STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2003

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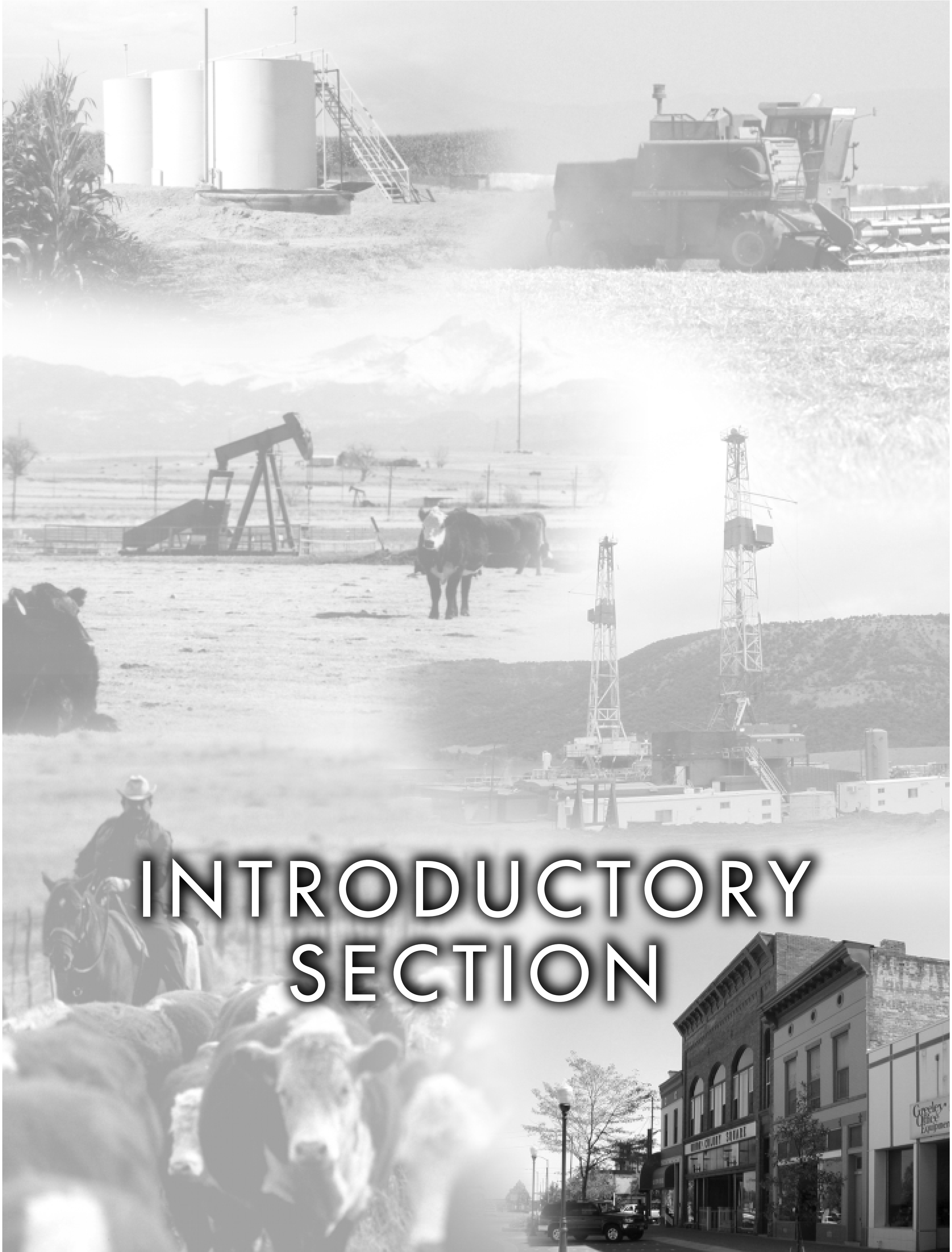

State of Colorado

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Governor

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Executive Director

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November 26, 2003

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, 2003. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. The State Controller is responsible for managing the finances and financial affairs of the state and is committed to sound financial management and governmental accountability.

