 to 2042	7,595	786	8,381
Total Future Payments	$ 54,885	$ 70,889	$ 125,774

The University of Colorado Real Estate Foundation (CUREF) entered into two mortgage notes payable, $10,687,500 and $5,081,690, with an annual interest rate of 6.6 and 6.37 percent, maturing in October and August 2016, respectively. Both notes are secured by the land and buildings held in the limited liability corporations, of which CUREF is the sole member. The foundation also maintains a $7,000,000 line of credit with the University of Colorado that matures on July 3, 2013, with a balance of $350,000 as of June 30, 2011, and carries an annual rate of 2.0 percent.

The University of Colorado Real Estate Foundation and Campus Village Apartments, LLC., of which CUREF is the sole member, entered into a lease vacancy and reimbursement agreement related to the repayment of loaned proceeds from the Colorado Educational Cultural Facilities Authority 2008 Student Housing Revenue Refunding Bonds in the amount of $54,055,000. The Series 2008 bonds are 30-year serial bonds maturing on June 1, 2038, with fixed interest rates ranging from 4.0 to 5.5 percent, and containing certain provisions for early redemption. The debt service requirements to maturity as of June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest Rate
2014	$ 20	4.00%
2015	105	4.25%
2016	195	4.38%
2017	295	4.50%
2018	400	4.50%
2019 to 2023	3,850	4.75% - 5.00%
2024 to 2028	9,335	5.38%
2029 to 2033	15,735	5.50%
2034 to 2038	24,120	5.50%
Total Principal Payments	$ 54,055	
Less: Unamortized Discount	(953)	
Total Carrying Amount of Long-Term Debt	$ 53,102	

Mandatory sinking fund requirements begin on June 1 in 2024, 2029, and 2034.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2010-11:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 2,575	$ 2	$ (1,425)	$ 1,152	$ 1,138
Accrued Compensated Absences	148,511	9,543	(11,174)	146,880	9,741
Claims and Judgments Payable	391,575	10,117	(17,048)	384,644	44,641
Capital Lease Obligations	97,130	22,414	(11,956)	107,588	12,872
Bonds Payable	992,436	4,820	(127,973)	869,283	125,265
Certificates of Participation	689,972	1,038,409	(830,750)	897,631	19,900
Other Long-Term Liabilities	402,599	75,268	(43,673)	434,194	-
Total Governmental Activities Long-Term Liabilities	2,724,798	1,160,573	(1,043,999)	2,841,372	213,557
Business-Type Activities					
Accrued Compensated Absences	209,330	25,988	(15,118)	220,200	14,579
Claims and Judgments Payable	29,461	7,196	(1,284)	35,373	-
Capital Lease Obligations	83,374	10,492	(45,450)	48,416	4,950
Derivative Instrument Liabilities	7,778	410	(2,006)	6,182	-
Bonds Payable	2,306,693	563,630	(108,157)	2,762,166	68,665
Certificates of Participation	432,699	125,358	(127,522)	430,535	9,964
Notes, Anticipation Warrants, Mortgages	3,925	70	(490)	3,505	477
Other Postemployment Benefits	47,259	94,877	(17,375)	124,761	18,885
Other Long-Term Liabilities	43,739	11,988	(4,697)	51,030	4,842
Total Business-Type Activities Long-Term Liabilities	3,164,258	840,009	(322,099)	3,682,168	122,362
Fiduciary Activities					
Deposits Held In Custody For Others	778,744	345,075	(17,207)	1,106,612	1,063,241
Accrued Compensated Absences	41	13	-	54	-
Other Long-Term Liabilities	7,846	1,626	(89)	9,383	-
Total Fiduciary Activities Long-Term Liabilities	786,631	346,714	(17,296)	1,116,049	1,063,241
Total Primary Government Long-Term Liabilities	$ 6,675,687	$2,347,296	$ (1,383,394)	$ 7,639,589	$ 1,399,160

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 Derivative Instrument Liabilities, Claims and Judgments Payable in business-type activities, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities. For Fiscal Year 2010-11, the current portion of Other Postemployment Benefits is being reported as Other Current Liabilities on the Statement of Net Assets.

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

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

At June 30, 2011, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $434.2 million shown for governmental activities primarily comprises:

- $269.0 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $148.0 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $17.0 million of unclaimed property liabilities to claimants.

The $46.2 million (including $2.4 million Due to Component Units) shown for business-type activities primarily comprises:

- $25.7 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $23.7 million (including $18.9 million of current Other Postemployment Benefits) will be paid within one year and is reported as an Other Current Liability.
- $18.0 million of deferred revenue that the State does not expect to recognize within the following year. The most significant balances relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($7.6 million and $3.2 million, respectively) and a ground lease at the University of Northern Colorado ($2.1 million).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 527,132	$ 202,119	$ (13,591)	$ 715,660	$ 13,295
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 974,593	$ 145,195	$ (72,777)	$ 1,047,011	$ 63,795
Other Long-Term Liabilities	$ 126,383	$ 196,559	$ (132,914)	$ 190,028	$ 109,211

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water operations 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), two charitable lead trusts, 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, 2011, the foundation held $61.9 million of split interest agreement investments with $22.0 million of related liabilities and reported $3.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2011, the University of Colorado Foundation held $247.1 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Assets – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2011, total life income agreement assets of CSUF were $747,310. Life income agreements payable at the same date totaled $885,499. 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, 2011, the foundation held $12.2 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, 2011, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.6 million; related liabilities of $10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Assets – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.1 million mentioned above and total $4.8 million. At June 30, 2011, CSMF reported $15.4 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

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 2010-11, debt was defeased only in business-type activities.

At June 30, 2011, 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	$ 210,955
Department of Treasury	26,335
Department of Corrections	18,100
Business-Type Activities:	
University of Colorado	201,410
Mesa State College	28,445
Colorado School of Mines	23,800
Community College System	5,920
Colorado State University	9,595
Western State College	8,395
Adams State College	8,430
Total	$ 541,385

The Board of Regents of the University of Colorado issued $19,060,000 of its Enterprise Refunding Revenue Bonds, Series 2010B to partially defease $18,785,000 of its Enterprise Revenue Bonds, Series 2002A and 2003A. The defeased debt had an interest rate of 5.0 percent, and the new debt has an interest rate of 2.47 percent. The remaining term of the debt varies, and the estimated debt service cash flows decreased by $949,126. The defeasance resulted in an economic gain of $838,666 and a book loss of $2,179,768 that will be amortized as an adjustment of interest expense over the remaining ten years of the new debt.

The Colorado School of Mines issued $42,860,000 of its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2010A to fully defease its Variable Rate Demand Institutional Enterprise Refunding Revenue Bonds, Series 2008A. Both the defeased debt and the new debt had a variable interest rate equal to 67 percent of LIBOR. The remaining term of the debt was 28 years, and the estimated debt service cash flows decreased by $5,157,053. The defeasance did not result in an economic gain or loss, but produced a book loss of $11,633,538 that will be amortized as an adjustment of interest expense over the remaining years of the new debt. The book loss includes $8.2 million related to an ongoing interest rate swap hedge derivative that is deemed terminated for accounting and reporting purposes.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

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

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

The State's total amount of pollution remediation obligations as of June 30, 2011 was $152.5 million ($3.8 million of which was a current liability). Superfund sites account for approximately $150.6 million of the State's total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, ground water contamination, and underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $68.0 million related to the operation of a water treatment plant. Currently the department shares the cost of operating the water treatment plant, construction of a new treatment plant in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Estimated construction costs are based on engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. As of June 30, 2011, the State has received $11.0 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $51.1 million related to a number of inactive precious metal mines that have caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.9 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $17.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2015 to 2017. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2028, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds with the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Assets*, and accordingly, the State recognized a Deferred Inflow of Resources of $2.0 million as of June 30, 2011.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $42.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London InterBank Offering Rate (payable by Morgan Stanley), which was 0.18 percent at June 30, 2011. Cash flows between the parties are settled on the net difference. The market value as of June 30, 2011 was $6.2 million as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Assets.*

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

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

NOTES 29 Through 32 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Adjustments that are due to corrections of errors or statutory changes are presented in the table below as Prior Period Adjustments. Beginning balances adjusted for accounting changes required by Governmental Accounting Standards Board Statement No. 54 are presented in Section B of this note.

A. PRIOR PERIOD ADJUSTMENTS

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $14,971,609 due to the following adjustments:

- An increase of $32,244,111, when the Department of Transportation identified that construction in progress related to roadway and bridge projects in prior years had not been recorded correctly. This adjustment appears only on the government-wide *Statement of Activities* because the related assets are not reported in the fund level statements.
- A decrease of $3,555,667, when the Department of Health Care Policy and Financing corrected an error in calculating the federal share of amounts recovered to be returned to the federal government since Fiscal Year 2008-09. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balance*.
- A decrease of $428,835, when the Department of Personnel & Administration reduced the beginning fund balance of the Worker's Compensation Risk Management Fund, a Special Purpose General Fund, by $282,037 and $146,798 when it paid Colorado Mesa University and Fort Lewis College respectively, to assume responsibility for claims that would have otherwise been current liabilities of the fund in Fiscal Year 2010-11. These transactions had no effect on the Higher Education Institutions enterprise fund because these institutions received cash equivalent to the newly assumed current liability.
- A decrease of $13,288,000 when the Department of Public Health and Environment identified that expenditures related to pollution remediation obligations for Fiscal Year 2009-10 were erroneously not recorded until Fiscal Year 2010-11. This adjustment appears only on the government-wide *Statement of Activities* because the related liabilities are not reported in the funds.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* decreased by $46,850,329 due to the following adjustments:

- A decrease of $46,163,000, due to an erroneous actuarial valuation for the University of Colorado's post employment benefit plan. It was determined that the healthcare trend rate had been developed but had not been utilized in the calculation of the actuarial accrued liability. The correction of this error also reduced the beginning net assets on the fund-level Statement of Net Assets – Proprietary Funds.
- A decrease of $687,329 in CollegeInvest, a nonmajor enterprise fund, related to CollegeInvest's failure to record their amortized discount income for the Prepaid Tuition Fund at the cost amount in prior years. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Funds.*

Additional changes on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds that did not affect the *Statement of Activities* are as follows:

- The beginning fund balance of the General Purpose Revenue Fund increased by $12,158,021 due to the accrual of the cash funded revenue portion of Medicaid costs that had not been recorded in the prior year by the Department of Health Care Policy and Financing. This correction also decreased the beginning fund balance in the Tobacco Impact Mitigation Fund and the Environment and Health Protection Fund, both nonmajor special revenue funds, in the amounts of $11,607,443 and $550,578, respectively.
- The beginning fund balance of the Capital Projects Fund, a major governmental fund, increased by $6,730. The decrease is related to legislation enacted in Fiscal Year 2009-10 which transferred the fund balance between the Capital Projects Fund and other nonmajor special revenue funds. The beginning fund balances on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in the Gaming Fund, a nonmajor special revenue fund, decreased by $1,474,551 and Other Special Revenue Funds increased in the amount of $1,467,821.
- The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue fund, increased due to the elimination of a liability of $210,000 by the Department of Public Health and Environment, to correct an error in a pollution remediation obligation recorded in a prior year.
- The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue

fund, increased by $504,958. This increase is due to transfer of the Waste Tire Program from the Department of Local Affairs to the Department of Public Health and Environment. This activity also decreases by the same amount the beginning fund balance of Other Special Revenue Funds.

- The beginning fund balance of the Other Special Purpose Fund, a component of the Special Purpose General Funds, decreased by $220,000 when the Department of Public Health and Environment transferred the fund balance of the Advance Technology Fund, to the Process and End Users Waste Tire Fund, a nonmajor Other Special Revenue fund. This transaction also increased the beginning fund balance on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in Other Special Revenue Funds in the same amount.

Additional changes on the *Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds* that did not affect the *Statement of Fiduciary Net Assets* are as follows:

- The beginning asset balance and the beginning liabilities balance for Other Agency Funds decreased by $283,454,328. This is due to the identification of an agency fund with Treasury activity that had previously been included in the Other Agency Fund category. This adjustment appropriately reflects the activity and increases the beginning asset and the beginning liabilities balance of the Department of Treasury agency funds in the same amount.

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

B. ACCOUNTING CHANGES

Accounting changes due to fund category reclassifications required by Governmental Accounting Standards Board Statement No. 54 are summarized in the table below. The accounting change in the Internal Service Funds also requires an adjustment of $99,039 to the Other Enterprises Funds on the *Statement of Cash Flows - Proprietary Funds.*

	Major Governmental Funds				
	General	State Public School	Capital Projects	Water Projects	Labor
BEGINNING FUND BALANCE	$ 15,784	$ 32,675	$ 385,059	$ 348,910	$ 193,556
GASB 54 FUND RECLASSIFICATION ADJUSTMENTS					
MAJOR FUNDS:					
General to General - Risk Management[1]	-	-	-	-	-
Resource Management to General - Other Special Purpose	24,505	-	-	-	-
Environment and Health Protection to General - Other Special Purpose	56	-	-	-	-
Other Special Revenue to General - Other Special Purpose	27,289	-	-	-	-
Public School Buildings to General - Other Special Purpose	209,174	-	-	-	-
State Public School to General - State Public School	32,675	(32,675)	-	-	-
Resource Management to Resource Extraction	-	-	-	-	-
Other Special Revenue to Resource Extraction	-	-	-	-	-
Regular Capital Projects to Special Capital Projects[2]	-	-	-	-	-
Water Projects to Resource Extraction	-	-	-	(348,910)	-
NONMAJOR FUNDS:					
Other Special Revenue to Labor	-	-	-	-	5,492
Other Special Revenue to Gaming	-	-	-	-	-
Other Special Revenue to Tobacco Impact Mitigation	-	-	-	-	-
Tobacco Impact Mitigation to Other Special Revenue	-	-	-	-	-
Environment and Health Protection to Tobacco Impact Mitigation	-	-	-	-	-
Resource Extraction to State Lands Trust - Expendable	-	-	-	-	-
Other Special Revenue to Unclaimed Property	-	-	-	-	-
Other Special Revenue to State Lands Trust	-	-	-	-	-
Other Special Revenue to Other Internal Service Activities	-	-	-	-	-
TOTAL GASB 54 FUND RECLASSIFICATION ADJUSTMENTS	$ 293,699	(32,675)	-	(348,910)	5,492
BEGINNING FUND BALANCE, RESTATED	$ 309,483	-	385,059	-	199,048

[1] - $23,589 million was reclassified from the General Fund - General Purpose Revenues to the General Fund - Risk Management. This amount is shown as both a decrease and an increase to the General Fund column, which nets to zero.

[2] - $323,428 million was reclassified from the Regular Capital Projects Fund to the Special Capital Projects Fund. This amount is shown as both a decrease and an increase to the Capital Projects Fund column, which nets to zero.

(Amounts in Thousands)

Nonmajor Governmental Funds									Proprietary Funds
Gaming	Tobacco Impact Mitigation	Resource Extraction	Resource Management	Environment and Health Protection	Public School Buildings	Unclaimed Property	Other Special Revenue	State Lands Trust	Other Internal Service Activities
$ 92,231	$ 178,040	$ 519,520	$ 49,492	$ 110,757	$ 209,174	$ 119,627	$ 305,977	$ 665,995	$ 339
-	-	-	-	-	-	-	-	-	-
-	-	-	(24,505)	-	-	-	-	-	-
-	-	-	-	(56)	-	-	-	-	-
-	-	-	-	-	-	-	(27,289)	-	-
-	-	-	-	-	(209,174)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	6,983	(6,983)	-	-	-	-	-	-
-	-	34,980	-	-	-	-	(34,980)	-	-
-	-	-	-	-	-	-	-	-	-
-	-	348,910	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(5,492)	-	-
29,910	-	-	-	-	-	-	(29,910)	-	-
-	240	-	-	-	-	-	(240)	-	-
-	(193)	-	-	-	-	-	193	-	-
-	949	-	-	(949)	-	-	-	-	-
-	-	(84)	-	-	-	-	-	84	-
-	-	-	-	-	-	1,161	(1,161)	-	-
-	-	-	-	-	-	-	(1,655)	1,655	-
-	-	-	-	-	-	-	(91)	-	91
29,910	996	390,789	(31,488)	(1,005)	(209,174)	1,161	(100,625)	1,739	91
122,141	179,036	910,309	18,004	109,752	-	120,788	205,352	667,734	430

NOTE 30 – FUND EQUITY

On the *Balance Sheet – Governmental Funds*, the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 284,056	$ 32,437	$ 109
Business, Community and Consumer Affairs	-	1,114	-
Education	223,389	1,682	-
Health and Rehabilitation	-	4,225	-
Justice	10,282	-	-
Natural Resources	25,270	-	-
TOTAL	$ 542,997	$ 39,458	$ 109
RESOURCE EXTRACTION:			
General Government	$ -	$ 329,193	$ -
Business, Community and Consumer Affairs	-	83,547	-
Education	-	15,649	-
Natural Resources	13,792	407,983	-
TOTAL	$ 13,792	$ 836,372	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,920	$ 5,684	$ -
Health and Rehabilitation	-	1,307	-
Justice	-	68	-
Transportation	1,151,869	25,720	-
TOTAL	$ 1,160,789	$ 32,779	$ -
CAPITAL PROJECTS:			
General Government	$ 2,042	$ 31,026	$ -
Education	22,129	2,855	-
Justice	161,192	-	-
TOTAL	$ 185,363	$ 33,881	$ -
STATE EDUCATION:			
Education	$ 365,801	$ -	$ -
TOTAL	$ 365,801	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 35,421	$ 206,342	$ -
Business, Community and Consumer Affairs	104,644	131,229	-
Education	63,855	52,686	-
Health and Rehabilitation	7,692	86,500	-
Justice	9,645	109,122	-
Natural Resources	6,371	22,118	-
Social Assistance	-	49,746	-
Transportation	34,715	-	-
TOTAL	$ 262,343	$ 657,743	$ -

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature historically takes action to use the reserve and for Fiscal Year 2010-11 the legislature acted to set the reserve at 2.3 percent of General Purpose Revenue Fund appropriations, thereby allowing the appropriation of 1.7 percent of the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2011, there were no reserves on a GAAP basis; however, on a legal budgetary basis the reserve contained reserves at the 2.3 percent level of $156.6 million. See further detail regarding GAAP versus budget in Note 6I.

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2010-11 the reserve was $5.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

The Department of Local Affairs Impact Advisory Committee recommended that the DOLA Executive Director reserve $3.0 million in both the Severance Tax Fund and the Federal Mineral Lease Fund to meet local community emergencies, such as failure of a water system. The Department adopted a formal policy that governs the use of these reserves. The minimum balance is reported as Committed in the Resource Extraction Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2011, were:
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SELLER'S / LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:					
General Fund					
General Purpose	$ 190	$ -	$ 4,568	$ 1	$ -
Special Purpose	68,135	-	-	-	-
Resource Extraction	1,213	-	-	112	-
Highway Users	143	-	-	145	-
Capital Projects					
Regular Capital Projects	-	-	-	-	-
State Education	221,372	-	-	-	-
Higher Education Institutions	3,275	895	251	-	31
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor	158	-	-	-	-
Tobacco Impact Mitigation	-	-	-	-	-
Resource Management	-	-	-	-	-
Environment and Health Protection	59	-	31	-	-
Other Special Revenue	61	-	-	-	-
PERMANENT FUNDS:					
State Lands Trust Expendable	-	-	-	-	-
ENTERPRISE FUNDS:					
CollegeInvest	24	-	-	-	-
Wildlife	-	-	-	-	-
Correctional Industries	-	-	-	-	-
State Nursing Homes	1,414	-	-	-	-
INTERNAL SERVICE FUNDS:					
Central Services	-	-	-	-	-
Information Technology	1,988	-	-	315	-
Capitol Complex	15	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	19,792	-	4	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 317,839	$ 895	$ 4,854	$ 573	$ 31

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	Unemployment Insurance	State Lottery	All Other Funds	Total
$ 468	$ 1,720	$ 9	$ 32,968	$ 39,924
-	-	13,469	3,478	85,082
-	-	-	-	1,325
-	-	-	-	288
13,711	-	-	-	13,711
-	-	-	-	221,372
-	-	-	5,333	9,785
-	-	-	-	158
-	-	-	3,864	3,864
-	-	-	124	124
-	-	-	-	90
1	-	-	1,548	1,610
-	-	-	3,478	3,478
-	-	-	-	24
-	-	-	62	62
2,956	-	-	-	2,956
-	-	-	-	1,414
5	-	-	-	5
-	-	-	-	2,303
-	-	-	-	15
974	-	-	-	20,770
-	-	-	4,766	4,766
-	-	12,144	-	12,144
$ 18,115	$ 1,720	$ 25,622	$ 55,621	$ 425,270

Except for the transfer of excess General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Special Purpose General Fund receivable of $68.1 million includes $67.5 million for the Public School Fund (Special Purpose General Fund) payable from the General Purpose Revenue Fund. This is a portion of the excess General Fund Surplus transfer for Fiscal Year 2010-11 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Comprehensive Annual Financial Report. The State Education Fund receivable of $221.4 million represents the remainder of the General Fund Surplus transfer referenced in the preceding paragraph, also payable from the General Purpose Revenue Fund.

The Group Benefits Plan Fund receivable of $19.8 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of $13.7 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of $13.5 million was recorded by the Conservation Trust Fund (a Special Purpose General Fund) and the Other Fiduciary Fund receivable of $12.1 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. Both of these are statutory distributions of the Lottery net profits.

The General Purpose Revenue Fund receivable of $33.0 million from All Other Funds includes $20.4 million of receivables from the Limited Gaming Fund and $9.4 million from various cash funds to support incurred Medicaid expenditures.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2011, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund			
General Purpose	$ 2,885,606	$ -	$ -
Special Purpose	53,995	-	-
Resource Extraction	189,499	-	-
Highway Users Tax	58,114	-	-
Capital Projects			
Regular Capital Projects	-	-	500
Special Capital Projects	81	-	-
State Education	1,192	-	-
Higher Education Institutions	7,601	-	-
Unemployment	2,205	-	-
Lottery	56,615	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	38,610	-	-
Gaming	23,926	-	-
Tobacco Impact Mitigation	201,511	-	-
Resource Management	20,760	2	-
Environment and Health Protection	472,375	-	-
Unclaimed Property	2,031	-	-
Other Special Revenue	70,180	-	-
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	137,852	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	15,494	-	-
Wildlife	7,268	296	-
College Assist	115	-	-
State Fair	143	-	-
Correctional Industries	330	-	-
State Nursing Homes	1,765	-	-
Prison Canteens	50	-	-
Petroleum Storage	905	-	-
Transportation Enterprise	-	-	905
Other Enterprise	240	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,567	-	-
Information Technology	1,193	-	-
Telecommunications	363	-	-
Capitol Complex	879	-	-
Public Safety	16	-	-
Administrative Courts	258	-	-
Other Internal Service	343	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	250	-	-
Other Fiduciary	92	-	-
TOTAL	$ 4,253,424	$ 298	$ 1,405

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 11,985	$ 221,372	$ 135,446	$ 21,281	$ 3,275,690
6,193	42	-	5,943	66,173
723	-	12,386	6,451	209,059
2,185	-	-	169,841	230,140
2,870	-	10,093	8,048	21,511
7,293	-	-	21,073	28,447
-	-	5,503	-	6,695
-	-	-	-	7,601
-	-	-	-	2,205
-	-	-	1,256	57,871
1,578	-	-	-	40,188
6,623	-	5,582	3,317	39,448
9,896	-	15,674	2,510	229,591
4,913	-	-	76	25,751
-	-	-	6,117	478,492
-	-	-	-	2,031
713	68	-	219	71,180
1,797	-	792	498	3,087
406	-	103	11	138,372
-	-	-	15	15
-	-	-	-	15,494
-	-	-	225	7,789
-	-	-	-	115
-	-	-	-	143
-	-	-	-	330
-	-	-	-	1,765
1,897	-	-	-	1,947
-	-	-	-	905
-	-	-	-	905
-	-	-	-	240
-	-	-	-	1,567
-	-	-	-	1,193
-	-	-	4,406	4,769
-	-	-	457	1,336
-	-	-	-	16
-	-	-	-	258
-	-	-	-	343
-	-	-	-	250
-	-	-	-	92
$ 59,072	$ 221,482	$ 185,579	$ 251,744	$ 4,973,004

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of $2,797.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of $135.4 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling $158.1 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- $70.0 million from the Severance Tax Fund
- $16.0 million from the Base Account of the Severance Tax Trust Fund
- $15.0 million from the Mineral Leasing Fund
- $7.0 million from the Higher Education Federal Mineral Lease Revenues Fund

Tobacco Mitigation Impact (nonmajor special revenue fund)

- $6.7 million from the Short-Term Innovative Heath Program Grant Fund

Labor (nonmajor special revenue fund)

- $10.0 million from the Major Medical Fund

Nonmajor special revenue funds

- $33.4 million from 23 funds where individual transfer amounts did not exceed $5.0 million

During the 2011 legislative session Senate Bill 11-230 was enacted to provide for the distribution of General Fund Surplus. Of the General Fund Surplus of $288.9 million, $67.5 million was transferred to the Public School Fund, a Special Purpose General Fund, and $221.4 million was transferred to the State Education Fund, a major Governmental Fund.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Transfers-out from the special-purpose funds within the General Fund primarily comprise $43.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $47.4 million transferred to the Department of Revenue and $6.7 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $45.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $25.3 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $173.9 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $65.0 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $461.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($424.2 million) and the Medicaid Nursing Facility Cash Fund ($30.8 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $61.3 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes $137.5 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS

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

Fort Lewis State College sold 357 acres of land to the City of Durango for $1,650,000 less closing costs. The net proceeds of $1,492,813 were deposited in a quasi-endowment. The event was considered a special item because it was within the control of management and infrequent in occurrence.

NOTE 36 – 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 $8.4 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 also be expended.

Colorado State University reported $12,204 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.* 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 $1.56 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. 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 on the *Statement of Net Assets – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported $297,272 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 37 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2010-11, 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 certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 14.4 percent of the total revenue stream, and $970.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $74.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $716.4 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $628.3 million. Individually significant Higher Education Institution pledges include:

- $273.6 million pledged by the University of Colorado to secure $87.0 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 2037-38. The pledged revenue represents approximately 50.4 percent of the revenue stream, and $1.78 billion of the pledge (principal and interest) remains outstanding.
- $185.3 million pledged by Colorado State University to secure $25.7 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 2039-40. The pledged revenue represents 100 percent of the total revenue stream, and $800.4 million of the pledge (principal and interest) remains outstanding.
- $35.1 million pledged by the Colorado School of Mines to secure $19.6 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 1998-99 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents approximately 87.4 percent of the total revenue stream, and $340.6 million of the pledge (principal and interest) remains outstanding.
- $24.3 million pledged by Metropolitan State College of Denver to secure $3.6 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $131.4 million of the pledge (principal and interest) remains outstanding.
- $15.9 million pledged by Colorado Mesa University to secure $6.5 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 a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 52.8 percent of the revenue stream, and $286.3 million of the pledge (principal and interest) remains outstanding.
- $15.1 million pledged by the Auraria Higher Education Center to secure $5.5 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 100 percent of the total revenue stream, and $90.7 million of the pledge (principal and interest) remains outstanding.

- $23.8 million pledged by the University of Northern Colorado to secure $9.3 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 37.1 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. $235.7 million of the pledge (principal and interest) remains outstanding.

- $7.7 million pledged by Colorado State University – Pueblo to secure $3.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2038-39. The pledged revenue represents 47.2 percent of the revenue stream, and $129.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements Principal	Interest	Total
Department of Transportation	$ 1,162,586	$ (994,596)	$ 167,990	$ 119,385	$ 48,605	$ 167,990
Higher Education Institutions	1,025,079	(487,781)	537,298	64,345	110,488	174,833
Statewide Bridge Enterprise	74,280	-	74,280	-	8,408	8,408
	$ 2,261,945	$ (1,482,377)	$ 779,568	$ 183,730	$ 167,501	$ 351,231

NOTE 38 – SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for- profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 129,866	$ 9,058	$ 10,671
Other Assets	82,211	7,188	362
Capital Assets	45,207	35,127	30,839
Total Assets	257,284	51,373	41,872
LIABILITIES:			
Current Liabilities	30,281	3,781	4,549
Noncurrent Liabilities	16,886	30,147	28,111
Total Liabilities	47,167	33,928	32,660
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	27,579	2,214	1,672
Other Restricted Net Assets	-	6,621	401
Unrestricted	182,538	8,610	7,139
Total Net Assets	$ 210,117	$ 17,445	$ 9,212

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,902
Sales of Goods and Services	415,591	8,904	23,792
Other	-	-	58
Total Operating Revenues	415,591	8,904	29,752
OPERATING EXPENSES:			
Depreciation	2,912	1,732	2,040
Other	398,367	4,380	23,583
Total Operating Expenses	401,279	6,112	25,623
OPERATING INCOME (LOSS)	14,312	2,792	4,129
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,979	304	124
Other Nonoperating Revenues	1,542	-	-
Debt Service	(443)	(1,662)	(1,311)
Other Nonoperating Expenses	(8,613)	-	-
Total Nonoperating Revenues(Expenses)	(2,535)	(1,358)	(1,187)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	(723)	(3,079)
Total Contributions, Transfers, and Other	-	(723)	(3,079)
CHANGE IN NET ASSETS	11,777	711	(137)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	198,340	16,734	9,349
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 210,117	$ 17,445	$ 9,212

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 19,058	$ 3,807	$ 7,031
Noncapital Financing Activities	(8,613)	(2,625)	(2,943)
Capital and Related Financing Activities	(12,647)	1,278	(3,041)
Investing Activities	22,471	-	685
NET INCREASE (DECR.) IN CASH AND POOLED CASH	20,269	2,460	1,732
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	46,171	6,419	5,542
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 66,440	$ 8,879	$ 7,274

NOTE 39 – COMPONENT UNITS

The State reports fourteen 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. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital's mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

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 EPA grants. The authority paid the State $6.9 million during 2010 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 2010-11, it received $5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed $98.4 million of gifts and income to or for the benefit of the University of Colorado.

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 2010-11, the foundation transferred $23.8 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from exempt contributions and investment income. During Fiscal Year 2010-11, the foundation granted $4.5 million to the university.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist until December 31, 2013.

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

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately $19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately $1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

The Renewable Energy Authority 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 moneys 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 2006-07 through 2008-09 for this purpose. Due to the economic downturn however, only $1.2 million was appropriated in 2009. The authority has provided a total of $3.5 million in matching funds to the research centers as of December 31, 2010. The authority has until 2012 to demonstrate that at least $6 million in grants and contracts for renewable energy research in Colorado has been secured through the availability of the matching funds.

The Higher Education Competitive Research Authority was created during the 2007 legislative session to provide matching funds for inclusion in grant proposals made by institutions of higher education for federally sponsored research projects. The authority received all of its funding for Fiscal Year 2010-11 through an appropriation to the Department of Higher Education. As of June 30, 2011, the authority has made commitments to provide matching funds for eleven research proposals, six of which, totaling $6.4 million, are currently funded.

The Statewide Internet Portal Authority was formed in the 2004 legislative session to provide a single point of access to electronic government information. The authority has partnered with Colorado Interactive, a subsidiary of NIC, Inc., to design, implement, and maintain a statewide portal to provide an alternate way to transact business with State and local governments. The agreement with Colorado Interactive provides for fees and charges assessed to the users of the portal to be passed on to the participating governmental agencies, as well as a base fee and percentage of revenue to fund the authority's operations. The agreement expires May 2014. In 2010 the authority entered into a five-year agreement with Tempus Nova, Inc. to provide certain Google applications and licenses to its participating governments on a cost reimbursement basis, as well beginning to license software as a service. For the fiscal year ended June 30, 2011, the authority recognized $2.7 million in fee revenue.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college's Hospitality, Tourism, and Events department. The construction is being financed though $54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college's unconditional guarantee. The hotel is expected to open in August 2012.

The University of Colorado Real Estate Foundation (CUREF), a non-for-profit tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Service Code, was incorporated in 2002 as a nonprofit corporation to receive, hold, invest, and administer real and personal property, borrow money, and make expenditures to, or for the benefit, of the University of Colorado. CUREF carries out its real estate investing activities though direct ownership, management, and operation of certain real estate and through participation with other investors. As of June 30, 2011, CUREF was the sole member of six limited liability corporations with various interests in land, real estate LLCs, student housing, and office and industrial buildings.

NOTE 40 – RELATED PARTIES AND ORGANIZATIONS

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $1.4 million to the university during Fiscal Year 2010-11, owed the university $1.0 million, and was due $50,000 from the university at June 30, 2011.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided $1.0 million in scholarships and grants during Fiscal Year 2010-11.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2010-11, the foundation awarded $511,010 of scholarships directly to Colorado Mesa University students, provided approximately $2.2 million in property. The university has a lease-purchase agreement with the foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation $1.2 million under this agreement at June 30, 2011.

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 $2.3 million of funding to the college in Fiscal Year 2010-11. The foundation also reimbursed the college $218,376 for services provided by college employees in Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college $392,651. As of this date, the college also had payables to the foundation of $36,378.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $3.3 million to the college in Fiscal Year 2010-11.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Northeastern Junior College and Colorado Northwestern Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Northeastern Junior College Foundation provided support to Northeastern Junior College in the amount of $1.0 million for scholarships, grants, construction, and administrative costs. The Colorado Northwestern Community College Foundation provided support to Colorado Northwestern Community College in the amount of $1.6 million for scholarships, instruction, athletics, administration, fund raising, and construction.

The University of Colorado Foundation is the sole member of CUF Boulder I, LLC and CUF Boulder II, LLC (the LLCs). The LLCs were formed in September 2009 for the purposes of purchasing specific buildings near the University of Colorado at Boulder. In September 2010, the University of Colorado Boulder purchased the assets of CUF Boulder I, LLC. At June 30, 2011 $22.3 million of net property investments were held by CUF Boulder II.

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. 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. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility, however the university has guaranteed payment on these bonds. The bonds include provisions whereby the guarantee can be terminated. Management of the university believes provisions for termination of the guarantee have been met. At June 30, 2011, the LLC had capital assets of $13.1 million, other assets of $6.8 million, long-term debt of $22.8 million, and current liabilities of $1.1 million. The total liabilities of the foundation exceeded its total assets by $4.0 million. The LLC owed the University of Northern Colorado $481,233 for a working capital loan at June 30, 2011.

The Auraria Foundation, a legally separate tax-exempt component of the Auraria Higher Education Center (AHEC), was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the AHEC. At June 30, 2011, the foundation provided support to AHEC in the amount of $1.8 million for construction, administrative and other expenses.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided $3.3 million in support during Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college $345,387.

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 2010-11, the board funded $33.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2011, GOCO owed the Department of Natural Resources $16.3 million in unreimbursed expenditures.

The Colorado Housing Finance Authority (CHFA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. The CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of $11.0 as of June 30, 2011, and a total original face value of $24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On the bond maturity dates ranging from 2023 through 2027, the Department of Treasury will receive any unpaid principal balance of the bond, plus all accrued and unpaid interest.

CHFA also acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. As of June 30, 2011, CHFA held cash of $8.0 million for administration of the grant program.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $32.9 million for these services in Fiscal Year 2010-11. 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 $2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital $10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through $5.0 million of government external funds and paid UPI an additional $51.0 million for services in Fiscal Year 2010-11.

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 $4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was $0.4 million at June 30, 2011.

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 and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately $18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately $0.6 million in July 2011.

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust called Colorado Health and Welfare Trust (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of $22.0 million and on June 30, 2011 recorded a liability of $2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit 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 were 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 Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.1 million and $1.4 million, respectively.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $58.8 million and $854.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund ($6.7 million), Resource Extraction Fund ($0.7 million), Regular Capital Projects Fund ($3.3 million), and Other Special Revenue Funds ($3.8 million) encumbrances include approved rollfowards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 42 – CONTINGENCIES

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, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds $122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

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

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.9 billion, of the $11.4 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 $55.6 million.

At June 30, 2011, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $400.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated $30 million and the total amount at issue is estimated at $220 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.87 billion are outstanding. Of this amount, $4.56 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent. The Department may also be required to repay CMS $7.9 million because CMS rejected a State Plan Amendment designed to reduce rates for Non-Emergent Medical Transportation due to inadequate notification to clients.

School districts, students, and parents 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 State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately $1.35 billion to $4.15 billion annually for operations funding and $5.7 billion to $17.9 billion for capital facility funding 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. The Supreme Court reversed the lower courts' ruling and remanded the case to District Court for trial, which concluded on September 2, 2011. On December 9, 2011, the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The plaintiffs' action for declaratory and injunctive relief was stayed until final action by the Colorado Supreme Court upon appeal of the District Court's decision; provided that if appeal is not perfected to the Colorado Supreme Court, the District Court will review the stay upon application of either party submitted no earlier than the conclusion of the 2012 legislative session. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time. The State will appeal the ruling to the State Supreme Court. Estimates of plaintiff attorney fees and costs currently exceed $1.0 million.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of $25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 43 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

The High Performance Transportation Enterprise in the Department of Transportation received approval for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund the costs of building a managed lane on US 36. The maximum amount of the loan is $54.0 million and carries an interest rate of 3.58%. The loan is to be used to fund up to 33 percent of the costs of the project, with other funds provided by the Regional Transportation District, the Bridge Enterprise, DRCOG, and grant funds.

On July 1, 2011, the University of Northern Colorado refinanced its 3.0 to 5.5 percent, Auxiliary Revenue

Refunding and Improvement bonds, issued July 31, 2001, in the original amount of $50,000,000, and maturing in varying amounts through June 1, 2031. The refunding Institutional Enterprise Revenue Refunding Bonds, Series 2011A bonds were issued at fixed rate of 2.0 to 5.0 percent, in the amount of $41,690,000, and mature in varying amounts through June 1, 2031.

On July 1, 2011, the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds (Series 2011B) to purchase the Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. These bonds were issued at a variable rate projected at 3.5 percent, in the original amount of $21,130,000, and maturing in variable amounts through June 1, 2036. This resulted in the termination of the ground lease between the LLC and the University.

On July 14, 2011, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2011A. The notes mature on June 29, 2012. The total due on that date includes $100 million in principal and $1,916,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $1,692,000, a coupon rate of 2.00 percent, and a true interest cost of 0.24 percent.

On July 19, 2011, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2011A. The notes mature on June 27, 2012. The total due on that date includes $500 million in principal and $9,388,889 in interest. The GTRAN was issued with a premium of $8,620,000, a coupon rate of 2.00 percent, and a true interest cost of 0.18 percent.

On August 9, 2011, Colorado Mesa University issued Auxiliary Facilities System Enterprise Revenue Bond Series 2011 for $8,000,000. The bond matures in August 2021 with variable interest calculated as the product of the Bank Qualified factor times the sum of the Five Year Treasury (Constant Maturity) plus 210 basis points. The initial rate is 2.49 percent and shall remain in effect for a five-year period. Bond interest will be recalculated in 2016 and each successive year using the above formula. Colorado Mesa University may accept the recalculated rate for a period of five years or through the maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate.

On September 7, 2011, the Department of Transportation issued $104,650,000 in Series 2011 Refunding Transportation Revenue Anticipation Notes (TRANS), to partially refund $106,070,000 of the Series 2004A TRANS. The tax-exempt notes were issued with a premium of $18,617,111, an average coupon rate of 4.92 percent, and a true interest cost of 1.43 percent. Interest payments are due semiannually starting on December 15, 2011, with the entire principal due at maturity on December 15, 2016.

On October 6, 2011, in a related party transaction, the State's Public School Permanent Fund invested $4,875,000 in Treasury's Colorado Housing and Finance Authority Bond Program. The bond has a coupon rate of 2.92 percent and matures on October 6, 2031. Principal and interest received on December 1, 2011 for the period ending November 2011 was $197,000 and $22,143, respectively.

On December 8, 2011, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2011G in the amount of $146,635,000. BEST was issued as tax-exempt certificates with a premium of $12,777,838, an average coupon rate of 4.89 percent, and a true interest cost of 4.00 percent. Base Rents are due semiannually beginning on March 15, 2012, with a final maturity date of March 15, 2032.

On December 13, 2011, the Board of Trustees of Western State College issued tax-exempt Institutional Enterprise Refunding Bonds Series 2011A in the amount of $6,180,000, and tax-exempt Institutional Enterprise Refunding Bonds Series 2011B in the amount of $6,550,000, to fully refund the Series 2003A and Series 2003B issuance. Interest rates range from 1.280 percent to 3.625 percent with principal due in varying amounts from May 15, 2012 through May 15, 2025.

B. OTHER

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver for $34,800,000. A nonrefundable amount of $325,000 is on deposit from the purchase and sale agreement that was not terminated during a 150-day Investigation Period, which ended September 16, 2011. Another 120-day Rezoning Period began under which the buyer placed an additional $300,000 in escrow that becomes nonrefundable unless the buyer terminates the contract within the next 120 days. In the event the agreement is completed, the amounts placed in escrow will be applied against the purchase price. As part of the agreement, the buyer is purchasing the property in "as-is" condition and will be responsible for all remaining site remediation.

College Assist submitted a Voluntary Flexible Agreement proposal in accordance with *Federal Register, Vol. 72, No. 104* issued May 31, 2011, in partnership with the Nebraska Student Loan Program. If accepted, College Assist will operate under the requirements of the agreement in lieu of the current guaranty agency agreement. It is anticipated that the proposal will improve College Assist's long-term financial position.

Colorado State University received an in-kind gift of software in August 2011 with a commercial value of $44.5 million. The software will be used in the University's EcoCAR program.

The long-term sovereign credit of the United States of America was placed on negative CreditWatch by Standard & Poor's, effective July 14, 2011. On August 5, 2011, Standard & Poor's reduced that credit rating from AAA to AA+ with a negative outlook. The related sovereign short-term credit rating, A-1+, remained unchanged and was removed from the CreditWatch negative status. The State Treasury and the University of Colorado Treasury hold US Government Securities that are affected by the sovereign credit rating of the United States of America. The investment policies and guidelines of the State Treasury and University of Colorado Treasury required no actions as a result of this downgrade. No changes have been made to the investment disclosures as of June 30, 2011.

Component Units

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling $5.3 million with approximately $5.2 million of that amount representing the authority's share of the capital contribution.

On March 30, 2011, the Colorado Water Resources and Power Development Authority issued Drinking Water Revenue Bonds 2011 Series A for $24,795,000. The bond issuance consists of serial bonds that mature annually through September 1, 2032. Interest on the bonds is payable semi-annually with rates ranging from 2.0 to 4.375 percent. The bonds maturing on or after September 1, 2022, are subject to optional redemption on or after September 1, 2021, at a redemption price equal to principal plus interest accrued to the redemption date.