We believe the financial statements are fairly presented in all material aspects. They are presented in a manner designed to set forth the financial position, results of operations, and changes in net assets or fund balances of the major funds and nonmajor funds in the aggregate. All required disclosures have been included to assist the members of the General Assembly, the financial community, and the public 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 government as prescribed by the Governmental Accounting Standards Board (GASB), and they are audited by the State Auditor of Colorado. The basic financial statements includes the Management Discussion and Analysis, financial statements, notes to the financial statements, and Required Supplementary Information. 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 budgetary basis of accounting which defers certain payroll and Medicaid expenditures to the following fiscal year. 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 funded institutions of higher education. It also includes certain university foundations that have been included with the institution that is financially accountable for the foundation.

The state's elected officials are financially accountable for legally separate entities that qualify as component units. Financial results of the state's component units are discretely presented in the financial statements. The following entities qualify as component units of the state.

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
Denver Metropolitan Major League Baseball Stadium District
CoverColorado

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 67). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,350 to 14,431 feet above sea level. The state's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the state's semi-arid climate, water resource development, allocation, and conservation are ongoing issues for state management.

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

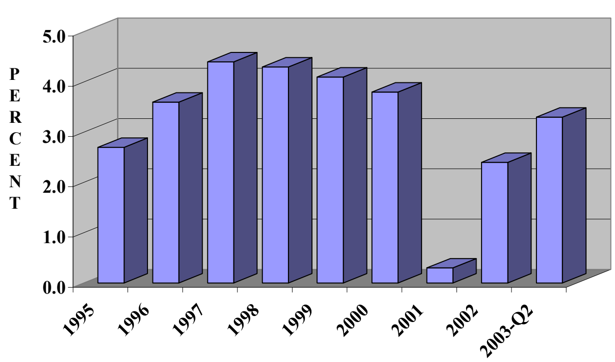
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited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

The Judicial Branch is responsible for resolving disputes within the state, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by 256 justices and judges in 22 judicial districts across the state (excluding 17 Denver county court judges). Municipal courts are not part of the state system. There are also seven water courts, one in each of the 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

As in Fiscal Year 2001-02, Fiscal Year 2002-03 opened with a significant reduction in anticipated General Fund revenues. By the time the fiscal year began, the anticipated revenues were $627.6 million lower than the amount used to formulate the Governor's original budget requests. The decline in anticipated revenues continued throughout the year, and the final estimate of revenues was lower by an additional $666.6 million. In total, estimated revenues were expected to be down $1,294.2 million from the estimate upon which the original budget was set. Actual revenues were $70.8 million above the final estimate, but that amount was small in relation to the overall decline in the revenue estimate. The state's anemic revenues did not parallel the growth in the national economy.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT

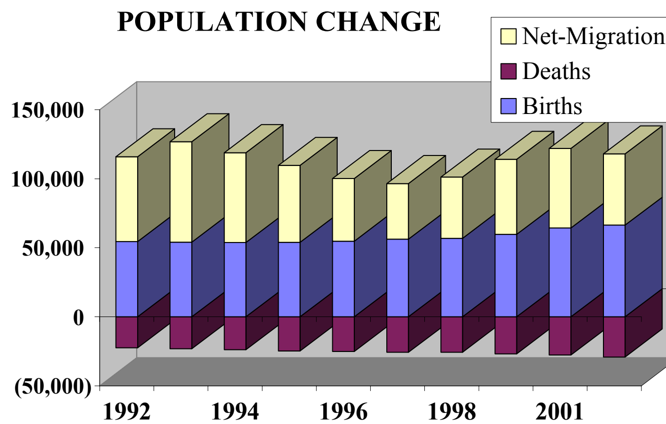


Historically, the state lags behind recoveries in the national economy, and the state's delayed participation in the national recovery that began in late 2001 matches that pattern. Gross domestic product grew at an annual rate of 2.4 percent in calendar 2002, and after a weak showing of 1.4 percent in the first quarter increased to 3.3 percent in the second quarter of 2003. The second quarter strength was led by an 8 percent increase in business investment – a positive sign after business investment declines of 5 percent in both 2001 and 2002. Consumer spending growth, primarily driven by durable goods expenditures, buoyed second quarter growth as did Federal government military expenditures, which accounted for 1.8 percent of the 3.3 percent, annualized growth. Consumer price inflation remained stable at 1.5 percent, which mitigated fears of imminent deflation, and consumer confidence remained strong.