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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, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,323,065	
Income Taxes			4,519,468	
Other Taxes			190,090	
Sales and Services			289	
Interest Earnings			8,993	
Other Revenues			21,556	
Transfers-In			201,072	
TOTAL REVENUES AND TRANSFERS-IN			7,264,533	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 4,957	$ 4,925	4,798	$ 127
Corrections	647,180	658,803	656,582	2,221
Education	3,176,664	2,963,614	2,963,105	509
Governor	11,291	11,930	10,912	1,018
Health Care Policy and Financing	1,290,651	1,265,225	1,271,497	(6,272)
Higher Education	660,271	705,315	705,065	250
Human Services	639,803	624,111	623,564	547
Judicial Branch	332,424	327,055	324,697	2,358
Law	9,615	9,510	9,400	110
Legislative Branch	34,797	34,797	31,746	3,051
Local Affairs	10,785	10,754	10,580	174
Military and Veterans Affairs	5,320	5,286	5,052	234
Natural Resources	26,419	26,201	25,983	218
Personnel & Administration	5,521	5,149	4,819	330
Public Health and Environment	27,541	27,460	27,385	75
Public Safety	82,654	82,315	80,403	1,912
Regulatory Agencies	1,510	1,510	1,503	7
Revenue	178,552	178,678	169,236	9,442
Treasury	6,161	5,974	5,715	259
Transfers Not Appropriated by Department	288,872	288,872	288,872	-
SUB-TOTAL OPERATING BUDGETS	7,440,988	7,237,484	7,220,914	16,570
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	952	488	464
Corrections	18,952	12,682	8,795	3,887
Education	-	272	148	124
Governor	876	876	12	864
Higher Education	8,709	26,467	13,425	13,042
Human Services	1,496	4,661	3,076	1,585
Military and Veterans Affairs	4,210	4,470	3,000	1,470
Personnel & Administration	3,018	7,374	3,417	3,957
Public Health and Environment	-	184	109	75
Public Safety	-	1,356	1,316	40
Revenue	7,064	14,378	8,036	6,342
Transportation	500	500	500	-
Treasury	4,067	-	-	-
Budgets/Transfers Not Recorded by Department	14,844	14,844	14,844	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	63,736	89,016	57,166	31,850
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,504,724	$ 7,326,500	7,278,080	$ 48,420
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (13,547)	

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, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 738,774	
Income Taxes			370,499	
Other Taxes			1,176,965	
Tuition and Fees			2,150,904	
Sales and Services			1,939,533	
Interest Earnings			195,808	
Other Revenues			2,534,133	
Transfers-In			6,259,730	
TOTAL REVENUES AND TRANSFERS-IN			15,366,346	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 31,274	$ 31,253	27,122	$ 4,131
Corrections	96,402	96,944	79,677	17,267
Education	3,581,239	3,591,303	3,534,486	56,817
Governor	225,077	239,266	182,396	56,870
Health Care Policy and Financing	1,231,959	1,420,994	1,434,718	(13,724)
Higher Education	3,186,432	3,254,667	3,001,446	253,221
Human Services	719,829	321,547	289,197	32,350
Judicial Branch	198,780	190,063	178,169	11,894
Labor and Employment	968,208	981,053	877,214	103,839
Law	41,889	51,280	40,860	10,420
Legislative Branch	8,167	8,167	3,202	4,965
Local Affairs	423,398	423,398	267,795	155,603
Military and Veterans Affairs	9,105	9,060	6,475	2,585
Natural Resources	730,540	715,379	392,035	323,344
Personnel & Administration	464,776	455,443	429,312	26,131
Public Health and Environment	195,272	227,123	191,228	35,895
Public Safety	149,693	149,378	132,639	16,739
Regulatory Agencies	78,365	77,499	71,607	5,892
Revenue	902,657	925,924	750,888	175,036
State	21,827	25,281	19,108	6,173
Transportation	2,249,707	2,249,793	769,050	1,480,743
Treasury	1,897,630	1,898,206	1,660,077	238,129
Budgets/Transfers Not Recorded by Department	-	3,337	937	2,400
SUB-TOTAL OPERATING BUDGETS	17,412,226	17,346,358	14,339,638	3,006,720
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1	-	1
Corrections	9,923	18,411	13,746	4,665
Education	-	622	39	583
Governor	1,138	1,939	427	1,512
Higher Education	183,465	429,833	206,295	223,538
Human Services	1,510	5,778	1,870	3,908
Judicial Branch	221,299	221,299	91,668	129,631
Labor and Employment	33,332	36,742	33,002	3,740
Military and Veterans Affairs	-	6,130	4,044	2,086
Natural Resources	52,962	84,625	27,819	56,806
Personnel & Administration	3,821	4,654	865	3,789
Public Health and Environment	14,921	23,126	2,215	20,911
Public Safety	-	1,150	-	1,150
Revenue	-	5,279	1,276	4,003
Transportation	500	500	500	-
Treasury	8,380	8,878	8,860	18
Budgets/Transfers Not Recorded by Department	15,223	15,223	14,215	1,008
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	546,474	864,190	406,841	457,349
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 17,958,700	$ 18,210,548	14,746,479	$ 3,464,069
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 619,867	

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, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 8,844,332	
TOTAL REVENUES AND TRANSFERS-IN			8,844,332	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,020	$ 12,605	5,659	$ 6,946
Corrections	2,003	5,135	3,486	1,649
Education	569,851	1,247,776	887,537	360,239
Governor	34,529	556,326	360,234	196,092
Health Care Policy and Financing	2,750,370	2,845,656	2,804,488	41,168
Higher Education	124,482	567,476	498,851	68,625
Human Services	758,401	1,808,534	1,537,204	271,330
Judicial Branch	9,451	19,358	10,304	9,054
Labor and Employment	138,956	1,690,238	1,464,384	225,854
Law	1,469	2,559	1,869	690
Local Affairs	96,977	149,317	85,571	63,746
Military and Veterans Affairs	222,410	41,629	28,385	13,244
Natural Resources	27,366	70,746	40,924	29,822
Personnel & Administration	-	4,648	463	4,185
Public Health and Environment	274,732	384,304	260,328	123,976
Public Safety	27,918	74,890	38,125	36,765
Regulatory Agencies	1,231	5,621	2,470	3,151
Revenue	815	5,406	2,342	3,064
State	-	2,048	1,050	998
Transportation	369,101	865,046	694,732	170,314
Treasury	-	164,307	164,307	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,414,082	10,523,625	8,892,713	1,630,912
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,414,082	$ 10,523,625	8,892,713	$ 1,630,912
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (48,381)	

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, 2011

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,243,906	$ -	$ -	$ 20,627	$ -	$ -
Cash	4,838,429	313,760	1,696,660	194,997	598,177	2,245,161
Federal	5,951,388	159,631	682,441	40,956	-	201,025
Sub-Total Revenues and Transfers-In	18,033,723	473,391	2,379,101	256,580	598,177	2,446,186
Expenditures/Expenses and Transfers-Out						
General Funded	7,232,899	-	-	45,181	-	-
Cash Funded	4,574,303	376,857	1,826,459	336,382	423,490	2,101,545
Federally Funded	5,951,042	159,631	682,408	40,963	-	204,142
Expenditures/Expenses and Transfers-Out	17,758,244	536,488	2,508,867	422,526	423,490	2,305,687
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	275,479	(63,097)	(129,766)	(165,946)	174,687	140,499
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(5,940)	(3,335)	(6,963)	(2,738)	(3,472)	(11,832)
Increase for Budgeted Non-GAAP Expenditures	-	25,858	-	-	-	343
Increase/(Decrease) for GAAP Expenditures Not Budgeted	209,490	(37)	97,213	155,102	-	(69,880)
Increase/(Decrease) for GAAP Revenue Adjustments	(193,618)	(1,198)	-	(152,152)	-	(99,153)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	285,411	(41,809)	(39,516)	(165,734)	171,215	(40,023)
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	15,784	519,520	1,242,529	385,059	194,586	1,728,058
Prior Period Adjustments (See Note 29)	7,953	-	-	7	-	(11,736)
Accounting Changes (See Note 29)	293,699	390,789	-	-	-	(93,820)
FUND BALANCE/NET ASSETS, FISCAL YEAR END	$ 602,847	$ 868,500	$ 1,203,013	$ 219,332	$ 365,801	$ 1,582,479

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

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 7,264,533
2,320,566	796,182	527,880	435,131	209,973	1,189,430	15,366,346
17,670	1,345,621	-	444,943	657	-	8,844,332
2,338,236	2,141,803	527,880	880,074	210,630	1,189,430	31,475,211
-	-	-	-	-	-	7,278,080
2,286,002	770,622	527,952	333,298	214,998	974,571	14,746,479
39,202	1,345,642	-	469,026	657	-	8,892,713
2,325,204	2,116,264	527,952	802,324	215,655	974,571	30,917,272
13,032	25,539	(72)	77,750	(5,025)	214,859	557,939
(69)	-	(246)	240	147	562,309	528,101
-	-	860	24,417	869	-	52,347
73,994	(27,689)	(651)	(8,847)	(9,449)	(13)	419,233
-	-	-	(693)	1,288	-	(445,526)
387,488	-	-	-	-	-	387,488
474,445	(2,150)	(109)	92,867	(12,170)	777,155	1,499,582
4,294,966	(115,758)	6,478	560,794	22,012	3,431,779	12,285,807
(46,163)	-	-	(687)	-	-	(50,626)
-	-	-	-	91	-	590,759
$ 4,723,248	$ (117,908)	$ 6,369	$ 652,974	$ 9,933	$ 4,208,934	$ 14,325,522

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $32.4 million of the GAAP General Fund balance of $602.8 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications indicating the relative enforceability of constrains on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the combining *Balance Sheet – General Fund Components*, rather than the Unassigned fund balance on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 84 for information regarding the negative reversion at the Department of Health Care Policy & Financing.)*

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

Due to declining general-purpose revenues throughout the Fiscal Year 2009-10, in June 2010, the Director of the Office of State Planning and Budgeting and the State Controller, under the authority of Colorado Revised Statutes 25.5-4-401(1)(c), authorized the Department of Health Care Policy and Financing to interrupt the normal Medicaid provider payment schedule. As a result, approximately $28.1 million of payments that otherwise would have occurred in the last two weeks of June were delayed until July 1, 2010. Consequently, these payments are included as departmental expenditures for purpose of budget compliance on the General Fund Surplus Schedule in Fiscal Year 2010-11. This treatment is similar to the recognition for budget purposes of the other amounts shown as deferred into Fiscal Year 2010-11 on the Fiscal Year 2009-10 General Fund Surplus Schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,217,600	$ 2,192,400	$ 2,233,521		
Other Excise Taxes	91,500	89,800	89,544		
Individual Income Tax, net	4,103,700	4,270,800	4,153,910		
Corporate Income Tax, net	405,800	347,200	365,558		
Estate Tax	-	-	(50)		
Insurance Tax	192,200	191,600	189,648		
Parimutuel, Courts, and Other	31,600	21,300	25,380		
Investment Income	16,800	6,600	7,907		
Gaming	33,500	20,400	20,400		
TOTAL GENERAL PURPOSE REVENUES	7,092,700	7,140,100	7,085,818		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,956	4,924	4,798	$ 126	$ 122
Corrections	653,358	658,794	656,452	2,342	1
Education	3,540,055	2,963,614	2,963,107	507	1,191
Governor	11,291	11,930	11,528	402	6
Health Care Policy and Financing	1,343,025	1,265,814	1,271,909	(6,095)	122
Higher Education	660,271	705,108	705,085	23	99
Human Services	637,144	624,138	620,208	3,930	2,612
Judicial Branch	329,936	327,054	324,697	2,357	329
Labor and Employment	-	-	-	-	43
Law	9,546	9,510	9,400	110	410
Legislative Branch	35,185	34,796	31,764	3,032	99
Local Affairs	10,704	10,754	10,579	175	212
Military and Veterans Affairs	5,320	5,286	5,051	235	-
Natural Resources	26,419	26,201	25,983	218	422
Personnel & Administration	5,619	5,149	4,819	330	288
Public Health and Environment	27,541	27,461	27,385	76	63
Public Safety	80,878	82,315	80,403	1,912	78
Regulatory Agencies	1,510	1,510	1,502	8	-
Revenue	190,008	170,661	161,218	9,443	594
State	-	-	-	-	50
Treasury	2,550	5,974	5,715	259	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,575,316	6,940,993	6,921,603	$ 19,390	$ 6,741
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
TOTAL ESTIMATED BUDGET	7,116,000	6,935,100	6,921,603		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(23,300)	205,000	164,215		
EXCESS AUGMENTING REVENUES			6,741		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	44,900	159,300	158,087		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(8,600)	(12,000)	(11,985)		
Transfer to State Education Fund Per C.R.S. 24-75-201.1	-	(257,500)	(221,372)		
Transfer to Public School Fund Per C.R.S. 24-75-201.1	-	(67,500)	(67,500)		
TOTAL TRANSFERS	28,300	(185,700)	(150,770)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	5,000	19,300	20,186		
BEGINNING GENERAL FUND SURPLUS	(74,500)	4,800	4,793		
Release of Prior Year Statutory Reserve (2%)	132,600	132,600	132,628		
Establish Current Year Statutory Reserve (4.0% reduced to 2.3%)	(277,600)	(156,700)	(156,648)		
GAAP Revenues/(Expenditures) Not Budgeted			12,878		
Contractually Restricted Energy Performance Leases			(10,281)		
Prior Period Adjustment (see Note 29)			(3,556)		
ENDING GENERAL FUND SURPLUS	$ (214,500)	$ -	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2011-12 for Budget			(166,667)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2011-12 for Budget			(86,363)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2011-12 for Budget			(1,288)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			101,264		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			11,860		
Restricted			10,282		
Committed			6,590		
Assigned			109		
Shortfall in GAAP Basis Statutory Reserve			156,648		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 32,435		

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 157 to 160). 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 until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed. However, in the prior year, as allowed in Colorado Revised Statutes 25.5-4-401(1)(c), the Director of the Office of State Planning and Budgeting and the State Controller authorized the Department to interrupt the normal provider payment schedule for the last two weeks of June. For purposes of the budget, delaying the payments until July 1, 2010 resulted in those expenditures being recognized for budget purposes in Fiscal Year 2010-11. The Department estimated the expenditures at $28.1 million.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

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

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2010-11, the Department of Transportation capitalized a project expenditures of $327.1 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

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

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

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 162) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 157 to 160) 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, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations.

In Fiscal Year 2010-11 the University of Colorado had several factors impacting its funding progress. Deductibles of $250/$750 were implemented for some individual/family coverage, certain lifetime maximums were extended to unlimited, and some preventative service copays were eliminated. Termination and participation rates were updated, and the discount rate was reduced to 4.5 percent. In addition the Fiscal Year 2010-11 increase in the Unfunded Actuarial Accrued Liability reflects a $46.2 million correction of the prior years' actuarial valuation.

See Note 19 on page 109 for additional information regarding the plans listed in the schedule.

	Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:								
	2010-11	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
	2009-10	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
	2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
	2007-08	7/1/2007		$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:								
RMPR								
	2010-11	1/1/2011	-	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
Restated	2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
	2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
	2007-08	1/1/2007		$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS								
	2010-11	1/1/2011	-	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
	2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX								
	2010-11	1/1/2011	-	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
Restated	2009-10	1/1/2011	-	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD								
	2010-11	1/1/2011	-	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
Restated	2009-10	1/1/2011	-	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 12,218,851	$ 12,218,851	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 10,209,899	$ 10,209,899	0.0%	N/A	N/A

[1] –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE	This fund is the general operating fund for State operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.
SPECIAL PURPOSE REVENUE	The State Public School fund is a statutory fund that distributes substantially all of its revenue to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund. The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies. The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

COMBINING BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOL	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 173,588	$ 1,562	$ 16,849	$ 20,361	$ 212,360
Taxes Receivable, net	1,065,527	-	-	-	1,065,527
Other Receivables, net	44,312	-	49	351	44,712
Due From Other Governments	463,517	4,645	-	9	468,171
Due From Other Funds	39,924	68,244	-	16,838	125,006
Due From Component Units	62	-	-	-	62
Inventories	4,318	-	-	4,424	8,742
Prepaids, Advances, and Deferred Charges	32,604	-	270	134	33,008
Restricted Assets:					
Restricted Cash and Pooled Cash	-	49,943	-	137,182	187,125
Restricted Investments	-	-	-	284,059	284,059
Restricted Receivables	-	-	-	184	184
Investments	6,578	-	-	-	6,578
TOTAL ASSETS	$ 1,830,430	$ 124,394	$ 17,168	$ 463,542	$ 2,435,534
LIABILITIES:					
Tax Refunds Payable	$ 615,164	$ -	$ -	$ -	$ 615,164
Accounts Payable and Accrued Liabilities	519,499	19	3,746	10,002	533,266
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	56,451	-	-	15,893	72,344
Due To Other Funds	316,277	-	158	1,404	317,839
Deferred Revenue	281,924	3,463	-	5	285,392
Compensated Absences Payable	47	-	-	-	47
Claims and Judgments Payable	314	-	-	-	314
Other Current Liabilities	7,604	-	-	2	7,606
Deposits Held In Custody For Others	9	-	-	-	9
TOTAL LIABILITIES	1,797,995	3,482	3,904	27,306	1,832,687
TOTAL NET ASSETS	$ 32,435	$ 120,912	$ 13,264	$ 436,236	$ 602,847
FUND BALANCES:					
Nonspendable:					
Inventories	4,318	-	-	4,424	8,742
Prepaids	32,604	1	270	134	33,009
Restricted	10,282	119,370	-	413,345	542,997
Committed	6,590	1,541	12,994	18,333	39,458
Assigned	109	-	-	-	109
Unassigned	(21,468)	-	-	-	(21,468)
TOTAL FUND BALANCES	32,435	120,912	13,264	436,236	602,847
TOTAL LIABILITIES AND FUND BALANCES	$ 1,830,430	$ 124,394	$ 17,168	$ 463,542	$ 2,435,534

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS			TOTAL
		STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 4,153,913	$ -	$ -	$ -	$ 4,153,913
Corporate Income	365,558	-	-	-	365,558
Sales and Use	2,233,521	-	-	-	2,233,521
Excise	89,544	-	-	-	89,544
Other Taxes	190,140	-	-	-	190,140
Licenses, Permits, and Fines	20,339	-	-	1,448	21,787
Charges for Goods and Services	30,911	-	41,929	-	72,840
Rents	393	-	-	16	409
Investment Income (Loss)	6,500	16	373	6,763	13,652
Federal Grants and Contracts	5,833,725	-	-	4,803	5,838,528
Other	115,358	7,164	690	4,053	127,265
TOTAL REVENUES	13,039,902	7,180	42,992	17,083	13,107,157
EXPENDITURES:					
Current:					
General Government	433,627	-	51,722	4,032	489,381
Business, Community, and Consumer Affairs	211,876	-	-	2,856	214,732
Education	717,552	138	-	2,746	720,436
Health and Rehabilitation	491,707	-	-	770	492,477
Justice	1,187,343	-	-	-	1,187,343
Natural Resources	57,976	-	-	3,852	61,828
Social Assistance	5,456,068	-	-	66	5,456,134
Capital Outlay	30,748	-	-	80,781	111,529
Intergovernmental:					
Cities	31,253	-	-	31,319	62,572
Counties	1,159,964	-	-	10,542	1,170,506
School Districts	961,349	2,881,165	-	64,070	3,906,584
Special Districts	32,506	-	-	13,423	45,929
Federal	337	-	-	-	337
Other	35,679	-	-	333	36,012
Debt Service	4,021	-	-	5,904	9,925
TOTAL EXPENDITURES	10,812,006	2,881,303	51,722	220,694	13,965,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,227,896	(2,874,123)	(8,730)	(203,611)	(858,568)
OTHER FINANCING SOURCES (USES):					
Transfers-In	1,064,569	3,010,486	-	178,369	4,253,424
Transfers-Out	(3,275,690)	(48,126)	(1,166)	(16,881)	(3,341,863)
Face Amount of Bond/COP Issuance	-	-	-	217,530	217,530
Bond/COP Premium/Discount	-	-	-	25	25
Capital Lease Proceeds	13,698	-	-	-	13,698
Insurance Recoveries	1,165	-	-	-	1,165
TOTAL OTHER FINANCING SOURCES (USES)	(2,196,258)	2,962,360	(1,166)	379,043	1,143,979
NET CHANGE IN FUND BALANCES	31,638	88,237	(9,896)	175,432	285,411
FUND BALANCE, FISCAL YEAR BEGINNING	15,784	-	-	-	15,784
Prior Period Adjustment (See Note 29)	8,602	-	(429)	(220)	7,953
Accounting Changes (See Note 29)	(23,589)	32,675	23,589	261,024	293,699
FUND BALANCE, FISCAL YEAR END	$ 32,435	$ 120,912	$ 13,264	$ 436,236	$ 602,847

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects transferred from the General Fund that are either fully or partially funded with general-purpose revenue, and may also include cash-funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Complex, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 33,518	$ 17,634	$ 51,152
Other Receivables, net	131	1	132
Due From Other Governments	3,873	218	4,091
Due From Other Funds	13,711	-	13,711
Prepaids, Advances, and Deferred Charges	10	78	88
Restricted Cash and Pooled Cash	2,042	8,180	10,222
Restricted Investments	-	173,053	173,053
Restricted Receivables	-	2,029	2,029
Investments	-	9,214	9,214
Other Long-Term Assets	102	-	102
TOTAL ASSETS	$ 53,387	$ 210,407	$ 263,794
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 24,851	$ 17,079	$ 41,930
Due To Other Funds	573	-	573
Deferred Revenue	-	1,959	1,959
TOTAL LIABILITIES	25,424	19,038	44,462
FUND BALANCES:			
Nonspendable:			
Prepaids	10	78	88
Restricted	2,042	183,321	185,363
Committed	25,911	7,970	33,881
TOTAL FUND BALANCES	27,963	191,369	219,332
TOTAL LIABILITIES AND FUND BALANCES	$ 53,387	$ 210,407	$ 263,794

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	10	-	10
Investment Income (Loss)	(1,573)	4,742	3,169
Federal Grants and Contracts	24,614	9,237	33,851
Other	208	2,028	2,236
TOTAL REVENUES	23,259	16,007	39,266
EXPENDITURES:			
Current:			
General Government	10,311	1,852	12,163
Business, Community, and Consumer Affairs	1	-	1
Education	6,590	1,174	7,764
Health and Rehabilitation	650	-	650
Justice	4,838	3,257	8,095
Natural Resources	701	1,764	2,465
Social Assistance	461	-	461
Capital Outlay	50,909	132,603	183,512
Intergovernmental:			
Cities	6	179	185
Counties	10	136	146
Other	1,532	479	2,011
TOTAL EXPENDITURES	76,009	141,444	217,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,750)	(125,437)	(178,187)
OTHER FINANCING SOURCES (USES):			
Transfers-In	40,204	18,868	59,072
Transfers-Out	(21,511)	(28,447)	(49,958)
Capital Lease Proceeds	-	2,950	2,950
Insurance Recoveries	389	-	389
TOTAL OTHER FINANCING SOURCES (USES)	19,082	(6,629)	12,453
NET CHANGE IN FUND BALANCES	(33,668)	(132,066)	(165,734)
FUND BALANCE, FISCAL YEAR BEGINNING	385,059	-	385,059
Prior Period Adjustment (See Note 29)	-	7	7
Accounting Changes (See Note 29)	(323,428)	323,428	-
FUND BALANCE, FISCAL YEAR END	$ 27,963	$ 191,369	$ 219,332

OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 760,278	$ -	$ -	$ 760,278
Taxes Receivable, net	39,235	-	-	39,235
Other Receivables, net	70,019	-	8,588	78,607
Due From Other Governments	12,907	341	8	13,256
Due From Other Funds	5,846	-	3,478	9,324
Inventories	179	-	-	179
Prepaids, Advances, and Deferred Charges	3,328	-	3	3,331
Restricted Cash and Pooled Cash	44,395	218	127,717	172,330
Restricted Investments	76,655	-	519,072	595,727
Restricted Receivables	-	-	-	-
Investments	71,223	9,568	-	80,791
Other Long-Term Assets	17,547	-	5,560	23,107
Land and Nondepreciable Infrastructure	81	-	17,081	17,162
TOTAL ASSETS	$ 1,101,693	$ 10,127	$ 681,507	$ 1,793,327
LIABILITIES:				
Tax Refunds Payable	$ 146	$ -	$ -	$ 146
Accounts Payable and Accrued Liabilities	53,262	-	730	53,992
Due To Other Governments	20,702	-	5	20,707
Due To Other Funds	43,170	-	7,163	50,333
Deferred Revenue	77,744	-	5,199	82,943
Claims and Judgments Payable	81	-	-	81
Other Current Liabilities	2,641	-	-	2,641
Deposits Held In Custody For Others	5	-	-	5
TOTAL LIABILITIES	197,751	-	13,097	210,848
FUND BALANCES:				
Nonspendable:				
Inventories	179	-	-	179
Permanent Fund Principal	-	-	658,883	658,883
Prepaids	3,328	-	3	3,331
Restricted	244,199	10,127	8,017	262,343
Committed	656,236	-	1,507	657,743
TOTAL FUND BALANCES	903,942	10,127	668,410	1,582,479
TOTAL LIABILITIES AND FUND BALANCES	$ 1,101,693	$ 10,127	$ 681,507	$ 1,793,327

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 34,237	$ -	$ -	$ 34,237
Excise	147,368	-	-	147,368
Other Taxes	147,033	-	-	147,033
Licenses, Permits, and Fines	393,268	-	-	393,268
Charges for Goods and Services	531,064	-	-	531,064
Rents	8,522	-	118,168	126,690
Investment Income (Loss)	16,949	121	22,103	39,173
Federal Grants and Contracts	202,789	-	8	202,797
Additions to Permanent Funds	-	-	460	460
Unclaimed Property Receipts	40,446	-	-	40,446
Other	39,870	-	13	39,883
TOTAL REVENUES	1,561,546	121	140,752	1,702,419
EXPENDITURES:				
Current:				
General Government	48,936	-	287	49,223
Business, Community, and Consumer Affairs	167,008	-	-	167,008
Education	18,295	-	2	18,297
Health and Rehabilitation	89,159	-	-	89,159
Justice	33,454	-	-	33,454
Natural Resources	15,658	-	6,850	22,508
Social Assistance	198,826	-	-	198,826
Transportation	1,442	-	-	1,442
Capital Outlay	5,557	-	5	5,562
Intergovernmental:				
Cities	44,224	-	-	44,224
Counties	72,234	-	99	72,333
School Districts	8,897	-	-	8,897
Special Districts	7,041	-	-	7,041
Federal	1,482	-	-	1,482
Other	37,100	-	-	37,100
Debt Service	106	197,791	-	197,897
TOTAL EXPENDITURES	749,419	197,791	7,243	954,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	812,127	(197,670)	133,509	747,966
OTHER FINANCING SOURCES (USES):				
Transfers-In	36,051	203,704	300	240,055
Transfers-Out	(886,681)	-	(141,474)	(1,028,155)
Sale of Capital Assets	-	-	46	46
Insurance Recoveries	60	-	5	65
TOTAL OTHER FINANCING SOURCES (USES)	(850,570)	203,704	(141,123)	(787,989)
NET CHANGE IN FUND BALANCES	(38,443)	6,034	(7,614)	(40,023)
FUND BALANCE, FISCAL YEAR BEGINNING	1,049,680	4,093	674,285	1,728,058
Prior Period Adjustment (See Note 29)	(11,736)	-	-	(11,736)
Accounting Changes (See Note 29)	(95,559)	-	1,739	(93,820)
FUND BALANCE, FISCAL YEAR END	$ 903,942	$ 10,127	$ 668,410	$ 1,582,479

SPECIAL REVENUE FUNDS

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Assets Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 217 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 234 for a detail listing of these funds that have net assets in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 62,580	$ 113,359	$ 39,051	$ 18,211
Taxes Receivable, net	12,946	10,679	12,435	-
Other Receivables, net	1,565	519	44,751	5,871
Due From Other Governments	166	-	9,214	875
Due From Other Funds	158	-	3,864	124
Inventories	-	-	-	165
Prepaids, Advances, and Deferred Charges	-	16	2	1,639
Restricted Cash and Pooled Cash	17,345	23,915	-	3,135
Restricted Investments	76,655	-	-	-
Investments	18,258	-	-	-
Other Long-Term Assets	-	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 189,673	$ 148,488	$ 109,317	$ 30,020
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	1,270	3,687	20,622	2,951
Due To Other Governments	-	19,614	293	212
Due To Other Funds	3,209	22,744	11,853	84
Deferred Revenue	-	564	-	2,291
Claims and Judgments Payable	70	-	-	-
Other Current Liabilities	148	11	-	11
Deposits Held In Custody For Others	-	4	-	-
TOTAL LIABILITIES	4,697	46,624	32,768	5,549
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	165
Prepaids	-	16	2	1,639
Restricted	85,400	58,150	7,030	2,084
Committed	99,576	43,698	69,517	20,583
TOTAL FUND BALANCES	184,976	101,864	76,549	24,471
TOTAL LIABILITIES AND FUND BALANCES	$ 189,673	$ 148,488	$ 109,317	$ 30,020

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 129,936	$ 77,457	$ 319,684	$ 760,278
-	-	3,175	39,235
7,213	374	9,726	70,019
1	-	2,651	12,907
90	-	1,610	5,846
-	-	14	179
-	-	1,671	3,328
-	-	-	44,395
-	-	-	76,655
-	52,965	-	71,223
-	-	17,547	17,547
-	-	81	81
$ 137,240	$ 130,796	$ 356,159	$ 1,101,693
$ -	$ -	$ 146	$ 146
4,437	1,666	18,629	53,262
-	-	583	20,702
4,153	10	1,117	43,170
1,781	6	73,102	77,744
-	-	11	81
-	-	2,471	2,641
-	-	1	5
10,371	1,682	96,060	197,751
-	-	14	179
-	-	1,671	3,328
11,270	-	80,265	244,199
115,599	129,114	178,149	656,236
126,869	129,114	260,099	903,942
$ 137,240	$ 130,796	$ 356,159	$ 1,101,693

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	145,104	-
Other Taxes	39,642	104,808	-	-
Licenses, Permits, and Fines	430	1,070	87,677	21,342
Charges for Goods and Services	200	365	428	3,106
Rents	-	345	-	8,153
Investment Income (Loss)	5,567	1,199	335	305
Federal Grants and Contracts	-	135	119,288	1,678
Unclaimed Property Receipts	-	-	-	-
Other	450	1,368	796	11,684
TOTAL REVENUES	46,289	109,290	353,628	46,268
EXPENDITURES:				
Current:				
General Government	235	-	47	-
Business, Community, and Consumer Affairs	20,276	36,172	-	120
Education	-	14,137	191	-
Health and Rehabilitation	-	75	23,774	-
Justice	-	-	-	-
Natural Resources	-	-	-	15,658
Social Assistance	-	-	185,375	-
Transportation	-	-	-	-
Capital Outlay	-	25	64	1,815
Intergovernmental:				
Cities	-	17,261	1,190	286
Counties	562	16,655	14,075	385
School Districts	-	285	5,333	-
Special Districts	-	2,811	-	-
Federal	-	-	-	-
Other	-	1,231	5,305	1,836
Debt Service	-	-	-	-
TOTAL EXPENDITURES	21,073	88,652	235,354	20,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,216	20,638	118,274	26,168
OTHER FINANCING SOURCES (USES):				
Transfers-In	900	-	20,437	5,998
Transfers-Out	(40,188)	(39,448)	(229,591)	(25,751)
Insurance Recoveries	-	8	-	52
TOTAL OTHER FINANCING SOURCES (USES)	(39,288)	(39,440)	(209,154)	(19,701)
NET CHANGE IN FUND BALANCES	(14,072)	(18,802)	(90,880)	6,467
FUND BALANCE, FISCAL YEAR BEGINNING	193,556	92,231	178,040	49,492
Prior Period Adjustment (See Note 29)	-	(1,475)	(11,607)	-
Accounting Changes (See Note 29)	5,492	29,910	996	(31,488)
FUND BALANCE, FISCAL YEAR END	$ 184,976	$ 101,864	$ 76,549	$ 24,471

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 34,237	$ 34,237
-	-	2,264	147,368
-	-	2,583	147,033
39,982	-	242,767	393,268
490,256	-	36,709	531,064
-	-	24	8,522
2,497	2,989	4,057	16,949
277	-	81,411	202,789
-	40,446	-	40,446
309	3	25,260	39,870
533,321	43,438	429,312	1,561,546
-	31,916	16,738	48,936
-	634	109,806	167,008
-	-	3,967	18,295
37,138	-	28,172	89,159
172	-	33,282	33,454
-	-	-	15,658
21	-	13,430	198,826
-	-	1,442	1,442
346	90	3,217	5,557
630	10	24,847	44,224
2,050	223	38,284	72,234
130	-	3,149	8,897
111	208	3,911	7,041
28	-	1,454	1,482
899	-	27,829	37,100
-	-	106	106
41,525	33,081	309,634	749,419
491,796	10,357	119,678	812,127
3,650	-	5,066	36,051
(478,492)	(2,031)	(71,180)	(886,681)
-	-	-	60
(474,842)	(2,031)	(66,114)	(850,570)
16,954	8,326	53,564	(38,443)
110,757	119,627	305,977	1,049,680
163	-	1,183	(11,736)
(1,005)	1,161	(100,625)	(95,559)
$ 126,869	$ 129,114	$ 260,099	$ 903,942

PERMANENT FUNDS

STATE LANDS	This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 8,588	$ -	$ 8,588
Due From Other Governments	-	8	8
Due From Other Funds	3,478	-	3,478
Prepaids, Advances, and Deferred Charges	3	-	3
Restricted Cash and Pooled Cash	119,339	8,378	127,717
Restricted Investments	519,072	-	519,072
Other Long-Term Assets	5,560	-	5,560
Capital Assets Held as Investments	17,081	-	17,081
TOTAL ASSETS	$ 673,121	$ 8,386	$ 681,507
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 720	$ 10	$ 730
Due To Other Governments	5	-	5
Due To Other Funds	7,163	-	7,163
Deferred Revenue	5,199	-	5,199
TOTAL LIABILITIES	13,087	10	13,097
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	651,949	6,934	658,883
Prepaids	3	-	3
Restricted	8,014	3	8,017
Committed	68	1,439	1,507
TOTAL FUND BALANCES	660,034	8,376	668,410
TOTAL LIABILITIES AND FUND BALANCES	$ 673,121	$ 8,386	$ 681,507

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 118,168	$ -	$ 118,168
Investment Income (Loss)	21,987	116	22,103
Federal Grants and Contracts	-	8	8
Additions to Permanent Funds	460	-	460
Other	9	4	13
TOTAL REVENUES	140,624	128	140,752
EXPENDITURES:			
Current:			
General Government	285	2	287
Education	-	2	2
Natural Resources	6,827	23	6,850
Capital Outlay	5	-	5
Intergovernmental:			
Counties	99	-	99
TOTAL EXPENDITURES	7,216	27	7,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	133,408	101	133,509
OTHER FINANCING SOURCES (USES):			
Transfers-In	300	-	300
Transfers-Out	(141,459)	(15)	(141,474)
Sale of Capital Assets	46	-	46
Insurance Recoveries	5	-	5
TOTAL OTHER FINANCING SOURCES (USES)	(141,108)	(15)	(141,123)
NET CHANGE IN FUND BALANCES	(7,700)	86	(7,614)
FUND BALANCE, FISCAL YEAR BEGINNING	665,995	8,290	674,285
Accounting Changes (See Note 29)	1,739	-	1,739
FUND BALANCE, FISCAL YEAR END	$ 660,034	$ 8,376	$ 668,410

OTHER ENTERPRISE FUNDS

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

COLLEGEINVEST	CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States.
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 Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the State include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 64,945	$ -	$ 36,165	$ 2,003
Investments	1,675	-	-	-
Student and Other Receivables, net	502	10,411	155	22
Due From Other Governments	-	-	1,718	46
Due From Other Funds	24	62	-	-
Inventories	-	995	-	24
Prepaids, Advances, and Deferred Charges	57	527	348	166
Total Current Assets	67,203	11,995	38,386	2,261
Noncurrent Assets:				
Restricted Cash and Pooled Cash	3,275	49,427	30,096	-
Restricted Receivables	1,576	3,186	20,218	-
Investments	41,222	-	-	-
Other Long-Term Assets	485	-	-	-
Depreciable Capital Assets and Infrastructure, net	11	56,475	-	11,232
Land and Nondepreciable Infrastructure	-	214,461	-	1,676
Total Noncurrent Assets	46,569	323,549	50,314	12,908
TOTAL ASSETS	113,772	335,544	88,700	15,169
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	349	10,341	380	532
Due To Other Governments	-	-	28,102	-
Due To Other Funds	4,846	403	-	-
Deferred Revenue	-	29,316	-	819
Compensated Absences Payable	-	308	-	9
Leases Payable	-	-	-	11
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	4,842	-	4,455	10
Total Current Liabilities	10,037	40,368	32,937	1,381
Noncurrent Liabilities:				
Accrued Compensated Absences	130	4,738	140	128
Capital Lease Payable	-	-	-	1,743
Notes, Bonds, and COPs Payable	-	-	-	-
Other Long-Term Liabilities	25,709	-	-	-
Total Noncurrent Liabilities	25,839	4,738	140	1,871
TOTAL LIABILITIES	35,876	45,106	33,077	3,252
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11	270,936	-	11,154
Restricted for:				
Emergencies	-	12,368	-	-
Other Purposes	-	-	22,101	-
Unrestricted	77,885	7,134	33,522	763
TOTAL NET ASSETS	$ 77,896	$ 290,438	$ 55,623	$ 11,917

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 5,717	$ 6,540	$ 1,433	$ 8,508	$ 44,475	$ 7,084	$ 176,870
-	563	-	-	-	-	2,238
1,187	806	296	3,944	6,769	705	24,797
204	3,578	-	49	2,004	43	7,642
2,956	1,414	-	-	-	-	4,456
11,552	200	488	-	-	182	13,441
38	5	-	-	-	171	1,312
21,654	13,106	2,217	12,501	53,248	8,185	230,756
-	-	-	-	-	-	82,798
-	-	-	-	-	-	24,980
-	-	-	-	341,197	-	382,419
1,796	280	-	-	1,820	149	4,530
3,404	27,815	2,022	387	4,113	12,554	118,013
980	10,256	-	-	35,034	4,003	266,410
6,180	38,351	2,022	387	382,164	16,706	879,150
27,834	51,457	4,239	12,888	435,412	24,891	1,109,906
4,133	3,833	552	3,622	7,500	1,372	32,614
-	580	-	-	-	-	28,682
-	-	-	-	-	-	5,249
-	759	-	10	-	800	31,704
26	172	-	-	-	201	716
-	208	-	-	-	-	219
-	410	-	-	-	364	774
4	1	-	-	-	3	9,315
4,163	5,963	552	3,632	7,500	2,740	109,273
1,026	1,683	200	333	19	336	8,733
-	2,198	-	-	-	-	3,941
-	2,844	-	-	300,000	6,432	309,276
-	-	-	-	-	-	25,709
1,026	6,725	200	333	300,019	6,768	347,659
5,189	12,688	752	3,965	307,519	9,508	456,932
4,384	32,380	2,022	387	33,680	9,761	364,715
-	-	-	-	-	-	12,368
-	-	-	-	-	-	22,101
18,261	6,389	1,465	8,536	94,213	5,622	253,790
$ 22,645	$ 38,769	$ 3,487	$ 8,923	$ 127,893	$ 15,383	$ 652,974

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 75,992	$ -	$ -
Tuition and Fees	-	2	-	-
Sales of Goods and Services	3	2,160	-	6,208
Investment Income (Loss)	7,985	-	3,125	-
Rental Income	-	-	-	566
Federal Grants and Contracts	1,180	21,575	387,725	-
Intergovernmental Revenue	-	22,053	-	-
Other	13,969	557	3,859	28
TOTAL OPERATING REVENUES	23,137	122,339	394,709	6,802
OPERATING EXPENSES:				
Salaries and Fringe Benefits	455	56,482	45,326	3,721
Operating and Travel	3,157	45,829	341,274	4,014
Cost of Goods Sold	1,730	-	-	-
Depreciation and Amortization	24	4,161	2	526
Intergovernmental Distributions	2,243	1,943	-	-
Debt Service	431	-	15,955	-
Prizes and Awards	-	9	-	785
TOTAL OPERATING EXPENSES	8,040	108,424	402,557	9,046
OPERATING INCOME (LOSS)	15,097	13,915	(7,848)	(2,244)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	213	-	-
Investment Income (Loss)	-	263	-	876
Rental Income	-	516	-	-
Gifts and Donations	-	1,118	-	528
Federal Grants and Contracts	-			
Gain/(Loss) on Sale or Impairment of Capital Assets	-	26	-	-
Insurance Recoveries from Prior Year Impairments	-	64	-	-
Debt Service	-	(63)	-	(4)
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	2,137	-	1,400
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	15,097	16,052	(7,848)	(844)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	5,109	-	479
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
TOTAL CONTRIBUTIONS AND TRANSFERS	(15,332)	109	(115)	336
CHANGE IN NET ASSETS	(235)	16,161	(7,963)	(508)
NET ASSETS - FISCAL YEAR BEGINNING	78,818	274,277	63,586	12,425
Prior Period Adjustments (See Note 29)	(687)	-	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 77,896	$ 290,438	$ 55,623	$ 11,917

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 537	$ -	$ 7,508	$ 84,037
-	-	-	-	-	215	217
45,299	35,549	17,214	4	69,450	4,243	180,130
-	-	-	-	-	-	11,110
-	-	-	-	-	955	1,521
-	16,688	-	1,822	15,264	688	444,942
-	342	-	-	-	-	22,395
157	40	37	15	113	44	18,819
45,456	52,619	17,251	2,378	84,827	13,653	763,171
10,645	35,693	6,629	9,993	2,777	5,033	176,754
8,741	9,345	2,368	25,773	1,725	7,863	450,089
25,315	-	10,695	-	-	131	37,871
502	1,606	110	127	48	646	7,752
-	3,942	-	-	-	-	8,128
-	-	-	-	-	-	16,386
-	-	-	-	-	-	794
45,203	50,586	19,802	35,893	4,550	13,673	697,774
253	2,033	(2,551)	(33,515)	80,277	(20)	65,397
-	-	-	36,731	-	-	36,731
-	-	-	116	19	25	373
32	(20)	24	109	3,614	29	4,927
440	2	-	-	-	-	958
1	10	-	-	1,368	490	3,515
16	5,426	-	-	-	474	5,942
-	-	-	-	-	-	64
-	(300)	-	-	(9,528)	116	(9,779)
-	(42)	-	-	(38)	(11)	(91)
489	5,076	24	36,956	(4,565)	1,123	42,640
742	7,109	(2,527)	3,441	75,712	1,103	108,037
-	2,190	-	-	-	2,748	10,526
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
(330)	1,411	(1,947)	(905)	(905)	2,508	(15,170)
412	8,520	(4,474)	2,536	74,807	3,611	92,867
22,233	30,249	7,961	6,387	53,086	11,772	560,794
-	-	-	-	-	-	(687)
$ 22,645	$ 38,769	$ 3,487	$ 8,923	$ 127,893	$ 15,383	$ 652,974

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ 2	$ -	$ -
Fees for Service	1,255	64,857	678	4,763
Sales of Products	-	733	587	158
Gifts, Grants, and Contracts	1,180	22,203	398,522	28
Loan and Note Repayments	16,273	-	-	-
Income from Property	194,800	516	-	566
Other Sources	-	28,702	3,272	2,091
Cash Payments to or for:				
Employees	(464)	(53,312)	(1,873)	(2,225)
Suppliers	(21,215)	(32,970)	(50,382)	(5,413)
Sales Commissions and Lottery Prizes	-	(5,820)	-	-
Others for Student Loans and Loan Losses	(197,962)	-	(355,354)	-
Other Governments	(2,243)	(1,943)	-	-
Other	(1,185)	(8,478)	-	(910)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(9,561)	14,490	(4,550)	(942)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
Receipt of Deposits Held in Custody	-	-	8	2
Release of Deposits Held in Custody	-	(1)	(8)	(2)
Gifts and Grants for Other Than Capital Purposes	-	1,118	-	-
NonCapital Debt Service Payments	(431)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(15,763)	(3,883)	(115)	(143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	-	(23,283)	(4)	(737)
Capital Gifts, Grants, and Contracts	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	1,754
Capital Debt Service Payments	-	(1)	-	(4)
Capital Lease Payments	-	-	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(23,284)	(4)	1,013

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 559	$ -	$ -	$ -	$ 215	$ 776
9,953	35,400	-	35,787	67,711	3,456	223,860
34,078	33	17,227	-	-	621	53,437
-	15,040	-	2,080	14,018	926	453,997
-	-	-	-	-	-	16,273
440	2	-	-	-	955	197,279
173	787	37	658	18	6,028	41,766
						-
(9,256)	(34,605)	(6,556)	(3,426)	(2,975)	(4,928)	(119,620)
(34,960)	(10,467)	(13,080)	(32,729)	(647)	(7,704)	(209,567)
-	-	-	-	-	(1)	(5,821)
-	-	-	-	-	-	(553,316)
-	(3,581)	-	-	-	-	(7,767)
(112)	(10)	(22)	(1)	(182)	(71)	(10,971)
316	3,158	(2,394)	2,369	77,943	(503)	80,326
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
-	1	-	-	-	-	11
-	-	-	-	-	-	(11)
1	10	-	-	-	490	1,619
-	(552)	-	-	-	-	(983)
(329)	(1,320)	(1,947)	(905)	(905)	250	(25,060)
(384)	(4,575)	-	(23)	(30,934)	(2,964)	(62,904)
-	-	-	-	-	2,748	2,748
14	5,422	-	-	-	-	5,436
-	-	-	-	258,144	330	260,228
-	-	-	-	(8,013)	(567)	(8,585)
-	(822)	-	-	-	-	(822)
(370)	25	-	(23)	219,197	(453)	196,101

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,977	714	3,744	884
Proceeds from Sale/Maturity of Investments	66,891	-	-	-
Purchases of Investments	(19,836)	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	431	(451)	(619)	(8)
NET CASH FROM INVESTING ACTIVITIES	49,463	263	3,125	876
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	24,139	(12,414)	(1,544)	804
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	44,081	61,841	67,805	1,199
CASH AND POOLED CASH, FISCAL YEAR END	$ 68,220	$ 49,427	$ 66,261	$ 2,003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 15,097	$ 13,915	$ (7,848)	$ (2,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	24	4,161	2	526
Investment/Rental Income and Other Revenue in Operating Income	(7,984)	-	(3,125)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	757	-	528
(Gain)/Loss on Disposal of Capital and Other Assets	-	(253)	-	-
Compensated Absences	(29)	(421)	10	13
Interest and Other Expense in Operating Income	463	6	4	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	199,718	(5,751)	14,043	(49)
(Increase) Decrease in Inventories	-	50	-	5
(Increase) Decrease in Other Operating Assets	369	(98)	(18)	(57)
Increase (Decrease) in Accounts Payable	(215,154)	2,037	(3,013)	7
Increase (Decrease) in Other Operating Liabilities	(2,065)	87	(4,605)	329
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (9,561)	$ 14,490	$ (4,550)	$ (942)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Acquired by Grants or Donations and Payable Increases	-	5,109	-	479
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	1,403	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
78	22	110	131	3,446	77	11,183
-	621	-	-	13,244	1	80,757
-	(621)	-	-	(354,440)	-	(374,897)
(46)	(42)	(86)	(22)	(272)	(48)	(1,163)
32	(20)	24	109	(338,022)	30	(284,120)
(351)	1,843	(4,317)	1,550	(41,787)	(676)	(32,753)
6,068	4,697	5,750	6,958	86,262	7,760	292,421
$ 5,717	$ 6,540	$ 1,433	$ 8,508	$ 44,475	$ 7,084	$ 259,668
$ 253	$ 2,033	$ (2,551)	$ (33,515)	$ 80,277	$ (20)	$ 65,397
502	1,606	110	127	48	646	7,752
-	-	-	-	-	-	(11,109)
456	3	-	36,847	17	25	38,633
-	-	-	-	-	25	(228)
70	(291)	13	2	19	(24)	(638)
-	-	-	-	(4,635)	33	(4,129)
(1,268)	(834)	12	(703)	(3,098)	117	202,187
(820)	24	(15)	-	-	(28)	(784)
(54)	16	-	-	-	61	219
1,178	(155)	37	(394)	5,315	212	(209,930)
(1)	756	-	5	-	(1,550)	(7,044)
$ 316	$ 3,158	$ (2,394)	$ 2,369	$ 77,943	$ (503)	$ 80,326
-	2,190	-	-	1,368	-	9,146
-	-	-	-	-	-	1,403

INTERNAL SERVICE FUNDS

These funds account for operations of State agencies that provide a majority of their services to other State agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
INFORMATION TECHNOLOGY	This fund accounts for computer services sold to other State agencies formerly General Government Computer Center (GGCC). In April 2011 the GGCC and Telecommunications were merged into one fund, the Information Technology Fund.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily to other State agencies. In April 2011 this fund was consolidated into the Information Technology Fund.
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.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 6,909	$ 8,501	$ -
Other Receivables, net	263	83	-
Due From Other Governments	318	191	-
Due From Other Funds	5	2,303	-
Inventories	644	37	-
Prepaids, Advances, and Deferred Charges	19	1,966	-
Total Current Assets	8,158	13,081	-
Noncurrent Assets:			
Other Long-Term Assets	58	-	-
Depreciable Capital Assets and Infrastructure, net	52,061	2,402	-
Land and Nondepreciable Infrastructure	-	-	-
Total Noncurrent Assets	52,119	2,402	-
TOTAL ASSETS	60,277	15,483	-
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,593	7,440	-
Deferred Revenue	169	254	-
Compensated Absences Payable	22	21	-
Leases Payable	8,971	-	-
Notes, Bonds, and COPs Payable	3,535	-	-
Other Current Liabilities	258	-	-
Total Current Liabilities	15,548	7,715	-
Noncurrent Liabilities:			
Accrued Compensated Absences	506	5,743	-
Capital Lease Payable	36,841	-	-
Notes, Bonds, and COPs Payable	4,749	-	-
Total Noncurrent Liabilities	42,096	5,743	-
TOTAL LIABILITIES	57,644	13,458	-
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(2,035)	2,402	-
Unrestricted	4,668	(377)	-
TOTAL NET ASSETS	$ 2,633	$ 2,025	$ -

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 1,829	$ 645	$ 483	$ 1,126	$ 851	$ 20,344
69	4	11	2	4	436
-	-	-	-	-	509
15	-	-	-	-	2,323
278	297	-	-	-	1,256
-	-	-	-	10	1,995
2,191	946	494	1,128	865	26,863
-	-	-	-	-	58
18,105	99	1,031	13	10	73,721
939	-	-	-	-	939
19,044	99	1,031	13	10	74,718
21,235	1,045	1,525	1,141	875	101,581
1,326	143	49	300	183	12,034
4	-	-	-	8	435
-	-	-	-	-	43
687	-	-	-	-	9,658
-	-	-	-	-	3,535
-	-	-	-	-	258
2,017	143	49	300	191	25,963
291	-	-	300	30	6,870
17,225	-	-	-	-	54,066
-	-	-	-	-	4,749
17,516	-	-	300	30	65,685
19,533	143	49	600	221	91,648
1,132	99	1,031	13	10	2,652
570	803	445	528	644	7,281
$ 1,702	$ 902	$ 1,476	$ 541	$ 654	$ 9,933

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 57,763	$ 98,358	$ 26,291
Rental Income	-	-	-
Other	375	2	2
TOTAL OPERATING REVENUES	58,138	98,360	26,293
OPERATING EXPENSES:			
Salaries and Fringe Benefits	8,465	82,514	11,038
Operating and Travel	27,021	20,746	15,099
Cost of Goods Sold	7,597	-	-
Depreciation and Amortization	14,544	439	265
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	57,627	103,699	26,402
OPERATING INCOME (LOSS)	511	(5,339)	(109)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	26	140	-
Federal Grants and Contracts	-	53	154
Gain/(Loss) on Sale or Impairment of Capital Assets	(4,156)	(4)	-
Debt Service	(2,200)	(77)	-
Other Expenses	(49)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,379)	112	154
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,868)	(5,227)	45
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	553	-	-
Transfers-In	472	6,405	55
Transfers-Out	(1,567)	(1,193)	(4,769)
TOTAL CONTRIBUTIONS AND TRANSFERS	(542)	5,212	(4,714)
CHANGE IN NET ASSETS	(6,410)	(15)	(4,669)
NET ASSETS - FISCAL YEAR BEGINNING	9,043	2,040	4,669
Accounting Changes (See Note 29)	-	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 2,633	$ 2,025	$ -

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ 2,013	$ 152	$ 4,443	$ 3,306	$ 192,326
11,523	-	-	-	-	11,523
11	-	-	-	4	394
11,534	2,013	152	4,443	3,310	204,243
3,264	1,099	186	3,500	1,299	111,365
4,984	1,321	310	787	1,441	71,709
-	-	-	-	-	7,597
1,270	14	412	7	8	16,959
98	-	-	-	-	98
9,616	2,434	908	4,294	2,748	207,728
1,918	(421)	(756)	149	562	(3,485)
-	(12)	-	30	5	189
450	-	-	-	-	657
(643)	-	-	(2)	-	(4,805)
(818)	-	-	-	-	(3,095)
-	-	-	-	-	(49)
(1,011)	(12)	-	28	5	(7,103)
907	(433)	(756)	177	567	(10,588)
-	-	-	-	-	553
27	-	388	-	-	7,347
(1,336)	-	(16)	(258)	(343)	(9,482)
(1,309)	-	372	(258)	(343)	(1,582)
(402)	(433)	(384)	(81)	224	(12,170)
2,104	1,335	1,860	622	339	22,012
-	-	-	-	91	91
$ 1,702	$ 902	$ 1,476	$ 541	$ 654	$ 9,933

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ -	$ -	$ -
Fees for Service	57,355	97,455	26,060
Sales of Products	42	-	-
Gifts, Grants, and Contracts	-	105	67
Income from Property	-	-	-
Other Sources	242	2	2
Cash Payments to or for:			
Employees	(6,818)	(58,442)	(10,988)
Suppliers	(35,983)	(36,089)	(15,737)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(23)	(51)	(3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,815	2,980	(599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	472	4,870	55
Transfers-Out	(1,567)	(1,193)	(3,234)
Receipt of Deposits Held in Custody	529	-	-
Release of Deposits Held in Custody	(271)	-	-
NonCapital Debt Proceeds	-	7	-
NonCapital Debt Service Payments	-	(7)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(837)	3,677	(3,179)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(16,795)	(23,107)	(23,881)
Proceeds from Sale of Capital Assets	8,929	22,643	23,881
Capital Debt Service Payments	(4,653)	(77)	-
Capital Lease Payments	(1,861)	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(14,380)	(541)	-

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ -	$ 3	$ -	$ -	$ 3
-	900	142	4,441	3,308	189,661
-	1,112	-	-	3	1,157
450	-	-	-	-	622
11,486	-	-	-	-	11,486
18	-	-	-	3	267
(3,100)	(1,048)	(187)	(3,338)	(1,116)	(85,037)
(4,632)	(1,374)	(311)	(882)	(783)	(95,791)
-	-	-	-	(706)	(706)
(98)	-	-	-	-	(98)
-	-	-	-	(103)	(180)
4,124	(410)	(353)	221	606	21,384
27	-	388	-	-	5,812
(1,336)	-	(16)	(258)	(343)	(7,947)
-	-	-	-	-	529
-	-	-	-	-	(271)
-	-	-	-	-	7
-	-	-	-	-	(7)
(1,309)	-	372	(258)	(343)	(1,877)
(2,776)	-	-	-	-	(66,559)
150	-	-	-	-	55,603
(818)	-	-	-	-	(5,548)
-	-	-	-	-	(1,861)
(3,444)	-	-	-	-	(18,365)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	26	-	-
Proceeds from Sale/Maturity of Investments	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	140	-
NET CASH FROM INVESTING ACTIVITIES	26	140	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(376)	6,256	(3,778)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	7,285	2,245	3,778
Accounting Changes (See Note 29)	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 6,909	$ 8,501	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 511	$ (5,339)	$ (109)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,544	439	265
Investment/Rental Income and Other Revenue in Operating Income	(54)	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	53	154
(Gain)/Loss on Disposal of Capital and Other Assets	4	-	-
Compensated Absences	62	4,164	-
Interest and Other Expense in Operating Income	3	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(281)	(1,107)	(316)
(Increase) Decrease in Inventories	94	8	-
(Increase) Decrease in Other Operating Assets	(11)	(1,494)	62
Increase (Decrease) in Accounts Payable	161	6,002	(655)
Increase (Decrease) in Other Operating Liabilities	(218)	254	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,815	$ 2,980	$ (599)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Acquired by Grants or Donations and Payable Increases	553	1,376	-
Loss on Disposal of Capital and Other Assets	-	3	
Disposal of Capital Assets	-	-	1,376

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	-	14	2	42
-	-	-	34	-	34
-	(12)	-	(17)	3	114
-	(12)	-	31	5	190
(629)	(422)	19	(6)	268	1,332
2,458	1,067	464	1,132	484	18,913
-	-	-	-	99	99
$ 1,829	$ 645	$ 483	$ 1,126	$ 851	$ 20,344
$ 1,918	$ (421)	$ (756)	$ 149	$ 562	$ (3,485)
1,270	14	412	7	8	16,959
-	-	-	-	-	(54)
454	-	-	-	-	661
-	-	-	-	-	4
14	-	-	55	(5)	4,290
159	-	-	-	-	162
(40)	(1)	(5)	(1)	6	(1,745)
(44)	(30)	-	-	-	28
-	-	-	-	(10)	(1,453)
389	28	(4)	11	46	5,978
4	-	-	-	(1)	39
$ 4,124	$ (410)	$ (353)	$ 221	$ 606	$ 21,384
-	-	-	-	-	1,929
647	-	-	2	-	652
-	-	-	-	-	1,376

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

UNCLAIMED PROPERTY

This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net Assets Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

COLLEGE SAVINGS PLAN

The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State.

COLLEGE OPPORTUNITY FUND

The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. 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; amounts held for the trustee related to the most recent issuance of Certificates of Participation for Higher Education Institutions, Building Excellent Schools Today (BEST), the Ralph L. Carr Justice Complex, and the Colorado History Center; the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,512	$ 92,712	$ 9,860
Other Receivables, net	7	-	6,946
Due From Other Funds	-	-	4,766
Noncurrent Assets:			
Investments:			
Government Securities	-	-	2,534
Repurchase Agreements	-	-	748
Mutual Funds	-	-	4,015,280
Other Investments	-	-	38,698
TOTAL ASSETS	3,519	92,712	4,078,832
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	7,386
Deferred Revenue	-	-	1,737
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,919
TOTAL LIABILITIES	-	-	12,042
NET ASSETS:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	3,519	92,712	4,066,790
TOTAL NET ASSETS	$ 3,519	$ 92,712	$ 4,066,790

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ -	$ -	$ 6,393	$ 112,477
-	-	2,562	9,515
-	-	-	4,766
-	10,288	589	13,411
-	-	-	748
-	-	-	4,015,280
-	-	-	38,698
-	10,288	9,544	4,194,895
-	-	761	8,147
-	-	7,454	9,191
-	-	-	2,919
-	-	8,215	20,257
-	10,288	1,329	4,174,638
$ -	$ 10,288	$ 1,329	$ 4,174,638

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 539,436
Investment Income/(Loss)	31	1,056	614,031
Unclaimed Property Receipts	-	24,939	-
Other Additions	608	-	684
TOTAL ADDITIONS	639	25,995	1,154,151
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	213	23,027	389,095
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	213	23,027	389,095
CHANGE IN NET ASSETS	426	2,968	765,056
NET ASSETS - FISCAL YEAR BEGINNING	3,093	89,744	3,301,734
NET ASSETS - FISCAL YEAR ENDING	$ 3,519	$ 92,712	$ 4,066,790

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 266,934	$ -	$ 5,960	$ 812,330
-	10	102	615,230
-	-	-	24,939
-	-	1,575	2,867
266,934	10	7,637	1,455,366
266,934	401	-	267,335
-	-	7,450	419,785
-	-	92	92
266,934	401	7,542	687,212
-	(391)	95	768,154
-	10,679	1,234	3,406,484
$ -	$ 10,288	$ 1,329	$ 4,174,638

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 92,707	$ 2,227,341	$ 2,224,728	$ 95,320
Taxes Receivable, net	135,716	27,319	35,224	127,811
TOTAL ASSETS	$ 228,423	$ 2,254,660	$ 2,259,952	$ 223,131
LIABILITIES:				
Tax Refunds Payable	$ 5,524	$ 1,793	$ 2,903	$ 4,414
Accounts Payable and Accrued Liabilities	-	5	5	-
Due To Other Governments	215,512	2,654,222	2,659,812	209,922
Claims and Judgments Payable	241	3,112	3,224	129
Other Long-Term Liabilities	7,146	1,609	89	8,666
TOTAL LIABILITIES	$ 228,423	$ 2,660,741	$ 2,666,033	$ 223,131

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 91,406	$ 194,110	$ 189,575	$ 95,941
Taxes Receivable, net	4,189	1,357	877	4,669
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	-	-	-	-
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
TOTAL ASSETS	$ 115,496	$ 199,662	$ 194,995	$ 120,163
LIABILITIES:				
Tax Refunds Payable	$ 350	$ -	$ 271	$ 79
Accounts Payable and Accrued Liabilities	2,040	16,333	17,235	1,138
Due To Other Governments	6,654	96,480	95,484	7,650
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	381	94	88	387
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	101,634	89,519	83,427	107,726
Deposits Held In Custody For Others	3,690	933	2,196	2,427
Other Long-Term Liabilities	700	17	-	717
TOTAL LIABILITIES	$ 115,496	$ 221,746	$ 217,079	$ 120,163

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 655,432	$ 776,042	$ 449,064	$ 982,410
Due From Other Funds	15,039	12,144	15,039	12,144
TOTAL ASSETS	$ 670,471	$ 788,186	$ 464,103	$ 994,554
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 1	$ 159	$ 155	$ 5
Other Current Liabilities	622,874	786,878	453,228	956,524
Deposits Held In Custody For Others	47,596	4,149	13,720	38,025
TOTAL LIABILITIES	$ 670,471	$ 791,186	$ 467,103	$ 994,554

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 839,545	$ 3,197,493	$ 2,863,367	$ 1,173,671
Taxes Receivable, net	139,905	28,676	36,101	132,480
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	15,039	12,144	15,039	12,144
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
TOTAL ASSETS	$ 1,014,390	$ 3,242,508	$ 2,919,050	$ 1,337,848
LIABILITIES:				
Tax Refunds Payable	$ 5,874	$ 1,793	$ 3,174	$ 4,493
Accounts Payable and Accrued Liabilities	2,041	16,497	17,395	1,143
Due To Other Governments	222,166	2,750,702	2,755,296	217,572
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	622	3,206	3,312	516
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	724,508	876,397	536,655	1,064,250
Deposits Held In Custody For Others	51,286	5,082	15,916	40,452
Other Long-Term Liabilities	7,846	1,626	89	9,383
TOTAL LIABILITIES	$ 1,014,390	$ 3,673,673	$ 3,350,215	$ 1,337,848

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 39 on page 149.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,262	$ 9,291	$ 6,725
Investments	-	72,810	-
Contributions Receivable, net	-	-	4,150
Other Receivables, net	73	1,604	31
Due From Other Governments	-	-	-
Prepaids, Advances, and Deferred Charges	6	-	-
Other Current Assets	-	-	-
Total Current Assets	2,341	83,705	10,906
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	-	-
Investments	-	-	24,538
Contributions Receivable, net	-	-	-
Other Long-Term Assets	624	-	12,450
Depreciable Capital Assets and Infrastructure, net	122,767	11	-
Land and Nondepreciable Infrastructure	20,256	-	-
Total Noncurrent Assets	143,647	11	36,988
TOTAL ASSETS	145,988	83,716	47,894
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	67	118	-
Deferred Revenue	-	4,953	4,150
Claims and Judgments Payable	-	26,910	-
Notes, Bonds, and COPs Payable	291	-	-
Other Current Liabilities	89	-	-
Total Current Liabilities	447	31,981	4,150
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Notes, Bonds, and COPs Payable	627	-	-
Other Long-Term Liabilities	12	-	12,450
Total Noncurrent Liabilities	639	-	12,450
TOTAL LIABILITIES	1,086	31,981	16,600
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	142,066	11	-
Restricted for:			
Emergencies	24	-	-
Expendable	-	-	-
Other Purposes	-	51,724	-
Unrestricted	2,812	-	31,294
TOTAL NET ASSETS	$ 144,902	$ 51,735	$ 31,294

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
$ 10	$ 1,687	$ 1,072	$ 44,110	$ 4,522	$ 69,679
-	-	-	-	-	72,810
-	-	-	-	521	4,671
2,000	-	453	-	219	4,380
-	-	-	403	-	403
-	-	27	-	61	94
-	-	-	-	435	435
2,010	1,687	1,552	44,513	5,758	152,472
-	-	-	-	3,861	3,861
1,416	-	-	-	6,136	32,090
-	-	-	-	910	910
-	-	-	1,783	6,634	21,491
-	-	11	-	46,352	169,141
-	-	-	14,112	14,675	49,043
1,416	-	11	15,895	78,568	276,536
3,426	1,687	1,563	60,408	84,326	429,008
-	-	415	6,425	760	7,785
-	-	-	-	772	9,875
-	-	-	-	-	26,910
-	-	-	-	217	508
-	-	-	170	-	259
-	-	415	6,595	1,749	45,337
-	-	-	-	44	44
-	-	-	54,640	68,673	123,940
-	-	-	-	-	12,462
-	-	-	54,640	68,717	136,446
-	-	415	61,235	70,466	181,783
-	-	11	-	(7,297)	134,791
-	-	-	-	-	24
-	-	-	-	4,981	4,981
3,426	1,686	-	-	-	56,836
-	1	1,137	(827)	16,176	50,593
$ 3,426	$ 1,687	$ 1,148	$ (827)	$ 13,860	$ 247,225

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
OPERATING REVENUES:			
Fees	$ -	$ 82,491	$ -
Investment Income (Loss)	-	-	4,824
Rental Income	777	-	-
Gifts and Donations	-	-	-
Federal Grants and Contracts	-	1,319	-
Other	-	-	-
TOTAL OPERATING REVENUES	777	83,810	4,824
OPERATING EXPENSES:			
Operating and Travel	108	116,837	69
Depreciation and Amortization	4,055	11	-
TOTAL OPERATING EXPENSES	4,163	116,848	69
OPERATING INCOME (LOSS)	(3,386)	(33,038)	4,755
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	1	1,130	179
Gifts and Donations	-	5,000	4,243
Other Expenses	-	-	-
Other Revenues	482	29,142	-
TOTAL NONOPERATING REVENUES (EXPENSES)	483	35,272	4,422
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,903)	2,234	9,177
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Transfers-Out	-	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	-
CHANGE IN NET ASSETS	(2,903)	2,234	9,177
NET ASSETS - FISCAL YEAR BEGINNING	147,805	49,501	22,117
NET ASSETS - FISCAL YEAR ENDING	$ 144,902	$ 51,735	$ 31,294

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
$ -	$ -	$ 2,693	$ -	$ 859	$ 86,043
1	1	-	-	91	4,917
-	-	-	-	8,395	9,172
-	-	-	-	1,681	1,681
2,000	-	-	-	-	3,319
-	2,331	63	-	146	2,540
2,001	2,332	2,756	-	11,172	107,672
1,567	1,204	2,421	123	8,993	131,322
-	-	27	157	2,450	6,700
1,567	1,204	2,448	280	11,443	138,022
434	1,128	308	(280)	(271)	(30,350)
-	-	-	911	-	2,221
-	-	-	-	-	9,243
-	-	-	(2,177)	(872)	(3,049)
-	-	-	719	-	30,343
-	-	-	(547)	(872)	38,758
434	1,128	308	(827)	(1,143)	8,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
434	1,128	308	(827)	(1,143)	8,408
2,992	559	840	-	15,003	238,817
$ 3,426	$ 1,687	$ 1,148	$ (827)	$ 13,860	$ 247,225

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, 2011

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 56	$ -	$ -
Legislature	-	4	-	-
Military Affairs	3,155	1,614	31,165	-
Personnel & Administration	5,739	2,404	74,333	-
Revenue	-	1,608	1,878	-
Subtotal	8,894	5,686	107,376	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	1,852	-
[1]GOV, GEO, OEDIT	-	-	-	48
Labor and Employment	543	242	7,031	-
Local Affairs	-	87	1,247	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	1,030	-
State	-	-	-	-
Subtotal	1,181	329	11,160	48
EDUCATION				
Education	152	60	10,180	1,549
Higher Education	1,842	1,095	4,675	8,929
Subtotal	1,994	1,155	14,855	10,478
HEALTH AND REHABILITATION				
Public Health and Environment	188	10	5,692	-
Human Services	3,068	4,198	92,990	-
Subtotal	3,256	4,208	98,682	-
JUSTICE				
Corrections	3,872	3,806	633,092	-
DHS, Division of Youth Services	1,675	634	95,742	-
Judicial	1,605	279	-	628
Law	-	-	-	-
Public Safety	1,399	335	21,621	-
Subtotal	8,551	5,054	750,455	628
NATURAL RESOURCES				
Natural Resources	104,433	35,987	33,321	-
SOCIAL ASSISTANCE				
Human Services	-	464	2,753	-
Military Affairs	36	1,863	2,211	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,327	4,964	-
TRANSPORTATION				
Transportation	15,295	162	100,914	-
TOTAL CAPITAL ASSETS	$ 143,640	$ 54,908	$ 1,121,727	$ 11,154

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

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 24,526	$ 3,953	$ 420	$ -	$ -	$ 28,955
429	106	-	-	-	539
519	(14)	-	28,371	-	64,810
49,177	85	-	2,087	-	133,825
2,748	19,655	-	4,086	-	29,975
77,399	23,785	420	34,544	-	258,104
1,588	69	-	478	-	4,089
75	-	-	-	-	123
1,865	1,560	1,989	4,597	-	17,827
238	276	-	-	-	1,848
137	72	-	-	-	209
45	-	-	-	-	1,611
924	1,126	-	-	-	2,050
4,872	3,103	1,989	5,075	-	27,757
1,086	1,558	-	125,793	-	140,378
1,642	8	-	79,130	56	97,377
2,728	1,566	-	204,923	56	237,755
3,493	1,316	3,882	1,118	-	15,699
2,094	-	61	7,525	-	109,936
5,587	1,316	3,943	8,643	-	125,635
10,529	674	727	4,133	-	656,833
406	-	-	507	-	98,964
4,132	565	798	93,752	-	101,759
184	-	-	-	-	184
6,733	7,418	124	671	-	38,301
21,984	8,657	1,649	99,063	-	896,041
6,082	88	7,049	16,568	31,795	235,323
2,527	64,359	-	19,688	-	89,791
7	-	-	-	-	4,117
30	11	-	-	-	41
2,564	64,370	-	19,688	-	93,949
123,571	7,195	-	349,778	8,640,761	9,237,676
$ 244,787	$ 110,080	$ 15,050	$ 738,282	$ 8,672,612	$ 11,112,240

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provide a summary of assets, liabilities, and net 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, 2011

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,107	-	6,107
Wildlife for Future Generations (Expendable)	33-1-112	1,447	7	1,440
Other Permanent-Nonexpendable	Various	755	-	755
Veterans Monument Preservation	24-80-1401	70	3	67
Hall Historical Marker-Nonexpendable	24-80-209	$ 7	$ -	$ 7
Total Other Permanent Funds		$ 8,386	$ 10	$ 8,376
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	589	-	589
Early Intervention Services	27-10.5-706	8,513	8,191	322
Brand Estray Fund	35-41-102	219	1	218
Americans with Disabilities Act Contractor Settlement	24-34-301	155	-	155
Colorado Combined Campaign Administration	Restricted	68	23	45
Total Other Private Purpose Funds		$ 9,544	$ 8,215	$ 1,329
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	15,303	6,921	8,382
Grounds Cash Fund	26-1-133.5(2)	4,060	89	3,971
Brand Inspection Fund	35-41-102	3,597	1,738	1,859
Business Enterprise Program	26-8.5-107	798	133	665
Enterprise Services	24-80-209	383	85	298
Clean Screen Authority	42-3-304(19)	637	522	115
Work Therapy	None	76	20	56
Other Enterprise Funds	Various	24	-	24
Conference & Training	None	13	-	13
Total Other Enterprise Funds		$ 24,891	$ 9,508	$ 15,383
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	358,972	5,603	353,369
School Capital Construction Assistance	22-43.7-104	40,653	6,938	33,715
Department of Natrual Resources Lottery Distribution	33-60-103(1)	27,012	1,626	25,386
Economic Development Fund	24-46-105	5,492	51	5,441
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Ballot Information Publication & District Fund	1-40-124.5	3,575	-	3,575
State Supplemental Security Income Stabilizaton	26-2-210(1)	1,523	-	1,523
Persistent Drunk Driver	42-3-130.5	1,684	393	1,291
Housing Development Grant Fund	24-32-721	1,372	113	1,259
Legislative Department Cash Fund	2-2-1601(1)	1,067	37	1,030
Charter School Institute Fund	22-30.5-506	1,169	620	549
Diseased Livestock Fund	35-50-140.5	469	-	469
Charter School Capital Construction Assistance	22-30.5-515	452	-	452
Colorado Family Support Loan	27-10.5-502	405	-	405
Legislative Expenses Fund	2-3-1002(1)	385	-	385
Older Coloradans Cash Fund	26-11-205.5	841	546	295
Start Smart Nutrition Program	22-82.7-105	332	42	290
Advance Technology Fund	25-16.5-105	550	264	286
Conservation Trust Fund	24-35-210(10)	10,532	10,256	276
Drug Offender Treatment Fund	18-19-103	237	-	237
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	226	-	226
Real Estate Proceeds	28-3-106	211	1	210
Highway Crossing	43-4-201	173	-	173
Colorado Heritage Communities Fund	24-32-3207	177	18	159
Child Protection Ombudsman Program	19-3.3-107(1)	173	60	113
Colorado National Guard Tuition Fund	23-5-111.4	152	88	64

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011

(Dollars in Thousands)

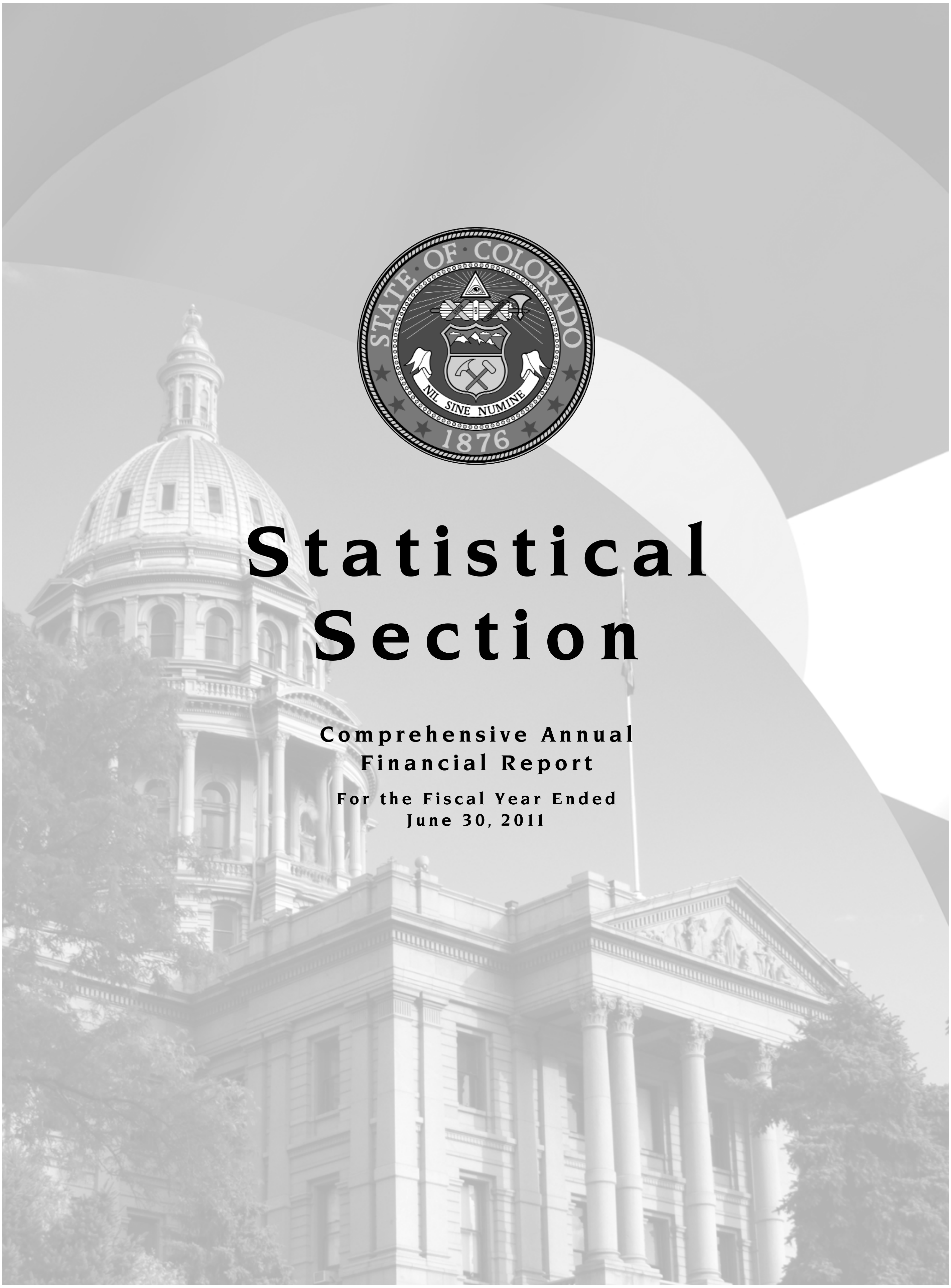
FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Health Care Services	25.5-3-112	57	-	57
Youth Advisory Council	2-2-1306	1	-	1
Prepaid Wireless Trust Cash Fund	29-11-102.5	1	1	-
School District Tax Revenue Anticipation Notes Repayment	29-15-112(4)	7	7	-
COFRS Warehouse Inventory	NONE	642	642	-
		$ 463,542	$ 27,306	$ 436,236
OTHER SPECIAL REVENUE FUNDS				
Aviation Fund	43-10-109	34,190	1,137	33,053
Justice Center Cash Fund	13-32-101(7)	24,122	-	24,122
Judicial Stabilization Cash Fund	13-32-101	18,447	-	18,447
Gear Up Scholarship Trust Fund	Restricted	17,902	-	17,902
Supreme Court Committee	Court Rule 227	17,354	4,757	12,597
Victims and Witnesses Assistance and Law Enforcement	24-4.2-104	11,363	32	11,331
Fed Tax Relief Act - 2003	Restricted	9,286	192	9,094
Victims Compensation	24-4.1-117	8,392	15	8,377
Consumer Protection Custodial Funds	6-1-103	7,632	53	7,579
Offender Services	16-11-214	7,143	-	7,143
Secretary Of State Fees	24-21-104	7,967	1,737	6,230
Auto Theft Prevention Cash Fund	42-5-112(4a)	6,924	801	6,123
Help America Vote Fund	HAVA 2002	5,711	253	5,458
Creative Industries Cash Fund	24-48.5-301	4,725	91	4,634
Division Of Registrations Cash Fund	24-34-105	17,147	12,515	4,632
Medical Marijuana License Fund	12-43.3-501	5,803	1,861	3,942
Other Expendable Trusts	Various	22,472	18,625	3,847
Conveyance Safety Fund	9-5.5-111(2)	3,811	-	3,811
Electronic Procurement Program	24-102-202.5	2,986	5	2,981
Travel and Tourism Additional	None	2,468	120	2,348
Housing Rehabilitation Revolving Loans	29-4-728	2,296	-	2,296
Court Security Cash Fund	13-1-204(1)	3,002	748	2,254
Public School Construction & Inspection	24-33.5-1207	2,066	75	1,991
Motor Carrier	40-2-110.5	2,157	180	1,977
Patient Benefit	None	1,946	2	1,944
Victims Assistance	24-33.5-506	2,121	229	1,892
CBI Identification Unit	24-33.5-426	2,264	431	1,833
Fixed Utilities	40-2-114	2,631	809	1,822
Operating Vouchers	None	4,416	2,709	1,707
Texaco Oil Overcharge Fund	None	1,691	-	1,691
HUD Section 8 Vouchers Family Unification Program	29-4-708(k)	1,689	10	1,679
Transportation Renovation	43-1-210 6(b)	1,665	-	1,665
Inspection & Consumer Service Cash Fund	35-1-106.5	2,494	933	1,561
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1)	3,176	1,776	1,400
Criminal Alien Assistance Cash	17-1-107.5	1,394	-	1,394
Law Examiners Board Fund Balance	Court Rule 201	1,386	-	1,386
Violent Offender Identification Fund	24-33.5-415	1,556	186	1,370
Process & End Users Waste Tire	25-17-202.5	1,580	276	1,304
Donations	Various	11,128	9,848	1,280
Disabled Telephone Users Fund	40-17-104	1,454	191	1,263
HUD Section 8 Vouchers-Administration	29-4-708(k)	1,243	51	1,192
Judicial Information Technology Cash Fund	13-32-114	1,162	-	1,162
Traumatic Brain Injury Fund	26-1-210(1)	1,344	231	1,113
Collaborative Management Incentive	24-1.9-104(1)	1,232	140	1,092
Mortgage Broker Registration	12-61-908(2)	1,731	659	1,072
Section 8 Pre Federal Fiscal Year 04	None	1,057	-	1,057
Public School Transportation	22-51-103(1)	1,352	376	976

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Alcohol/Drug Driving Safety	42-4-1301.3	914	-	914
Liquor Law Enforcement	24-35-401	1,000	141	859
Library Trust Fund	24-90-105	841	16	825
Continuing Legal Education Fund Balance	Court Rule 260	802	-	802
Colorado Dealer License Board	12-6-123	971	195	776
Uniform Consumer Credit Code Custodial Funds	Restricted	755	39	716
Real Estate Cash Fund	12-61-111.5	3,998	3,305	693
Attorney's Fees And Costs	24-31-108(2)	690	-	690
Home Grant Revolving Loan Fund	None	8,987	8,305	682
Howard Fund	26-8-104(1)(c)	674	-	674
State Patrol Contraband	24-33.5-225	680	8	672
Policie Officers Standards Training Board	24-31-303(2)	712	66	646
Judicial Performance Cash Fund	13-5.5-107	641	21	620
Drug Offender Surcharge Fund	18-19-103(4)	1,130	520	610
Historical Society Unrestricted	24-80-209	546	-	546
Domestic Abuse Program	39-22-802	711	180	531
Low Income Telephone Assist	40-3.4-108(2)	525	-	525
Uniform Consumer Credit Code	Various	598	90	508
Public Deposit Administration	11-10.5-112	797	304	493
Educator Licensure Cash Fund	22-60.5-112	607	116	491
Division Of Securities Cash Fund	Ex. Order 56-87	1,617	1,140	477
Building Regulation Fund	24-32-3309	471	34	437
Racing Cash Fund	12-60-205	540	112	428
Exxon Oil Overcharge Funds	None	420	-	420
Financial Services Cash Fund	11-40-106(2)	668	250	418
Waste Tire Fire Prevent Fund	25-17-202.8	383	-	383
Property Tax Exemption Fund	39-2-117(3)	440	58	382
Commercial Vehicle Enterprise	42-1-225(1)	362	-	362
HUD Section 8 Veteran's Affairs Supportive Housing	29-4-708(k)	340	-	340
Agricultural Products Inspection	35-23-114(3)	639	330	309
Patient Benefit Fund	26-12-108(2)	279	-	279
Public Safety Inspection	8-1-151	279	-	279
Food Distribution Program Service	26-1-121(4b)	297	27	270
Western Slope Military Veteran's Cemetary	28-5-708	271	11	260
Diamond Shamrock Settlement	None	245	-	245
Vickers Oil Overcharge Funds	Executive Order 56-87	222	-	222
Notary Administration Cash Fund	12-55-102.5	233	18	215
133 Funds with Net Assets Below $200,000		24,797	18,720	6,077
Total Other Special Revenue Funds		$ 356,160	$ 96,060	$ 260,100



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

STATISTICAL SECTION

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS	These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.
REVENUE CAPACITY	These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.
DEBT CAPACITY	These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.
DEMOGRAPHIC AND ECONOMIC INFORMATION	These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.
OPERATING INFORMATION	These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,548,435	$ 1,962,934	$ 2,217,711	$ 2,632,601
Investments	45,548	15,224	1,498	565
Taxes Receivable, net	830,730	857,246	920,086	946,077
Other Receivables, net	147,768	158,060	182,540	188,347
Due From Other Governments	486,655	516,248	475,997	355,519
Internal Balances	18,620	14,153	14,617	14,545
Due From Component Units	62	84	66	63
Inventories	19,837	16,468	16,183	16,703
Prepaids, Advances, and Deferred Charges	56,543	38,591	33,244	23,790
Total Current Assets	3,154,198	3,579,008	3,861,942	4,178,210
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,635,476	1,572,925	1,813,365	2,061,543
Restricted Investments	1,097,797	687,314	694,311	620,325
Restricted Receivables	173,347	195,753	184,120	187,018
Investments	52,343	529,059	98,815	96,743
Other Long-Term Assets	761,498	644,867	600,020	442,911
Depreciable Capital Assets and Infrastructure, net	9,331,295	9,689,916	2,360,036	2,282,645
Land and Nondepreciable Infrastructure	1,780,945	1,637,224	10,480,438	10,291,250
Total Noncurrent Assets	14,832,701	14,957,058	16,231,105	15,982,435
TOTAL ASSETS	17,986,899	18,536,066	20,093,047	20,160,645
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	785,496	847,550	779,008	837,311
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	216,956	181,684	223,415	183,696
Due To Component Units	-	-	-	-
Deferred Revenue	111,506	128,404	150,632	97,174
Accrued Compensated Absences	9,741	10,287	8,930	9,776
Claims and Judgments Payable	44,641	44,181	36,936	37,775
Leases Payable	12,872	11,384	8,227	6,002
Notes, Bonds, and COPs Payable	145,165	642,445	637,066	574,150
Other Current Liabilities	13,748	20,432	9,818	11,794
Total Current Liabilities	1,965,976	2,551,854	2,488,460	2,319,501
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	137,139	138,224	140,675	128,760
Claims and Judgments Payable	340,003	347,394	358,371	335,636
Capital Lease Payable	94,716	85,746	83,586	54,029
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,621,749	1,554,964	1,146,960	1,274,720
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	434,194	402,599	397,774	217,793
Total Noncurrent Liabilities	2,627,815	2,528,940	2,127,382	2,010,954
TOTAL LIABILITIES	4,593,791	5,080,794	4,615,842	4,330,455
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	9,836,378	10,118,621	11,631,061	11,348,995
Restricted for:				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	-	-
Debt Service	10,127	4,093	558	558
Emergencies	85,400	94,000	93,550	93,000
Permanent Funds and Endowments:				
Expendable	8,017	11,130	8,588	2,333
Nonexpendable	641,802	643,148	623,619	587,733
Other Purposes	315,082	138,826	197,918	231,532
Unrestricted	850,342	1,052,019	1,363,022	1,862,405
TOTAL NET ASSETS	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
998	12,637	10,440	10,209	-	-
956,149	845,241	731,647	738,769	758,887	809,839
153,218	153,916	146,906	143,717	104,475	125,181
280,637	264,688	307,704	282,252	515,860	378,906
13,756	26,313	18,122	22,070	(98,203)	20,287
65	56	110	-	-	-
14,053	14,906	18,266	16,696	17,580	16,895
28,527	28,735	23,700	29,628	27,413	99,893
3,902,828	3,681,440	3,201,646	2,630,810	2,038,268	2,022,294
1,689,703	1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
552,211	491,780	465,819	408,790	571,970	-
279,140	335,774	311,462	347,245	-	-
80,695	48,173	24,162	4,055	152,495	1,142,818
425,886	395,612	356,325	325,376	332,964	244,499
1,288,308	1,322,945	1,348,957	1,208,235	1,191,785	1,138,996
11,799,975	11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
16,115,918	15,593,260	15,319,092	15,236,941	14,518,929	14,659,967
20,018,746	19,274,700	18,520,738	17,867,751	16,557,197	16,682,261
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
694,602	633,685	679,425	687,136	684,956	569,102
727	2,917	41,064	-	-	48,920
176,864	247,548	192,611	172,239	151,989	172,691
-	-	-	-	-	-
65,389	66,290	73,609	84,431	114,149	84,906
9,533	9,437	7,900	7,992	7,394	6,123
40,948	49,415	38,738	12,084	14,743	35,576
2,807	1,461	3,403	2,821	3,492	1,298
457,250	526,235	628,395	419,778	21,125	19,530
9,615	10,318	25,092	37,152	33,987	37,050
1,944,311	2,004,430	2,166,682	1,849,243	1,462,967	1,359,236
17	17	16	10	8	12
116,262	112,860	111,418	112,104	113,548	112,027
295,874	343,452	430,978	29,200	29,200	-
27,649	16,021	18,905	13,219	5,054	2,175
-	-	-	-	-	-
-	-	-	-	-	-
1,390,671	1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-	-	-
-	-	-	-	-	-
206,972	210,369	198,520	516,756	501,390	263,034
2,037,445	2,186,405	2,227,761	2,211,342	1,958,353	1,705,320
3,981,756	4,190,835	4,394,443	4,060,585	3,421,320	3,064,556
-	-	-	-	-	-
11,804,908	11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
-	-	-	-	-	-
558	580	3,298	7,965	5,241	6,495
85,760	79,800	71,000	172,202	150,762	81,917
1,782	1,642	1,953	1,297	986	810
515,997	460,473	433,538	392,542	378,369	356,004
299,777	198,996	141,933	134,658	95,135	16,006
1,905,487	1,702,104	899,389	644,490	333,043	843,080
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,306,800	$ 1,176,181	$ 1,220,190	$ 1,555,782
Investments	273,605	253,270	386,948	272,804
Taxes Receivable, net	186,161	90,005	73,326	82,431
Other Receivables, net	302,042	282,053	245,768	239,790
Due From Other Governments	177,822	158,787	142,961	125,894
Internal Balances	(18,620)	(14,153)	(14,617)	(14,545)
Due From Component Units	19,736	14,474	12,630	16,348
Inventories	43,600	42,779	42,467	42,271
Prepaids, Advances, and Deferred Charges	18,018	19,244	20,091	17,055
Total Current Assets	2,309,164	2,022,640	2,129,764	2,337,830
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	409,652	353,164	368,308	446,681
Restricted Investments	98,146	239,719	201,025	259,115
Restricted Receivables	24,980	239,041	1,916,974	1,716,722
Investments	1,623,569	1,206,671	1,154,901	1,008,382
Other Long-Term Assets	122,939	119,387	123,599	119,650
Depreciable Capital Assets and Infrastructure, net	4,662,346	3,912,771	3,594,383	3,464,979
Land and Nondepreciable Infrastructure	938,544	1,207,048	928,243	576,755
Total Noncurrent Assets	7,880,176	7,277,801	8,287,433	7,592,284
TOTAL ASSETS	10,189,340	9,300,441	10,417,197	9,930,114
DEFERRED OUTFLOW OF RESOURCES:	-	7,778	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	556,294	596,926	506,318	467,741
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	331,246	406,275	182,922	26,885
Due To Component Units	524	466	930	1,112
Deferred Revenue	234,662	232,371	207,551	190,528
Accrued Compensated Absences	14,579	13,035	12,753	12,745
Claims and Judgments Payable	-	-	-	7,398
Leases Payable	4,950	6,672	6,282	5,976
Notes, Bonds, and COPs Payable	79,106	100,329	85,456	75,567
Other Current Liabilities	141,484	126,232	241,129	208,542
Total Current Liabilities	1,362,845	1,482,306	1,243,341	996,494
Noncurrent Liabilities:				
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	205,621	196,295	185,420	166,402
Claims and Judgments Payable	35,373	29,461	27,541	28,482
Capital Lease Payable	43,466	76,702	83,206	83,113
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	3,117,100	2,682,987	3,917,559	3,466,484
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	43,814	36,450	43,321	40,756
Total Noncurrent Liabilities	3,559,806	3,079,433	4,293,744	3,806,530
TOTAL LIABILITIES	4,922,651	4,561,739	5,537,085	4,803,024
DEFERRED INFLOW OF RESOURCES:	2,006	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	2,990,094	2,854,803	2,665,270	2,411,662
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	-	-	392,984	765,533
Debt Service	6,753	6,100	111,778	180,409
Emergencies	12,368	16,257	21,282	33,716
Permanent Funds and Endowments:				
Expendable	5,936	6,825	6,935	9,592
Nonexpendable	73,956	71,738	70,420	74,479
Other Purposes	657,292	630,890	582,006	491,492
Unrestricted	1,518,284	1,159,867	1,029,437	1,160,207
TOTAL NET ASSETS	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