The positive indicators for the national economy are not manifest in the employment statistics. Employment is down nearly two percent from its peak in 2001. Continuing increases in productivity (6.8 percent in the second quarter) have increased corporate profitability, but are likely restricting job creation. With 900,000 jobs lost since December 2001, the continuing decline in employment may prevent the consumer from continuing to drive the economy by increased spending. Unemployment in August 2003 was a moderate 6.1 percent; however, this may not be a valid indicator since jobless workers may have stopped looking for work.

In spite of Colorado's economic difficulties in Fiscal Year 2002-03, net in-migration continued at a high level declining only .15 percentage points from the prior year growth rate of 1.3 percent. The information in the adjacent chart is based on Census Bureau estimates. Data for the year 2000 is not included in the chart because a large adjustment was made to total state population for that year, and matching annual estimates for deaths and births are not available for that year.

COMPONENTS OF COLORADO'S POPULATION CHANGE



In the current economic forecast, the Governor's Office of State Planning and Budgeting (OSPB) notes several positive signs that indicate the worst of Colorado's economic difficulties may have passed. However, Colorado's economic growth remains dependent on a fragile national recovery. Following is the current OSPB forecast for Colorado's major economic variables:

- Despite second half improvements, employment will decline .7 percent in 2003, increase to 1.7 percent for 2004, and accelerate to 3.0 percent by 2007.
- Unemployment will peak at 5.8 percent in 2003 and decline to 4.5 percent by 2008.
- Wages and salary income will grow by 1.6 percent in 2003, 4.5 percent in 2004, and 6.0 percent by 2006.
- Total personal income growth will continue to be slow at 1.3 percent in 2003 but increase to 5.0 percent by 2006. Both personal and wage income will be held down by low inflation pressure.
- In-migration is expected to be slightly over 16,000 or .3 percent in 2003. The net out-migration that accompanied the 1980's recession is not expected to occur due to the dearth of opportunity outside the state.
- The Denver-Boulder-Greeley inflation rate is forecasted to be 2.1 percent in 2003 and then average 2.5 percent in 2004 and 2005.

MAJOR GOVERNMENT INITIATIVES

As in Fiscal Year 2001-02, during the current fiscal year the establishment of new programs was limited because of the significant shortfall in anticipated revenues. As a result much of the fiscal legislation that was passed was in reaction to existing financial problems rather than establishing new programs. Nonetheless, the following significant changes will affect the state's future fiscal operations.

The Legislature made changes in the governing structure of Colorado's higher education. House Bill 03-1093 established separate boards of trustees for the three colleges formerly governed by the Trustees of the State Colleges in Colorado. The three colleges include Adams State College, Mesa State College, and Western State College.

Due to fiscal problems at the state and at local school districts, the legislature amended the no interest loan program the state operates for school districts. House Bill 03-1274 authorizes the State Treasurer to issue tax and revenue anticipation notes on behalf of the school districts that request a loan to alleviate a cash flow deficit. Any interest or discount on the notes will be paid by the state General Fund. The bill also tightens the requirements for the districts to prove that it will have a cash deficit during the fiscal year and to prove its ability to repay the loan at year end. Senate Bill 03-149 tightened the requirements on school district budgeting and financial reporting by requiring:

- the budget to ensure adequate reserves,
- full accrual accounting for school district enterprise funds,
- a reconciliation between the budgetary basis and modified accrual basis ending fund balance.