BUSINESS-TYPE ACTIVITIES

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

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,855,235	$ 3,139,115	$ 3,437,901	$ 4,188,383
Investments	319,153	268,494	388,446	273,369
Taxes Receivable, net	1,016,891	947,251	993,412	1,028,508
Other Receivables, net	449,810	440,113	428,308	428,137
Due From Other Governments	664,477	675,035	618,958	481,413
Internal Balances	-	-	-	-
Due From Component Units	19,798	14,558	12,696	16,411
Inventories	63,437	59,247	58,650	58,974
Prepaids, Advances, and Deferred Charges	74,561	57,835	53,335	40,845
Total Current Assets	5,463,362	5,601,648	5,991,706	6,516,040
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,045,128	1,926,089	2,181,673	2,508,224
Restricted Investments	1,195,943	927,033	895,336	879,440
Restricted Receivables	198,327	434,794	2,101,094	1,903,740
Investments	1,675,912	1,735,730	1,253,716	1,105,125
Other Long-Term Assets	884,437	764,254	723,619	562,561
Depreciable Capital Assets and Infrastructure, net	13,993,641	13,602,687	5,954,419	5,747,624
Land and Nondepreciable Infrastructure	2,719,489	2,844,272	11,408,681	10,868,005
Total Noncurrent Assets	22,712,877	22,234,859	24,518,538	23,574,719
TOTAL ASSETS	28,176,239	27,836,507	30,510,244	30,090,759
DEFERRED OUTFLOW OF RESOURCES:	-	7,778	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	1,341,790	1,444,476	1,285,326	1,305,052
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	548,202	587,959	406,337	210,581
Due To Component Units	524	466	930	1,112
Deferred Revenue	346,168	360,775	358,183	287,702
Accrued Compensated Absences	24,320	23,322	21,683	22,521
Claims and Judgments Payable	44,641	44,181	36,936	45,173
Leases Payable	17,822	18,056	14,509	11,978
Notes, Bonds, and COPs Payable	224,271	742,774	722,522	649,717
Other Current Liabilities	155,232	146,664	250,947	220,336
Total Current Liabilities	3,328,821	4,034,160	3,731,801	3,315,995
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	342,760	334,519	326,095	295,162
Claims and Judgments Payable	375,376	376,855	385,912	364,118
Capital Lease Payable	138,182	162,448	166,792	137,142
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	4,738,849	4,237,951	5,064,519	4,741,204
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	478,008	439,049	441,095	258,549
Total Noncurrent Liabilities	6,187,621	5,608,373	6,421,126	5,817,484
TOTAL LIABILITIES	9,516,442	9,642,533	10,152,927	9,133,479
DEFERRED INFLOW OF RESOURCES:	2,006	-	-	-
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	12,826,472	12,973,424	14,296,331	13,760,657
Restricted for:				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	392,984	765,533
Debt Service	16,880	10,193	112,336	180,967
Emergencies	97,768	110,257	114,832	126,716
Permanent Funds and Endowments:				
Expendable	13,953	17,955	15,523	11,925
Nonexpendable	715,758	714,886	694,039	662,212
Other Purposes	972,374	769,716	779,924	723,024
Unrestricted	2,368,626	2,211,886	2,392,459	3,022,612
TOTAL NET ASSETS	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
327,085	341,103	680,786	192,781	-	-
1,037,894	951,214	835,245	831,254	805,484	846,076
372,706	363,413	353,852	324,424	323,523	1,010,100
407,028	363,728	402,874	368,607	613,877	452,967
-	-	-	-	-	-
15,399	11,197	9,404	5,406	-	-
52,053	50,653	53,063	49,761	51,441	52,210
44,278	41,883	37,423	48,024	46,551	122,334
6,142,704	5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
1,839,514	1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
1,107,521	916,606	919,695	652,180	686,262	140,074
1,687,728	1,509,086	1,326,596	1,236,353	-	-
1,053,617	935,475	249,491	581,674	1,040,727	1,806,230
538,579	504,218	475,684	424,734	1,165,586	318,736
4,140,000	4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
12,635,157	12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
23,002,116	21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
29,144,820	27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
1,108,390	1,013,879	1,029,772	1,021,272	1,017,946	757,941
727	2,917	41,064	-	-	48,920
215,365	278,297	231,083	209,359	178,559	218,317
273	1,067	1,607	703	-	-
249,194	237,701	219,041	215,927	252,462	223,288
22,111	23,721	22,003	17,711	17,976	14,649
52,665	56,845	46,971	12,084	14,743	35,576
7,757	6,312	9,442	8,358	8,775	5,138
520,248	609,506	714,067	499,905	81,230	116,594
136,189	104,532	132,320	144,763	126,259	126,385
2,799,495	2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
17	17	16	10	8	12
269,582	249,697	243,301	240,739	238,401	233,154
324,094	391,848	450,997	29,200	29,200	-
91,320	71,894	103,006	94,213	85,690	45,557
-	-	-	-	-	-
-	-	-	-	-	-
4,491,435	3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-	-	-
-	-	-	-	-	-
261,069	263,507	250,542	586,930	577,641	407,061
5,437,517	4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
8,237,012	7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
-	-	-	-	-	-
14,061,837	13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
675,574	548,780	321,725	200,311	322,423	653,690
126,214	105,928	125,588	111,567	7,289	8,790
123,232	109,683	98,247	211,479	183,643	120,730
7,095	6,399	18,436	18,746	18,732	47,825
613,818	543,171	509,998	442,201	425,220	405,204
710,889	563,306	445,647	432,423	284,601	214,702
3,166,428	2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

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

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 454,633	$ 419,866	$ 386,311	$ 374,521
Service Fees	735,820	589,795	184,327	132,822
Education - Tuition, Fees, and Sales	-	-	53	-
Fines and Forfeits	200,432	218,892	203,259	155,692
Rents and Royalties	128,588	79,518	85,811	78,889
Sales of Products	4,974	3,854	5,040	4,592
Unemployment Surcharge	18,611	19,329	19,369	21,512
Other	89,509	67,460	61,168	57,622
Operating Grants and Contributions	6,218,836	5,885,657	5,065,429	4,222,670
Capital Grants and Contributions	659,288	607,383	485,711	439,693
TOTAL PROGRAM REVENUES	8,510,691	7,891,754	6,496,478	5,488,013
EXPENSES:				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	17,081,353	16,511,089	15,164,223	14,230,983
NET (EXPENSE) REVENUE	(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	510,442
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	-	-	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	(110,266)	(94,993)	(114,685)	(77,732)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,493,528	7,640,761	8,249,251	9,236,808
TOTAL CHANGES IN NET ASSETS	(77,134)	(978,574)	(418,494)	493,838
NET ASSETS - BEGINNING	13,455,272	15,477,205	15,830,190	16,036,990
Prior Period Adjustment	14,970	(594,624)	(118,647)	(393,912)
Accounting Changes	-	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

[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.

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 352,819	$ 339,779	$ 357,241	$ 353,628	$ 327,134	$ 310,343
129,980	123,392	128,101	132,644	117,253	105,932
-	-	-	-	-	-
126,612	121,859	117,666	109,341	99,654	87,994
68,270	68,920	61,524	45,340	32,314	31,673
3,703	3,100	2,841	3,164	2,296	3,001
22,346	22,399	21,524	20,112	19,500	19,630
64,964	79,810	54,254	55,216	47,264	72,996
4,122,360	3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
414,602	447,283	409,458	487,442	410,070	352,125
5,305,656	5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	- [1]	3,283,590	3,131,486	2,946,679	2,689,452
-	- [1]	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,264,879	12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
484,408	568,184	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(13,534)	(1,112)	-	-	(21,000)
(98,926)	(80,894) [2]	(545,175)	(546,580)	(634,674)	(662,141)
-	-	(431)	(20)	(22,855)	25
-	-	-	-	-	-
8,919,699	8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
960,476	1,086,487	317,792	496,316	(353,487)	178,446
15,083,865	14,126,295	13,807,166	13,135,877	13,617,705	5,457,647
(7,351)	(128,917)	1,337	174,973	(128,341)	(172,615)
-	-	-	-	-	8,154,227
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

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

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 120,910	$ 106,946	$ 119,611	$ 84,395
Service Fees	874,990	607,485	681,807	667,504
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,505	1,867,806
Fines and Forfeits	1,945	2,836	1,118	999
Rents and Royalties	29,507	24,648	29,908	32,399
Sales of Products	592,794	590,758	560,364	579,935
Unemployment Surcharge	791,317	491,716	363,241	398,046
Other	153,321	167,930	173,354	165,804
Operating Grants and Contributions	3,689,492	3,957,310	2,214,186	1,728,669
Capital Grants and Contributions	25,432	24,619	20,220	9,426
TOTAL PROGRAM REVENUES	8,523,083	7,973,606	6,121,314	5,534,983
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	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest[3]	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,080
Other Business-Type Activities	191,123	170,410	171,635	173,928
TOTAL EXPENSES	8,069,789	8,158,205	6,489,286	5,393,406
NET (EXPENSE) REVENUE	453,294	(184,599)	(367,972)	141,577
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	-	36,963
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	-	-
(Transfers-Out) / Transfers-In	110,266	94,993	114,685	77,732
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	111,759	15,418	114,685	114,695
TOTAL CHANGES IN NET ASSETS	565,053	(169,181)	(253,287)	256,272
NET ASSETS - BEGINNING	4,746,480	4,880,112	5,127,090	4,870,818
Prior Period Adjustment	(46,850)	35,549	6,309	-
Accounting Changes	-	-	-	-
NET ASSETS - ENDING	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

[1] – In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

[2] – In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.

BUSINESS-TYPE ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 84,302	$ 75,388	$ 64,864	$ 66,196	$ 59,426	$ 57,546
575,555	536,261 [1]	273,541	242,809	188,614	153,983
1,734,996	1,622,045 [1]	1,294,488	1,227,187	1,143,890	1,062,083
1,174	729	596	554	1,025	1,379
26,271	28,765	21,527	44,783	16,576	21,084
520,838	522,715	467,088	449,910	440,902	459,317
403,641	504,039	462,416	338,063	190,461	153,024
140,376	162,045	120,145	117,682	130,239	255,970
1,685,417	1,466,045	1,403,928	1,344,191	1,398,401	1,176,005
22,263	16,856	16,667	73,952	28,662	47,202
5,194,833	4,934,888	4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221 [2]				
199,677	115,200 [2]	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
4,936,455	4,573,493	4,336,201	4,358,417	4,491,991	4,147,363
258,378	361,395	(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,446	34,728	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(707)	-	-	-	-
98,926	80,894 [1]	545,175	546,580	634,674	662,141
-	-	10,303	15,330	76,210	151,465
-	-	-	-	-	-
138,372	114,915	555,478	561,910	710,884	813,606
396,750	476,310	344,537	108,820	(182,911)	53,836
4,456,800	3,977,171	3,616,740	3,504,704	3,614,667	4,887,925
17,267	3,319	15,894	3,216	72,948	95,811
-	-	-	-	-	(1,422,905)
$ 4,870,817	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

[3] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

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

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 575,543	$ 526,812	$ 505,922	$ 458,916
Service Fees	1,610,810	1,197,280	866,134	800,326
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,558	1,867,806
Fines and Forfeits	202,377	221,728	204,377	156,691
Rents and Royalties	158,095	104,166	115,719	111,288
Sales of Products	597,768	594,612	565,404	584,527
Unemployment Surcharge	809,928	511,045	382,610	419,558
Other	242,830	235,390	234,522	223,426
Operating Grants and Contributions	9,908,328	9,842,967	7,279,615	5,951,339
Capital Grants and Contributions	684,720	632,002	505,931	449,119
TOTAL PROGRAM REVENUES	17,033,774	15,865,360	12,617,792	11,022,996
EXPENSES:				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest[3]	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,080
Other Business-Type Activities	191,123	170,410	171,635	173,928
TOTAL EXPENSES	25,151,142	24,669,294	21,653,509	19,624,389
NET (EXPENSE) REVENUE	(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	547,405
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,605,287	7,656,179	8,363,936	9,351,503
TOTAL CHANGES IN NET ASSETS	487,919	(1,147,755)	(671,781)	750,110
NET ASSETS - BEGINNING	18,201,752	20,357,317	20,957,280	20,907,808
Prior Period Adjustment	(31,880)	(559,075)	(112,338)	(393,912)
Accounting Changes	-	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 437,121	$ 415,167	$ 422,105	$ 419,824	$ 386,560	$ 367,889
705,535	659,653	401,642	375,453	305,867	259,915
1,734,997	1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
127,786	122,588	118,262	109,895	100,679	89,373
94,541	97,685	83,051	90,123	48,890	52,757
524,541	525,815	469,929	453,074	443,198	462,318
425,987	526,438	483,940	358,175	209,961	172,654
205,340	241,855	174,399	172,898	177,503	328,966
5,807,777	5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
436,865	464,139	426,125	561,394	438,732	399,327
10,500,490	10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	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
42,269	31,969	26,925	9,625	16,219	16,750
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221				
199,677	115,200	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
18,201,334	17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
523,854	602,912	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(14,241)	(1,112)	-	-	(21,000)
-	-	-	-	-	-
-	-	9,872	15,310	53,355	151,490
-	-	-	-	-	-
9,058,071	8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
1,357,227	1,562,797	662,329	605,136	(536,398)	232,282
19,540,665	18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
9,916	(125,598)	17,231	178,189	(55,393)	(76,804)
-	-	-	-	-	6,731,322
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2010-11[3]	2009-10	2008-09[2]	2007-08
REVENUES:				
Taxes	$ 8,430	$ 7,640	$ 8,231	$ 9,203
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	745	734	701	643
Charges for Goods and Services	730	552	150	104
Rents (reported in 'Other' prior to FY05)	129	80	86	79
Investment Income	97	199	258	316
Federal Grants and Contracts	6,917	7,023	5,480	4,308
Unclaimed Property Receipts	40	42	58	-
Other	221	192	195	179
TOTAL REVENUES	17,309	16,462	15,159	14,832
EXPENDITURES:				
Current:				
General Government	560	775	511	123
Business, Community and Consumer Affairs	388	369	332	311
Education	778	855	879	802
Health and Rehabilitation	592	583	608	561
Justice	1,314	1,315	1,285	1,195
Natural Resources	132	126	121	112
Social Assistance	5,656	4,454	3,836	3,669
Transportation	1,064	1,017	1,074	1,055
Capital Outlay	329	240	308	243
Intergovernmental:				
Cities	300	281	294	289
Counties	1,478	2,253	2,043	1,799
School Districts	4,303	4,364	4,143	3,814
Other	185	219	185	258
Debt Service[1]	208	194	189	208
TOTAL EXPENDITURES	17,286	17,045	15,808	14,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23	(583)	(649)	393
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,776	5,333	5,179	4,298
Transfers-Out:				
Higher Education	-	-	(121)	(131)
Other	(4,866)	(5,389)	(5,162)	(4,237)
Face Amount of Debt Issued	218	559	-	-
Bond Premium/Discount	-	8	-	-
Capital Lease Debt Issuance	17	-	11	18
Sale of Capital Assets	-	-	-	1
Insurance Recoveries	2	4	2	2
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	147	515	(91)	(49)
NET CHANGE IN FUND BALANCE	170	(68)	(740)	344
FUND BALANCE - BEGINNING	4,086	4,785	5,312	5,012
Prior Period Adjustments	(4)	(41)	(1)	(44)
Accounting Changes	591	-	214	-
FUND BALANCE - ENDING	$ 4,842	$ 4,676	$ 4,785	$ 5,312

1 – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 264.

2 – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

3 – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 8,936	$ 8,396	$ 7,323	$ 6,794	$ 6,261	$ 6,499
-	-	(41)	-	-	-
575	541	565	551	517	504
99	99	99	108	108	99
68	69	62	-	-	-
272	117	126	54	259	240
4,073	4,054	3,831	3,880	3,471	3,104
-	-	-	-	-	-
320	341	321	358	351	299
14,343	13,617	12,286	11,745	10,967	10,745
251	256	278	267	229	238
303	274	277	296	317	277
713	673	129	119	116	122
530	486	443	450	450	453
1,088	998	978	897	933	924
107	97	90	85	82	82
3,400	3,263	3,026	2,969	2,851	2,619
950	962	983	1,098	1,105	1,127
124	82	92	74	136	276
239	251	218	211	198	209
1,721	1,616	1,474	1,319	1,328	1,229
3,719	3,455	3,284	3,131	2,947	2,689
242	197	157	144	160	158
213	204	114	92	99	85
13,600	12,814	11,543	11,152	10,951	10,488
743	803	743	593	16	257
4,202	3,645	3,198	2,819	3,507	3,987
(120)	(128)	(597)	(605)	(695)	(742)
(4,137)	(3,580)	(3,136)	(2,750)	(3,406)	(3,880)
-	-	-	235	-	208
-	-	-	53	-	12
4	132	27	2	12	5
-	4	10	12	3	3
1	1	-	-	-	-
-	-	-	280	443	10
-	-	-	(311)	(436)	(10)
(50)	74	(498)	(265)	(572)	(407)
693	877	245	328	(556)	(150)
4,319	3,441	3,196	2,827	3,383	4,043
-	1	-	41	-	(510)
-	-	-	-	-	-
$ 5,012	$ 4,319	$ 3,441	$ 3,196	$ 2,827	$ 3,383

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2010-11	2009-10	2008-09	2007-08
Income Tax:				
Individual	$ 4,154	$ 3,777	$ 4,021	$ 4,600
Corporate	366	350	265	474
Net Income Tax	4,520	4,127	4,286	5,074
Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Estate Taxes	-	-	-	-
Insurance Tax	190	187	192	188
Gaming and Other Taxes	20	16	-	-
Investment Income	8	10	9	18
Medicaid Provider Revenues	-	-	-	-
Other	25	44	56	52
TOTAL GENERAL REVENUES	$ 7,086	$ 6,456	$ 6,525	$ 7,505
Percent Change From Previous Year	9.8%	-1.1%	-13.1%	2.6%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	63.8%	63.9%	65.7%	67.6%
Sales, Use, and Excise Taxes	32.7	32.1	30.4	29.0
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.7	2.9	2.9	2.5
Other Taxes	0.3	0.2	0.0	0.0
Interest	0.1	0.2	0.1	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.4	0.7	0.9	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 4,510	$ 4,044	$ 3,421	$ 3,189	$ 2,945	$ 3,086
464	422	293	218	214	165
4,974	4,466	3,714	3,407	3,159	3,251
2,076	1,995	2,146	2,005	1,915	1,962
-	-	(41)	-	-	-
2,076	1,995	2,105	2,005	1,915	1,962
1	7	26	47	53	73
179	175	189	176	171	155
7	18	40	40	38	34
28	33	28	20	51	25
-	-	-	-	16	11
48	52	59	72	74	61
$ 7,313	$ 6,746	$ 6,161	$ 5,767	$ 5,477	$ 5,572
8.4%	9.5%	6.8%	5.3%	-1.7%	2.7%
68.0%	66.2%	60.3%	59.1%	57.7%	58.3%
28.4	29.5	34.1	34.8	34.9	35.3
0.0	0.1	0.4	0.8	1.0	1.3
2.4	2.6	3.1	3.1	3.1	2.8
0.1	0.3	0.6	0.7	0.7	0.6
0.4	0.5	0.5	0.3	0.9	0.4
0.0	0.0	0.0	0.0	0.3	0.2
0.7	0.8	1.0	1.2	1.4	1.1
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)

	2010-11	2009-10	2008-09	2007-08
Department:[1]				
Agriculture	$ 4,761	$ 5,915	$ 6,809	$ 7,124
Corrections	656,184	563,570	637,292	626,246
Education	2,963,080	3,238,879	3,214,951	3,023,255
Governor	11,481	13,781	13,342	17,346
Health Care Policy and Financing	1,303,820	1,152,245	1,311,702	1,482,803
Higher Education	705,085	428,784	661,974	747,717
Human Services	724,121	751,149	776,394	749,974
Judicial Branch	324,079	323,146	328,056	300,674
Labor and Employment	-	-	-	-
Law	9,406	9,133	8,705	8,474
Legislative Branch	31,858	32,504	34,944	31,139
Local Affairs	10,532	10,854	12,276	10,895
Military and Veterans Affairs	5,062	5,263	5,637	5,407
Natural Resources	25,617	25,515	30,558	30,086
Personnel & Administration	4,886	5,139	5,337	10,934
Public Health and Environment	27,291	26,548	26,634	23,596
Public Safety	80,366	79,459	78,874	72,806
Regulatory Agencies	1,490	1,429	1,451	1,400
Revenue	35,674	54,187	67,092	73,593
Treasury	4,378	7,784	10,643	13,902
Transfer to Capital Construction Fund	11,985	169	39,396	183,443
Transfer to Various Cash Funds	8,000	8,000	10,281	327
Transfer to the Highway Users Tax Fund	-	-	28,965	166,182
Other Transfers and Nonoperating Disbursements	20,555	20,555	102,966	137,747
	$ 6,969,711	$ 6,764,008	$ 7,414,279	$ 7,725,070
TOTALS				
Percent Change	3.0%	-8.8%	-4.0%	3.0%
(AS PERCENT OF TOTAL)				
Education	42.5%	47.9%	43.4%	39.1%
Health Care Policy and Financing	18.7	17.0	17.7	19.2
Higher Education	10.1	6.3	8.9	9.7
Human Services	10.4	11.1	10.5	9.7
Corrections	9.4	8.3	8.6	8.1
Transfer to Capital Construction Fund	0.2	0.0	0.5	2.4
Transfer to Various Cash Funds	0.1	0.1	0.1	0.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.4	2.2
Judicial	4.6	4.8	4.4	3.9
Revenue	0.5	0.8	0.9	1.0
All Others	3.5	3.7	4.6	4.7
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 5,197	$ 4,038	$ 4,107	$ 3,716	$ 8,700	$ 10,118
577,482	534,233	495,234	467,207	476,972	443,334
2,882,876	2,718,667	2,514,427	2,417,490	2,313,588	2,268,794
11,991	15,862	15,808	13,317	31,465	19,566
1,369,321	1,362,893	1,247,254	1,142,620	1,132,643	1,076,838
693,999	636,341	587,958	591,221	685,686	739,556
718,366	590,071	568,461	534,759	551,299	560,716
265,161	237,673	219,612	207,432	213,939	214,619
108	-	-	-	-	-
8,975	7,143	6,738	6,266	8,141	9,677
29,880	27,633	26,745	26,818	28,100	27,224
9,973	8,500	8,573	4,565	7,419	10,361
5,050	4,324	3,883	3,739	4,273	3,973
28,550	22,806	22,481	19,337	23,599	24,434
9,385	8,181	7,805	7,457	12,282	14,028
23,081	20,586	13,061	12,359	16,573	31,790
67,169	58,785	56,315	53,895	54,465	56,597
1,273	1,390	1,047	1,028	1,582	1,914
65,398	57,928	57,702	57,066	66,898	69,297
12,403	18,443	15,027	690	62,171	4,198
291,467	104,841	40,759	12,270	9,489	25,564
3,748	67,100	185,628	-	-	-
291,179	65,345	81,212	5,559	-	35,179
130,598	49,190	20,264	34,257	58,746	68,325
$ 7,502,630	$ 6,621,973	$ 6,200,101	$ 5,623,068	$ 5,768,030	$ 5,716,102
13.3%	6.8%	10.3%	-2.5%	0.9%	-0.4%
38.4%	41.1%	40.6%	43.0%	40.1%	39.7%
18.3	20.6	20.1	20.3	19.6	18.8
9.3	9.6	9.5	10.5	11.9	12.9
9.6	8.9	9.2	9.5	9.6	9.8
7.7	8.1	8.0	8.3	8.3	7.8
3.9	1.6	0.7	0.2	0.2	0.4
0.0	1.0	3.0	0.0	-	-
3.9	1.0	-	-	-	-
3.5	3.6	3.5	3.7	3.7	3.8
0.9	0.9	0.9	1.0	1.2	1.2
4.5	3.6	4.5	3.5	5.4	5.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11[2]	2009-10	2008-09	2007-08
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ 5,721	$ 2,195	$ 16,487
Noncurrent Assets	-	-	1	7
Statutory Purposes	-	-	148,212	151,721
Risk Management	-	23,031	18,650	35,559
Unreserved Undesignated:				
General Fund	-	(30,822)	155,436 [1]	-
Unreserved:				
Designated for Unrealized Investment Gains:				
General Fund	-	17,854	10,939	3,639
Nonspendable:				
Inventories	8,742			
Prepaids	33,009			
Restricted	542,997			
Committed	39,458			
Assigned	109			
Unassigned	(21,468)			
TOTAL RESERVED	-	28,752	169,058	203,774
TOTAL UNRESERVED	-	(12,968)	166,375	3,639
TOTAL FUND BALANCE	602,847	15,784	335,433	207,413
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ 1,052,572	$ 1,043,396	$ 966,477
Noncurrent Assets	-	584,828	515,062	425,830
Debt Service	-	4,093	558	558
Statutory Purposes	-	325,463	40,921	109,322
Risk Management	-	-	-	-
Emergencies	-	94,000	93,550	93,000
Funds Reported as Restricted	-	1,151,448	1,445,739	1,902,755
Unreserved, Reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	57,148	53,498	54,676
Capital Projects Funds	-	(35,611)	54,687	134,470
Permanent Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	1,302,178	1,117,248	1,391,483
Nonmajor Permanent Funds	-	10,586	8,500	2,326
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	34,487	30,327	13,385
Reported in Nonmajor Special Revenue Funds	-	40,778	23,719	8,751
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	38,541	22,875	1,571
Nonspendable:				
Inventories	9,839			
Permanent Fund Principal	658,883			
Prepaids	21,540			
Restricted	1,988,088			
Committed	1,560,775			
TOTAL RESERVED	-	3,212,404	3,179,226	3,497,942
TOTAL UNRESERVED	-	1,448,107	1,310,454	1,606,662
TOTAL FUND BALANCE	4,239,125	4,660,511	4,449,680	5,104,604
TOTAL RESERVED	-	3,241,156	3,308,284	3,701,716
TOTAL UNRESERVED	-	1,435,139	1,476,829	1,610,301
TOTAL FUND BALANCE	$ 4,841,972	$ 4,676,295	$ 4,785,113	$ 5,312,017

[1] – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance

[2] – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 11,912	$ 12,233	$ 3,497	$ 2,106	$ 3,684	$ 2,093
13	91	192	300	231	320
267,020	251,704	198,751	207,003	60,731	39,622
38,593	32,851	36,473	33,301	39,412	-
95,779	295,882	-	-	-	137,595
-	-	-	4,272	30,657	26,697
317,538	296,879	238,913	242,710	104,058	42,035
95,779	295,882	-	4,272	30,657	164,292
413,317	592,761	238,913	246,982	134,715	206,327
$ 821,112	$ 814,811	$ 629,430	$ 795,414	$ 916,053	$ 994,758
385,248	342,341	292,336	278,843	278,006	245,051
558	580	3,298	7,965	5,137	6,495
130,000	137,530	10,263	11,565	10,929	14,328
-	-	-	-	-	-
85,760	79,800	71,000	172,202	150,762	81,917
1,669,326	1,233,272	1,104,061	998,428	770,874	1,118,886
	-	-	-	-	-
72,870	872,212	812,706	41,589	27,692	29,918
199,126	(47,740)	(12,545)	(39,986)	4,555	43,029
-	-	-	-	-	-
1,233,276	291,488	274,941	664,258	448,766	591,846
1,782	1,642	1,954	1,291	961	810
-	-	4,484	6,964	30,944	14,847
-	-	347	5,491	20,380	15,662
-	-	-	-	-	-
-	-	9,926	4,718	27,429	18,644
3,092,004	2,608,334	2,110,388	2,264,417	2,131,761	2,461,435
1,507,014	1,117,602	1,091,813	684,325	560,727	714,756
4,599,018	3,725,936	3,202,201	2,948,742	2,692,488	3,176,191
3,409,542	2,905,213	2,349,301	2,507,127	2,235,819	2,503,470
1,602,873	1,413,484	1,091,813	688,597	591,384	879,048
$ 5,012,335	$ 4,318,697	$ 3,441,114	$ 3,195,724	$ 2,827,203	$ 3,382,518

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Eleven Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2010-11	2009-10	2008-09
DISTRICT REVENUES:			
Exempt District Revenues	$ 15,532,332	$ 16,056,039	$ 14,496,192
Nonexempt District Revenues	9,424,764	8,567,941	9,102,354
TOTAL DISTRICT REVENUES	24,957,096	24,623,980	23,598,546
Percent Change In Nonexempt District Revenues	10.0%	-5.9%	-9.0%
DISTRICT EXPENDITURES:			
Exempt District Expenditures	15,532,332	16,056,039	14,496,192
Nonexempt District Expenditures	9,330,892	8,638,571	10,168,409
TOTAL DISTRICT EXPENDITURES	24,863,224	24,694,610	24,664,601
Percent Change In Nonexempt District Expenditures	8.0%	-15.0%	6.7%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (676,291)	$ (70,630)	$ (1,066,055)
FISCAL YEAR SPENDING LIMIT			
Prior Fiscal Year Spending Limitation	$ 8,567,941	$ 9,102,354	$ 8,829,131
Adjustments To Prior Year Limit[2]	(15,963)	(422,016)	(10,365)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,551,978	8,680,338	8,818,766
Allowable Growth Rate (Population Plus Inflation)	1.2%	5.8%	4.1%
Current Fiscal Year Spending Limitation	8,654,602	9,183,797	9,180,336
Adjustments To Current Year Limit	-	-	23,505
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,654,602	9,183,797	9,203,841
EXCESS STATE REVENUE CAP (ESRC)[3]	10,684,856		
NONEXEMPT DISTRICT REVENUES	9,424,764	8,567,941	9,102,354
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	770,162	(615,856)	(101,488)
Amount Over(Under) Excess State Revenue Cap	(1,260,092)		
Correction Of Prior Years' Refunds	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-
FISCAL YEAR REFUND	$ -	$ -	$ -

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the State's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

[2] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

[3] – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2007-08	2006-07	2005-06	Restated 2004-05	2003-04	2002-03	2001-02	Restated 2000-01
$ 12,126,729	$ 11,759,914	$ 10,899,936	$ 11,015,958	$ 11,650,100	$ 12,059,372	$ 11,702,980	$ 8,213,400
9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
22,125,288	21,401,781	20,061,327	19,498,921	19,982,091	19,771,884	19,455,191	17,090,505
3.7%	5.2%	8.0%	1.8%	8.0%	-0.5%	-12.7%	4.4%
12,126,729	11,759,914	10,899,936	11,015,958	11,650,100	12,059,372	11,702,980 [1]	8,213,399
9,533,890	8,847,334	8,029,686	9,473,642	7,799,832	8,198,724	7,729,239	6,945,742
21,660,619	20,607,248	18,929,622	20,489,600	19,449,932	20,258,096	19,432,219	15,159,141
7.8%	10.2%	-15.2%	21.5%	-4.9%	6.1%	11.3%	7.3%
$ 464,670	$ 794,533	$ 1,131,705	$ (990,679)	$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364
$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991	$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710
(1,054)	(173)	(372,471)	(383,103)	(31,732)	(12,865)	(53,497)	-
8,332,773	8,045,083	7,941,903	7,948,888	7,680,780	7,739,346	7,895,053	7,563,710
5.5%	3.5%	1.3%	2.2%	3.6%	6.9%	4.0%	5.1%
8,791,075	8,326,662	8,045,148	8,123,764	7,957,288	8,273,361	8,210,855	7,949,459
38,056	7,165	109	190,610	374,703	23,426	(84,666)	(909)
8,829,131	8,333,827	8,045,257	8,314,374	8,331,991	8,296,787	8,126,189	7,948,550
9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
1,169,428	1,308,040	1,116,134	168,589	-	(584,275)	(373,978)	928,555
-	-	-	284	-	-	8,284	(1,354)
1,169,428	1,308,040	1,116,134	127,810	-	-	-	-
$ -	$ -	$ -	$ 41,063	$ -	$ -	$ -	$ 927,201

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
1999 to 2008

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

	2008[2]		2007		2006		2005		2004	
	# 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
ADJUSTED GROSS INCOME CLASS										
Negative Income	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%
$0 to $5,000	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%
$5,001 to $10,000	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%
$10,001 to $15,000	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%
$15,001 to $20,000	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%
$20,001 to $25,000	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%
$25,001 to $35,000	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%
$35,001 to $50,000	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%
$50,001 to $75,000	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%
$75,001 to $100,000	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%
$100,000 and Over	317,476	57.8%	330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%
TOTAL	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%

Source: Colorado Department of Revenue

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.

[2] – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2010[1]

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

	2010		2009		2008		2007	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%
Mining	5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%
Public Utilities	10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%
Construction Trades	33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%
Manufacturing	96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%
Wholesale Trade	72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%
Retail Trade	385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%
Transportation & Warehousing	3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%
Information Producers/Distributors	167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%
Finance & Insurance	35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%
Real Estate, Rental, & Leasing Services	84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%
Professional, Scientific, & Technical Services	64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%
Bus. Admin., Support, Waste/Remediation Services	24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%
Educational Services	5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%
Health Care & Social Assistance Services	16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%
Arts, Entertainment, & Recreation Services	17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%
Hotel & Other Accommodation Services	21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%
Food & Drinking Services	130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%
Other Personal Services	86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%
Government Services	6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%
TOTAL	1,270,483	100%	1,261,708	100%	1,261,895	100%	1,254,100	100%

Source: Colorado Department of Revenue

[1] – Data is not available in this format prior to calendar year 2003.

2003		2002		2001		2000		1999	
# 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
24,632	0.0%	22,477	0.0%	16,539	0.0%	13,946	0.0%	13,043	0.0%
74,854	0.0%	73,714	0.0%	75,710	0.0%	73,929	0.0%	75,022	0.1%
114,615	0.1%	115,045	0.1%	113,237	0.1%	116,422	0.1%	122,123	0.2%
132,540	0.5%	134,152	0.5%	131,411	0.5%	134,898	0.5%	142,185	0.8%
137,195	1.1%	139,267	1.2%	139,013	1.2%	144,220	1.2%	151,091	1.4%
133,960	1.8%	136,897	1.9%	136,429	1.9%	140,010	1.9%	143,324	2.1%
239,657	5.3%	243,253	5.6%	244,586	5.5%	243,715	5.2%	239,847	5.6%
268,253	9.6%	271,283	9.9%	269,802	9.3%	263,657	8.7%	255,652	9.4%
286,609	16.5%	291,227	17.1%	290,662	15.9%	283,693	14.9%	270,042	16.2%
163,572	14.7%	161,047	14.7%	159,483	13.5%	150,626	12.2%	135,419	12.6%
202,886	50.4%	196,065	49.0%	203,312	52.1%	203,040	55.3%	170,546	51.6%
1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%

COLORADO TAX RATES[1]
2002 to 2011

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2006		2005		2004		2003	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,267,071	100%	1,212,288	100%	1,192,073	100%	1,132,170	100%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	RESTATED 2008-09	2007-08
DEBT SERVICE EXPENDITURES:				
Principal	$ 124,993	$ 116,083	$ 109,801	$ 104,924
Interest	82,829	77,919	78,719	102,652
TOTAL DEBT SERVICE EXPENDITURES	$ 207,822	$ 194,002	$ 188,520	$ 207,576
Percent Change Over Previous Year	7.1%	2.9%	-9.2%	-2.5%
TOTAL NONCAPITAL EXPENDITURES[1]	16,654,138	16,566,769	15,448,232	14,196,496
TOTAL CAPITAL EXPENDITURES[1]	631,546	478,179	359,518	242,572
TOTAL GOVERNMENTAL EXPENDITURES	17,285,684	17,044,948	15,807,750	14,439,068
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.7%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.7%
Total Debt Service Expenditures	1.2%	1.2%	1.2%	1.4%

[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[1 2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
Governmental Activities:				
Revenue Backed Debt	$ 869,282	$ 992,436	$ 1,106,973	$ 1,216,006
Certificates of Participation	897,632	689,973	162,053	172,864
Capital Leases	107,588	97,130	91,813	60,031
Notes and Mortgages	-	515,000	515,000	460,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,874,502	2,294,539	1,875,839	1,908,901
Business-Type Activities:				
Revenue Backed Debt	2,762,166	2,306,693	3,551,588	3,325,690
Certificates of Participation	430,537	432,698	446,656	210,150
Capital Leases	48,416	83,374	93,773	93,374
Notes and Mortgages	3,503	43,925	4,771	6,211
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	3,244,622	2,866,690	4,096,788	3,635,425
Total Primary Government:				
Revenue Backed Debt	3,631,448	3,299,129	4,658,561	4,541,696
Certificates of Participation	1,328,169	1,122,671	608,709	383,014
Capital Leases	156,004	180,504	185,586	153,405
Notes and Mortgages	3,503	558,925	519,771	466,211
TOTAL OUTSTANDING DEBT[1]	$ 5,119,124	$ 5,161,229	$ 5,972,627	$ 5,544,326
Percent Change Over Previous Year	-0.8%	-13.6% [3]	7.7%	8.5%
Colorado Population (In Thousands) Restated for Censu	4,874	5,049	4,972	4,890
Per Capita Debt (Dollars Per Person) Restated for Censu	$1,050	$1,022	$1,201	$1,134
Per Capita Income (Thousands Per Person)	$46.0	$42.2	$41.3	$44.2
Per Capita Debt as a Percent of Per Capita Income	2.3%	2.4%	2.9%	2.6%

[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 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04	RESTATED 2002-03	2001-02
$ 100,681	$ 97,583	$ 15,574	$ 11,932	$ 16,581	$ 9,245
112,145	106,322	98,829	80,281	82,116	76,096
$ 212,826	$ 203,905	$ 114,403	$ 92,213	$ 98,697	$ 85,341
4.4%	78.2%	24.1%	-6.6%	15.7%	58.5%
13,365,782	12,586,379	11,298,334	10,664,540	10,541,507	10,212,475
233,914	228,077	244,178	488,140	409,971	275,873
13,599,696	12,814,456	11,542,512	11,152,680	10,951,478	10,488,348
0.8%	0.8%	0.1%	0.1%	0.2%	0.1%
0.8%	0.8%	0.9%	0.8%	0.7%	0.7%
1.6%	1.6%	1.0%	0.9%	0.9%	0.8%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 1,319,718	$ 1,418,446	$ 1,512,987	$ 1,518,564	$ 1,273,146	$ 1,293,196
183,203	196,475	63,332	44,244	57,132	54,406
30,456	17,482	22,308	16,040	8,546	3,473
345,000	415,000	520,000	397,023	-	-
1,878,377	2,047,403	2,118,627	1,975,871	1,338,824	1,351,075
2,935,383	2,304,485	2,063,378	1,578,903	1,553,595	1,240,946
218,916	260,578	75,729	73,724	46,811	54,545
68,621	60,724	90,140	86,531	85,919	47,222
9,463	6,946	9,402	6,262	6,602	1,444
3,232,383	2,632,733	2,238,649	1,745,420	1,692,927	1,344,157
4,255,101	3,722,931	3,576,365	3,097,467	2,826,741	2,534,142
402,119	457,053	139,061	117,968	103,943	108,951
99,077	78,206	112,448	102,571	94,465	50,695
354,463	421,946	529,402	403,285	6,602	1,444
$ 5,110,760	$ 4,680,136	$ 4,357,276	$ 3,721,291	$ 3,031,751	$ 2,695,232
9.2%	7.4%	17.1%	22.7%	12.5%	20.7%
4,804	4,720	4,632	4,575	4,529	4,490
$1,064	$992	$941	$813	$669	$600
$42.7	$41.2	$38.8	$36.9	$35.3	$35.1
2.5%	2.4%	2.4%	2.2%	1.9%	1.7%

3 – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

REVENUE BOND COVERAGE[1]

Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Debt Service Requirements Interest	Debt Service Requirements Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2010-11	$ 1,162,586	$ 994,596	$ 167,990	$ 119,385	$ 48,605	$ 167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991		167,991	92,835	75,156	167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
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
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest[2]							
2008-09	$ 200,753	$ 34,107	$ 166,646	$ 24,000	$ 17,126	$ 41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
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
Higher Education Institutions							
2010-11	$ 1,025,079	$ 487,781	$ 537,298	$ 64,345	$ 110,488	$ 174,833	3.07
2009-10	947,626	477,126	470,499	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60
2005-06	649,238	376,431	272,807	29,365	45,699	75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
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

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported.

COLORADO DEMOGRAPHIC DATA
2002 to 2011

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 %
2011 est	4,874	1.56%	$ 224.3	$ 46,020	110.5%	*	8.8%
2010	5,049	1.63	213.2	42,226	105.7	2,448	8.9
2009	4,972	1.62	205.4	41,311	107.3	2,502	8.3
2008	4,890	1.61	216.0	44,172	107.9	2,606	4.8
2007	4,804	1.59	205.2	42,714	108.1	2,598	3.7
2006	4,720	1.58	194.4	41,186	109.2	2,542	4.3
2005	4,632	1.57	179.7	38,795	109.4	2,456	5.1
2004	4,575	1.56	168.6	36,852	108.7	2,393	5.6
2003	4,529	1.56	159.9	35,306	109.3	2,340	6.1
2002	4,490	1.56	157.8	35,145	111.6	2,304	5.7

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
2002 to 2011
(AMOUNTS IN THOUSANDS)

Industry[2]	2011 est	2010 est	2009	2008	2007	2006	2005	2004	2003	2002
Natural Resources and Mining	26.0	24.0	24.2	28.5	25.2	21.1	17.2	14.4	13.2	12.9
Construction	106.5	113.5	131.3	161.8	167.8	167.8	160.0	151.3	149.9	160.4
Manufacturing	123.9	124.5	129.6	144.1	147.0	149.1	150.4	151.8	153.9	163.8
Transportation, Trade, and Utilities	400.0	396.5	403.8	429.3	429.2	419.3	413.0	406.6	404.5	412.1
Information	69.9	71.3	74.7	76.8	76.4	75.4	76.9	81.2	84.6	92.9
Financial Activities	144.7	144.0	148.0	155.6	159.5	160.4	158.5	154.6	154.1	149.5
Professional and Business Services	335.1	328.1	330.2	351.9	347.9	331.8	316.8	304.1	292.0	296.2
Educational and Health Services	267.8	264.5	257.2	250.5	240.4	231.2	224.6	218.5	213.0	208.5
Leisure and Hospitality	262.6	259.6	262.4	272.9	270.4	264.9	257.5	251.3	245.6	247.0
Other Services	93.8	92.4	93.7	94.8	92.9	90.8	88.5	87.4	85.9	85.6
Government	390.7	392.5	390.5	384.1	374.7	367.2	362.6	358.5	356.2	355.4
Total	2,221.0	2,210.9	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7	2,152.9	2,184.3

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

1 – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

2 – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
Last Ten Years

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2011 est	$ 2,770	$ 2,100	$ 1,700	$ 6,570
2010 est	2,460	2,100	1,700	6,260
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681
2006	8,708	4,641	3,446	16,795
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,096
2003	6,258	2,713	1,732	10,703
2002	6,357	2,787	2,162	11,306

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

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2011 est	$ 63.8	$ 7.03
2010 est	61.1	6.92
2009	58.5	6.83
2008	66.7	7.41
2007	67.3	7.41
2006	61.8	6.70
2005	58.7	6.59
2004	55.8	6.34
2003	52.8	5.92
2002	52.9	5.67

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

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

	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	616	601	593	556
Employees (calculated Average Employment)	66,691	65,325	64,535	61,915
Balance in Treasury Pool (in millions)	$6,076.2	$5,902.0	$5,663.2	$6,159.4
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	703,695	702,498	679,836	640,332
Unemployment Rate (percent) [4]	8.8	7.9	7.7	4.9
Employment Level [4]	*	2,447,712	2,492,540	2,596,309
Education:				
Public Schools	1,786	1,817	1,769	1,771
Primary School Students	843,316	832,368	818,443	802,639
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	511	554	569	548
Average Daily Population of Regional Centers [3,5]	*	329	378	403
Justice:				
District Court Cases Filed [3]	190,531	188,822	191,749	199,681
County Court Cases Filed [3]	562,185	562,570	554,165	579,069
Inmate Admissions	10,704	10,992	10,992	11,038
Inmate Releases	11,033	10,803	10,803	10,565
Average Daily Inmate Population	22,814	22,980	23,210	22,887
Citations Issued by the State Patrol	125,755 [6]	170,988	170,570	221,544
Crashes Covered by the State Patrol	19,028 [6]	24,123	26,159	27,260
Natural Resources:				
Active Oil and Gas Wells [3]	45,500	45,000	36,000	35,000
Oil and Gas Drilling Permits [3]	5,250	5,000	7,400	6,780
Annual State Park Visitors [3]	12,463,495	11,666,912	13,680,012	11,272,418
Water Loans	288	278	269	258
Social Assistance:				
Medicaid Recipients [3]	553,407	476,632	381,390	383,784
Average Cash Assistance Payments per Month [3]	63,742	58,119	57,200	62,647
Transportation:				
Lane Miles	*	22,982,320	23,060,630	23,036,480
Bridges	*	3,447	3,429	3,406
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	156,210	146,531	136,900	135,275
Nonresident Students [3]	12,405	24,869	23,166	22,069
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	615,548	652,570	350,000	300,000
Initial Unemployment Claims [3]	389,769	408,644	120,074	119,561
CollegeInvest:[8]				
Loans Issued or Purchased			268,745 [7]	239,060
Average Balance per Loan			$6,326 [7]	$6,328
Lottery:				
Scratch Tickets Sold	98,545,733	99,657,606	104,217,790	101,604,127
Lotto Tickets Sold	39,257,585	41,620,408	43,552,521	41,071,837
Powerball Tickets Sold	70,047,258	101,568,085	100,733,520	109,565,516
Other Lottery Tickets Sold	50,464,834	26,833,674	20,831,732	19,148,564
Wildlife:				
Hunting & Fishing Licenses Sold [3]	1,380,000	1,630,000	2,300,000	1,545,659
College Assist:				
Guaranteed Loans - In State	61,076 [8]	107,402	115,486	140,232
Guaranteed Loans - Out of State	4,961 [8]	41,616	47,892	18,859

Source: JBC Budget in Brief and various State departments.

* – Data is not available.
[1] – All amounts are counts, except where dollars or percentages are indicated.
[2] – Data is presented by either fiscal year or calendar year based on availability of information.
[3] – Data represents estimates from budgetary documents and is not adjusted to actual.

2007	2006	2005	2004	2003	2002
515	492	484	465	444	434
59,873	58,468	58,046	57,643	58,239	57,974
$5,250.7	$4,615.3	$3,951.1	$3,174.6	$2,241.4	$2,068.5
575,124	576,982	517,597	*	*	*
3.8	4.3	5.1	5.6	6.1	5.7
2,602,015	2,537,037	2,436,795	2,384,562	2,323,554	2,304,109
1,771	1,731	1,667	1,728	1,613	1,658
794,026	780,708	766,657	757,021	751,862	742,145
528	539	539	570	688	699
403	403	403	411	400	397
189,884	187,498	*	*	165,467	160,245
552,592	547,143	*	*	461,847	457,246
10,625	10,168	9,433	8,165	7,799	7,802
10,110	8,954	8,249	7,504	6,977	6,554
22,424	21,438	20,228	19,478	18,636	17,367
226,324	234,052	246,918	206,052	176,869	160,919
28,277	28,648	30,645	33,635	34,133	37,102
34,000	30,000	25,300	24,000	23,423	*
4,200	3,800	2,200	*	*	*
11,475,000	11,869,897	11,190,201	11,565,810	11,170,000	11,400,000
255	244	241	227	213	206
429,233	446,341	375,410	362,654	326,058	304,508
66,728	68,822	68,150	85,339	*	*
22,999,470	23,105,769	23,029,858	23,138,578	23,061,021	22,851,000
3,775	3,757	3,754	3,714	3,698	3,698
136,108	140,601	141,692	135,392	127,632	123,383
20,670	21,380	22,729	22,809	22,824	22,152
270,000	270,000	240,000	200,000	194,000	*
120,290	132,337	176,270	156,594	132,657	*
218,518	200,332	189,522	174,724	168,453	*
$6,057	$5,546	$5,098	$4,871	$4,486	*
99,199,686	111,883,645	119,441,166	114,543,013	111,793,347	129,775,201
39,835,761	38,332,996	38,266,176	40,818,461	48,272,866	57,651,698
101,570,695	119,757,642	80,912,792	85,041,776	75,705,463	79,893,821
17,407,163	16,858,542	15,052,291	14,508,537	13,245,564	13,222,846
1,399,978	1,409,064	1,450,000	1,235,551	1,525,679	1,423,377
146,616	*	*	*	*	*
5,080	*	*	*	*	*

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.
[5] – Prior to 2009, this represented Regional Center Residential Beds.
[6] – Calendar data through October 24, 2011
[7] – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program.
[8] – College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY
Last Ten Fiscal Years

	2010-11	2009-10	2008-09	2007-08
General Government	2,991	2,399	2,454	2,392
Business, Community, and Consumer Affairs	2,458	2,564	2,437	2,372
Education	38,038	37,093	36,042	34,469
Health and Rehabilitation	3,965	4,019	3,944	3,865
Justice	13,093	12,848	13,000	12,467
Natural Resources	1,579	1,607	1,587	1,583
Social Assistance	1,579	1,704	1,671	1,656
Transportation	2,988	3,091	3,400	3,111
TOTAL AVERAGE EMPLOYMENT	66,691	65,325	64,535	61,915
TOTAL CLASSIFIED	32,927	32,799	32,820	31,995
AVERAGE MONTHLY SALARY	$ 4,324	$ 4,367	$ 4,390	$ 4,278
TOTAL NON-CLASSIFIED	33,764	32,526	31,715	29,920
AVERAGE MONTHLY SALARY	$ 5,786	$ 5,735	$ 5,723	$ 5,467

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.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
2,322	2,255	2,219	2,180	2,300	2,422
2,335	2,342	2,367	2,343	2,344	2,334
33,464	32,680	32,664	32,595	32,435	31,887
3,774	3,729	3,681	3,717	3,803	3,766
11,791	11,372	11,083	10,767	11,257	11,437
1,522	1,485	1,472	1,446	1,453	1,453
1,593	1,520	1,462	1,482	1,567	1,610
3,072	3,085	3,098	3,113	3,080	3,065
59,873	58,468	58,046	57,643	58,239	57,974
31,075	30,677	30,967	30,770	31,857	32,092
$ 4,108	$ 4,036	$ 3,955	$ 3,867	$ 3,913	$ 3,700
28,798	27,791	27,079	26,873	26,382	25,882
$ 5,214	$ 5,066	$ 4,926	$ 4,759	$ 4,788	$ 4,563

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
2001 TO 2010

Mileage Type	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
CenterLine Miles[1]:										
Urban	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421	1,038	1,033
Rural	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736	8,105	8,104
TOTAL CENTERLINE MILES	9,109	9,146	9,144	9,134	9,161	9,148	9,157	9,157	9,143	9,137
Percent Change	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%
Lane Miles[2]:										
Urban	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236	4,058	4,031
Rural	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825	18,792	18,782
TOTAL LANE MILES	22,981	23,061	23,036	22,999	23,106	23,031	23,137	23,061	22,850	22,813
Percent Change	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%

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 2010[3]

Functional Classification	2010	2009	2008	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,376	1,368	1,341	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	801	794	795	911	884	943	894	321	322
Minor Arterial	759	761	773	802	798	787	798	818	817
Collector	431	426	404	350	368	319	326	403	405
Local	80	80	93	26	29	25	20	207	209
TOTAL BRIDGES	3,447	3,429	3,406	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	0.5%	0.7%	-9.8%	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.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Four Years[2]

	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:				
General Government	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	980,198	980,198	981,809	937,389
Education	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:				
Higher Education	47,701,898	46,277,915	44,026,204	41,437,896
Wildlife	1,109,004	1,109,004	1,065,240	901,526
TOTAL	69,841,252	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

BUILDING SQUARE FOOTAGE
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Four Years[2]

	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:				
General Government	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	585,944	517,447	515,708	508,439
Education	31,999	28,531	19,440	9,396
Health and Rehabilitation	458,959	455,218	420,272	434,469
Justice	463,506	857,026	868,060	850,185
Natural Resources	81,926	65,735	73,546	49,495
Social Assistance	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:				
Higher Education	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	8,544	18,983	15,318	15,318
Lottery	66,684	59,915	61,682	61,682
Wildlife	73,064	73,064	15,267	75,944
College Assist	10,139	12,807	12,807	12,807
TOTAL	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

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

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 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: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine – Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State 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

Summary of Certain Provisions of the Lease, the Ground Lease and the Indenture

This Appendix includes some of the defined terms used in this Official Statement, the Lease and the Indenture and summaries of certain provisions of the Lease, the Ground Lease and the Indenture that are not described elsewhere in this Official Statement. Reference is made to the actual Lease, Ground Lease and Indenture for a complete recital of the defined terms used in and the provisions of the Lease, the Ground Lease and the Indenture. Copies of the Lease, the Ground Lease and the Indenture may be obtained from the Lessee or, during the period of the offering, upon request to the Underwriters as described in "INTRODUCTION – Other Information."

CERTAIN DEFINITIONS

Set forth below are certain of the defined terms used in this Official Statement, the Lease and the Indenture. Reference is made to the actual Lease and Indenture for a complete recital of the defined terms used in the Lease and the Indenture.

"Additional Certificates" means additional certificates, if any, executed and delivered pursuant to the provisions of the Indenture, as described in "THE SERIES 2012A CERTIFICATES - Additional Certificates" in the body of this Official Statement.

"Additional Rentals" means the cost of all taxes, if any, insurance premiums, reasonable expenses and fees of the Trustee and the Trust, utility charges, costs of maintenance, upkeep and repair, Rebate Fund payments, payments required in connection with any Deed Restrictions, abrogation payments, if any, as required under the Lease and all other charges and costs (together with all interest and penalties which may accrue thereon in the event that the Lessee shall fail to pay the same, as specifically set forth in the Lease) which the Lessee assumes or agrees to pay under the Lease with respect to the Leased Property. Additional Rentals do not include the Base Rentals or the Purchase Option Price.

"Appropriation," "Appropriating" or "Appropriate" means (a) with respect to Base Rentals due under the Lease, all procedures required for the State General Assembly to specifically appropriate funds for the specific purpose provided in the Lease and (b) with respect to Additional Rentals due under the Lease, the inclusion by the Regents of such amounts in the Budget adopted by the Board of Regents or, all procedures required for the State General Assembly to specifically appropriate funds for the specific purposes provided under the Lease.

"Approval of Special Counsel" means an opinion of counsel experienced in municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by *The Bond Buyer*, or any successor publication, to the effect that the matter proposed will not adversely affect the excludability from gross income for federal tax purposes of the designated interest component of Base Rentals payable by the Lessee under the Lease.

"Base Rentals" means the payments payable by the Lessee pursuant to the provisions of the Lease, as it may be amended, during the Lease Term, which constitute the payments payable by the Lessee for and in consideration of the right to use the Leased Property during the Lease Term.

"Budget" means the annual budget of the Regents as finally adopted by the Board of Regents.

"Buildings" means (i) the Buildings described in the Lease, as it may be amended, and (ii) any additions acquired in addition or substitution therefore pursuant to the provisions of the Lease, less any buildings released from the Lease pursuant to the provisions thereof or any portion damaged, destroyed, or condemned as provided in the Lease.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in the city or cities in which the corporate trust office of the Trustee designated to make principal and interest payments with respect to the Certificates are located are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange or DTC is closed.

"Certificate Fund" means the special fund created under the Indenture, which includes both the Principal Account and the Interest Account thereof.

"Certificate Insurer" means MBIA Insurance Corporation.

"Certificates of Participation" or "Certificates" means the certificates of participation to be executed and delivered pursuant to the Indenture evidencing assignments of proportionate interests in rights to receive Revenues.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations and rulings promulgated or proposed thereunder.

"Completion Date" means the date of final acceptance of any Projects by the Lessee, as evidenced by the certificate provided for in the Lease.

"Costs of Issuance Account" means the account of the Project Fund created under the Indenture.

"Costs of the Projects" shall be deemed to include payment of or reimbursement for the following items:

(a) obligations incurred or assumed for labor, materials, and equipment in connection with the construction, other acquisition, and installation of the Projects;

(b) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title insurance) that may be necessary or appropriate in connection with the Projects;

(c) 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, plans and specifications;

(d) administrative costs related to the Projects incurred prior to the Completion Date, including supervision of the construction, acquisition, renovation and installation as well as the performance of all of the other duties required by or consequent upon the construction, other acquisition, renovation and installation 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 in connection with the Projects;

(e) costs incurred in connection with the Certificates, including the initial compensation and expenses of the Trustee, any financial advisors fees and expenses in connection with the issuance of the Certificates, any fees or expenses of the Trust, legal fees and expenses, costs incurred in obtaining ratings from rating agencies or municipal bond insurance, if any, costs of publication, printing and engraving, accountant's fees and recording and filing fees;

(f) costs incurred in connection with any refundings or refinancings of any outstanding Certificates or any existing lease-purchase agreement;

(g) all costs which shall be required to be paid under the terms of any Project Contract; and

(h) all other costs which are considered to be a part of the costs of the Projects in accordance with generally accepted accounting principles and which will not adversely affect the exemption from federal income taxes of the designated interest component of Base Rentals payable by the Lessee under the Lease and assigned pursuant to the Indenture and the Certificates.

"Deed" means, collectively the Quit Claim Deeds dated June 23, 1998, June 23, 1998, June 23, 1998 and February 28, 2001, by and between the United States of America, Department of Education, as grantor, and the Regents, as grantee, recorded in Book 5373 at Page 901, Book 5373 at Page 938, Book 5374 at Page 39 and at Reception No. CO766155, respectively, in the real property records of Adams County, Colorado.

"Deed Restrictions" means, those certain covenants and conditions subsequent contained in the Deed relating to the use of, among other properties, the Buildings and the Sites, and the breach of which results in a right of reverter in favor of the United States of America acting through the Secretary of Education (the "DOE"), as further described in the Deed. The "Deed Restrictions" include generally, the following: (i) the subject property will be used solely and continuously for educational purposes, (ii) the subject property will not be sold, resold, leased, mortgaged, encumbered or otherwise transferred except as the DOE may authorize in advance in writing (which authorization has been obtained with respect to the Lease, and the Ground Lease), and (iii) the Regents, as grantee, under the Deed, shall (a) comply with Title VI the Civil Rights Act of 1964 (P.L. No. 88-352), Title IX of the Education Amendments of 1972 (P.L. No. 92-318), Section 504 of the Rehabilitation Act of 1973 (P.L. 93-112), and such other acts and regulations as are specified in the Deed, (b) provide certain operation and maintenance reports to the DOE, and (c) remain a tax supported institution or a nonprofit institution, organization, or association exempt under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

"Equipment" means (i) items of equipment, machinery, or related property purchased, in connection with the Buildings, with amounts paid from the Project Fund and so designated in a written notice to the Trustee provided in accordance with the Lease; and (ii) any items of equipment, machinery, and related property acquired in replacement or substitution therefor pursuant to the provisions of the Lease, less equipment, machinery and related property released from the Lease pursuant to the provisions thereof, or damaged, destroyed, or condemned as provided in the Lease.

"Event of Default" means one or more events of default as defined in the Lease.

"Event of Nonappropriation" means a termination of the Lease as a result of (i) a failure by the State General Assembly, for any reason, to appropriate by June 30 of each Fiscal Year moneys to pay all Base Rentals as are estimated to become due, or (ii) a failure by the Regents to appropriate (by means of inclusion in the Board of Regents' adopted Budget) or the State General Assembly to appropriate by June 30 of each Fiscal Year moneys to pay such Additional Rentals, as are estimated to become due, all as provided in the Lease. An Event of Nonappropriation may also occur under certain other circumstances as described in the Lease relating to the inclusion in the Budget of certain Additional Rentals that become due but were not specifically Appropriated.

"Federal Securities" means 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) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"First Supplemental Indenture" means the First Supplemental Mortgage and Indenture of Trust dated as of December 1, 2009 between the Trust and the Trustee, and any amendments or supplements thereto, including the exhibits attached thereto.

"Fiscal Year" means the State's fiscal year beginning on July 1 of any calendar year and ending on June 30 of the following calendar year, or any other period of up to 12 months that is designated by statute or otherwise as the fiscal year for the State.

"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 Lessee.

"Ground Lease" means the Ground Lease Agreement dated as of December 15, 2005, between the Regents and the Trust, and any amendments or supplements thereto, including the exhibits attached thereto.

"Hazardous Substance" means and includes: (a) the terms "hazardous substance," "release" and "removal" which, as used in the Lease, 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 in the Lease 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; (b) the term "superfund" as used the Lease 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 Leased Property, including, without limitation, Colorado rules and regulations promulgated, administered and enforced by any governmental agency or authority pursuant thereto; and (c) the term "underground storage tank" as used in the Lease shall have the same meaning and definition as set forth in paragraph (1) of 42 U.S.C. § 6991.

"Indenture" means the Original Indenture, as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, and any amendments or supplements thereto, including the exhibits attached thereto.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court in the State and who is not an employee of the Trust, the Trustee, the Lessee, the State or the Regents.

"Insurance Policy" means the financial guaranty insurance policy issued by the Certificate Insurer insuring the payment when due of the principal of and interest on the Series 2005B Certificates as provided therein.

"Interagency Agreement" means an Interagency Agreement dated as of December 15, 2005, as amended by the First Amendment to Interagency Agreement dated as of December 1, 2009, and the Second Amendment to Interagency Agreement dated as of April 1, 2012, each between the State of Colorado and the Regents, and any amendments or supplements thereto, including the exhibits attached thereto.

"Lease" means the Original Lease Purchase Agreement as amended and supplemented by the First Supplemental Lease Purchase Agreement dated as of December 1, 2009, and the Second Supplemental Lease Purchase Agreement dated as of April 1, 2012, and any amendments or supplements thereto, including the exhibits attached thereto.

"Lease Balance" means the total aggregate principal portion of Base Rentals under the Lease, less the aggregate amount of principal portions of Base Rentals paid or prepaid by the Lessee pursuant to the Lease.

"Lease Balance in Respect of a Portion of the Leased Property" means the total aggregate principal portion of Base Rentals under the Lease allocated to a particular portion of the Leased Property, less the aggregate amount of principal portions of Base Rentals paid or prepaid by the Lessee in respect of such portion of the Leased Property pursuant to the Lease. For purposes of this calculation, (i) Base Rentals paid as scheduled shall be allocated to each portion of the Leased Property in accordance with the schedules set forth in Exhibit C to the Lease; and (ii) Prepayments shall be allocated to the portion of the Leased Property designated by the Lessee.

"Lease Term" means the Initial Term and any Renewal Terms as to which the Lessee may exercise its option to renew the Lease by Appropriating funds for the payment of Base Rentals, and provided that the Regents has Appropriated funds for the payment of Additional Rentals under the Lease, or the State General Assembly has Appropriated funds for such Additional Rentals, as provided in and subject to the provisions of the Lease. "Lease Term" refers to the time during which the Lessee is the lessee of all or any of the Leased Property.

"Leased Property" means the Sites, the Buildings and the Equipment, collectively, and includes all property permanently affixed thereto.

"Lessee" means the State of Colorado acting by and through the Regents of the University of Colorado.

"Lessee Representative" means the President of the University or his or her designee or other such person or persons designated to act on behalf of the Lessee for the purpose of performing any act on behalf of the Lessee under the Lease, the Ground Lease, the Interagency Agreement, or the Indenture by a written certificate furnished to the Trust and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Lessee by the duly authorized officer of the Regents. The designation of the Lessee Representative may be changed by the Lessee from time to time by furnishing a new certificate to the Trust and the Trustee.

"Net Proceeds," when used with respect to any performance or payment bond proceeds, or proceeds from policies of insurance or self-insurance required under the Lease or any condemnation award, or any proceeds resulting from default under a Project Contract, or proceeds from any liquidation of the Equipment or from subleasing by the Trustee of the Sites and the Buildings or any portion thereof or sale of an assignment of the Trustee's interest in the Ground Lease, or proceeds from the sale or trade-in (in which event the proceeds of a trade-in shall be deemed to be the amount of any credit received upon such trade-in) of Equipment by the Lessee pursuant to the provisions of the Lease ("proceeds"), means the amount remaining after deducting from such proceeds: (i) all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds or award; (ii) all other fees, expenses, and indemnity payments due to the Trustee or the Trust; and (iii) payments pursuant to provisions of the Ground Lease.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Trustee, the Regents, or the Trust.

"Original Indenture" means the Mortgage and Indenture of Trust dated as of December 15, 2005 between the Trust and the Trustee, including the exhibits attached thereto.

"Original Lease Purchase Agreement" means the Lease Purchase Agreement dated as of December 15, 2005 between the Lessee and the Trust, including the exhibits attached thereto.

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

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

(b) Certificates in lieu of which other Certificates have been authenticated under the provisions of the Indenture;

(c) Certificates for the payment or redemption of which cash funds (or securities to the extent permitted by the terms of the Indenture) shall have been theretofore deposited in trust (whether upon or prior to the maturity or redemption date of any such Certificates) (including Certificates redeemed on partial payment as provided in the Indenture); provided that if such Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(d) Certificates which are deemed discharged pursuant to the provisions of the Indenture.

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

"Permitted Encumbrances" means, as of any particular time, (i) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the provisions of the Lease; (ii) the Lease, the Ground Lease, the Interagency Agreement, the Indenture and the Deed Restrictions; (iii) utility, access, and other easements and rights-of-way, restrictions and exceptions which the Lessee Representative certifies, with the consent of the Certificate Insurer (which consent shall not be unreasonably withheld), will not interfere with or impair the Leased Property, including rights or privileges in the nature of easements as provided in the Lease; (iv) any financing statements filed to perfect security interests pursuant to the Lease, the Ground Lease, the Interagency Agreement, or the

Indenture; (v) any encumbrance represented by financing statements filed to perfect purchase money security interests in any or all of the Leased Property (provided that the Regents shall provide information on any such financing statements to the Certificate Insurer); (vi) any applicable zoning requirements; (vii) any verified statements of amounts due and unpaid pursuant to Section 38-26-107 of the Colorado Revised Statutes, as amended; (viii) any subleases permitted under the Lease; and (ix) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of Independent Counsel, materially impair title to the Leased Property.

"Permitted Investments" means the investments described in the Indenture which are at the time legal deposits or investments for the State.

"Prepayment" means any amount paid by the Lessee pursuant to the Lease as a prepayment of the Base Rentals due thereunder.

"Project Contract" means any contract between the Lessee (as provided in the Lease and in accordance with the terms of the Interagency Agreement), regarding the construction, other acquisition, renovating, or installation of any part of the Buildings or Equipment (including, without limitation, contracts with construction contractors, vendors, architects, engineers, and other consultants and including contracts between any contractor or subcontractor for the Leased Property and his immediate subcontractors).

"Project Documents" means the following: (i) plans, drawings, and specifications for the Buildings, when and as they are approved by the Board of Regents, including change orders, if any, as provided in the Lease; (ii) any necessary permits for construction of the Buildings, including any building permits and certificates of occupancy; (iii) the Project Contracts; (iv) policies of title, casualty, public liability, and worker's compensation insurance, or certificates thereof, as required by the Lease with respect to the Buildings; (v) performance and payment bonds with respect to the Buildings; and (vi) any and all other documents executed by or furnished to the Board of Regents or the Lessee in connection with the construction, other acquisition, and installation of the Buildings.

"Project Fund" means the special fund created under the Indenture for the purpose of disbursing the proceeds derived from the sale of the Certificates in payment of the Costs of the Projects.

"Projects" means the acquisition, installation and construction of the Buildings or Equipment.

"Purchase Option Price" means the amount payable on any date, at the option of the Lessee, to make a Prepayment, terminate the Lease, the Ground Lease and the Interagency Agreement with respect to all Leased Property or any portion of the Leased Property and purchase all or any portion of the Leased Property, as provided in the Lease. Purchase Option Price does not include any purchase price paid for certain Equipment in lieu of surrender thereof pursuant to the Lease.

"Rebate Fund" means the special fund created under the Indenture, which is to be disbursed as provided in the Indenture.

"Record Date" means the fifteenth day of the calendar month next preceding an interest payment date, whether or not a business day.

"Refunded Series 2005B Certificates" means a portion of the Series 2005B Certificates maturing on November 1, 2018, November 1, 2019, November 1, 2020, November 1, 2021, November 1, 2022, November 1, 2023 and November 1, 2024 in the aggregate principal amount of $57,595,000, which are being refunded with the proceeds of the Series 2012A Certificates pursuant to the Series 2012A Escrow Agreement.

"Regents" means The Regents of the University of Colorado, a body corporate.

"Regents Representative" means the person or persons at the time designated to act on behalf of the Regents for the purposes of performing any act under the Lease, the Ground Lease or the Indenture by a written certificate containing the specimen signature of such person or persons and signed by the Chair of the Board of Regents. The designation of the Regents Representative may be changed by the Regents from time to time by furnishing a new certificate to the Trustee and the Trust.

"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 the Lease.

"Revenues" means (i) Net Proceeds, if any; (ii) the Base Rentals (including Prepayments and Purchase Option Prices, if any); (iii) any earnings on moneys on deposit in the Certificate Fund; (iv) all other revenues derived from the Lease, excluding Additional Rentals; and (v) any other moneys to which the Trustee may be entitled for the benefit of the Certificate owners.

"Second Supplemental Indenture" means the Second Supplemental Mortgage and Indenture of Trust dated as of April 1, 2012 between the Trust and the Trustee, and any amendments or supplements thereto, including the exhibits attached hereto.

"Series 2005B Certificates" means the Lease Purchase Agreement Certificates of Participation (UCDHSC Fitzsimons Academic Projects) Series 2005B executed and delivered pursuant to the Original Indenture in the original aggregate principal amount of $192,625,000.

"Series 2012A Certificates" means the Lease Purchase Agreement Refunding Certificates of Participation (UCDHSC Fitzsimons Academic Projects) Series 2012A executed and delivered pursuant to the Second Supplemental Indenture in the original aggregate principal amount of $56,095,000.

"Series 2012A Escrow Agreement" means the Escrow Agreement dated as of April 1, 2012, among the Trust, the Lessee and The Bank of New York Mellon Trust Company, N.A., as escrow agent, relating to the refunding and defeasance of the Refunded Series 2005B Certificates.

"Series 2012 Project" means advance refunding the Refunded Series 2005B Certificates.

"Settlor" means The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, National Association, as settlor of the Trust pursuant to the Trust Agreement.

"Sites" means the real property, the legal descriptions of which is set forth in the Lease (subject to the provisions of the Lease).

"Special Record Date" means a special date fixed to determine the names and addresses of registered owners of Certificates for purposes of paying interest on a special interest payment date for defaulted interest, all as provided in the Indenture.

"State" means the State of Colorado.

"State Representative" means the person or persons at the time designated to act on behalf of the State of Colorado for purposes of performing any act on behalf of the State of Colorado under the Lease and the Interagency Agreement by a written certificate furnished to the Regents, the Trust and the Trustee containing the specimen signature of such person or persons and signed on behalf of the State of Colorado by the State Controller of the State of Colorado. The designation of the State Representative may be changed by the State of Colorado from time to time by furnishing a new certificate to the Regents, the Trustee and the Trust.

"Trust" means Fitzsimons Academic Facilities Leasing Trust 2005, created pursuant to the Trust Agreement and pursuant to the laws of the State of Colorado.

"Trust Agreement" means the Irrevocable Trust Agreement dated December 14, 2005 as amended by the First Amendment to the Irrevocable Trust Agreement dated as of December 1, 2009, and the Second Amendment to the Irrevocable Trust Agreement dated as of April 1, 2012, made by the Settlor, and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association, as trustee for the Trust.

"Trust Estate" means the property mortgaged, pledged, and assigned to the Trustee pursuant to the granting clauses of the Indenture.

"Trust Representative" means the person or persons at the time designated to act on behalf of the Trust for purposes of performing any act on behalf of the Trust under the Lease, the Ground Lease, or the Indenture by a written certificate furnished to the Lessee and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Trust by a duly authorized officer of the Trust. The designation of the Trust Representative may be changed by the Trust from time to time by furnishing a new certificate to the Lessee and the Trustee.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, successor trustee to J.P. Morgan Trust Company, National Association, Denver, Colorado, acting in the capacity of trustee for the Certificate owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"Trustee for the Trust" means The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, successor to J.P. Morgan Trust Company, National Association, Denver, Colorado, acting in the capacity of trustee for the Trust pursuant to the Trust Agreement, and any successor thereto appointed under the Trust Agreement.

"Trustee Representative" means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act on behalf of the Trustee under the Indenture, the Lease or the Ground Lease by a written certificate furnished to the Lessee and the Trust containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee. The designation of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the Lessee and the Trust.

"Underwriters" means Stifel, Nicolaus & Company, Incorporated, as the representative of itself and the underwriters identified in the certificate purchase agreement applicable to the Series 2012A Certificates.

"Unenhanced Certificates" means the Certificates, the payment of principal or and interest on which is not insured by any insurance policy and is not supported by any other credit enhancement instrument.

"Unrefunded Series 2005B Certificates" means a portion of the Series 2005B Certificates in the Outstanding aggregate principal amount of $93,955,000, which was not refunded with a portion of the proceeds of the Series 2009 Certificates or the Series 2012A Certificates.

"University of Colorado" or "University" means the University of Colorado, a State of Colorado institution of higher education.

THE LEASE

The following is a summary of certain provisions of the Lease. Reference is made to the actual Lease for a complete recital of its provisions.

Duration of Lease. The Lease Term commenced as of December 15, 2005. The current Lease Term shall terminate June 30, 2012. The Lease may be renewed solely at the option of the Lessee for the number of Renewal Terms indicated in the Lease. The maximum Lease Term under the Lease in respect of each portion of Leased Property indicated thereunder separately does not exceed the weighted average useful life of the related portion of the Leased Property at the time the Lease is executed and delivered. The Lessee Representative shall request that the officer of the State charged with the responsibility of formulating budget proposals with respect to payments under the Lease include, in the annual budget proposals submitted to the State General Assembly, items for all payments required under the Lease for the ensuing Fiscal Year, until such time as the Lessee may determine to not renew and terminate the Lease; it being the intention of the Lessee that the decision to terminate the Lease shall be made solely by the State General Assembly and not by any official of the State.

Pursuant to the Interagency Agreement, the Regents have agreed to include in the Budget, until such time as the Regents determine not to do so (thereby causing an Event of Nonappropriation under the Lease unless such amounts are subsequently Appropriated by the State General Assembly as provided in the Lease), sufficient amounts to pay such Additional Rentals as are estimated to become due, all as further provided in the Lease. The Lessee Representative is required to request that the officer of the Regents charged with the responsibility of formulating annual budget proposals with respect to Additional Rentals provide notice to the State Representative, the Lessee, the Trust and the Trustee by May 1 of the current Renewal Term of whether amounts required to pay such Additional Rentals have been included in the proposal for the Budget for the ensuing Fiscal Year, in accordance with the Interagency Agreement. In the event that the Regents choose not to Appropriate such Additional Rentals, the State General Assembly may, but is not obligated to, Appropriate such amounts.

The Lessee's option to renew or not renew the Lease is to be conclusively determined by whether or not an Appropriation by the State General Assembly (with respect to Base Rentals) and by the Regents or the State General Assembly (with respect to Additional Rentals) has been made on or before June 30 of each Fiscal Year, all as further provided in the Lease.

The Appropriation, or lack thereof, of amounts to pay Additional Rentals due under the Lease is to be conclusively determined by whether or not (i) the Regents have, on or before June 30, specifically included in the Budget approved by the Board of Regents moneys to pay all the Additional Rentals estimated to become due, as provided in the Lease for the ensuing Fiscal Year, or (ii) if the Regents do not include such amounts in the Budget, whether or not the State General Assembly Appropriates such amounts, all as further provided in the Lease.

Prior to June 30 of each year, the Lessee Representative is to furnish the Trustee, with copies to the State Representative, the Trust, the Regents and the Underwriters, a certificate stating whether the Lease Term is renewed for the ensuing Fiscal Year and, if the Lease Term is renewed, setting forth the amount of Base Rentals and Additional Rentals Appropriated by the State General Assembly and the Regents, as applicable. Subject to the provisions of the Lease, the failure to furnish such certificate shall not constitute an Event of Default, nor prevent the Lessee from electing not to renew the Lease Term, nor result in any liability on the part of the Lessee.

The Lease Term will terminate upon the earliest of any of the following events:

(a) the expiration of any Renewal Term during which there has occurred an Event of Nonappropriation (provided that the Lease Term will not be deemed to have been terminated in the event that the Event of Nonappropriation is cured as provided in the Lease);

(b) the purchase by the Lessee of all of the Buildings and the Equipment as provided in the Lease;

(c) an Event of Default and termination of the Lease by the Trustee under the Lease;

(d) conveyance of the Buildings and the Equipment to the Regents upon payment by the Lessee of all Base Rentals for the entire Lease Term, and the payment by the Regents or the Lessee of all then current Additional Rentals, up to the amount specifically budgeted for the payment of Additional Rentals, as provided in the Lease; or

(e) discharge of the Indenture, as provided in the Indenture.

Upon the occurrence of an event under the Lease provisions described in subparagraphs (a) or (c) above, the Lessee agrees to peaceful delivery of the Leased Property to the Trust or Trustee, as the Trust's designee.

Termination of the Lease Term will terminate all unaccrued obligations of the Lessee under the Lease, and will terminate the Lessee's rights of possession under the Lease (except, insofar as the Buildings and the Equipment may have been conveyed to the Regents pursuant to the provisions of the Lease); but all other provisions of the Lease, including all obligations of the Lessee accrued prior to such termination, and all obligations of the Trustee with respect to the receipt and disbursement of funds, will be continuing until and except to the extent satisfied by the discharge of the Indenture as provided in the Indenture.

Upon termination of the Lease Term, any moneys received by the Trustee in excess of amounts necessary to terminate the Indenture shall be paid to the State.

Payments to Constitute Duly Budgeted Expenditures. The Lessee and the Trust have acknowledged and agreed that (i) the Base Rentals and Additional Rentals, if any, Appropriated by the State General Assembly under the Lease will constitute currently Appropriated expenditures of the State and may be paid in legally available funds of the State and (ii) any Additional Rentals Appropriated under the Lease by the Regents by inclusion in the Budget approved by the Board of Regents constitute currently appropriated expenditures of the Regents and may be paid from any legally available moneys of the Regents. The Lessee's obligations under the Lease will be from year to year only and will not constitute a mandatory charge or requirement in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease will be construed or interpreted as creating a general obligation or other indebtedness of the State, the Regents, or the University within the meaning of any Constitutional or statutory debt limitation. No provision of the Lease shall be construed or interpreted as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of any Constitutional or statutory debt limitation. No provision of the Lease shall be construed or interpreted as creating an unlawful delegation of governmental powers nor as a donation by or a lending of the credit of the State, the Regents, or the University within the meaning of Sections 1 or 2 of Article XI of the Constitution of the State. The Lease will not directly or indirectly obligate the Trust or the Lessee to make any payments beyond those Appropriated for the then current Fiscal Year. The Lessee will be under no obligation whatsoever to exercise its option to purchase the Buildings and the Equipment. No provision of the Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, the Regents or the University, nor shall any provision of the Lease restrict the future issuance of any bonds or obligations of the State, the Lessee, the Regents or the University, payable from any class or source of moneys of the State, the Regents or the University (provided, however, that the restrictions of the Indenture shall apply to the issuance of Additional Certificates).

Base Rentals and Additional Rentals.

(a) The Lessee will pay Base Rentals directly to the Trustee during the Initial Term and any Renewal Term, on the due dates set forth in the Lease, as it may be amended. The amount of Base Rentals otherwise payable under the Lease will be reduced by an amount equal to (i) any moneys on hand in the Certificate Fund on any Base Rentals payment date; (ii) any moneys transferred into the Certificate Fund from the Project Fund in accordance with the terms of the Indenture; and (iii) any moneys otherwise deposited into the Certificate Fund and directed by the Lessee to be applied toward Base Rentals.

(b) The Lessee may, on any date, pay the then applicable Purchase Option Price for the purpose of terminating the Lease in whole and purchasing all of the Leased Property as provided in the Lease. Subject to the Approval of Special Counsel, the Lessee may also, at any time during the Lease Term, make a Prepayment of any portion of the Base Rentals due under the Lease, whether in connection with the payment in full of the Purchase Option Price in respect of a specified portion of the Leased Property or otherwise. The Lessee shall give the Trust and the Trustee, as the Trust's assignee, notice of its intention to exercise either of such options not less than 35 days in advance of the date of exercise and shall deposit with the Trustee at least 15 days prior to 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 subject to Prepayment.

The Base Rentals set forth in the Lease will be recalculated by the Trustee in the event of any partial redemption of the Certificates prior to maturity, as provided in the Indenture, and in the event of the issuance of Additional Certificates, as provided in the Indenture, and the revised Base Rentals will be sent by the Trustee to the Lessee and the Regents. In addition, the Base Rentals set forth in Exhibit C to the Second Supplemental Lease Purchase Agreement are recalculated to reflect the Series 2012A Project and the issuance of the Series 2012A Certificates.

(c) The Lessee is also required to pay Additional Rentals during any Renewal Term as provided in the Lease; provided, however, that Additional Rentals due for abrogation fees, if any, as required by the Lease shall be paid in accordance with such provisions of the Lease. Prior to July 1 of each year during the Initial Term and any Renewal Term, representatives of the Lessee are required to prepare an estimate of the Additional Rentals which will become due during the next ensuing Fiscal Year. Such estimate is required to include amounts estimated to be sufficient to pay the following costs during the next ensuring Fiscal Year; (i) the reasonable fees and expenses of the Trustee and the Trust; (ii) the cost of insurance premiums; (iii) the cost of taxes, utility charges, maintenance, upkeep and repair costs; (iv) payments into the Rebate Fund required by the Indenture; (v) all other costs expressly required to be paid by the Lessee as Additional Rentals under the Lease. The amount of such estimate is required to be Appropriated for the next ensuing Fiscal Year, subject to the Lessee's right to terminate the Lease Term as described in the Lease; provided that the Appropriation, or lack thereof, of amounts to pay Additional Rentals due under the Lease will be conclusively determined by whether or not the Regents have, on or before June 30, specifically included in their Budget moneys to pay such amounts or, if the Regents have not included such amounts in the Budget whether or not the State General Assembly has effected an Appropriation for such amounts. In the event the Lease is renewed for the next ensuing Fiscal Year, the Lessee's obligation under the Lease to pay Additional Rentals during such Fiscal Year will be limited to the amount so Appropriated for Additional Rentals (by the Regents or the State General Assembly) in accordance with the procedures described above and any amounts subsequently budgeted for payment of Additional Rentals during such Fiscal Year.

The Lessee is required to pay all Additional Rentals on a timely basis directly to the person or entity to which such Additional Rentals are owed (except that Rebate Fund payments will be made to the Trust as provided in the Indenture and except as otherwise provided in the Lease). If the estimates of Additional Rentals for any Fiscal Year are not itemized in the Budget of the Regents or in any Appropriation of the State General Assembly, pursuant to the Lease, the Lessee will furnish an itemization of such estimated Additional Rentals to the State Representative, the Trustee and the Trust on or before May 15 preceding such Fiscal Year.

Nonrenewal by the Lessee. In the event that the State General Assembly fails, for any reason, to Appropriate, on or before June 30 of each Fiscal Year, moneys to pay all Base Rentals and, on or before June 30, neither the State General Assembly nor the Regents have effected an Appropriation for moneys to pay such Additional Rentals as are estimated to become due (as provided in the Lease) for the next ensuing Fiscal Year, an Event of Nonappropriation will be deemed to have occurred; subject, however, to each of the following provisos:

(a) In the event that the Trustee does not receive evidence that the State General Assembly or the Regents have Appropriated such Base Rentals and Additional Rentals amounts, as applicable, as described above on or before June 30 of a Fiscal Year, then the Trustee shall declare an Event of Nonappropriation on the first Business Day of July 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 Lessee that the Lease will not be renewed.

(b) Subject to the terms of the Indenture, the Trustee may waive any Event of Nonappropriation which is cured by the Lessee within a reasonable time.

(c) The Trustee will waive any Event of Nonappropriation which is cured by the Lessee, by August 15 of the next ensuing Fiscal Year by effecting Appropriation or more specific line item references for moneys sufficient to pay all Base Rentals and such Additional Rentals as are estimated to become due (as provided the Lease) for such Fiscal Year.

In the event that during any Fiscal Year, any Additional Rentals become due which were not Appropriated, then, in the event that moneys are not specifically Appropriated to pay such Additional

Rentals by the earlier of June 30 of the current Fiscal Year or 90 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation will be deemed to have occurred, upon notice by the Trustee to the Lessee and the Regents to such effect (subject to waiver by the Trustee as described in paragraph (c) above).

If an Event of Nonappropriation occurs, the Lessee will not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments provided for in the Lease which accrue after June 30 of the Fiscal Year during which such Event of Nonappropriation occurs; provided, however, that subject to the provisions of the Lease, the Lessee will be liable for Base Rentals and Additional Rentals with respect to any period during which the Lessee continues to occupy or retain possession of the Leased Property.

The Lessee is required to vacate the Sites and the Buildings and surrender the Equipment to the Trustee by the September 1 following the Fiscal Year during which an Event of Nonappropriation occurs. Such surrender of the Equipment is required to consist of delivering the Equipment to the Trustee at a site selected by the Trustee within the county in which such Equipment is then located or the City and County of Denver, Colorado; provided that the Lessee may elect not to surrender such Equipment but instead to purchase such Equipment for a purchase price equal to the original cost less depreciation, determined in accordance with generally accepted accounting principles.

The Trustee will, upon the occurrence of an Event of Nonappropriation, be entitled to all moneys then on hand and being held in all funds created under the Indenture, including the Project Fund, but excluding the Rebate Fund. After the expiration of the Fiscal Year during which an Event of Nonappropriation occurs, the Trustee may proceed to repossess and liquidate the Equipment (subject to the earlier conveyance of the Equipment to the Regents pursuant to the Lease), and sublease the Sites and lease the Buildings or any portion thereof or sell an assignment of its interest in the Ground Lease, as provided in the Indenture, and may, or at the request of the owners of a majority in aggregate principal amount of the Certificates then Outstanding shall, take one or any combination of the remedies provided under the Lease. All property, funds, and rights acquired by the Trustee upon the termination of the Lease by reason of an Event of Nonappropriation, less any moneys due and owing to the Trustee, will be held by the Trustee for the purposes set forth in the Indenture.

<u>Construction, Conveyance and Installation of Buildings and Equipment</u>. The Lessee agrees to make all contracts and do all things necessary for the construction, acquisition, and installation of the Buildings and acquisition and installation of the Equipment representing the Trust as lessor and holder of title to the Building and the Equipment, through the application of moneys to be disbursed from the Project Fund pursuant to the provisions of the Lease and the Indenture by the Trustee upon the authorization of the State Representative.

<u>Title Insurance</u>. The Lessee and the Trust have agreed that the Regents and the Trust will subject to the Ground Lease any Sites necessary to the Buildings to be leased.