House Bill 03-1256 authorized the Department of Corrections to enter a fifteen-year lease purchase agreement limited to $102.8 million for the construction of a high-custody bed facility. The bill also authorized the state, acting by and through the Regents of the University of Colorado, to enter into a twenty-five year lease-purchase agreement limited to $202.9 million to finance the construction of academic facilities for the University of Colorado Health Sciences Center at the former Fitzsimons army base. After the close of the fiscal year, an external party filed a lawsuit to prevent the state from entering these lease purchase arrangements.

Senate Bill 03-236 required the Secretary of State to place a referred measure on the November 2003 ballot. The measure asked voters to approve that the Colorado Water Conservation Board issue $2.0 billion of water infrastructure revenue bonds with a maximum repayment cost of $4.0 billion. The measure was defeated in the November 2003 election.

BUDGETARY AND OTHER CONTROL SYSTEMS

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

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

In developing the state's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Those controls also assure the reliability of financial records for preparing financial statements and maintaining the accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that the state's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

RISK MANAGEMENT

The state self-insures its agencies, officials, and employees against the risk of loss related to general liability, motor vehicle liability, and workers' compensation. Property claims are not self-insured, as the state has purchased insurance. The state uses the General Fund to account for the risk management function including operations and all current claims or judgments. (see Note 6-G page 74, Note 22 on page 95, Note 26 on page 101). Actuarially determined and other long-term risk management claims are reported only on the government-wide *Statement of Net Assets.* Medical claims for officials and employees are managed through the Group Benefits Plan Fund, a Pension and Employee Benefits Trust Fund. The Regents of the University of Colorado are self-insured for workers' compensation, auto, general, and property liability.

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 auditing the statewide financial statements, the auditor will from time to time audit the financial statements and operations of various 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.

CASH MANAGEMENT

Statutes permit the State Treasurer to invest cash that is not immediately needed to pay obligations of the state. These investments may consist of obligations of the United States, commercial paper of prime quality, repurchase agreements, bank acceptance agreements, and other investment instruments. The State Treasurer also invests funds of the Colorado Water Resources and Power Development Authority, a component unit, and the Great Outdoors Colorado Trust Fund, a related organization. Both are accounted for in the treasurer's agency funds. At June 30, 2003, the State Treasurer held the following investments at fair value:

Investment Type	Amount in Millions
U.S. Government Securities	$ 1,122.4
Corporate Bonds	1,021.2
Mortgages	568.1
Commercial Paper	547.0
Mutual Funds	425.0
Asset Backed Securities	402.6
Bank Acceptances	24.3
Other	3.9
Total	$ 4,114.5

Included above is $1,311.8 million belonging to Pinnacol Assurance, a related organization for which the State Treasurer maintains in an individual Investment Trust Fund. The financial statements of that fund are included in this report.

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, 2002. This was the sixth 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 staffs of all the state departments and institutions whose time and dedication have made this report possible. I reaffirm our commitment to maintain the highest standards of accountability in financial reporting.