The Trustee is to be provided with the following title insurance:

(a) Upon execution of the Original Lease Purchase Agreement, (i) one or more standard owner's title insurance policies or commitments therefor, insuring the Trust's leasehold estate under the Ground Lease, subject only to Permitted Encumbrances, in an aggregate amount not less than the insurable value of such Sites for title insurance purposes and (ii) one or more standard mortgagee's title insurance policies or commitments therefore issued to the Trustee, insuring the Trustee's first mortgage or leasehold interest under the Indenture, subject only to Permitted Encumbrances, in an aggregate amount not less than the original principal amount of the Series 2005B Certificates.

(b) Prior to or concurrently with any disbursement of proceeds of any Additional Certificates for the construction, other acquisition, renovation, expansion or improvement of Buildings thereon, (i) one or more standard owner's title insurance policies or commitments therefor, insuring the Trust's fee simple title to such land (in the case of acquisition thereof) or the Trust's leasehold interest under the Ground Lease, subject only to Permitted Encumbrances, in an aggregate amount such that the total amount of all title insurance policies relating to Leased Property is at least equal to the maximum insurable value of the Sites for title insurance purposes and (ii) one or more standard mortgagee's title insurance policies or commitments therefor or endorsements to existing title insurance policies issued to the Trustee, insuring the Trustee's first mortgage or leasehold interest under the Indenture, as supplemented, in an aggregate amount such that the total amount of all title insurance policies insuring the Trustee's interest is at least equal to the aggregate principal amount of Certificates at the time Outstanding. Notwithstanding the foregoing, a standard leasehold or subleasehold title insurance policy may be provided to the Trustee in lieu of or in addition to a standard owner's title insurance policy.

Title to the Leased Property. At all times during the Lease Term or the term of the Ground Lease, title to the Sites will be in the Regents, subject to the Ground Lease. Except personal property purchased by the Lessee or the Regents at its own expense pursuant to the provisions of the Lease, title to the Buildings and the Equipment and any and all additions and modifications thereto and replacements thereof will be held in the name of the Trust, subject to the Lease and the Indenture, until liquidated or conveyed as provided in the Indenture or the Lease, or, with respect to the Sites and the Buildings, until conveyance of certain Buildings as provided in the Lease and until the termination of the Ground Lease, notwithstanding (i) a termination of the Lease by the Lessee by reason of an Event of Nonappropriation; (ii) the occurrence of one or more Events of Default as defined in the Lease; (iii) the occurrence of any event of damage, destruction, condemnation, construction defect, breach of warranty, or title defect, as provided in the Lease; or (iv) the violation by the Trust (or by the Trustee as assignee of the Trust, or any other sublessee or assignee pursuant to the Indenture) of any provision of the Lease.

Neither the Lessee nor the Regents will have any right, title or interest in the Buildings or the Equipment or any additions and modifications thereto or replacements thereof, except as expressly set forth in the Lease and the Ground Lease.

No Encumbrance, Mortgage, or Pledge of Leased Property. The Lessee may not permit any mechanic's or other lien to remain against the Leased Property; provided that, if the Lessee first notifies the Trustee of the intention of the Lessee so to do, the Lessee may in good faith contest any mechanic's or other lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee notifies the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the Trust's title to the Leased Property or the lien on the Leased Property pursuant to the Indenture will be materially endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Lessee must promptly pay and cause to be satisfied and discharged all such unpaid items (provided, however, that such payment will not constitute a waiver of the right to continue to contest such items). The Trust and the Trustee will cooperate fully with the Lessee in any such contest, upon the request and at the expense of the Lessee, to the extent that Additional Rentals which have been Appropriated by the Regents or the State General Assembly are available for the payment of such expenses. Neither the Trust nor, except as described above, the Lessee, may directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the Site, the Buildings, or the Equipment, except Permitted

Encumbrances. The Lessee must promptly, at its own expense, to the extent that Additional Rentals which have been specifically Appropriated by the Regents or the State General Assembly are available for the payment of such expenses, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it has created, incurred, or suffered to exist. The Trust must promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it has created or incurred.

Maintenance of the Leased Property by the Lessee. Subject to its right to not Appropriate, the Lessee has agreed that at all times during the Lease Term the Lessee will maintain, preserve and keep the Leased Property or cause the Leased Property to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and that the Lessee will from time to time make or cause to be made all necessary and proper repairs, except as otherwise provided in the Lease. Neither the Trust nor the Trustee will have any responsibility in any of these matters or for the making of any additions, modifications or replacements to the Leased Property.

Modification of the Buildings and the Equipment; Installation of Furnishings, Machinery, and Equipment of the Lessee. The Lessee has the privilege of remodeling or making substitutions, additions, modifications, or improvements to the Buildings and the Equipment, at its own cost and expense; and the same will be the property of the Trust, subject to the Lease and the Indenture, and will be included under the terms of the Lease and the Indenture; provided, however, that such remodeling, substitutions, additions, modifications and improvements may not in any way materially damage the Buildings and the Equipment or cause them to be used for purposes other than lawful governmental functions of the Regents; and provided that the Buildings and the Equipment, as remodeled, improved or altered, upon completion of such remodeling, substitutions, additions, modifications, and improvements, must be of a value not less than the value of the Buildings and the Equipment immediately prior to such remodeling or such making of substitutions, additions, modifications, and improvements.

The Lessee or the Regents may also, from time to time, in their sole discretion and at their own expense, install machinery, equipment, and other tangible property in or on the Sites, the Buildings, or the Equipment. All such machinery, equipment, and other tangible property will remain the sole property of the Lessee or the Regents, respectively, in which neither the Trust nor the Trustee shall have any interest; provided, however, that title to any such machinery, equipment, and other tangible property which becomes permanently affixed to the Buildings or the Equipment will be in the Trust, subject to the Ground Lease, the Lease and the Indenture, and will be included under the terms of the Ground Lease, the Lease and the Indenture, in the event the Trustee reasonably determines that the Buildings or the Equipment would be materially damaged or impaired by the removal of such machinery, equipment, or other tangible property.

Replacement and Substitution of Equipment. The Lessee will not be under any obligation to renew, repair, or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary Equipment. In any instance where the Lessee determines any Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable, or unnecessary, the Lessee may sell, trade in, exchange or otherwise dispose of such Equipment (as a whole or in part) without any responsibility or accountability to the Trust or the Trustee therefor, provided that the Lessee must either:

(a) Substitute (by direct payment of the costs thereof or by designating equipment, machinery, or other personal property not theretofore included pursuant to the Lease as Equipment) and install other equipment, machinery, or related property having equal or greater value and utility (but not necessarily having the same function) in the operation of the Leased

Property; provided, however, that such substituted equipment, machinery or related property must have a useful life of not less than the remaining useful life of the Equipment for which it is substituted (as determined by reference to the amortization schedule attached in any supplement or amendment to the Lease) and further provided that, for purposes of the release provisions set forth in the Lease, the substituted equipment, machinery or related property will be deemed to be amortized on the date or dates attached in any supplement or amendment to the Lease for the Equipment for which it is substituted; or

(b) Not make any such substitution and installation, provided (i) that the original purchase price of the item of Equipment in question was less than $5,000 or (ii) that in the case of the sale of any such item of Equipment for which the original purchase price was $5,000 or more, to anyone other than itself or in the case of the scrapping thereof, the Lessee must pay to the Trustee for deposit into the Principal Account of the Certificate Fund the net proceeds from such sale or the scrap value thereof, as the case may be, (iii) that in the case of the trade-in of any item of Equipment for which the original purchase price was $5,000 or more, for other machinery, equipment, or related property not to be included in the Leased Property subject to the Lease, the Lessee must pay to the Trustee for deposit into the Principal Account of the Certificate Fund the amount of the credit received by it in such trade-in, and (iv) that in the case of the sale of any item of Equipment for which the original purchase price was $5,000 or more, or in the case of any other disposition thereof, the Lessee must pay to the Trustee for deposit into the Principal Account of the Certificate Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices.

The Lessee must promptly report in writing prior to June 30 of each Fiscal Year to the Trust and to the Trustee each removal, substitution, sale, or other disposition as described in subsections (a) and (b)(ii), (iii) or (iv) above and must pay to the Trustee all amounts required by subsection (b)(ii), (iii) or (iv) to be paid into the Principal Account of the Certificate Fund promptly after any subsequent sale, trade-in, or other disposition requiring such payment. All substituted machinery, equipment, or related property installed as described above must be free of all liens and encumbrances (other than Permitted Encumbrances) and will become a part of the Equipment. With respect to any disposition of Equipment to which either subsection (a) or (b)(ii), (iii) or (iv) would apply, in the absence of a clearly expressed intention by the Lessee that machinery, equipment or related property is to be substituted for Equipment pursuant to subsection (a), above, it will be presumed that any such disposition of Equipment has been accomplished in accordance with subsection (b)(ii), (iii) or (iv) above. The Lessee will not remove, or permit the removal of, any of the Equipment except as described in or in accordance with the Lease.

Taxes, Other Governmental Charges, and Utility Charges. In the event that the Leased Property or any portion thereof is, for any reason, deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Lessee must pay the amount of all such taxes, assessments and governmental charges then due, as Additional Rentals, but only to the extent that amounts for Additional Rentals which have been Appropriated by the Regents or the State General Assembly are available for the payment of such costs. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Lessee will be obligated to provide for Additional Rentals only for such installments as are required to be paid during the then current Fiscal Year. The Lessee may not allow any liens for taxes, assessments, or governmental charges to exist with respect to the Leased Property or any portion thereof (including, without limitation, any taxes levied upon the Sites, the Buildings, or the Equipment, or any portion thereof, which, if not paid, will become a charge on the rentals and receipts from the Leased Property or any portion thereof, or any interest therein, including the interest of the Trust or the Trustee), or the rentals and revenues derived therefrom or under the Lease. The Lessee must also pay, to the extent that amounts for Additional

Rentals which have been Appropriated by the Regents or the State General Assembly are available for the payment of such costs, as the same respectively become due, all gas, water, steam, electricity, heat, power, utility, and other charges incurred in the maintenance and upkeep of the Buildings.

The Lessee may, at the expense and in the name of the Lessee, in good faith contest any such taxes, assessments, utility, and other charges and, in the event of any such contest, may permit the taxes, assessments, utility, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the security afforded pursuant to the Indenture will be materially endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, or the Lessor or the Trustee will be subject to liability, in which event such taxes, assessments, utility or other charges, to the extent that amounts for Additional Rentals which have been Appropriated by the Regents or the State General Assembly are available for the payment of such costs, must be paid forthwith (provided, however, that such payment will not constitute a waiver of the right to continue to contest such taxes, assessments, utility or other charges).

Provisions Regarding Liability and Property Damage Insurance Coverages. Upon the completion and acceptance of the Projects under the Lease, with respect to the Buildings, the Lessee will cause property damage insurance to be carried and maintained with respect to such Leased Property in an amount equal to the principal amount of the Certificates then Outstanding or the replacement value of the Leased Property, whichever is greater. The Lessee may, in its discretion, insure the Leased Property with insurance coverages which insure not only the Leased Property, but other buildings as well, as long as such insurance coverages comply with the requirements of the Lease. The Lessee or the Regents, at their election, may provide for property insurance with respect to the Leased Property, partially or wholly by means of a self-insurance fund as provided by applicable law, in compliance with the requirements of the Lease. Any such self-insurance will be deemed to be insurance coverage under the Lease.

Upon the execution and delivery of the Lease, the Lessee must purchase liability insurance coverage to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Lessee in connection with the use of the Leased Property, in an amount not less than the limitations provided in the Colorado Governmental Immunity Act (Article 10, Title 24 of the Colorado Revised Statutes, as amended). The Lessee, at its election, may purchase public liability insurance coverage with respect to the Leased Property, partially or wholly by means of a self-insurance fund as provided by applicable law, in compliance with the requirements of the Lease. Any such self-insurance will be deemed to be insurance coverage under the Lease.

Any property damage insurance coverage required as described herein must be so written or endorsed as to make losses, if any, payable to the Lessee, the Trust, and the Trustee, as their respective interests may appear. Each insurance policy is required to be provided by a commercial insurer rated “A” by Best or rated in the two highest rating categories of Standard & Poor’s Ratings Services and Moody’s Investors Services and is required to contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the Trustee or the owners of any certificates of participation without first giving written notice thereof to the Lessee, the Trust, and the Trustee at least 30 days in advance of such cancellation or modification. Any deductible under each insurance policy provided for in the Lease shall be payable by the Lessee as Additional Rentals. All insurance policies (other than self-insurance) issued pursuant to the Lease or certificates evidencing such policies, are required to be deposited with the Trustee and copies of such policies or certificates are required to be delivered annually to the Certificate Insurer. No agent or employee of the Lessee will have the power to adjust or settle any loss with respect to the Leased Property, whether or not covered by insurance, without the prior written consent of the Trustee; except that losses not exceeding $1,000,000 may be adjusted or settled by the Lessee without the Trustee's consent. The consent of the Trust will not be required for any such adjustment or settlement, regardless of the amount of the loss. The Lessee is required to provide to the Trust and the Trustee a written notice of any loss with respect to the Leased Property which is anticipated to reach $500,000 or more, promptly, upon determination by the Lessee of the anticipated amount of such loss. If the Lessee makes an election for self-insurance in connection with any insurance coverage required by the Lease, the Lessee is required to provide by November 1 of each year to the Trustee and the Certificate Insurer the written certification of an independent insurance actuary which confirms that, using reasonable assumptions, the amounts on deposit in the related self-insurance fund are adequate to provide the insurance coverage being carried and maintained by the Lessee by means of such self-insurance fund.

Damage, Destruction, and Condemnation. If, during the Lease Term (i) the Leased Property or any portion thereof is destroyed (in whole or in part), or damaged by fire or other casualty; or (ii) title to, or the temporary or permanent use of, the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm, or corporation acting under governmental authority; or (iii) a defect in construction of the Buildings or a defect or breach of warranty with respect to any Equipment (subject to prior conveyance of the Equipment to the Regents pursuant to the Lease), which defect or breach of warranty results in frustration of the purpose for which the Buildings or Equipment were intended, becomes apparent; or (iv) title to or the use of all or any portion of the Leased Property is lost by reason of a defect in title thereto; then the Lessee will be obligated to continue to pay the amounts as specified in the Lease.

Obligation of the Lessee to Repair and Replace the Leased Property. Subject to the provisions of the Lease described in the following paragraph, the Lessee, the Trust, and the Trustee will cause the Net Proceeds of any insurance policies, performance bonds, condemnation awards, or Net Proceeds received as a consequence of default or breach of warranty under a Project Contract, made available by reason of any occurrence described above under "Damage, Destruction and Condemnation," to be deposited into the Project Fund, if received before the Completion Date, and relating to a Building or Equipment or otherwise to be deposited into a separate trust fund. Except as set forth in the provisions of the Lease described in the following paragraph and subject to prior conveyance of the Equipment to the Regents pursuant to the Lease, all Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement, or replacement of the Leased Property by the Lessee upon receipt of requisitions acceptable to the Trustee signed by the Lessee Representative stating with respect to each payment to be made: (i) the requisition number; (ii) the name and address of the person, firm or corporation to whom payment is due or has been made; (iii) the amount to be paid or reimbursed; and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Project Fund or the separate trust fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The balance of any such Net Proceeds remaining after such repair, restoration, modification, improvements or replacement has been completed shall be used by the Lessee to (a) add to, modify or alter the Leased Property or add new components thereto; or (b) make a Prepayment with a corresponding adjustment in the amount of Base Rentals payable as set forth in the Lease; 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 will be the property of the Trust, subject to the Lease and the Indenture, and will be included as part of the Leased Property under the Lease and 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 Leased Property required under the Lease, the Lessee may elect any of the following options:

(a) The Lessee may complete or cause to be completed the repair, restoration, modification, improvement, or replacement of the Leased Property and pay any cost in excess of the amount of the Net Proceeds and the Lessee agrees that, if by reason of any such insufficiency of the Net Proceeds, the Lessee will make or cause to be made any payments pursuant to the provisions of this paragraph, the Lessee will not be entitled to any reimbursement therefore from the Trust or the Trustee, nor will the Lessee be entitled to any diminution of the Base Rentals and Additional Rentals payable under the Lease.

(b) The Lessee may apply or cause to be applied the Net Proceeds of such insurance policies, performance bonds or condemnation awards, or Net Proceeds received as a consequence of default or a breach of warranty under a Project Contract, to the payment of the Purchase Option Price in accordance with the Lease. In the event of an insufficiency of the Net Proceeds for such purpose, the Lessee must pay or cause to be paid such amounts as may be necessary to equal the Purchase Option Price; and in the event the Net Proceeds exceed the Purchase Option Price, such excess will be retained by the State.

(c) If the Regents or the State General Assembly does not timely Appropriate (as Additional Rentals) sufficient funds to proceed under the provisions described in either paragraph (a) or paragraph (b) above, an Event of Nonappropriation as provided under the Lease will be deemed to have occurred and, subject to the Lessee's right to cure, the Trustee may pursue remedies available to it following an Event of Nonappropriation.

The above-referenced election is to be made by the Lessee within 90 days of the occurrence of an event specified above under the caption "Damage, Destruction and Condemnation."

Granting of Easements. As long as no Event of Nonappropriation or Event of Default has happened and is continuing, the Trust and the Trustee will at any time or times, but only upon the request of the Regents, consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Sites, free from the Ground Lease, the Lease, and the Indenture and any security interest or other encumbrance created thereunder, and the Trust and the Trustee will release existing easements, licenses, rights-of-way, and other rights and privileges with respect to the Sites, with or without consideration, and the Trust and the Trustee have agreed to execute and deliver any instrument necessary or appropriate to confirm and 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 Lessee Representative requesting such instrument and stating that such grant or release will not impair the effective use or interfere with the operation of the Leased Property.

Partial Release of Sites. So long as no Event of Default or Event of Nonappropriation has occurred and is continuing, the Trust and the Trustee will release any portion of the Sites on which no Buildings or Equipment shall have been constructed or installed, and will execute all documents necessary or appropriate to reconvey such portion of the Sites to the Regents, free of all restrictions and encumbrances imposed or created by the Ground Lease, the Lease, or the Indenture, upon receipt by the Trustee of the following: (a) a written request of the Lessee Representative for such release, describing the portion of the Sites to be released; and (b) a certificate of the Lessee Representative certifying that the release of such portion of the Sites will not materially adversely affect the value of the related Project or

Building or the ability of the Regents to operate the related Project or Building or to fulfill their obligations under the Ground Lease, the Interagency Agreement or the Lease.

Tax Covenant. The Lessee covenants in the Lease that the Lessee (i) will not make any use of the proceeds of any tax-exempt certificates of participation, any funds reasonably expected to be used to pay the principal of or interest on any tax-exempt certificates of participation, or any other funds of the Lessee, (ii) will not make or cause to be made any use of the Leased Property, and (iii) will not take (or omit to take) or cause to be taken any other action with respect to any tax-exempt certificates of participation, the proceeds thereof or otherwise, if such use, action or omission would, under the Code, cause the portion of Base Rentals relating to such tax-exempt certificates of participation which is designated in the Lease and paid by the Lessee as interest to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts, estates and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations). The Lessee has the right to enter into contracts for services related to the Leased Property; provided, however, any such contracts are required to be in compliance with the Code (to maintain the tax-exempt status of the interest portion of the Base Rentals, as applicable) and be subject to termination by the Trustee if an Event of Nonappropriation or an Event of Default occurs and is not cured. In particular, the Lessee has covenanted that it will not take (or omit to take) or permit or suffer any action to be taken if the result of the same would cause any tax-exempt certificates of participation to be (i) "arbitrage bonds" within the meaning of Section 148 of the Code; or (ii) "private activity bonds" within the meaning of Section 141 of the Code. The foregoing covenants will remain in full force and effect notwithstanding the defeasance of any tax-exempt certificates of participation pursuant to the Indenture or any other provisions thereof.

Purchase Option. The Lessee will have the option to purchase for the benefit of the Regents, all or any portion of the Leased Property so designated in the Lease, separately, and terminate the Lease, the Ground Lease and the Interagency Agreement with respect to the Leased Property or portion thereof, but only if an Event of Lease Default or an Event of Nonappropriation has not occurred and is then continuing. The Lessee may exercise its option on any date by complying with one of the conditions described in "Conveyance of the Buildings and Equipment." The Lessee is to give the Trustee notice of its intention to exercise its option not less than 35 days in advance of the date of exercise and is to deposit the required moneys with the Trustee on the date which is 15 days or more prior to the selected Purchase Option Date (as specified in the Lessee's notice). If the Lessee exercises its option to purchase all or any portion of the Leased Property as described in this paragraph, any amount then on hand in the Certificate Fund, created under the Indenture, may be applied toward the payment of the applicable Purchase Option Price to be paid by the Lessee at the option of the Lessee. If the Lessee gives notice to the Trustee of its intention to purchase all or any portion of the Leased Property or make a Prepayment, but does not deposit the amounts with the Trustee on the date specified in such notice, the Lessee shall continue to pay Base Rentals previously Appropriated as if no such notice had been given.

Conveyance of the Buildings and the Equipment. The Trust shall transfer and convey the Buildings and Equipment (or any portion thereof) to the Regents in the manner provided for in the Lease; provided, however, that prior to such assignment, transfer, and conveyance, either:

(a) the Lessee must have paid the then applicable Purchase Option Price related to the portion of the Leased Property to be transferred and conveyed in a Fiscal Year in question plus any fees and expenses then owing to the Trust and the Trustee, all as further described below; or

(b) the Lessee must have paid all Base Rentals set forth in the Lease, as it may be amended, for the entire Lease Term and the Regents or the Lessee shall have paid all then current Additional Rentals required under the Lease.

In the event that the Lessee shall determine to pay the Purchase Option Price in respect of the Leased Property, the Purchase Option Price shall equal the sum of the amount necessary to defease and discharge the Indenture as provided therein, plus any fees and expenses then owing to the Trust and the Trustee. In the event that the Lessee determines to pay the Purchase Option Price in respect of any portion of the Leased Property designated for such purpose in Exhibit C to the Lease, the Purchase Option Price shall equal the amount payable for the purpose of terminating the Lease in respect of such portion of the Leased Property and purchasing such portion, which amount shall be an amount equal to the outstanding Lease Balance in Respect of such Portion of Leased Property plus all Base Rentals representing interest which may be due in respect of such portion of Leased Property to the proposed payment date, plus any fees and expenses then owing to the Trust and the Trustee.

The Lessee paid the Purchase Option Price for all Equipment on November 1, 2008 and currently no Equipment is included in the Leased Property.

Manner of Conveyance. At the closing of any purchase or other conveyance of the Buildings and the Equipment, or any portion thereof, pursuant to the Lease, the Trust and the Trustee must execute and deliver to the Regents all necessary documents assigning, transferring and conveying title to the related Buildings and the Equipment, as they then exist, subject only to the following: (i) Permitted Encumbrances, other than the Ground Lease, the Lease, the Interagency Agreement and the Indenture; (ii) all liens, encumbrances, and restrictions created or suffered to exist by the Trust or the Trustee as required or permitted by the Lease or the Indenture or arising as a result of any action taken or omitted to be taken by the Lessor or the Trustee as required or permitted by the Lease or the Indenture; (iii) any lien or encumbrance created by action of the Lessee or the Regents; and (iv) those liens and encumbrances (if any) to which title to the related Buildings or the Equipment was subject when acquired by the Trust.

Assignment and Subleasing. The Lease may not be assigned by the Lessee for any reason and the Leased Property may not be subleased by the Lessee, unless (i) such assignment or sublease, as applicable, is permitted by law, (ii) such assignment or sublease, as applicable, does not violate any Deed Restrictions; (iii) prior to such assignment or sublease, as applicable, the Lessee delivers to the Trust, Trustee and the Regents an Approval of Special Counsel, and (iv) the Lessee obtains prior written consent of the Certificate Insurer to such assignment or sublease, as applicable.

Events of Default. Any one of the following is an "Event of Default" under the Lease:

(a) failure by the Lessee to pay any Base Rentals within five Business Days of the date on which they are due; or

(b) failure by the Lessee to pay any Additional Rentals within thirty (30) days of the day on which they are due; or

(c) failure by the Lessee to vacate the Sites and the Buildings and to surrender the Equipment by September 1 of the Fiscal Year following an Event of Nonappropriation as provided under the Lease; or

(d) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, 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 has been given to the Lessee by the Trustee, unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee is not permitted to withhold its consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

The foregoing provisions are subject to the following limitations: (i) the Lessee will be obligated to pay the Base Rentals and Additional Rentals only during the Lease Term, and only to the extent of amounts specifically Appropriated, except as otherwise expressly provided in the Lease; and (ii) if, by reason of Force Majeure, the Lessee is unable in whole or in part to carry out any agreement on its part contained in the Lease, other than the certain payment obligations on the part of the Lessee contained in the Lease, the Lessee will not be deemed in default during the continuance of such inability. The Lessee has agreed, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the Lessee from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the Lessee.

Remedies on Default. Whenever any Event of Default has happened and is continuing, the Trustee on behalf of the Trust, may, with the consent of the Certificate Insurer, or shall, at the direction of the Certificate Insurer and the Owners of at least a majority in aggregate principal amount of the Unenhanced Certificates then Outstanding, or, if the Certificate Insurer is in default in its payments under the Insurance Policy, may or, at the request of the owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon indemnification as to cost and expenses as provided in the Indenture, shall be required, without any further demand or notice, take one or any combination of the following remedial steps:

(a) The Trustee, on behalf of the Trust, may terminate the Lease Term and give notice to the Lessee to vacate the Sites and the Buildings and to surrender the Equipment, in the manner provided in the Lease, within 90 days from the date of such notice.

(b) The Trustee, on behalf of the Trust, may proceed to foreclose through the courts or otherwise sell, trade-in, repossess or liquidate the Leased Property or any part thereof in any lawful manner.

(c) The Trustee, on behalf of the Trust, may exercise all the rights and remedies of a secured party under the Uniform Commercial Code with respect to the Equipment and may otherwise repossess and liquidate the Equipment in any lawful manner; provided, however, that the Trustee may not recover from the Lessee any deficiency that may exist following the liquidation of the Equipment.

(d) The Trustee may, on behalf of the Trust, sublease the Sites, the Buildings and the Equipment or sell an assignment of its interest in the Ground Lease.

(e) The Trustee, on behalf of the Trust may recover from the Lessee:

(I) The maximum amount Appropriated by the State General Assembly and legally available for contractual payments under the Lease, plus additional amounts through condemnation or inverse condemnation proceedings relating to the interest of the Trust and the Trustee under the Ground Lease, or other noncontractual remedies to the full extent permitted by law, to a maximum total of the proportionate share of Base

Rentals and any duly budgeted and Appropriated Additional Rentals payable to or for the account of the Trustee, otherwise payable under the Lease and allocable to any period during which the Lessee continues to occupy the Sites or the Buildings or retains possession of the Equipment or any portion thereof; which proportionate share of Base Rentals and of any such Additional Rentals is determined and stipulated to be just compensation for the use of the Leased Property for any such period; and

(II) Base Rentals and any duly Appropriated Additional Rentals payable to or for the account of the Trustee, which would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates the Sites and Buildings and surrenders the Equipment, of the Fiscal Year in which such Event of Default occurs; provided, however, that if the Trustee does not proceed to foreclose on and lease, sell or liquidate the Buildings and the Equipment reasonably promptly after such Event of Default, the Trustee will be obligated to the Lessee to use its best efforts to lease or sublease the Leased Property for the remainder of such Fiscal Year, as provided in the Lease, and the Net Proceeds of such leasing will be offset against the amount recoverable from the Lessee as described in the Lease.

(f) The Trustee, on behalf of the Trust, may take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Ground Lease, the Lease, and the Indenture.

A judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Default only as to the Lessee's liabilities described in paragraph (e) above. A judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Nonappropriation only to the extent that the Lessee fails to vacate the Sites and the Buildings and surrender the Equipment as required by the Lease, and only as to the liabilities described in paragraph (e)(I) above. The remedy described in paragraph (e)(II) is not available for an Event of Default consisting of failure by the Lessee to vacate the Sites and the Buildings and surrender the Equipment by September 1 of the Fiscal Year following an Event of Nonappropriation.

Subject to the provision described in the preceding paragraph, no remedy conferred upon or reserved to the Trustee, on behalf of the Trust, is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or failure to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, with the consent of the Certificate Insurer and the Owners of at least a majority in aggregate principal amount of the Unenhanced Certificates then Outstanding, waive any Event of Default under the Lease and its consequences. In the event that any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. Reference is made to the actual Indenture for a complete recital of its provisions.

Limited Obligation. Each Certificate evidences assignment of a proportionate interest in the right to receive Base Rentals under the Lease and other Revenues. The Certificates are payable solely from such Base Rentals and other Revenues as, when, and if the same are received by the Trustee, which Base Rentals and other Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The Certificates shall not constitute a mandatory charge or requirement of the Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year, and will not constitute or give rise to a general obligation or other indebtedness of the Lessee, the Regents or the University within the meaning of any Constitutional or statutory debt limitation. No provision of the Lease shall be construed or interpreted as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Lessee, the Regents or the University within the meaning of any Constitutional or statutory debt limitation. No provision of the Certificates shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the State, the Regents or the University within the meaning of Sections 1 or 2 of Article XI of the Colorado Constitution. The execution and delivery of the Certificates will not directly or indirectly obligate the Regents, the University, or the State to make any payments beyond those Appropriated for the then current Fiscal Year. The Certificates will not constitute a general obligation of the Trust, and the Trust shall have no obligation with respect to the Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Indenture. Neither the Lease nor the Indenture will create any pecuniary liability on the part of the Trustee.

Source of Payment of Certificates. All payments by the Lessee under the Lease will be currently Appropriated expenditures within and for the then current Fiscal Year (except with respect to Additional Rentals paid by the Regents which shall be currently Appropriated expenditures of the Regents), all as provided in the Lease. The Lessee's obligation to make payments under the Lease is from year to year only and does not constitute a mandatory charge or requirement in any ensuing Fiscal Year beyond the then current Fiscal Year. The Certificates authorized under the Indenture evidence assignments of proportionate interests in rights to receive Base Rentals and other Revenues under the Lease. The Certificates will be payable solely from Base Rentals and other Revenues received by the Trustee and do not constitute a general obligation or other indebtedness of the State, the University, or the Regents within the meaning of any Constitutional or statutory debt limitation. Base Rentals and other Revenues, when, as, and if received by the Trustee, will be held under the Indenture for payment of the principal of, premium, if any, and interest on the Certificates as provided in the Indenture.

Certificate Fund. The Certificate Fund will be used to pay the principal of, premium, if any, and interest on the Certificates. There is to be deposited into the Interest Account of the Certificate Fund (i) that portion of each payment of Base Rentals (including such portion of any Prepayments or Purchase Option Price) made by the Lessee which is designated and paid as interest under the Lease, as it may be amended; (ii) any moneys transferred to the Interest Account of the Certificate Fund from the Project Fund pursuant to the Indenture; and (iii) all other moneys received by the Trustee under the Indenture accompanied by directions from the Lessee that such moneys are to be deposited into the Interest Account of the Certificate Fund. There is to be deposited into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rentals (including such portion of any Prepayments or Purchase Option Price) made by the Lessee which is designated and paid as principal under the Lease, as it may be amended; (ii) any moneys transferred to the Principal Account of the Certificate Fund from the Project Fund pursuant to the Indenture; and (iii) all other moneys received by the Trustee under the Indenture accompanied by directions from the Lessee that such moneys are to be deposited into the Principal Account of the Certificate Fund.

Project Fund. All projects financed with the proceeds of the Series 2005B Certificates have been completed and there are no amounts remaining on deposit in the Project Fund.

A separate account of the Project Fund designated the "Costs of Issuance Account" will be established with the Trustee. There will be deposited in the Costs of Issuance Account proceeds of the Series 2012A Certificates in the amount stated in the Indenture. The Trustee will apply the amounts on deposit in the Costs of Issuance Account to the payment of the costs of issuance associated with the Series 2012A Certificates in accordance with the provisions of the Lease. On October 1, 2012, the Trustee is required to close the Costs of Issuance Account and transfer any amounts remaining in the Costs of Issuance Account to the Interest Account of the Certificate Fund.

Rebate Fund. A separate account in the Rebate Fund will be established for each series of Certificates subject to rebate obligations. Moneys will be deposited into the appropriate account of the Rebate Fund to the extent necessary to comply with the Lessee's tax covenants relating to the Certificates. In order to ensure that the moneys on deposit in each account of the Rebate Fund will be sufficient to fulfill the Lessee's rebate obligation even if the Lease has been terminated, there will be deposited into the various accounts of the Rebate Fund moneys received from the Lessee as Additional Rentals for rebate payments; and all other moneys received by the Trustee when accompanied by directions not inconsistent with the Lease or the Indenture that such moneys are to be paid into the Rebate Fund. The Lessee will cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury at the address and times required and in the amounts calculated by or on behalf of the Lessee to ensure that the Lessee's rebate obligations are met. Amounts on deposit in the Rebate Fund will not be subject to the lien of the Lease or the Indenture to the extent that such amounts are required to be paid to the United States Treasury. The Lessee Representative will execute a tax certificate on behalf of the Lessee which will provide for the manner in which the calculation and payment of the Lessee's rebate obligations are to be made.

Nonpresentment of Certificates. In the event any Certificate is not presented for payment when due, if funds sufficient to pay such Certificate have been made available to the Trustee for the benefit of the owner thereof, it will be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the owner of such Certificate, who will be restricted exclusively to such funds for any claim of whatever nature on his or her part under the Lease or the Indenture or on or with respect to such Certificate.

Investment of Moneys. All moneys held as part of the Certificate Fund, the Project Fund, or any other fund or account created under the Indenture (except any escrow account, which will be invested as provided in the applicable escrow agreement) will be deposited or invested and reinvested by the Trustee, at the direction of the Lessee, in Permitted Investments which are at the time legal deposits or investments for the State; provided, however, that the Trustee will make no deposits or investments of any fund or account created under the Indenture which will interfere with or prevent withdrawals for payment of Costs of the Projects or for payment of the Certificates at or before maturity or interest thereon as required under the Indenture. Any and all such deposits or investments will be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee. Income from deposits or investments of moneys will at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments will be credited to, and losses thereon will be charged against, such fund or account. The Trustee will sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in the Project Fund is insufficient to pay a requisition when presented, whenever the cash balance in the Certificate Fund is insufficient to pay the principal of and interest on the Certificates when due, or whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

Discharge of the Indenture. If, when the Certificates secured by the Indenture become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal or redemption price (as the case may be) of, premium, if any, and interest due and payable upon all of the Certificates are paid (or, in the case of redemption of all Certificates), in accordance with the Indenture, such Certificates have been paid in full or in part from amounts available therefor in accordance with the Indenture, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title, and interest of the Trustee in and to the Trust Estate and all covenants, agreements, and other obligations of the Trust to the Trustee and the Certificate owners will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee and the Trust will transfer and convey to the Regents all property assigned, pledged, or mortgaged to the Trustee by the Trust then held by the Trust or by the Trustee pursuant to the Indenture, and the Trust will be terminated, subject to the survival of any rights of the Trustee and the Settlor to be held harmless, or to insurance proceeds or other amounts due, and the Trustee will execute such documents as may be reasonably required by the Lessee and will turn over to the State any surplus in any fund or account created under the Indenture (except any escrow account created under the Indenture, and the Rebate Fund, which will be applied as provided in the Indenture).

Certificates will, prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions described under this caption if (i) in case said Certificates are to be redeemed on any date prior to their maturity, the Lessee shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of the Indenture, (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Federal Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, will be sufficient to pay when due the principal or redemption price (as the case may be) of, premium, if any, and interest due and to become due on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Federal Securities nor moneys held in trust as described in this section or principal or interest payments on any such Federal Securities may be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or redemption price (as the case may be) of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Federal Securities deposited in trust, if not then needed for such purpose may be reinvested in Federal Securities of the type described in clause (ii) of this paragraph maturing at the times and in amounts sufficient to pay when due the principal or redemption price (as the case may be) of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be;(iii) the Trustee and the Certificate Insurer shall have received an independent accountant's report verifying that the cash and/or Federal Securities so deposited, together with the interest earnings thereon (without reinvestment) will be sufficient to pay when due the principal, interest and the premium, if any, of the Certificates (or portion thereof) to be discharged; and (iv) the Trustee and the Certificate Insurer shall have received an opinion of counsel experienced in municipal law, satisfactory to the Trustee, the Certificate Insurer and listed in the list of municipal bond attorneys, as published semiannually by *The Bond Buyer*, or any successor publication, addressed to the Trustee and the Certificate Insurer to the effect that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates will no longer be secured by or entitled to the benefits of the Indenture and the Lease, except for the purpose of exchange and transfer and any payment from such moneys or Federal Securities deposited in trust.

The discharge of the Indenture will be without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it thereunder and all its reasonable expenses, charges, and other disbursements incurred with respect to the administration of the trust thereby created and the performance of its powers and duties thereunder.

Events of Default. If any of the following events occur it is defined as and will be deemed an "event of default" under the Indenture:

(a) Default in the payment of the principal of or premium, if any, on any Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for mandatory redemption.

(b) Default in the payment of any installment of interest on any Certificate when the same shall become due and payable.

(c) The occurrence of an Event of Nonappropriation as provided in the Lease or the occurrence of an "Event of Default" as provided in the Lease.

Remedies on Default. Subject to certain restrictions, upon the occurrence of an event of default described in paragraph (c) under "Events of Default" above, the Trustee may, with the consent of the Certificate Insurer, or shall, at the direction of the Certificate Insurer and the Owners of at least a majority in aggregate principal amount of the Unenhanced Certificates then Outstanding, or, if the Certificate Insurer is in default in its payments under the Insurance Policy, may or, at the request of the owners of at least a majority in aggregate principal amount of the Certificates then Outstanding, and upon indemnification as to costs and expenses as provided in the Indenture shall, without any further demand or notice, take one or any combination of the following remedial steps:

(a) The Trustee, on behalf of the Trust, may terminate the Lease Term, become entitled to possession of the Leased Property, and give notice to the Lessee to vacate the Sites and the Buildings and to surrender the Equipment as provided in the Lease, as the case may be.

(b) The Trustee, on behalf of the Trust, may sublease the Sites and the Buildings or any portion thereof, or sell an assignment of its interest in the Ground Lease; and the Trustee, on behalf of the Trust, may exercise, with respect to the Equipment, all the rights and remedies of a secured party under the Colorado Uniform Commercial Code, or may otherwise repossess and liquidate the Equipment; provided, however, that the Trustee may not recover from the Lessee any deficiency which may exist following the liquidation of the Equipment.

(c) The Trustee, on behalf of the Trust, may recover from the Lessee:

(I) The maximum amount legally available for contractual payments under the Lease under the State's then current budget and Appropriation measures in the case of Base Rentals, or under the Regents' then current budget and Appropriation measures in the case of Additional Rentals, plus additional amounts through condemnation or inverse condemnation proceedings relating to the interest of the Trust and the Trustee under the Ground Lease, or other noncontractual remedies to the full extent permitted by law, to a maximum total of the proportionate share of Base Rentals and any duly budgeted Additional Rentals payable to or for the account of the Trustee, otherwise payable under the Lease and allocable to any period during which the Lessee continues to occupy the Leased Property or any portion thereof; and

(II) Base Rentals and any duly Appropriated Additional Rentals payable to or for the account of the Trustee, which would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates the Leased Property, of the Fiscal Year in which such Event of Default occurs; provided, however, that if the Trustee does not proceed to foreclose on and sell or liquidate the Leased Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Lessee to use its best efforts to lease or sublease the Leased Property for the remainder of such Fiscal Year, as described in paragraph (b) above, and the Net Proceeds of such leasing will be offset against the amount recoverable from the Lessee as described under this paragraph (c)(II).

(d) The Trustee, on behalf of the Trust, may take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property.

Upon any event of default described in paragraph (a) or (b) under "Events of Default" above, the Trustee, on behalf of the Trust, may with the consent of the Certificate Insurer, or shall, at the direction of the Certificate Insurer and the Owners of at least a majority in aggregate principal amount of the Unenhanced Certificates then Outstanding, or, if the Certificate Insurer is in default in its payments under the Insurance Policy, may or, at the request of the owners of at least a majority in aggregate principal amount of the Certificates then Outstanding shall, take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Certificate owners, subject, however, to the limitations contained in the Lease with respect to the Lessee's obligations upon the occurrence of an Event of Nonappropriation.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy is cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. However, notwithstanding any other provision of the Lease or the Indenture, any and all remedies against the Lessee under the Lease or the Indenture shall be limited as provided in the Lease.

If any event of default under the Indenture has occurred and if requested by the owners of a majority in aggregate principal amount of Certificates then Outstanding and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture as described under this heading as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Certificate owners.

Notwithstanding any provision in the Indenture to the contrary (provided the Certificate Insurer is not in default under the Insurance Policy), with respect to the Series 2005B Certificates, the Certificate Insurer, acting alone, also has the sole right to direct remedies under the Indenture upon the occurrence of an event of default thereunder. The Certificate Insurer may institute any suit, action or proceeding at law or in equity under the same terms as an Owner of a Series 2005B Certificate in accordance with applicable provisions of the Indenture.

Majority of Certificate Owners May Control Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding will have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such direction may not be otherwise than in accordance with the provisions of the Indenture. The Trustee will not be required to act on any direction given to it until the indemnity described in the Indenture is furnished to it by such Certificate owners. As long as the Certificate Insurer is not in default under the Insurance Policy, for all purposes of the Indenture provisions dealing with the enforcement of remedies, except the giving of notice of an event of default to the Certificate Owners, the Certificate Insurer is deemed to be the sole owner of the applicable Certificates.

Rights and Remedies of Certificate Owners. No Certificate owner will have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, nor unless such default shall have become an event of default as described under "Events of Default" above, and the owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have made written request to the Trustee and offered reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit, or proceedings in its own name, nor unless they have also offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Certificate owners will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her, its, or their action or to enforce any right thereunder except in the manner therein provided and that all proceedings at law or in equity must be instituted, had, and maintained in the manner for the equal benefit of the owners of all Certificates then Outstanding. Nothing contained in the Indenture will, however, affect or impair the right of any Certificate owner to enforce the payment of the principal of, premium, if any, or interest on any Certificate at and after the maturity thereof.

Duties of the Trustee. The Indenture contains various provisions limiting the duties and liabilities of the Trustee, including but not limited, to, the following: prior to the occurrence of an event of default under the Indenture, the Trustee is obligated to perform only such duties as are specifically set forth in the Indenture; following an event of default under the Indenture, the Trustee is required to exercise the rights and powers vested in it by the Indenture using the same degree of care and skill as a reasonable and prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; the Trustee is not responsible for any loss or damage resulting from any action or nonaction taken or omitted to be taken in good faith in reliance upon an Opinion of Counsel; the Trustee has no obligation to perform any of the duties of the Lessee under the Lease; and the Trustee is not responsible or liable for any loss suffered in connection with the investment of funds made by it in accordance with the Indenture.

Resignation or Replacement of Trustee. The present or any future Trustee may resign by giving written notice to the Lessee, the Certificate Insurer and the Settlor not less than 60 days before such resignation is to take effect. Such resignation will take effect only upon the appointment of a successor qualified as described below. The present or any future Trustee may be removed at any time by instruments in writing, executed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and filed with the Trustee, the Settlor and the Lessee. The present or any future Trustee may be removed at any time, at the request of the Certificate Insurer, for any breach of the trust under the Indenture. In case the present or any future Trustee at any time resigns or is removed or otherwise becomes incapable of acting, a successor may be appointed by the owners of a majority in aggregate principal amount of the Certificates Outstanding, with the consent of the Certificate Insurer, by an instrument or concurrent instruments signed by such Certificate owners, or their attorneys in fact duly appointed; provided that the Trust may, by an instrument executed by the Trust, appoint a successor until a new successor shall be appointed by the Certificate owners as herein described. The Trust upon making such appointment must forthwith give notice thereof to each Certificate owner and to the Lessee, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Trust will immediately and without further act be superseded by a successor appointed in the manner above provided by the owners of a majority in aggregate principal amount of the Certificates outstanding. The Trust will take whatever action may be necessary to cause any successor Trustee (appointed under the Indenture on behalf of the Certificate Owners) to also be designated the trustee of the Trust.

Every successor must always be a bank or trust company in good standing, located in or incorporated under the laws of the State, qualified to act under the Indenture, duly authorized to exercise trust powers and subject to examination by federal or State authority, having a capital and surplus of not less than $75,000,000 and acceptable to the Certificate Insurer. Any successor appointed under the Indenture must execute, acknowledge and deliver to the Regents and to the Lessee an instrument accepting such appointment under the Indenture, and thereupon such successor will, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its predecessor in the trust under the Indenture with like effect as if originally named as Trustee; but the Trustee retiring will, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts expressed under the Indenture, all the estates, properties, rights, powers, and trusts of the predecessor, which shall duly assign, transfer, and deliver to the successor all properties and moneys held by it under the Indenture. Should any instrument in writing from the Lessee or the Trust be required by any successor for more fully and certainly vesting in and confirming to it, the said deeds, conveyances and instruments in writing will be made, executed, acknowledged, and delivered by the Lessee or the Trust on request of such successor.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Indenture, together with all other instruments described herein, must be filed and/or recorded by the successor Trustee in each recording office, if any, where the Indenture has been filed and/or recorded.