Sincerely,

Arthur L. Barnhart
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, 2002

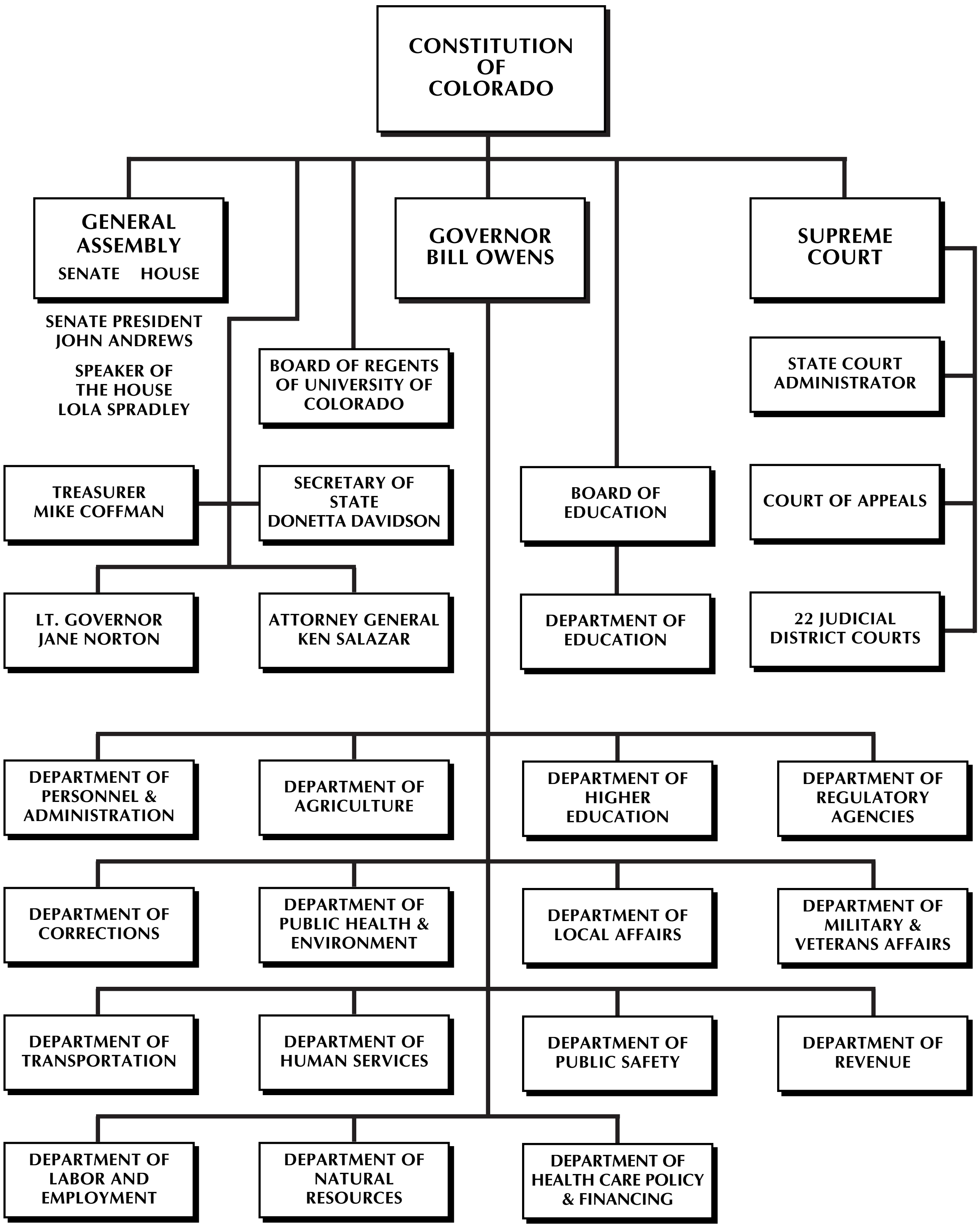
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

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

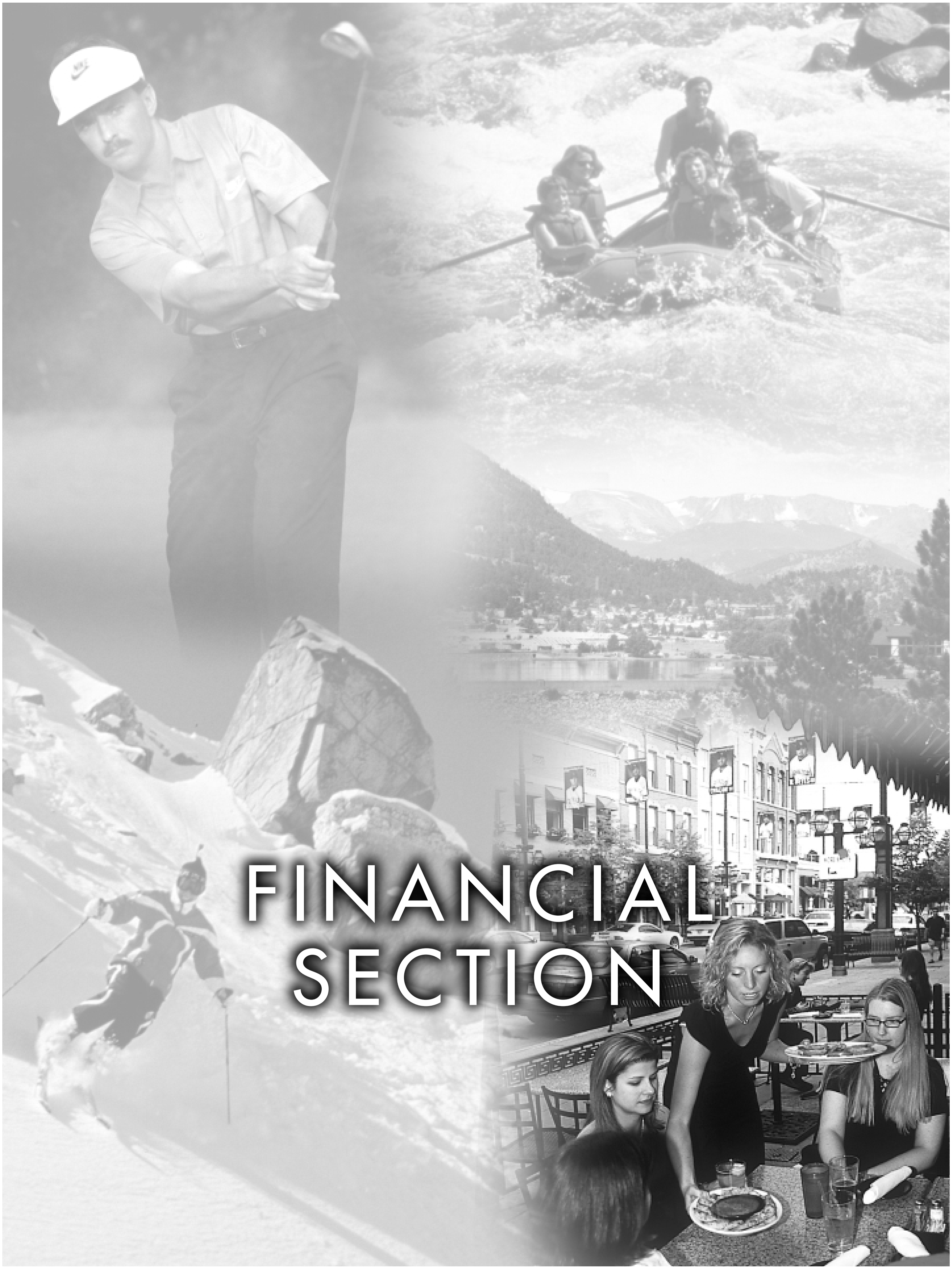
President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



FINANCIAL SECTION



JOANNE HILL, CPA
State Auditor

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
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FAX (303) 869-3060

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

November 26, 2003

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements for the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Colorado as of and for the fiscal year ended June 30, 2003, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards a report on our consideration of the State of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants will be issued under a separate cover. That report, upon its issuance, is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The sections entitled "Management's Discussion and Analysis" on pages 19 through 39 and "Budgetary Information" and "Infrastructure Assets Reported Under The Modified Approach" on pages 117 through 129 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied 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 in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Joanne Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

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 footnotes should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:
Assets of the state's governmental activities exceeded liabilities by $13,135.9 million, a decrease of $481.8 million as compared to the prior year amount of $13,617.7 million. Assets of the state's business type activities exceeded liabilities by $3,504.7 million, a decrease of $110.0 million as compared to the prior year amount of $3,614.7 million. In total, net assets decreased $591.8 million to $16,640.6 million.