Supplemental Indentures Not Requiring Consent of Certificate Owners. The Trustee and the Trust may, with the written consent of the Lessee and a written notice to the Certificate Insurer, but without the consent of, or notice to, the Certificate 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 Trust contained in the Indenture other covenants and agreements to be thereafter observed by the Trust;

(b) To cure any ambiguity, or to cure, correct, or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Certificate owners;

(c) To subject to the Indenture additional revenues, properties, or collateral or to release portions of the Sites pursuant to the Lease;

(d) To set forth the terms and conditions and other matters in connection with the issuance of Additional Certificates pursuant to the Indenture; or

(e) In connection with any change in the State's Fiscal Year (but excluding any change in the payment dates for the Certificates).

Supplemental Indentures Requiring Consent of Certificate Owners. Exclusive of supplemental indentures described in the preceding section, the written consent of the Lessee and the consent of the Certificate Insurer, or if the Certificate Insurer is then in default of its obligations, consent of the owners of not less than two-thirds in aggregate principal amount of the Certificates then Outstanding shall be required for the execution by the Trust and the Trustee of any indenture or indentures supplemental in the Indenture; provided, however, that without the consent of the owners of all the Certificates at the time Outstanding nothing contained in the Indenture shall permit, or be construed as permitting:

(a) A change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the owner of such Certificate;

(b) The deprivation of the owner of any Certificate then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);

(c) A privilege or priority of any Certificate or Certificates over any other Certificate or Certificates; or

(d) A reduction in the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

If at any time the Lessee requests the Trustee to enter into such supplemental indenture for any of the purposes described above, the Trustee must, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the registered owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice must briefly set forth the nature of the proposed supplemental indenture and must state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate owners. If, within 60 days or such longer period as may be prescribed by the Lessee following the mailing of such notice, the owners of not less than two-thirds in aggregate principal amount of the Certificates then Outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Certificate owner will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Trust from executing the same or from taking any action pursuant to the provisions thereof.

Amendments, Etc., of the Lease and Ground Lease Not Requiring Consent of Certificate Owners. The Trust and the Lessee may, with the written consent of the Trustee, but without the consent of or notice to the Certificate owners, consent to any amendment, change, or modification of the Lease or the Ground Lease as may be required (i) by the provisions of the Lease or the Indenture (including, without limitation, amendments to the Lease to reflect any partial redemption of Certificates); (ii) for the purpose of curing any ambiguity or formal defect or omission in the Lease or the Ground Lease; (iii) in order to identify more precisely the Leased Property or to add additional or substituted improvements or properties acquired in accordance with the Lease and the Indenture (including the replacement, substitution, or deletion of Equipment pursuant to the Lease and the release of portions of the Sites pursuant to the Lease); (iv) in connection with the issuance of Additional Certificates; (v) to accommodate the provisions of the Lease to any change in the State's Fiscal Year; or (vi) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Certificate owners.

Amendments, Etc. of the Lease and Ground Lease Requiring Consent of Certificate Owners. Except for the amendments, changes or modifications permitted as described in the preceding section, neither the Trust nor the Trustee may consent to any other amendment, change, or modification of the Lease or the Ground Lease without the giving of notice and the written approval or consent of the Certificate Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Certificates at the time Outstanding given and procured as described under "Supplemental Indentures Requiring Consent of Certificate Owners" above. If at any time the Lessee and the Trust request the consent of the Trustee to any such proposed amendment, change, or modification of the Lease or the Ground Lease, the Trustee must, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given in the same manner as described under "Supplemental Indentures Requiring Consent of Certificate Owners" above. Such notice must briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Certificate owners.

Rights of the Certificate Insurer. The Indenture describes the rights of the Certificate Insurer in the event of nonpayment of the Series 2009 Certificates, the Series 2012A Certificates and the Unrefunded Series 2005B Certificates and under various other circumstances. The Original Indenture states that the rights granted to or conferred upon the Certificate Insurer under the Indenture or under the Lease Purchase Agreement relate only to the Series 2005B Certificates and are to be in effect only so long as the Certificate Insurer is not in default under the Insurance Policy, and upon any such default by the Certificate Insurer, its rights under the Indenture and under the Lease are to be terminated (except to the extent of subrogation for any payments under the Insurance Policy theretofore made by the Certificate Insurer), until such default is cured, whereupon all such rights are to be restored. However, because the Series 2009 Certificates, the Series 2012A Certificates and the Unrefunded Series 2005B Certificates are on parity with respect to Base Rentals and Additional Rental payments due under the Lease and are secured on parity by the Trust Estate under the Indenture, the Certificate Insurer (to the extent any Unrefunded Series 2005B Certificates are Outstanding and the Series 2005B Certificate Insurer is not then in default under its certificate insurance policy) will have certain consent rights that will affect the Series 2012A Certificates as described in this **Appendix B** and in the body of this Official Statement under the caption titled "INTRODUCTION – Sources of Payment for the Series 2012A Certificates" and "THE SERIES 2012A CERTIFICATES – Redemption – *Extraordinary Redemption*".

THE GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. Reference is made to the actual Ground Lease for a complete recital of its provisions.

Demise and Enjoyment of the Sites. The Regents have demised and leased the Sites to the Trust and assigns, and the Trust has leased the sites from the Regents in accordance with the terms and conditions of the Ground Lease and subject only to Permitted Encumbrances and as permitted by the Consent to Lease and Subordination Agreements. The Regents covenant in the Ground Lease to provide the Trust and assigns, during the term of the Ground Lease, with quiet use and enjoyment of the Sites, except as expressly set forth in the Ground Lease or the Lease, and subject to the Regents' rights, to peaceful and quiet enjoyment of the Sites under the terms of the Lease. Under the Indenture, the Ground Lease is assigned to the Trustee for the benefit of the Owners of the Certificates.

Ground Lease Term. The term of the Ground Lease commenced on December 22, 2005 and will terminate on the earliest of the following events:

(a) Termination of the Lease Term as provided in the Lease.

(b) Purchase by the Lessee of the Buildings as provided in the Ground Lease.

(c) Discharge of the Indenture, as provided therein.

(d) November 1, 2040.

The rights acquired by the Regents upon termination of the Ground Lease pursuant to the provisions described in clauses (b) or (c) above will be subject to the rights of any subsequent lessee or sublessee of the Sites or the Buildings or any portion thereof pursuant to the Lease.

Rent Payments. The Trustee, or any sublessee or assignee of the Trustee (other than the Owners) are required to pay rent to the Regents as follows: (i) during the Lease Term, the sum of One Dollar ($1.00); and (ii) subsequent to the termination of the Lease Term, and in the event the Ground Lease is not yet terminated and if the Trustee subleases the Sites and the Buildings or any portion thereof or sells an assignment of its rights under the Ground Lease, an amount equal to fifteen percent (15%) of the gross proceeds of any such subleasing or sale.

Maintenance, Taxes, Utilities and Insurance. During the Lease Term, the payment of taxes and utility charges, the maintenance of the Sites and the Buildings and the maintenance of insurance will be governed by the Lease. At any time during the term of the Ground Lease but after termination of the Lease Term, the Trustee or the Trustee's sublessee or assignee must promptly pay or cause to be paid when due all taxes and assessments which may be imposed on the Sites and the Buildings and all costs or charges for utility service supplied to the Sites and the Buildings. At any time during the term of the Ground Lease but after termination of the Lease Term, the Trust, the Trustee or the Trustee's sublessee or assignee must maintain the Sites and the Buildings in good condition and in good working order. At any time during the term of the Ground Lease but after termination of the Lease Term, the Trust, the Trustee or the Trustee's sublessee or assignee must obtain and keep in force, at its own expense, (a) comprehensive general liability insurance against claims for bodily injury, death, or property damage occurring on the Sites or in the Buildings in an amount not less than $2,000,000, and (b) property coverage - special form including equipment breakdown coverage in an amount not less than the replacement cost of the Buildings (excluding foundations). All such insurance must name the Trust, the Trustee, the Trustee's sublessee or assignee, the Lessee and the Regents as additional insureds. Proceeds of such property coverage insurance must be payable to the Trust, the Trustee, any Trustee's sublessee or assignee, the Lessee or the Regents as their respective interests may appear. All such insurance policies must provide that the insurance company may not modify or cancel such insurance without first giving 45 days' advance written notice to the Trust, the Trustee, the Lessee and the Regents. Each insurance policy described herein must contain a waiver of subrogation by the issuer of such policy with respect to the Trust, the Trustee, the Trustee's sublessee or assignee, the Lessee and the Regents, and their officers, agents, and employees, while acting within the scope of their employment.

Assignment and Conveyance. The Regents and the Trust have agreed that, pursuant to the Indenture, the rights of the Trust to receive certain payments and to enforce remedies pursuant to the Lease and the Ground Lease will be assigned to the Trustee. The Ground Lease may also be assigned by the Trustee pursuant to the Indenture. At any time during the term of the Ground Lease but after termination of the Lease Term, the Trust may also sublease the Sites and the Buildings or any portion thereof, or sell an assignment of its interest in the Ground Lease, pursuant to the Lease. The Regents, the Trust and the Trustee (or any sublessee or assignee of the Trustee) have agreed that, except for Permitted Encumbrances (including the purchase options under the Ground Lease and the Lease), neither the Regents, the Trust, the Trustee, nor any sublessee or assignee of the Trustee will sell, mortgage, or encumber the Sites or the Buildings or any portion thereof during the term of the Ground Lease.

Option to Purchase Buildings. At any time during the Lease Term, the Lessee has the option to terminate the Ground Lease and purchase the Buildings, or any portion thereof, for the benefit of the Regents, as provided in the Lease. At any time during the term of the Ground Lease but after termination of the Lease Term, the Regents are granted the option to terminate the Ground Lease and to purchase the Buildings, upon payment by the Regents of an amount sufficient to discharge the Indenture pursuant to its terms, effective on a date reasonably selected by the Trustee in accordance with the Indenture; plus all fees and expenses then owing to the Trustee; provided, however, that the Regents' purchase option will be subject to the rights of any sublessee or assignee pursuant to the Lease. In order to exercise the option granted by the Ground Lease, the Regents or the Lessee must give written notice to the Trustee and its sublessee or assignee of its intention to purchase the Buildings. Unless an earlier date is agreed upon, the closing for the purchase of the Buildings will be held on the ninetieth day after the giving of such notice. Unless a different location is agreed upon, such closing will be held at the principal office of the Trustee. At any such closing, the Regents will make payment by cash or wire transfer; and the Trust, the Trustee or the Trustee's sublessee or assignee must execute and deliver to the Regents all necessary documents releasing the Ground Lease and assigning, transferring, and conveying title to the Buildings, as they then exists, subject to the following: (i) Permitted Encumbrances, other than the Ground Lease, the Lease, and the Indenture; (ii) all liens, encumbrances, and restrictions created or suffered to exist by the Trust, the Trustee or the Trustee's sublessee or assignee as required or permitted by the Ground Lease or the Lease or arising as a result of any action taken or omitted to be taken by the Trust, the Trustee or the Trustee's sublessee or assignee as required or permitted under the Ground Lease or the Lease; (iii) any lien or encumbrance created by action of the Regents or the Lessee; and (iv) those liens and encumbrances (if any) to which title to the Sites was subject when leased to the Trust. Notwithstanding any other provision of the Ground Lease or the Lease, upon release of any Building from the Lease, such Building shall be owned solely by the Regents and neither the Lessee, the Trust, nor the Trustee will have any rights in such Building. The Trustee or its sublessee or assignee must furnish to the Regents at the expense of the Regents at any such closing a commitment for a standard owner's title insurance policy to be issued to the Regents, insuring title to the Buildings as described in the preceding sentence.

Events of Default and Remedies. The following will be "events of default" under the Ground Lease and the terms "events of default" and "default" will mean any one or more of the following events:

(a) Failure by the Trust, Trustee or the Trustee's sublessee or assignee to pay any rent at the time specified in the Ground Lease for a period of ten (10) days after written notice specifying such failure;

(b) Failure by the Trust, the Trustee, or the Trustee's sublessee or assignee to observe and perform any covenant, condition, or agreement on its part to be observed or performed other than as referred to in (a) above, for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied, unless the Regents may agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Regents may not withhold its consent to an extension of such time if corrective action is instituted by the Trust, the Trustee, or the Trustee's sublessee or assignee within the applicable period and diligently pursued until the default is corrected. Nonperformance by either party, except failure to pay rent, will be excused if such nonperformance is caused by Force Majeure.

Whenever any event of default referred to above has happened and is continuing, the Regents will have the right, at its option without any further demand or notice, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the Sites; provided, however, that the Regents may terminate the Ground Lease only if there are no Certificates Outstanding, as provided in the Indenture.

APPENDIX C

Continuing Disclosure Undertaking

REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012A
(UCDHSC Fitzsimons Academic Projects)

Relating to the Lease Purchase Agreement
between the STATE OF COLORADO acting by and through
The Regents of the University of Colorado, as Lessee, and
FITZSIMONS ACADEMIC FACILITIES LEASING TRUST 2005, as Lessor

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by THE STATE OF COLORADO, acting by and through THE REGENTS OF THE UNIVERSITY OF COLORADO (the "**Lessee**"), in connection with the issuance of $56,095,000 of the Refunding Certificates of Participation, Series 2012A (UCDHSC Fitzsimons Academic Projects) Relating to the Lease Purchase Agreement between the State of Colorado acting by and through The Regents of the University of Colorado, as Lessee, and Fitzsimons Academic Facilities Leasing Trust 2005, as Lessor (the "**Certificates**"). The Certificates are being issued pursuant to and secured by a Mortgage and Indenture of Trust dated as of December 15, 2005, as amended pursuant to the First Supplemental Mortgage and Indenture of Trust dated as of December 1, 2009 and a Second Supplemental Mortgage and Indenture of Trust dated as of April 1, 2012 (together, the "**Indenture**").

The Lessee covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Lessee for the benefit of the owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"**Annual Financial Information**" means the financial information or operating data with respect to the Lessee, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including such financial information and operating data included in **Appendix D** – "THE STATE GENERAL FUND" and **Appendix G** – "STATE PENSION SYSTEM."

"**Audited Financial Statements**" means the annual financial statements for the State of Colorado, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants or the State Auditor.

"**Events**" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"**MSRB**" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, with a portal at http://emma.msrb.org..

"**Official Statement**" means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

"**Owner of the Certificates**" means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"**Rule 15c2-12**" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2012, and annually while the Certificates remain outstanding, the Lessee shall provide to the MSRB Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the Lessee not later than 270 days after the end of each Fiscal Year 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 Lessee may provide Annual Financial Information and Audited Financial Statements with respect to the State of Colorado by specific cross-reference to other documents which have been submitted to the MSRB or filed with the Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Lessee shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) The Lessee shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the Event, notice of any of the Events listed below with respect to the Certificates:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, *if material*.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.

7. Modifications to the rights of the security holders, *if material*.

8. Certificate calls (other than mandatory sinking fund redemption), *if material*, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities, *if material.*

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*.

14. Appointment of a successor or additional trustee or the change of name of a trustee, *if material*.

(b) At any time when the Certificates are Outstanding and the Lessee obtains knowledge of the occurrence of an Event, the Lessee shall determine if any Event under subsection (a)(2)(7),(8, with respect to calls, but not tender offers), (10), (13) or (14) would constitute material information for Owners of Certificates.

(c) At any time the Certificates are outstanding, the Lessee shall provide, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the Lessee to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the Lessee shall no longer constitute an "obligated person" with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure

Undertaking 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 shall be evidenced by an opinion of an attorney selected by the Lessee, a copy of which opinion shall be given to the representative of the Participating Underwriters. The Lessee shall file or cause to be filed a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Lessee may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the Lessee to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Lessee from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Lessee shall not be required to do so. If the Lessee chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Lessee shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 9. Default and Enforcement. If the Lessee fails to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take action to seek specific performance by court order to compel the Lessee to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the Lessee to so comply shall first provide at least 30 days' prior written notice to the Regents of the Lessee's failure (giving reasonable details of such failure), following which notice the Lessee shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the Lessee in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. 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 LESSEE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Lessee, the Participating Underwriters and Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: May 17, 2012

THE STATE OF COLORADO acting by and through The Regents of the University of Colorado ("Lessee")

By:______________________________________
Title: Chair

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APPENDIX D

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 2006-07 through Fiscal Year 2010-11 and the forecasts for Fiscal Years 2011-12 and 2012-13 from the OSPB March 2012 Revenue Forecast. See "FORWARD-LOOKING STATEMENTS."

The table also shows the infusion of federal stimulus funding under the American Recovery and Reinvestment Act of 2009 (the "**Recovery Act**") for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Under the Recovery Act, the State received a General Fund expenditure offset of $223.9 million for Federal Medical Assistance Percentage ("**FMAP**") participation in Fiscal Year 2008-09 and an additional total of $418.9 million in State funding in Fiscal Year 2009-10. The total state funding FMAP offsets to Fiscal Year 2010-11 are estimated to equal $355.1 million. Both the Fiscal Year 2009-10 and Fiscal Year 2010-11 total General Fund offsets due to FMAP are not shown as a separate entry on the table below as these offsets are captured in the "General Fund Appropriations Subject to the Appropriations Limit" entry. These amounts reduced 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 and Other Considerations." See also "FORWARD-LOOKING STATEMENTS."

State of Colorado
General Fund Overview
Fiscal Years 2006-07 through 2012-13

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

	Actual (Unaudited)[1]					OSPB Forecast	
	Fiscal Year 2006-07	**Fiscal Year 2007-08**	**Fiscal Year 2008-09**	**Fiscal Year 2009-10[14]**	**Fiscal Year 2010-11**	**Fiscal Year 2011-12**	**Fiscal Year 2012-13**
REVENUE:							
Beginning Reserve	$ 251.7	$ 267.0	$ 283.5	$443.3	$137.4	$156.7	$465.0
Gross General Fund Revenue	7,539.8	7,742.9	6,742.7	6,457.7	7,085.8	7,400.1	7,620.8
Diversion to the Highway Users Tax Fund[2]	(228.6)	(238.1)	--	--	--	--	--
Net Transfers to (from) the General Fund[3]	--	(5.0)	813.3	(47.6)	150.1	124.8	(5.9)
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,562.9	7,766.9	7,839.5	6,853.5	7,373.2	7,681.5	8,079.8
EXPENDITURES:							
Appropriations Subject to Limit [4]	6,675.6	7,087.8	7,387.1	6,631.6	6,811.1	7,034.5	7,492.4
Appropriations Change From Prior Year	*382.9*	*412.3*	*299.3*	*(755.5)*	*179.5*	*223.4*	*457.9*
Percent Change	*6.1%*	*6.2%*	*4.2%*	*(10.2)%*	*2.7%*	*3.3%*	*6.5%*
Exemptions to the Appropriations Limit [5]	11.1	31.9	12.2	--	12.0	--	--
Spending Outside the Appropriations Limit:	360.0	320.2	210.6	84.5	139.0	182.0	287.7
TABOR Refund	--	--	--	--	--	--	--
Rebates and Expenditures[6]	*164.6*	*173.8*	*136.0*	*141.9*	*126.0*	*131.1*	*130.4*
Homestead Exemption[7]	*74.2*	*79.8*	*85.6*	*1.3*	*1.6*	*1.7*	*98.5*
Transfer to Capital Construction Fund[8]	*145.9*	*93.7*	*24.9*	*0.2*	*12.0*	*49.3*	*58.7*
Reversions and Accounting Adjustments[9]	*(24.7)*	*(27.1)*	*(36.0)*	*(56.2)*	*(34.4)*	*0*	*0*
Enhanced Medicaid Match (Reduces General Fund Expenditures) [10]	--	--	(223.9)	(2.7)	(0.5)	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,046.6	7,439.9	7,386.0	6,716.0	6,927.7	7,216.5	7,780.1
RESERVES							
Year-End General Fund Balance	516.3	327.0	443.8	137.4	445.5	465.0	299.7
Year-End Excess General Fund Balance as a Percent of Appropriations	*7.7%*	*4.6%*	*2.0%*	*2.1%*	*6.5%*	*6.6%*	*4.0%*
General Fund Statutory Reserve[11]	267.0	283.5	148.2	132.6	156.7	281.4	299.7
Excess Moneys Above (Below) Unappropriated Reserve	249.3	43.4	295.5[12]	4.8	288.9[13]	(183.6)	0
Transfer to Highway Users Tax Fund (2/3)[14]	*166.2*	*29.0*	--	--	--	--	--
Transfer to Capital Construction Fund (1/3)[14]	*83.1*	*14.5*	--	--	--	--	--
Note: Deposit to the State Education Fund[13,15]	*395.1*	*407.9*	*339.9*	*329.0*	*591.9*	*398.0*	*399.9*

[Notes on the next page]

(1) This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

(2) For Fiscal Years 2006-07 and 2007-08, 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 by SB 09-228 beginning with Fiscal Year 2009-10 and for all subsequent years.

(3) This figure represents the total net transfers to or from the General Fund, including statutorily required transfers into the General Fund from various cash funds.

(4) Per SB 09-228 for Fiscal Year 2009-10, this appropriation limit was revised from the lesser of (i) 5% of Colorado Personal Income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year, to just 5% of Colorado Personal Income. The appropriations amount for Fiscal Year 2011-12 reflects current law plus additional changes the General Assembly is expected to make, such as additional appropriations for health care-related expenditures that is currently estimated at $61.4 million. The amounts for Fiscal Year 2012-13 and Fiscal Year 2013-14 represent the level of spending that can be supported by revenue while maintaining the required reserve amounts. The Fiscal Year 2012-13 amount also assumes that the $183.6 million excess reserve in Fiscal Year 2011-12 is not used and adds to the amount of money available for spending in Fiscal Year 2012-13.

(5) In Fiscal Years 2006-07, 2007-08, 2008-09 and 2010-11 totals of $11.1 million, $31.9 million, $12.2 million, and $12.0 million respectively, are not subject to the appropriations limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but are used as the base for calculating the following year's appropriations limit. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures, The Balanced Budget and Statutory Spending Limitation*." Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line.

(6) This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions. 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 each fiscal year.

(7) The senior Homestead Exemption which reduces property taxes for qualifying seniors was suspended (except for an exemption for qualified disabled veterans) for Fiscal Year 2009-10 through Fiscal Year 2011-12.

(8) The transfers shown in the table through Fiscal Year 2010-11 are historical amounts for capital construction and controlled maintenance-related funding, while the amounts for Fiscal Years 2011-12 and 2012-13 are for capital requests, Level I Controlled Maintenance funding and certificate of participation payments appropriated from capital construction funds.

(9) Part of the Fiscal Year 2009-10 reversions and accounting adjustments amount includes a reduction of $28.1 million to account for a delay in Medicaid payments. These payments are accounted for in Fiscal Year 2010-11 expenditures.

(10) The table reflects the infusion of federal stimulus funding for Federal Medical Assistance Percentage in Fiscal Years 2008-09 through Fiscal Year 2010-11. For Fiscal Years 2009-10 and 2010-11, General Fund expenditure offsets due to FMAP are predominantly included in the "General Fund Appropriations Subject to the Appropriations Limit" line item.

(11) Per SB 09-219 and SB 09-277, the Unappropriated Reserve required by Section 24-75-201.1, C.R.S., was lowered from 4.0% to 2.0% for Fiscal Year 2008-09 and 2009-10, and per SB 11-156, the Unappropriated Reserve requirement was 2.3% for Fiscal Year 2010-11. The Unappropriated Reserve requirement reverted to 4.0% for Fiscal Year 2011-12.

(12) This excess amount is due to a one time transfer of $458,057,698 from specified cash funds to the General Fund on June 30, 2009.

(13) Per SB 11-230, of the excess amount above the 2.3% Unappropriated Reserve in Fiscal Year 2010-11, $67.5 million is credited to the Public School Fund; the remainder, or $221.4 million, is to be transferred to the State Education Fund. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

(14) Per HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the then applicable Unappropriated Reserve was required to be credited to the Highway Users Tax Fund, and one-third of such excess was to be credited to the Capital Construction Fund. SB 09-228 repealed this requirement effective January 1, 2010, and SB 09-278 prohibited the transfer of the excess reserves for Fiscal Years 2008-09 and 2009-10 to the Highway Users Tax Fund and the Capital Construction Fund. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

(15) 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. See also Note 13 above. In Fiscal Year 2011-12, the State Education Fund will also receive money from the tax amnesty program created by SB 11-184. Based on the preliminary collections, this amount is roughly $9.4 million.

Sources: Office of State Planning and Budgeting

Discussion of Recent General Fund Operations

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" below.

Fiscal Year 2010-11.

General Fund revenues increased by 9.7% in Fiscal Year 2010-11 compared to a decline of 4.2% in Fiscal Year 2009-10. In Fiscal Year 2010-11, sales and use tax revenues increased by 12.8% compared to a decrease of 6.0% in Fiscal Year 2009-10. Other excise tax revenues decreased 3.1% compared to an increase of 0.9% in Fiscal Year 2009-10. Corporate and individual income tax collections increased 9.7% compared to a decrease of 3.7% in Fiscal Year 2009-10. Other revenues declined 5.6% in Fiscal Year 2010-11 compared to an increase of 0.1% in Fiscal Year 2009-10. Total funds available for expenditure in Fiscal Year 2010-11 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $7,373.2 million and total obligations were $6,927.7 million. In accordance with Amendment 23 and SB 11-156, $591.9 million was diverted to the State Education Fund. The Unappropriated Reserve was $156.7 million. As permitted by SB 09-277, the Unappropriated Reserve was 2.3% of Fiscal Year appropriations.

Fiscal Year 2009-10

General Fund revenues declined by 4.2% in Fiscal Year 2009-10 compared to a decline of 12.9% in Fiscal Year 2008-09. In Fiscal Year 2009-10, sales and use tax revenues decreased by 6.0% compared to a decrease of 9.1% in Fiscal Year 2008-09. Other excise tax revenues increased 0.9% compared to a decline of 1.7% in Fiscal Year 2008-09. Corporate and individual income tax collections decreased 3.7% compared to a decrease of 15.6% in Fiscal Year 2008-09. Other revenues increased 0.1% in Fiscal Year 2009-10 compared to a decline of 0.2% in Fiscal Year 2008-09. Total funds available for expenditure in Fiscal Year 2009-10 (which excludes the amount deposited into the State Education Fund) were $6,853.5 million and total obligations were $6,716.0 million. In accordance with Amendment 23, $329.0 million was diverted to the State Education Fund. The General Fund's statutory reserve was $132.6 million. As permitted by SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

Fiscal Year 2008-09. Comprehensive General Fund revenues decreased by 12.9% in Fiscal Year 2008-09 compared to an increase of 2.7% in Fiscal Year 2007-08. In Fiscal Year 2008-09, sales and use tax revenue decreased by 9.1% compared to an increase of 4.9% in Fiscal Year 2007-08. Other excise tax revenue declined 1.7% compared to a decline of 0.7% in Fiscal Year 2007-08. Corporate and individual income tax collections decreased 15.6% in Fiscal Year 2008-09 compared to an increase of 2.1% in Fiscal Year 2007-08. Other revenues declined 2.2% in Fiscal Year 2008-09 compared to a decline of 1.7% in Fiscal Year 2007-08. Total funds available for expenditure in Fiscal Year 2008-09 (which excludes the amount deposited into the State Education Fund) were $7,826.3 million and total obligations were $7,386.3 million. In accordance with Amendment 23, $339.9 million was diverted to the State Education Fund. The General Fund statutory reserve was $148.2 million. Per SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

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 4% 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.

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 Unappropriated 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.

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 2010-11, individual and corporate income taxes (after the State Education Fund diversion) comprised approximately 63.8% of total General Fund revenues, and general sales and use taxes contributed approximately 31.5% of total General Fund revenues. The OSPB forecasts that gross General Fund revenue will grow at a compound average annual rate of 3.9% between Fiscal Year 2010-11 and Fiscal Year 2013-14.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 63.5% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 64.4% of total General Fund revenues in Fiscal Year 2011-12 and 64.0% of total General Fund revenues in Fiscal Year 2012-13 (in all three cases before State Education Fund diversion). Individual income tax revenues increased by 11.3% in Fiscal Year 2006-07 and 2.1% in Fiscal Year 2007-08, followed by a decrease of 12.9% in Fiscal Year 2008-09, a decrease of 5.8% in Fiscal Year 2009-10 and an increase of 10.1% in Fiscal Year 2010-11. The OSPB forecasts that Fiscal Year 2011-12 individual income tax revenues will increase by 6.0% over Fiscal Year 2010-11.

Corporate Income Tax. Corporate income tax revenues accounted for 5.6% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 5.6% of total General Fund revenues in Fiscal Year 2011-12 and 6.0% of total General Fund revenues in Fiscal Year 2012-13 (in all three cases before the State Education Fund diversion). Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax receipts increased 11.3% in Fiscal Year

2006-07 and 2.0% in Fiscal Year 2007-08, followed by a decrease of 42.4% in Fiscal Year 2008-09, an increase of 27.2% in Fiscal Year 2009-10 and an increase of 5.9% in Fiscal Year 2010-11.

Sales and Use Taxes. Sales and use tax receipts accounted for 31.5% of General Fund revenue in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 30.7% of total General Fund revenues in Fiscal Year 2011-12 and 30.1% of total General Fund revenues in Fiscal Year 2012-13. Sales and use tax revenues increased 4.1% in Fiscal Year 2006-07 and 4.9% in Fiscal Year 2007-08, followed by decreases of 9.1% and 6.0% in Fiscal Year 2008-09 and Fiscal Year 2009-10, respectively, and an increase of 12.8% in Fiscal Year 2010-11. The OSPB forecasts that sales and use tax revenues will increase by 1.6% and 1.1% in Fiscal Years 2011-12 and 2012-13, respectively.

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 1.3% of General Fund revenue in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 1.3% of total General Fund revenues in Fiscal Year 2011-12 and 1.2% of total General Fund revenues in Fiscal Year 2012-13. Other excise tax revenues increased 2.0% in Fiscal Year 2006-07, decreased 0.7% in Fiscal Year 2007-08, decreased 1.9% in Fiscal Year 2008-09, increased 0.9% in Fiscal Year 2009-10 and decreased 3.1% in Fiscal Year 2010-11.

In 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20 percentage points and increased the tax on cigarettes by $0.64 per pack beginning in 2005. This caused a decline in sales of cigarettes and other tobacco products which in turn contributed to 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 TABOR exempt 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 3.4% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 3.3% of total General Fund revenues in Fiscal Year 2011-12, and 3.9% of total General Fund revenues in Fiscal Year 2012-13. As a whole, revenues in this category declined 7.2% in Fiscal Year 2006-07, 1.7% in Fiscal Year 2007-08, and 0.2% in Fiscal Year 2008-09, followed by an increase of 0.1% in Fiscal Year 2009-10 and a decrease of 5.6% in Fiscal Year 2010-11.

SB 11-159 amended Section 12-47.1-701, C.R.S., to provide that, commencing with Fiscal Year 2010-11, 50% of the amount remaining in the Limited Gaming Fund at the end of each Fiscal Year (the "State Share") is to be transferred to the General Fund or such other fund as the General Assembly shall provide. Of the State Share, the first $19.2 million and any amount in excess of $48.5 million is to be transferred to the General Fund. The OSPB forecasts that other revenues will increase 1.9% in Fiscal Year 2011-12 and increase 21.3% in Fiscal Year 2012-13. The large increase in Fiscal Year 2012-13 is a result of a change in federal tax law that will result in the resumption of estate tax revenue to the State.

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 2011-12 and 2012-13. See also "OSPB Revenue and Economic Forecasts" below and "FORWARD LOOKING STATEMENTS" in the body of this Official Statement.

State of Colorado
Receipts from Major Taxes
(Dollar amounts expressed in millions)

	Actual					OSPB Estimate[1]	
	Fiscal Year 2006-07	**Fiscal Year 2007-08**	**Fiscal Year 2008-09**	**Fiscal Year 2009-10**	**Fiscal Year 2010-11**	**Fiscal Year 2011-12**	**Fiscal Year 2012-13**
Individual Income Tax	$4,870.9	$4,973.7	$4,333.3	$4,083.8	$4,496.1	$4,764.6	$4,880.0
Change from Prior Year	11.3%	2.1%	(12.9)%	(5.8%)	10.1%	6.0%	2.4%
Corporate Income Tax	$497.9	$507.9	$292.5	$372.1	$393.9	$412.2	$453.8
Change from Prior Year	11.3%	2.0%	(42.4)%	27.2%	5.9%	(4.6)%	10.1%
Sales and Use Tax[2]	$2,209.5	$2,317.9	$2,107.8	$1,980.7	$2,233.5	$2,270.0	$2,295.6
Change from Prior Year	4.1%	4.9%	(9.1)%	(6.0)%	12.8%	1.6%	1.1%
Other Excise Taxes	$94.0	$93.3	$91.6	$92.4	$89.5	$94.1	$90.7
Change from Prior Year	2.0%	(0.8)%	(1.9)%	0.9%	(3.1)%	5.1%	(3.6)%
Other Revenues[3]	$262.5	$258.1	$257.4	$257.9	$243.2	$247.9	$300.7
Change from Prior Year	(7.2)%	(1.7)%	(0.2)%	0.2%	(5.7)%	1.9%	21.3%

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(1) OSPB March 2012 Revenue Forecast.
(2) For Fiscal Years 2006-07, 2007-08 and 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 were sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10 and thereafter. 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.
(3) The amount of gaming revenue to the General Fund in Fiscal Years 2010-11 and thereafter incorporates the new distribution of gaming revenue per SB 11-159.

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 Colorado 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 was provided by Moody's Economy.com for the OSPB March 2012 Revenue Forecast. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic 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 and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are 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 the Governmental Accounting Standards Board ("**GASB**"), with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the

General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released on in June 2012. General Fund revenue projections in the new forecast may be materially different from the OSPB March 2012 Revenue Forecast and may project a revenue shortfall or a larger revenue surplus if economic conditions change markedly. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast, and in some cases have been significantly lower or higher than the immediately preceding forecast, and such volatility may be reflected in the June 2012 forecast. If a revenue shortfall is projected for Fiscal Year 2012-13 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget.

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Year 2011-12 through Fiscal Year 2013-14. 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 in March 2012, 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. Based on current law as well as additional appropriations that are currently expected to be made, Fiscal Year 2011-12 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. equal $7,034.5 million, an increase of 3.3% over final Fiscal Year 2010-11 appropriations of $6,811.1 million. The forecast projects that the State will end the Fiscal Year 2011-12 with reserves of $183.6 million above the current Unappropriated Reserve requirements of 4.0%.

The OSPB March 2012 Revenue Forecast projects revenues adequate to maintain the Fiscal Year 2012-13 4.0% Unappropriated Reserve requirement and to fund General Fund expenditures amounting to $7,780.1 million, which is $563.6 million (7.8%) over projected Fiscal Year 2011-12 levels. This assumes that the projected revenue amount above the Fiscal Year 2011-12 Unappropriated Reserve requirement of 4.0% is not spent and adds to the amounts of money available for spending in Fiscal Year 2012-13. However, the amount of spending out of the General Fund budget will depend on policy decisions regarding the use of this Fiscal Year's projected fund balance above the Unappropriated Reserve requirement and decisions regarding the the Fiscal Year 2012-13 budget. See "General Fund Overview" above.

See also "General Fund Overview above.

Economic Forecast. The OSPB quarterly revenue forecasts also include both Colorado and national economic forecasts.

OSPB has upgraded the economic forecast for 2012 based on recent economic momentum. Continued improvement in the job market and increased confidence among households and businesses are expected to help the economy grow. Further, the sustained production of goods, both nationally and in Colorado, are building a better foundation for growth. Lastly, loosened credit is providing businesses and households new money for investments and spending. These trends indicate that the economy is showing more positive feedback loops of activity that are integral to sustained growth.

Though improving, some sectors of the national and Colorado economies are still experiencing the aftermath of the housing bust and financial crisis. Additionally, persistent headwinds should hinder stronger economic growth. These include slowing in large economies in other parts of the world, most notably Europe and China, and elevated price levels, particularly for gasoline. Finally, downside risks remain as a result of the continuing European sovereign debt problems, the potential for higher-than-expected inflation, and a possible rise in historically low interest rates. Thus, though the forecast for 2012 improved somewhat from December 2011, OSPB still expects only modest and likely uneven growth in 2012 and 2013.

Overall Economic Conditions.

One useful assessment of current overall economic conditions is the National Economic Activity Index published by the Chicago Federal Reserve. The index uses 85 monthly economic indicators to measure the economy's performance. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth, negative values indicate below-average growth, and positive values indicate above-average growth. Though not showing strength, the index is indicating that growth has picked up and is slightly above its historical trend. The index's three-month moving average is at its highest level since March 2011.

The Federal Reserve's Industrial Production Index measures the production of all physical goods in the United States, covering the manufacturing, mining, and electric and gas utilities sectors. The index shows increasing production. This is an important trend, as these industries produce a high amount of value for the economy. Increased production in these sectors generates more activity in other areas of the economy, such as from suppliers, construction, commercial real estate, transportation, engineering, consulting, and advertising.

Although mining output fell 1.8% in January 2012 compared with the prior month, its first decline since February 2011, output has surged since the end of the recession. Most of the increase in mining output nationally has been due to increasing production of natural gas. The United States is now the world's largest producer of dry natural gas. High income and spending from oil and natural gas activity is bolstering confidence in regions where the boom is most prolific. This includes northeast Colorado, where oil drilling and production is surging.

Manufacturing remains at the forefront of our economy's rebuilding process. Manufacturing output increased 0.7% in January after soaring 1.5% in December, which was the biggest gain in five years. Lately, some businesses have discovered it has become more profitable and a better business practice to operate in the United States rather than other countries. This occurrence combined with the rebound in the economy is spurring growth in manufacturing.

Manufacturing is Colorado's 4th largest private industry in terms of output, and it is continuing to experience a renaissance. According to the Center for Regional Economic Competitiveness and the University of Massachusetts Donahue Institute, manufacturing was the state's second largest hiring industry behind health care and social assistance, as measured by openings in 2011.

The Goss Institute's Business Conditions index for Colorado, a leading economic indicator expanded in February to 59.1, above January's 57.5 index. Colorado's economic expansion has been characterized by ups and downs. However, consistent with other indicators of economic activity, the index has exhibited an upward trend since the fall of 2011. According to the index, growth has been especially strong for firms tied to agriculture and energy. The Goss Institute conducts monthly surveys to inform its Business Conditions Index, and survey respondents ranked the possibility of higher energy prices as the biggest risk for the regional economy. The index remains below its fall of 2009 level, right before the recession and financial crisis hit the State's economy.

Another index of leading indicators for Colorado's economy created by the Philadelphia Federal Reserve Branch shows that the economic expansion in Colorado is also likely to continue, at least for the near term. Among the activities used to form this index are housing permits, initial unemployment insurance claims, and delivery times from vendors to producers.

The Job Market.

The job market, both nationally and in Colorado, is showing the most strength since the recovery began in late 2009. Several indicators point to this improvement, including more consistent and stronger job growth, declining claims for unemployment insurance, and positive trends in average hours worked – a historically reliable indicator of the trajectory of the economy.

Colorado's job growth has outpaced that of the nation, but job levels remain well below their pre-recession peak. The state has regained close to half the 150,000 jobs it lost during the recession, while the nation has regained a little under 40% of its job losses.

In 2011, the state gained 35,600 jobs, a growth rate of 1.6% after declines in the previous two years. This number includes OSPB's estimate of an expected upward revision to the jobs level based on Quarterly Census of Employment and Wage data. Colorado's oil and natural gas industry has shown the largest percentage increase in jobs while lodging and food services have added the largest number of jobs. Manufacturing has added jobs over the past two years, the first increase in over a decade, providing more evidence of the industry's renaissance. Professional, scientific, and technical services, a high-paying industry in which Colorado specializes, has also seen solid growth.

Initial unemployment insurance claims are considered to be a leading indicator for the economy. Total initial claims in Colorado have trended downward since early 2009. Initial claims in Colorado as well as at the national level are at their lowest level in four years.

There are two main surveys used to gauge trends in the job market – a survey of businesses' workforce changes and a survey of households to determine their current employment situation. The household survey is indicating stronger gains in employment. This can occur during economic expansions as the survey is better able to capture hiring from new business creation and small business expansion than the survey of businesses. The household survey also is likely reflecting a growing trend of more self-employed and individuals working as independent contractors rather than at one firm. The increasing utilization of mobile technology and easy access to information from the Internet, as well as more interest in flexibility is causing more individuals to not work at a single firm but as independent contractors, or "economic free agents." According to one survey from Kelly Services, a workforce consulting and outsourcing firm, 44% of today's workers consider themselves economic free agents, compared with 19% in 2006 before the recession.

OSPB forecasts Colorado nonfarm payroll jobs will increase 1.5% in 2012, similar to 2011's growth, but slow to 1.1% in 2013; nationally, job growth will be slightly slower: 1.3% in 2012 and 0.9% in 2013.

Despite recent job gains, unemployment continues to be high. In January 2012, the Colorado unemployment rate was 7.8%, one percentage point below the January rate a year ago. The State's unemployment rate reached a high of 9.0% at the end of 2010 and beginning of 2011. Despite an increase of workers entering the labor force, which can sometimes cause the unemployment rate to rise as more workers seek jobs, the State and national economies have been creating sufficient jobs to reduce the unemployment rate. In February 2012 the national unemployment rate was 8.3%, down from 9.0% in February 2011 and 9.8% in February 2010.

The large percentage of long-term unemployed is particularly troublesome both for the economy and those individuals struggling to find work. Fewer workers in the economy mean there are fewer resources that can produce and help generate economic growth. This is one factor causing the projection for only modest growth.

The broadest measure of unemployment is referred to as U6, or sometimes referred to as the "underemployment rate." It includes two populations that the traditional widely reported unemployment rate measure, officially called U3, does not: workers who would like to work but have temporarily stopped seeking employment and those that want full-time employment but have to settle on a part-time job due to the lack of other opportunities. In Colorado, U6 measured 15.4% at the last reporting, only slightly lower than the recession high of 15.7%.

The high underemployment rate in Colorado is mirrored at the national level and reflects the fact that the recession has left many workers persistently unemployed or underemployed. A number of structural factors appear to be contributing to this. For example, many unemployed workers lack the skills to move into industries that are now growing. It takes time for individuals to discover where job opportunities are and to develop the skills to work in those industries. Additionally, many companies need fewer workers because of efficiency improvements made during the recent recession, which compelled cost reductions for survival. Unemployment is expected to remain high due to the apparent structural issues in the job market, and because it will take time for the economy to absorb the expected increase in people returning to the labor force seeking work.

Colorado unemployment rates of 7.9% and 7.6% are forecast for 2012 and 2013, respectively. The national unemployment rate will be 8.5% in 2012 and 8.4% in 2013.

Household Income and Spending

Household balance sheet improvement and income growth is crucial to the strength of the economic recovery, as it facilitates confidence and frees up more resources for investing and spending. Household liabilities have been trending downward from the fourth quarter of 2008 through the fourth quarter of 2011. Household assets have increased in most quarters since mid 2009. However, as is shown, the liability-to-assets ratio is still well above its average level before households began to take on more debt in the latter 1990s. This dynamic suggests households will continue to repair balance sheets and reduce debt. This will be important for longer term economic health, but in the near term it leaves fewer resources to contribute to growth.

Real, or inflation-adjusted, disposable personal income has increased modestly since mid-2009, though it weakened starting in the last half of 2011. Wage growth has been anemic of late as well. These weak readings suggest only modest economic growth and present a downside risk to the forecast. Stronger job and wage growth and less elevated prices are necessary for the higher real disposable personal income growth that is necessary to maintain current levels of spending.

After falling for the first time in the spring of 2008 since the data began to be tracked in the early 1950s, consumer borrowing began to increase again in early 2011. In addition, the personal saving rate has trended downward since 2010. The decline in the savings rate and increase in consumer credit, coupled with muted income growth, may reduce future spending as consumers shift purchases from future periods to the present.

Household spending on durable goods, or big ticket items such as vehicles, appliances, and electronics, has continued to grow. In February, spending on such items nationally was up 7.6% compared with a year ago. The available data for Colorado through November of 2011 shows solid growth in spending on such goods as well, particularly vehicles.

A sustained increase in consumer spending on durable goods is usually indicative of a continued expansion because it signals that consumers feel better about their financial position. However, some of the strength may be due to continued pent up demand after consumers delayed such purchases over the recession and lackluster recovery. To the extent this is the case, the current relatively high trajectory of spending on durables should wane.