Fund Level:
Governmental fund assets exceeded liabilities resulting in total fund balances of $2,827.2 million (prior year $3,382.5 million), of which $2,235.8 million (prior year $2,503.5 million) was reserved, and the balance of $591.4 million (prior year $879.0 million) was unreserved. In total, governmental fund balances declined $555.3 million from the prior year. The unreserved undesignated fund balance of the General Fund was $0 and $137.6 million, respectively, at June 30, 2003 and June 30, 2002; however in both years, transfers that were unusual in nature significantly increased the amount of unreserved undesignated fund balance that would otherwise have been reported.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $3,504.7 million (prior year $3,614.7 million), of which $2,754.4 million (prior year $3,034.9 million) was restricted or invested in capital assets, and the balance of $750.3 million (prior year $579.8 million) was unrestricted.

Debt Issued and Outstanding:
The outstanding debt of governmental activities at June 30, 2003 was $1,330.3 million (prior year $1,347.6 million), which is 39.3 percent (prior year 30.7 percent) of financial assets (cash, receivables, and investments) and 8.0 percent (prior year 8.1 percent) of total assets of governmental activities. The debt is primarily related to infrastructure; future federal revenues and state highway revenues are pledged to the related debt service. The state's Enterprise Funds have issued revenue bonds totaling $1,607.0 million (prior year $1,296.5 million), which is primarily invested in loans and capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:
The State Constitution indirectly limits the rate of spending increases and directly limits the state's ability to retain revenue 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. Due to declining revenues in Fiscal Year 2002-03, the state did not exceed the TABOR limits.

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 MDA), including budget-to-actual and infrastructure information, is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities 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 67.

Fund Level Statements

The fund level statements present additional detail about the state's financial position and activities. However, some fund level statements present information that is different from the government-wide statements due to the perspective and the basis of accounting used. Funds are balanced sets of accounts tracking activities that are legally defined or are prescribed by generally accepted accounting principles. Funds are presented on the fund level statements as major or nonmajor based on criteria set by the Governmental Accounting Standards Board (GASB). There are three types of funds operated by the state – governmental, proprietary, and fiduciary. In the fund level statements, each fund type has a pair of statements that show financial position and activities of the fund; a statement showing cash flows is also presented for the proprietary fund type.

- Governmental Funds – A large number of the state's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column. Governmental funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Permanent Funds.