Colorado personal income has increased every quarter from the fourth quarter of 2009 through the third quarter of 2011, the latest period for which data is available. Personal income consists of wage and salary income, proprietors' (or business) income, government transfer receipts, and interest and dividend earned on assets. Bureau of Labor Statistics data show wage growth has been only modest. Further, government transfer payments still represent a high portion of total personal income compared to pre-recession levels. Nonfarm business income is growing again, which reflects the rise in the number of self-employed and improved conditions for small businesses.

OSPB forecasts Colorado personal income growth of 4.4% in 2012 and 4.3% in 2013. Colorado wage and salary growth is forecast to grow 3.8% in 2012 and 3.6% in 2013. Colorado retail sales are forecast to grow 5.3% in 2012 and 4.9% in 2013. Growth rates for these measures at the national level will be slightly lower.

Prices.

The Denver-Boulder-Greeley consumer price index increased 3.7% in 2011, compared with a 3.1% increase nationally. Much of the increase was due to a substantial rise in commodity prices that put upward pressure on retail food and gas prices.

Commodity prices, especially oil and foodstuffs, are expected to remain high. High commodity prices pose a downside risk to the economy, especially if they are combined with continued sluggish income growth. Continued high input prices for businesses also pose a downside risk as it leaves them with fewer resources for economically beneficial activities, such as hiring and investment.

While a gap between national and Colorado gas prices currently exists, the gap is beginning to narrow. The squeeze from high prices on businesses and households will be less pronounced in Colorado if gasoline prices remain below the national average. Cheaper gasoline prices in the Rocky Mountain region have been attributable to the region's cheaper crude prices and refinery costs. Most oil used by the region's refineries is from the Rocky Mountain region, the central U.S., and Canada, which is currently sold at lower prices than oil used by other areas of the country.

The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.4% in 2012 and 3.0% in 2013; nationally, consumer prices will increase 2.3% in 2012 and 2.9% in 2013. National producer prices will increase 4.1% in 2012 and 4.8% in 2013. Though these rates of increase are not particularly strong, they follow a 2011 price surge.

The Housing Market

The housing sector continues to temper the broader economic recovery as new home construction remains low, values continue to fall, albeit more slowly, and the share of homeowners with negative equity mortgages remain exceptionally high. According to national CoreLogic negative equity data, 22.8% of all residential properties with a mortgage were in negative equity at the end of the fourth quarter of 2011, up from 22.1% in the third quarter of 2011. The high level of negative equity weighs on consumer spending and constrains small business formation and expansion as it eliminates one of the traditional sources of financing for these businesses. It also hurts home sales activity as owners are less willing or unable to sell their homes for less than their mortgage debt obligation.

Although Colorado's housing market has fared better than the harder hit states, subdued single-family home construction, weakened home prices, and foreclosures continue to weigh on the Colorado economy. However, in some areas, housing has exhibited some signs of modest improvement as price declines slow and permits for new homes expand gradually.

Historically, economic recoveries have occurred with housing either leading the way or contributing substantially. The current recovery has been an exception and is a key reason for the economy's lackluster performance. Because housing activity, both sales and construction, will remain subdued, the economic recovery will likewise remain modest and uneven. A downside risk to the gradually improving housing market is a rise in the historically low mortgage rates. Low mortgage rates are currently making home buying more affordable and enabling homeowners to refinance and lower their house payments.

The multifamily sector, which mostly includes apartments, townhomes, and condominiums, has fared well in Colorado over the past year, particularly in Denver. The combined vacancy rate for apartments in six metro areas across Colorado during 2011's fourth quarter was 5.6%. The Denver-area vacancy rate was 5.4% at the end of 2011, according to the Colorado Real Estate Journal. Home buying remains subdued despite exceptionally low mortgage rates, which suggests a fundamental shift in perceptions of the value of home ownership. Multifamily construction activity has increased in response to increased demand for rental units and more affordable housing.

OSPB forecasts total Colorado housing permits issued to increase by 3,100 permits, or 22.3% in 2012 and 4,200 permits, or 25.0% in 2013. National residential construction activity will grow at a slightly weaker rate.

Nonresidential Real Estate

Nonresidential construction activity has been generally weak statewide as a result of the modest recovery and high levels of construction before the downturn. Commercial construction mostly includes retail, office space, hotels, and restaurants. The value of commercial construction projects is currently at its lowest level since the mid-1990s.

Nonresidential construction, particularly office buildings, is likely to remain muted. A continued modest recovery along with changes in the way businesses operate and people work will reduce the amount of office space needed by firms. Businesses are becoming more efficient and thus are using leaner workforces. In addition, technological advancements are making it easier to work remotely and enable more individuals to be self-employed or work as independent contractors.

OSPB projects that the total value of statewide nonresidential construction will decrease 4.5% in 2012 and increase 2.9% in 2013.

Credit Conditions

Despite the financial turmoil in Europe, bank credit in the U.S. has continued to expand. This is likely one main determinant for the pickup in economic activity just as the contraction in credit worsened the recession and hindered the recovery in its earlier stages. An increase in bank credit means that new money is entering the economy to finance activities, such as new business investments and expansions. This new money in the economy can have a large effect on growth.

Summary and Risks to the Forecast

The economy has shown upward momentum in many aspects, particularly in the job market, manufacturing and other areas of industrial production, consumer spending, and lending to businesses. Additionally, the housing market has shown gradual improvement, albeit from depressed levels. Recent indicators point to continued growth in the economy. Further, Colorado appears to be outperforming the nation's economy. This is likely due to the state's favorable business climate, innovative workforce, and a diverse set of industries. These industries include advanced manufacturing, professional and technical services, and energy, all of which make substantial positive contributions to economic growth.

However, the economy is still facing headwinds and higher than normal downside risks. There may be further flare-ups in the financial system from the poor condition of some European governments and banks. The European problem is structural in nature and thus will take time to resolve. The slowdown in Europe's economy is having an effect on our economy. For example, Colorado's exports to Europe were down 14.5% in the November 2011 through January 2012 period compared with the same period a year ago.

Uncertainty exists regarding future changes in the federal tax code which may delay decision making and investments in the economy. Further, prices could increase more than expected which would weaken the economy. High levels of both private and public debt in many economies, including the United States, also are a headwind and present risks to economic stability.

Finally, historically low interest rates are bolstering the United States economy. A higher-than-expected rise in rates, even to just average levels, would likely cause some slowing and possible disruptions in the financial system and overall economy, especially in interest-rate-sensitive sectors, such as the housing market, consumer spending on durable goods, and business investment in longer-term projects. Though this may not be a near-term risk, it is impossible to predict when and if such events will occur.

On the positive side, there are more upside risks to the forecast than in the past, especially if the current headwinds facing the economy abate. Because of the recent economic momentum, it is possible that the economy will outperform our forecast. This is especially true if growth helps to more quickly heal the ongoing impediments to faster growth, most notably the housing market, the financial condition of households, and high unemployment. It is possible that more and more positive feedback systems are developing in the economy that will help sustain stronger growth.

In many ways, it is a unique and historic time for the economy due to the nature of the deep economic contraction and the substantial challenges it faces. These issues are making projections for the economy's future trajectory especially difficult. Positive and negative counteracting forces have resulted in mostly modest and rocky growth. Also, the economy appears to be undergoing somewhat profound changes in the way businesses and workers operate. Many individuals and businesses are having difficulty adapting to these changes. The fact that the economy is currently growing and adding jobs is a testament to its resiliency.

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 State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Moneys invested by the State Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the State Treasury's investment safekeeping bank.

Fiscal Years 2010-11 and 2011-12 (First Eight Months) Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2010-11 and the first six months of Fiscal Year 2011-12**.**

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2010-11
(Amounts expressed in millions)(1)

	July 2010	Aug 2010	Sept 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	June 2011
Agency CMOs	$306.0	$299.2	$291.7	$283.8	$276.4	$268.4	$260.7	$253.5	$246.1	$238.2	$230.4	$220.9
Commercial Paper	118.0	205.0	322.0	65.0	22.3	294.9	155.0	0.0	60.0	205.0	193.0	80.0
U.S. Treasury Notes	675.2	675.1	675.1	675.1	665.1	680.2	680.1	739.8	769.3	759.3	759.4	784.1
Federal Agencies	3,348.0	2,813.0	2,772.0	2,829.1	2,718.0	3,663.7	4,282.4	4,109.4	4,142.1	4,585.2	4,478.6	4,141.6
Asset-Backed Securities	386.5	367.1	350.4	316.0	298.4	286.7	267.8	253.0	239.9	222.1	197.4	187.7
Money Market	200.0	185.0	200.0	160.0	25.0	170.0	80.0	80.0	50.0	40.0	--	0.0
Corporates	364.6	357.9	370.8	368.3	388.7	437.4	449.4	455.3	510.2	531.1	598.6	588.6
Certificates of Deposit	25.8	24.0	21.8	21.5	14.1	14.4	4.4	4.4	4.4	5.4	4.2	3.8
Totals	$5,424.1	$4,926.3	$5,003.8	$4,718.8	$4,608.7	$5,815.7	$6,189.8	$5,895.4	$6,022.0	$6,586.3	$6,461.6	$6,006.7

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
First Eight Months of Fiscal Year 2011-12
(Amounts expressed in millions)[1]

	July 2011	Aug 2011	Sept 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012
Agency CMOs	$218.4	$210.6	$202.5	$193.8	$183.0	$170.7	$158.2	$147.6
Commercial Paper	245.0	494.9	425.0	375.0	290.0	245.0	410.0	235.0
U.S. Treasury Notes	784.1	774.0	764.0	763.9	753.9	739.0	724.0	724.0
Federal Agencies	4,223.6	3,936.5	3,926.1	3,949.8	3,824.5	3,877.2	4,210.0	3,891.1
Asset-Backed Securities	168.1	150.0	172.0	198.3	215.1	224.9	269.8	275.8
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
Corporates	665.0	703.8	711.7	708.8	711.7	753.2	798.0	892.2
Certificates of Deposit	4.5	4.6	4.5	3.4	3.5	3.5	3.0	3.1
Totals	$6,308.7	$6,274.4	$6,205.8	$6,193.0	$ 5,981.7	$6,013.5	$6,573.0	$6,208.8

[1] This table includes all moneys in the State pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

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APPENDIX E

FORM OF SPECIAL COUNSEL OPINION

May 17, 2012

State of Colorado acting by and through
the Regents of the University of Colorado
c/o The Regents of the University of Colorado
University of Colorado
1800 Grant Street, Suite 600
Denver, Colorado 80203

Fitzsimons Academic Facilities Leasing Trust 2005
c/o The Bank of New York Mellon Trust Company, N.A.
1775 Sherman Street, Suite 2775
Denver, Colorado 80203

Stifel, Nicolaus & Company, Incorporated,
as representative of the underwriters
1125 17th Street, Suite 1600
Denver, Colorado 80202

$56,095,000
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012A
(UCDHSC Fitzsimons Academic Projects)

Relating to the Lease Purchase Agreement
between the STATE OF COLORADO acting by and through
The Regents of the University of Colorado, as Lessee, and
FITZSIMONS ACADEMIC FACILITIES LEASING TRUST 2005, as Lessor

Ladies and Gentlemen:

We have acted as special counsel to the State of Colorado, acting by and through The Regents of the University of Colorado (the "**Lessee**") in connection with the execution and delivery of $56,095,000 principal amount of certificates of participation (the "**Series 2012A Certificates**"), evidencing assignments of proportionate interests in rights to receive certain payments under the Lease Purchase Agreement dated as of December 15, 2005, as amended and supplemented by the First Supplemental Lease Purchase Agreement dated as of December 1, 2009, and the Second Supplemental Lease Purchase Agreement dated as of April 1, 2012 (together, the "**Lease**"), between Fitzsimons Academic Facilities Leasing Trust 2005 (the "**Lessor**"), as lessor, and the Lessee, as lessee, as provided in the Lease and the Mortgage and Indenture of Trust dated as of December 15, 2005, as amended and supplemented by the First Supplemental Mortgage and Indenture of Trust dated as of December 1, 2009, and the Second Supplemental Mortgage and Indenture of Trust dated as of April 1, 2012 (together, the "**Indenture**"), between the Lessor and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association, Denver, Colorado, as trustee. *All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Lease.*

The Series 2012A Certificates are being executed and delivered in fully registered form, dated as of the date of delivery, in denominations of $5,000 each, or any integral multiple thereof. The Series 2012A Certificates mature, bear interest, are payable and are subject to redemption prior to maturity in the manner and upon the terms set forth therein and in the Indenture.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion letter, including, without limitation, a certified transcript of the record of proceedings of the Regents of the University of Colorado (the "**Regents**") taken preliminary to and in the authorization of the Lease and the Ground Lease Agreement dated as of December 15, 2005 (the "**Ground Lease**"), a form of the Series 2012A Certificates, the Indenture, and certificates of the Lessee (specifically including a tax certificate) and of others delivered in connection with the issuance of the Series 2012A Certificates.

As to questions of fact, we have relied upon the representations of the Regents, the State of Colorado (the "**State**") and other parties contained in such certified proceedings, including the Lease, the Ground Lease and the Indenture, and in such aforesaid certificates and other instruments and have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including telecopies). We also have assumed the authenticity, accuracy and completeness of the foregoing certifications (of public officials, governmental agencies, departments and individuals) and statements of fact, on which we are relying, and have made no independent investigations thereof. We have also relied on a report of Causey Demgen & Moore, Inc., certified public accountants, verifying certain mathematical computations as to certain yield calculations and the sufficiency of the federal securities and any initial cash deposited into the escrow account under the Escrow Agreement dated as of April 1, 2012 (the "**Escrow Agreement**") by and among the Trust, the Lessee and The Bank of New York Mellon Trust Company, N.A., as escrow bank, to pay or redeem the Refunded Series 2005B Certificates as provided in the Escrow Agreement.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Lease has been duly authorized and approved by the Lessee and duly executed and delivered by authorized officers of the Lessee and constitutes a valid and binding obligation of the Lessee, enforceable against the Lessee.

2. The Series 2012A Certificates evidence valid assignments pursuant to the Indenture of proportionate interests in rights to receive certain revenues pursuant to the Lease, as provided in the Lease and the Indenture. None of the Lease, the Indenture or the Series 2012A Certificates has obligated the State or the Regents to make any payments beyond those specifically appropriated or budgeted by the State or the Regents for the then current fiscal year.

3. The portion of Base Rentals relating to the Series 2012A Certificates payable by the Lessee which is designated and paid as interest, as provided in the Lease, is

excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax, but is included in a corporation's adjusted current earnings for such purposes. The opinion set forth in the first sentence of this paragraph assumes compliance by the State and the Regents with requirements of the Code that must be met subsequent to the issuance of the Series 2012A Certificates in order that the portion of Base Rentals payable by the Lessee which is designated and paid as interest, as provided in the Lease, be, or continue to be, excluded from gross income for federal income tax purposes. The State and the Regents have certified, represented and covenanted their compliance with such requirements. Failure to comply with certain of such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of the execution and delivery of the Series 2012A Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Series 2012A Certificates, and we express no opinion as to the effect that any termination of the Lessee's obligations under the Lease, under certain circumstances as provided in the Lease, may have upon the treatment for federal income tax purposes of any moneys received under the Lease subsequent to such termination.

4. To the extent that the portion of Base Rentals payable by the Lessee with respect to the Series 2012A Certificates which is designated and paid as interest, as provided in the Lease, is excluded from gross income for federal income tax purposes, such interest is not subject to income taxation by the State. We express no opinion regarding other State or local tax consequences arising with respect to the Series 2012A Certificates, including whether such interest is exempt from taxation under the laws of any jurisdiction other than the State. We express no opinion as to the effect that any termination of the Lessee's obligations under the Lease, under certain circumstances as provided in the Lease, may have upon the treatment for State income tax purposes of any moneys received under the Lease subsequent to such termination.

In rendering the foregoing opinions, we assume the due authorization, execution and delivery of the Lease, the Ground Lease and the Indenture by the parties thereto other than the Lessee and the Regents and the due authorization, execution and delivery of the Series 2012A Certificates by the Trustee; and we are not passing upon the enforceability of the Lease, the Ground Lease or the Indenture against the Lessor or the enforceability of the Indenture or the Series 2012A Certificates against the Trustee.

It is to be understood that the rights of the owners of the Series 2012A Certificates and the enforceability of the Lease may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Lease and the Indenture are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the Lessee to pay the Base Rentals as and to the extent provided in the Lease.

We are passing in this opinion letter only upon those matters set forth herein and are not passing in this opinion letter upon the accuracy or completeness of any information furnished to any person in connection with any offer or sale of the Series 2012A Certificates or any other matter. We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion letter.

Respectfully submitted,

APPENDIX F

Certain State Economic and Demographic Information

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of June 2011; since certain information is released with a significant time lag, the information in many cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted for inflation or other economic influences. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State*. See also "**Appendix D** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, sparsely populated, and used for agriculture in many areas. The Front Range lies along the base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley, and Pueblo. Denver, the State capital, is the economic center of the State and the Rocky Mountain region. Fifty-five percent of the State's population and about 60 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, and banking. The aerospace, bioscience, and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "**Appendix D** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

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Population and Age Distribution

The following table provides population estimates as of July 1 for each year from 2000 to 2010 for Colorado and the United States.

July 1 Population Estimates

	Colorado		United States	
	Population (millions)	**% Change**	**Population (millions)**	**% Change**
2000	4.33		282.17	
2001	4.43	2.4%	285.05	1.0%
2002	4.50	1.6	287.75	0.9
2003	4.55	1.0	290.24	0.9
2004	4.60	1.1	292.94	0.9
2005	4.66	1.3	295.62	0.9
2006	4.75	2.0	298.43	1.0
2007	4.84	1.9	301.39	1.0
2008	4.93	1.9	304.18	0.9
2009	5.02	1.8	306.66	0.8
2010	5.10	1.6	309.05	0.8

Note: All data are July 1 estimates and are not consistent with 2010 Census data. Intercensal population estimates consistent with Census 2010 were not available at the time of publication.
Sources: U.S. Census Bureau, Population Estimates Program.

The following table provides an age distribution for Colorado's population and the population nationwide based on the 2010 Census.

Age Distribution as of April 1, 2010

	Colorado		United States	
	Population (millions)	**% of total**	**Population (millions)**	**% of total**
Under 20 years	1.36	27.1%	83.27	27.0%
20 to 44 years	1.77	35.3	103.72	33.6
45 to 64 years	1.34	26.7	81.49	26.4
65 to 84 years	0.48	9.5	34.77	11.3
85+ years	0.07	1.4	5.49	1.8
Total	5.03	100.0%	308.75	100.0%
Median Age	36.1		37.2	

Note: Totals may not add due to rounding.
Source: U.S. Census Bureau, Census 2010.

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Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars

	Colorado		Rocky Mountain Region[1]		United States	
	Income	**% Change**	**Income**	**% Change**	**Income**	**% Change**
2005	$38,555		$34,064		$35,424	
2006	40,898	6.1%	36,293	6.5%	37,698	6.4%
2007	42,386	3.6	37,775	4.1	39,461	4.7
2008	43,560	2.8	38,857	2.9	40,674	3.1
2009	41,895	(3.8)	37,515	(3.5)	39,635	(2.6)
2010	42,802	2.2	38,285	2.1	40,584	2.4

Note: Intercensal population estimates consistent with Census 2010 were not available at the time of publication. Per capita personal income for years 2005 through 2009 is total personal income divided by July 1 population estimates that are not consistent with Census 2010. Per capita personal income for 2010 is total personal income divided by April 1 population from Census 2010. Because the population bases are inconsistent, percentage change in per capita personal income between 2010 and prior years should be interpreted with caution.

(1) The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.

Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides labor force, total employment, and unemployment statistics for Colorado.

Civilian Labor Force, Total Employment, and Unemployment Rates

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate	
					Colorado	**United States**
2005	2,588.4		2,455.8		5.1%	5.1%
2006	2,655.6	2.6%	2,541.8	3.5%	4.3	4.6
2007	2,698.6	1.6	2,598.4	2.2	3.7	4.6
2008	2,737.3	1.4	2,605.5	0.3	4.8	5.8
2009	2,727.6	(0.4)	2,501.8	(4.0)	8.3	9.3
2010	2,687.4	(1.5)	2,447.7	(2.2)	8.9	9.6
Year-to-date averages through April 2011:						
2010	2,688.2		2,436.5		9.4%	10.2%
2011	2,668.9	-0.7%	2,420.9	-0.6%	9.3%	9.3%

(1) Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: Colorado Department of Labor and Employment, Local Area Unemployment Statistics; U.S. Bureau of Labor Statistics.

Employment (continued)

The following table shows Colorado employment by industry in the third quarter of each year from 2005 through 2010. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the State are covered.

Average Number of Employees by Industry in Third Quarter

Industry	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**% Change, 2009Q3-2010Q3**
Private Sector							
Agriculture, Forestry, Fishing, and Hunting	17,671	17,373	17,039	15,724	15,317	15,313	0.0%
Mining	17,724	21,443	25,772	29,039	22,760	24,983	9.8
Utilities	7,985	8,181	8,009	8,307	8,428	8,263	(2.0)
Construction	168,736	173,756	175,570	168,189	132,306	119,414	(9.7)
Manufacturing	151,356	149,889	147,091	144,421	128,160	126,409	(1.4)
Wholesale Trade	94,650	97,222	99,951	100,698	92,331	91,241	(1.2)
Retail Trade	246,043	247,441	254,216	253,247	237,383	238,148	0.3
Transportation and Warehousing	61,103	62,166	64,059	63,617	58,609	56,829	(3.0)
Information	77,158	75,384	76,358	76,866	73,990	71,382	(3.5)
Finance and Insurance	107,520	109,073	107,990	104,548	100,389	97,982	(2.4)
Real Estate and Rental and Leasing	47,300	48,034	48,234	47,061	42,519	41,445	(2.5)
Professional and Technical Services	155,964	163,128	171,236	176,357	166,993	167,047	0.0
Management of Companies and Enterprises	25,016	27,368	28,704	28,902	28,437	29,115	2.4
Administrative and Waste Services	141,436	148,317	155,628	152,121	134,761	138,947	3.1
Educational Services	24,368	25,138	26,353	26,955	27,413	28,422	3.7
Health Care and Social Assistance	197,472	202,857	211,065	220,609	225,885	232,830	3.1
Arts, Entertainment, and Recreation	44,496	45,396	45,620	46,956	45,797	46,013	0.5
Accommodation and Food Services	221,588	228,753	233,284	234,938	224,598	226,311	0.8
Other Services	65,786	66,394	67,674	69,609	66,040	66,180	0.2
Unclassified	219	291	567	1,012	585	282	(51.8)
Government	339,767	345,292	351,323	363,137	364,572	366,149	0.4
Total*	**2,213,356**	**2,262,896**	**2,315,741**	**2,332,313**	**2,197,273**	**2,192,705**	**-0.2%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

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Employment (continued)

The following table shows the largest private sector employers in Colorado as of 2010. No representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado (2010)

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,490
Dillon Companies (King Soopers/City Market)	Grocery	18,620
Centura Health	Healthcare	13,000
Safeway Inc.	Grocery	10,000
Lockheed Martin Corporation	Aerospace & Defense-Related Systems	9,830
HealthONE Corporation	Healthcare	9,640
CenturyLink[2]	Telecommunications	7,760
Exempla Healthcare	Healthcare	7,320
Target Corporation	General Merchandise	7,180
Home Depot	Building Materials Retailer	6,710
Wells Fargo Bank	Financial Services	6,300
Kaiser Permanente	Healthcare	5,870
University of Denver	Private University	5,490
Comcast Corporation	Telecommunications	5,300
DISH Network	Satellite TV & Equipment	4,690
Oracle	Software & Network Computer Systems	4,520
United Airlines	Airline	4,500
The Children's Hospital	Healthcare	4,270
IBM Corporation	Computer Systems & Services	4,200
University of Colorado Hospital[3]	Healthcare, Research	4,000
Republic Airways Holdings, Inc. (Frontier Airlines)	Airline Holding Company	3,760
Xcel Energy	Utilities	3,700
United Parcel Service	Parcel Delivery	3,620
Ball Corporation	Aerospace, Containers	3,200
MillerCoors Brewing Company	Beverages	2,810

(1) Includes both full- and part-time employees.
(2) Formerly Qwest Communications International, Inc.
(3) Some workers are also included in the employment count for the University of Colorado System (next table).

Sources: Colorado Department of Labor and Employment; Development Research Partners.

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Employment (continued)

The following table shows the largest public sector employers in Colorado as of 2010.

Estimated Largest Public Sector Employers in Colorado (2010)

Employer	Estimated Employees[1]
Federal Government	36,880
State of Colorado	33,480
University of Colorado System[2]	15,200
Denver Public Schools	13,590
Jeffferson County Public Schools	12,150
City and County of Denver	12,000
US Postal Service	11,030
Cherry Creek School District No 5	7,810
Douglas County School District RE-1	7,110
Colorado State University	6,850
Denver Health	5,310
Adams 12 Five Star Schools	5,160
Aurora Public Schools	5,000
Colorado Springs School District 11	4,920
Boulder Valley School District RE-2	4,340
Colorado Springs Memorial Hospital	4,070
Poudre School District R-1	3,980
St. Vrain Valley School District RE-1J	3,970
City of Aurora	3,400
Mesa County Valley School District 51	3,350
Academy Schools District No 20	3,300
Thompson School District R2J	2,980
Jefferson County	2,870
Colorado Springs	2,570
Pueblo School District No 60	2,500

(1) Includes both full- and part-time employees.
(2) Some workers are also included in the employment count for the University of Colorado Hospital (previous table).

Source: Colorado Department of Labor and Employment.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	**% Change**	**Amount (billions)**	**% Change**
2005	$165.54		$123.43	
2006	186.68	12.8%	135.69	9.9%
2007	202.84	8.7	148.91	9.7%
2008	212.88	4.9	152.81	2.6%
2009	184.52	(13.3)	134.17	-12.2%
2010	193.88	5.1	142.77	6.4%

Note: Data are preliminary and are subject to revision.
Source: Colorado Department of Revenue.

The following table provides a recent history of Colorado retail sales totals by industry.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

Industry	2005	% Change	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change
Agriculture/Forestry/Fishing	$175.1	8.6%	$303.1	73.1%	$341.1	12.5%	$303.8	-10.9%	$285.2	-6.1%	$330.4	15.9%
Mining	1,402.4	41.9	2,239.9	59.7	2,955.1	31.9	3,414.2	15.5	2,226.6	(34.8)	2,536.2	13.9
Utilities	5,822.7	24.0	5,453.7	(6.3)	6,312.3	15.7	7,094.1	12.4	6,706.0	(5.5)	8,222.9	22.6
Construction	2,687.5	5.3	3,262.6	21.4	3,684.8	12.9	3,770.0	2.3	2,807.3	(25.5)	2,759.3	(1.7)
Manufacturing	8,579.5	14.1	10,097.7	17.7	11,400.6	12.9	11,757.8	3.1	9,219.8	(21.6)	9,891.9	7.3
Wholesale Trade	11,155.0	24.1	12,577.6	12.8	14,493.5	15.2	14,491.1	(0.0)	11,891.4	(17.9)	12,365.7	4.0
Retail Trade												
Motor Vehicle and Auto Parts	13,609.6	(2.6)	13,270.9	(2.5)	14,182.4	6.9	12,156.8	(14.3)	10,254.5	(15.6)	11,292.6	10.1
Furniture and Furnishings	2,376.5	2.3	2,481.7	4.4	2,573.8	3.7	2,353.2	(8.6)	1,893.9	(19.5)	1,902.8	0.5
Electronics and Appliances	1,914.4	1.7	2,074.0	8.3	2,304.7	11.1	2,244.0	(2.6)	1,982.9	(11.6)	2,137.3	7.8
Building Materials/Nurseries	5,572.8	12.0	5,820.6	4.4	5,766.4	(0.9)	5,281.0	(8.4)	4,202.7	(20.4)	4,393.3	4.5
Food/Beverage Stores	10,443.2	6.1	11,064.3	5.9	12,095.1	9.3	12,927.4	6.9	12,557.6	(2.9)	13,352.5	6.3
Health and Personal Care	1,744.7	4.7	1,978.3	13.4	2,139.1	8.1	2,268.8	6.1	2,350.1	3.6	2,523.8	7.4
Gas Stations	4,366.0	22.3	4,878.1	11.7	5,230.0	7.2	5,764.6	10.2	4,002.1	(30.6)	4,692.3	17.2
Clothing and Accessories	2,581.7	(0.5)	2,870.7	11.2	3,185.4	11.0	3,108.1	(2.4)	2,892.9	(6.9)	3,113.4	7.6
Sporting/Hobby/Books/Music	2,390.1	4.2	2,546.2	6.5	2,692.2	5.7	2,579.4	(4.2)	2,367.6	(8.2)	2,498.4	5.5
General Merchandise/Warehouse	9,799.4	7.3	10,304.6	5.2	10,997.6	6.7	11,334.9	3.1	10,973.6	(3.2)	11,088.8	1.0
Misc Store Retailers	2,384.8	9.1	2,404.4	0.8	2,450.4	1.9	2,364.4	(3.5)	2,204.6	(6.8)	2,422.6	9.9
Non-Store Retailers	1,565.3	13.1	3,299.6	110.8	3,715.0	12.6	4,299.7	15.7	2,794.2	(35.0)	2,917.6	4.4
Total Retail Trade	**58,748.4**	**5.2**	**62,993.5**	**7.2**	**67,332.1**	**6.9**	**66,682.2**	**(1.0)**	**58,476.7**	**(12.3)**	**62,335.4**	**6.6**
Transportation/Warehouse	789.9	12.1	887.0	12.3	829.4	(6.5)	756.2	(8.8)	585.8	(22.5)	520.4	(11.2)
Information	5,648.6	8.9	5,803.6	2.7	6,232.2	7.4	6,983.6	12.1	7,044.4	0.9	6,857.5	(2.7)
Finance/Insurance	1,359.7	33.1	2,120.3	55.9	2,299.9	8.5	3,085.9	34.2	2,845.4	(7.8)	3,175.6	11.6
Real Estate/Rental/Lease	3,016.2	6.8	3,393.4	12.5	3,647.3	7.5	3,607.7	(1.1)	2,903.0	(19.5)	3,135.6	8.0
Professional/Scientific/Technical	5,623.3	(9.1)	6,065.8	7.9	6,623.3	9.2	6,861.0	3.6	6,059.6	(11.7)	6,572.8	8.5
Admin/Support/Waste/Remediation	1,402.2	9.1	1,443.2	2.9	1,745.7	21.0	1,955.5	12.0	1,794.7	(8.2)	1,830.3	2.0
Education	329.2	25.3	389.1	18.2	425.1	9.2	461.6	8.6	421.9	(8.6)	475.6	12.7
Health Care/Social Assistance	3,384.6	8.9	3,923.9	15.9	4,563.1	16.3	5,275.3	15.6	5,740.5	8.8	5,947.5	3.6
Arts/Entertainment/Recreation	781.6	9.7	890.1	13.9	952.6	7.0	971.5	2.0	903.8	(7.0)	951.4	5.3
Accommodation	2,281.2	7.6	2,600.3	14.0	2,904.8	11.7	3,033.8	4.4	2,566.9	(15.4)	2,704.5	5.4
Food/Drinking Services	6,744.0	4.5	7,443.9	10.4	8,042.5	8.0	8,229.0	2.3	7,976.5	(3.1)	8,339.3	4.5
Other Services	3,146.2	6.3	3,480.1	10.6	3,825.9	9.9	3,825.2	(0.0)	3,472.6	(9.2)	3,564.9	2.7
Government	353.7	29.8	322.8	(8.8)	299.3	(7.3)	249.6	(16.6)	241.6	(3.2)	255.2	5.6
Total All Industries	**123,431.0**	**8.4**	**135,691.6**	**9.9**	**148,910.8**	**9.7**	**152,809.2**	**2.6**	**134,169.6**	**(12.2)**	**142,772.2**	**6.4**

Note Data are preliminary and are subject to revision. Some sales data are suppressed to protect confidentiality, so percentage changes reported may vary from the actual change that occurred in a given year.

Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		Conventions[2]						Skier Visits[3]	
			Conventions		*Delegates*		*Spending*			
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2005	5.46		40		153.4		$305.7		11.82	
2006	5.38	-1.6%	55	37.5%	180.2	17.5%	358.9	17.4%	12.53	6.1%
2007	5.64	4.9	75	36.4	215.4	19.5	429.1	19.6	12.57	0.3
2008	5.45	(3.3)	75	-	293.4	36.2	584.5	36.2	12.54	(0.2)
2009	5.51	1.1	66	(12.0)	244.7	(16.6)	487.4	(16.6)	11.86	(5.5)
2010	5.70	3.4	75	13.6	267.6	9.4	533.1	9.4	11.86	0.0

(1) Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
(2) Includes only those conventions held at the Colorado Convention Center.
(3) Count of skier visits for the season ending in the referenced year.
Sources National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA.

Residential Housing Starts

The following table provides a recent history of the number of new residential units permitted in Colorado.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	**2 Units**	**3 and 4 Units**	**5 or more Units**	**Total Units Authorized**	**% Change**
2005	40,140	580	653	4,518	45,891	
2006	30,365	654	563	6,761	38,343	-16.4%
2007	20,516	448	411	8,079	29,454	(23.2)
2008	11,147	290	181	7,380	18,998	(35.5)
2009	7,261	142	93	1,859	9,355	(50.8)
2010	8,790	276	136	2,389	11,591	23.9
Year-to-date totals through April:						
2010	3,167	72	49	975	4,263	
2011	2,627	96	20	887	3,630	
% change	*-17.1%*	*33.3%*	*-59.2%*	*-9.0%*	*-14.8%*	

Source: U.S. Census Bureau.

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Residential Foreclosures

The following table provides a recent history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction proceed no less than 110 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins. Note that percentage changes in filing activity reflect events and trends external to the housing market, specifically foreclosure moratoria and, more recently, legal challenges that have slowed lenders' filing processes.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2005	21,782		12,699	
2006	28,435	30.5%	17,451	37.4%
2007	39,920	40.4	25,054	43.6
2008	39,333	(1.5)	21,306	(15.0)
2009	46,394	18.0	20,437	(4.1)
2010	42,692	(8.0)	23,891	16.9
Year-to-date totals through first quarter:				
2010	11,136		6,686	
2011	8,115	-27.1%	5,605	-16.2%

(1) Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Note: Various foreclosure moratoria were enacted in late 2008 and early 2009. As a result, filing and sales activity during those periods appears artificially low when compared to activity in other periods. Over-the-year percentage changes should be interpreted with caution.
Source: Colorado Division of Housing.

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APPENDIX G

STATE PENSION SYSTEM

The information included in this Appendix relies on information compiled and presented in the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2010 (the latest period for which audited information for the Plan is available), prepared by PERA staff employees, and by the firm Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and audited by KPMG, LLP, PERA's independent public accounting firm. The valuation and other assessments of PERA constitute forward-looking information as described in the inside cover of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuation and assessment may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations, and assessments.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created the Public Employees' Retirement Association ("**PERA**"), which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (for State employees) (the "**State Division**"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities) and the Judicial Division Trust Fund (for judges in the State). The defined benefit plan for the State Division is referred to herein as the "**Plan**." As described in more detail under the caption "**Funding and Contributions**" below, the Plan is funded with payments made by the State and by each employee, the amount of which are determined and established by statute. Benefits provided through the Plan are paid from the State Division. State employees hired after 2005 may, in lieu of participating in the Plan, elect to participate in a defined contribution plan (the "**DC Plan**") which is also administered by PERA. However, the majority of State employees participate in the Plan. See Notes 1 and 8 to the PERA 2010 CAFR for a discussion of the membership in the Plan and in the DC Plan, respectively. The State has no obligation to make contributions or fund benefits in divisions other than the State Division and Judicial Division of PERA. Because the majority of State employees participate in the Plan and not in the DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of the Official Statement and in this Appendix relates only to the Plan. See Note 20 to the State's Fiscal Year 2010-11 CAFR appended as **Appendix A** to this Official Statement and Note 8 to the PERA 2010 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010 as is the information in this **Appendix G**.

PERA. PERA is a statutorily created legal entity that is separate from the State (as further described in Title 24, Article 51, C.R.S.). PERA was established in 1931 and has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division and the Judicial Division. The State represents the majority, but not all, of the State Division employers and employees. Each division operates as a separate legal trust. PERA also operates a cost-sharing, multiple-employer post-employment benefit plan through the Health Care Trust Fund that provides a health care premium subsidy to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. **The reference to the website of PERA is included herein for informational purposes only, and information available at such website or in PERA's financial statements, or any information provided by PERA, is not incorporated in this Official Statement by reference or otherwise. The State makes no representations regarding the accuracy of the information available at such website.**

Plan Provisions

In response to funding challenges, the General Assembly has enacted changes to Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to the State's Fiscal Year 2010-11 CAFR, appended to this Official Statement, the PERA 2010 CAFR and Title 24, Article 51, C.R.S., for a discussion of the various tiers of benefits under the Plan.

Funding and Contributions

Statutorily Required Contribution (SRC). The State's contributions to the Plan are based on percentages of employee wages, which percentages are set by statute. Such contribution percentages are referred to herein as the "Statutorily Required Contribution," or the "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of each employee's salary for Fiscal Years 2009-10 and 2010-11. As discussed under "Annual Required Contribution" below, the SRC is lower than the actuarially computed Annual Required Contribution ("**ARC**"). The State has paid 100% of the SRC for each of Fiscal Years 2007-08 through 2009-10. See Note 18 to the State's Fiscal Year 2010-11 CAFR, appended to this Official Statement, for a summary of the SRC percentages payable by, and percentage amounts paid by, the State for such Fiscal Years. As required by statute, State employees generally contribute 8.0% of their wages to the Plan; however, for Fiscal Years 2010-11 and 2011-12, the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees replaced a 2.5% reduction in the State contribution for such Fiscal Years. No assurance can be given regarding whether the General Assembly, through legislative action, will or will not further modify the amounts required to be contributed to the Plan by the State and its employees in any given year.

The State enacted legislation in 2004 and 2006 to gradually increase employer contributions to the Plan by authorizing the Amortization Equalization Disbursement (the "AED") and the Supplemental Amortization Equalization Disbursement (the "SAED") to reduce the amount of time over which funding shortfalls in the Plan would remain outstanding. Both the AED and SAED are paid by the State as contributions to the Plan, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. When and if the scheduled increases in AED and SAED are fully implemented at the end of 2017, the total State contribution to the Plan will be equal to 20.15% of employee wages. See Note 18 to the State's Fiscal Year 2010-11 CAFR, appended to this Official Statement, for a discussion of the AED and SAED.

Annual Required Contribution (ARC). The Annual Required Contribution, or "ARC," is the amount required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the Plan plus an annual amortization of the unfunded actuarial accrued liability ("UAAL"), assuming that the UAAL will be fully funded over a 30-year period. The ARC is designed to quantify the current liability for future benefit payments associated with a defined benefit plan, and is based on accounting standards which generally allow a maximum period of 30 years to fund shortfalls in the market or actuarial value of the

Plan's assets. As a result, the ARC is higher than the SRC because it results in a 30-year amortization period of the UAAL instead of a 47-year amortization period (at December 31, 2010, based on contribution rates as of the date of calculation.) The ARC amount varies from year-to-year as the investment market changes and the value of Plan assets changes, and is different from the SRC which, as described above, is set by statute and changed only when the General Assembly determines that the SRC will result in overfunding or underfunding of the Plan over the long term. As shown in Table 1 below, the State consistently makes the SRC, but in recent years it has not made the ARC.

Historical State Contributions. The following table shows (i) the ARC and SRC for the Plan over each of the ten years through December 31, 2010, (ii) the State's contributions expressed as a percentage of the ARC and (iii) the difference between the ARC and the State's actual contributions.

Table 1
Employer Contributions
State and School Division 2001 through 2005; State Division 2006 through 2010
(Dollar amounts in thousands)

Plan [1]	Calendar Year	Annual Required Contribution (ARC)	Statutory Required Contribution (SRC) [2]	Actual Employer Contribution	Actual Contribution as a Percent of ARC	Amount Unfunded ARC-Actual Employer Contribution
State Division	2010	$452,821 [3]	$287,624 [4]	$287,624	63.52%	$165,197
State Division	2009	426,999	297,240	297,240	69.61	129,759
State Division	2008	437,537	270,353	270,353	61.79	167,184
State Division	2007	385,352	232,997	232,997	60.46	152,355
State Division	2006	405,800	208,795	208,795	51.45	197,005
State and School Division	2005	918,466	491,031	491,031	53.46	427,435
State and School Division	2004	918,025	452,991	452,991	49.34	465,034
State and School Division	2003	571,156	387,920	387,920	67.92	183,236
State and School Division	2002	315,825	315,825	315,825	100.00	--
State and School Division	2001	314,649	314,649	314,649	100.00	--

1 Prior to 2006 the State Division and School Division of PERA were combined and actuarial valuations were not done separately for the State or for schools.

2 The SRC for the State Division is higher for judges and State troopers than for other State employees. However, the number of judges and State troopers employed by the State is small in comparison to the number of other State employees, so the State contribution for these employees is combined with other State Division employees in this table.

3 In accordance with GAAP, results in amortization of UAAL over 30 years as of December 31, 2010.

4 Results in amortization of UAAL over 47 years as of December 31, 2010.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2005 and 2010

Plan Assets, Liabilities and Funding Levels

At December 31, 2010 (the latest period for which audited information for the Plan is available), based on PERA's CAFR for the Plan year ended December 31, 2010, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.8 billion and $20.4 billion, respectively, resulting in a UAAL of $7.6 billion and a funded ratio of 62.8%. The UAAL would amortize over a 47-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 62.8%. At December 31, 2010, the funded ratio of the Plan based on the market value of assets was 61.3%, representing a UAAL of $7.9 billion. Table 2 below sets forth for each of the ten years through December 31, 2010, the UAAL, funded ratio and related information for the Plan based on the actuarial value of Plan assets. Table 3 below sets forth for each of the ten years through December 31, 2010, the UAAL, funded ratio and related information for the Plan based on the market value of Plan assets.

When calculating the funding status of the Plan as summarized in Table 2 below, PERA's CAFR for Plan year 2010 indicates that the following actuarial assumptions, among others, were used: (1) the actuarial cost method is based on the entry age of participants; (2) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (3) the valuation of assets is based on an actuarial value of assets whereby gains and losses relative to an 8.00% annual return are smoothed in over a four-year period; (4) projected salary increases are expected to range from 4.50% to 10.17%; (5) the rate of inflation is assumed to be 3.75% and the rate of productivity increase is 0.75%; however, both are included in the assumed 8.00% rate of investment return and in the projected salary increases; and (6) cost of living adjustments are assumed to be 2.00% per year. See Note 11 to the PERA 2010 CAFR for a discussion of the actuarial methods and assumptions used in calculating the funding status of the Plan. No assurance can be given that any of the assumptions underlying the actuarial valuations of the Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of plan assets, the AAL, the UAAL, the funded ratio or the ARC.

Table 2
Historical Funding Progress
Actuarial Value of Plan Assets
State and School Division 2001 through 2004; State Division 2005 through 2010
(Dollar Amounts in Thousands)

Plan[1]	Date Ending December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2010	$12,791,946	$20,356,176	$ 7,564,230	62.8%	$2,392,080	316.2%
State Division	2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
State Division	2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
State Division	2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
State Division	2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
State Division	2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4
State and School Division	2004	28,594,699	40,783,531	12,188,832	70.1	5,303,439	229.8
State and School Division	2003	28,522,222	37,914,502	9,392,280	75.2	5,140,918	182.7
State and School Division	2002	28,551,607	32,463,918	3,912,311	87.9	5,278,586	74.1
State and School Division	2001	28,947,935	29,469,608	521,673	98.2	4,954,605	10.5

[1] Prior to 2006, the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2005 and 2010

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2001 through 2005; State Division 2006 through 2010
(Dollar Amounts in Thousands)

Plan [1]	Valuation Date (December 31)	Market Value of Assets[2]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2010	$12,487,105	$20,356,176	$ 7,869,071	61.3%	$2,392,080	329.0%
State Division	2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
State Division	2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
State Division	2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
State Division	2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
State and School Division	2005	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7
State and School Division	2004	30,019,896	40,783,531	10,763,635	73.6	5,303,439	203.0
State and School Division	2003	27,123,836	37,914,502	10,790,666	71.5	5,140,918	209.9
State and School Division	2002	22,023,781	32,463,918	10,440,137	67.8	5,278,586	197.8
State and School Division	2001	25,500,904	29,469,608	3,968,704	86.5	4,954,605	80.1

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.

[2] Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2001 through 2010

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