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

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

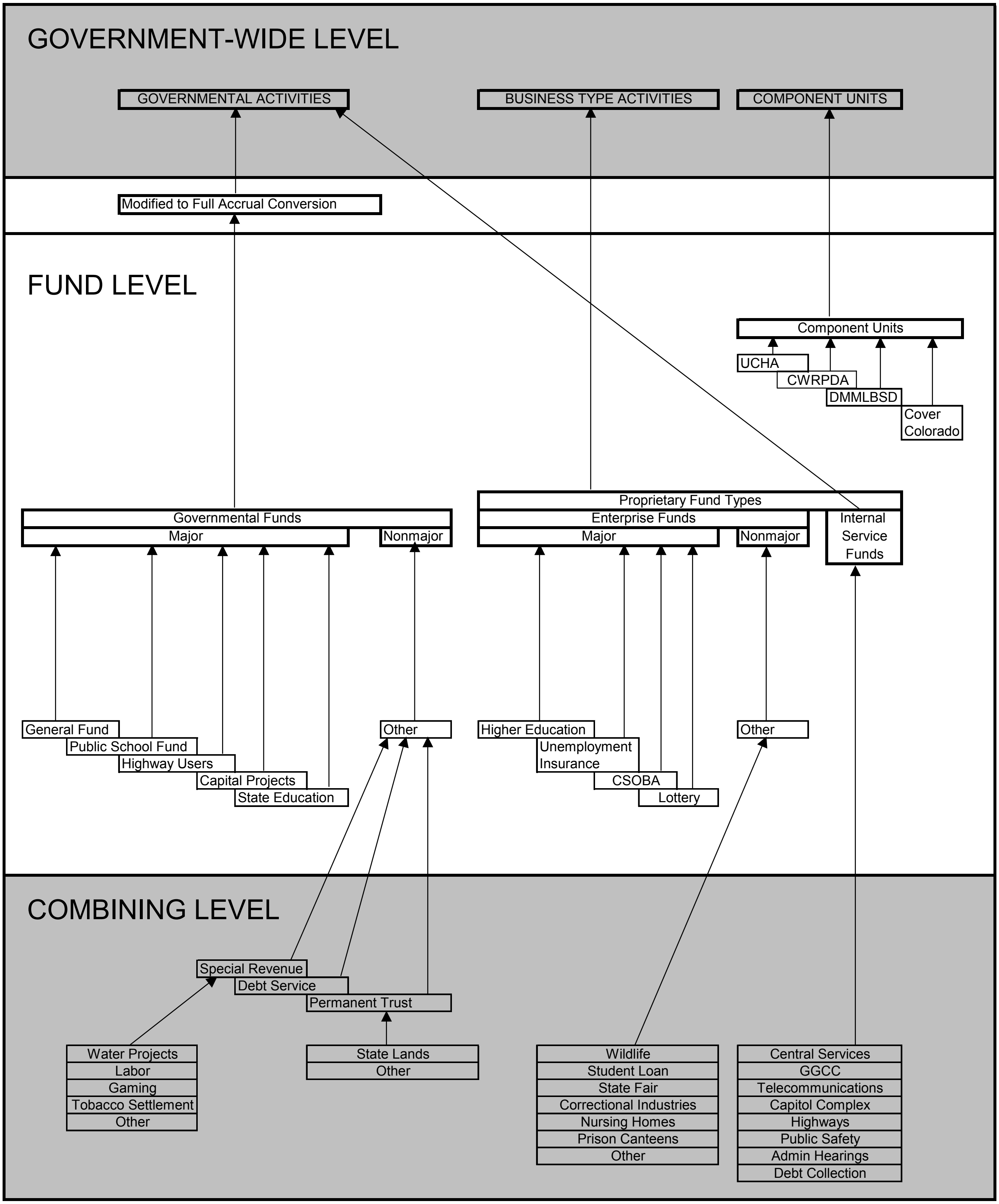
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
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Component Units
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Governmental Funds
Enterprise Funds
Major
Nonmajor
Major
Nonmajor
Internal Service Funds
General Fund
Public School Fund
Highway Users
Capital Projects
State Education
Other
Higher Education
Unemployment Insurance
CSOBA
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Settlement
Other
State Lands
Other
Wildlife
Student Loan
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Other
Central Services
GGCC
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Hearings
Debt Collection

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2003	2002 Restated	2003	2002	2003	2002 Restated
Noncapital Assets	$ 4,332,562	$ 4,716,043	$3,219,531	$3,143,883	$ 7,552,093	$ 7,859,926
Capital Assets	12,224,635	11,966,218	2,779,931	2,550,358	15,004,566	14,516,576
Total Assets	16,557,197	16,682,261	5,999,462	5,694,241	22,556,659	22,376,502
Current Liabilities	1,462,967	1,359,236	666,115	571,612	2,129,082	1,930,848
Noncurrent Liabilities	1,958,353	1,705,320	1,828,643	1,507,962	3,786,996	3,213,282
Total Liabilities	3,421,320	3,064,556	2,494,758	2,079,574	5,916,078	5,144,130
Invested in Capital Assets, Net of Related Debt	11,444,442	11,422,441	2,142,940	2,045,202	13,587,382	13,467,643
Restricted	1,358,392	1,352,184	611,415	989,709	1,969,807	2,341,893
Unrestricted	333,043	843,080	750,349	579,756	1,083,392	1,422,836
Total Net Assets	$13,135,877	$13,617,705	$3,504,704	$3,614,667	$16,640,581	$17,232,372

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 relate to capital assets or restricted assets that may be unavailable to meet the day-to-day payments of the state.

Capital assets, net of related debt, accounts for $13,587.4 million or 81.7 percent of the state's total net assets. This line item represents the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. The 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 $1,969.8 million or 11.8 percent of net assets. In general, these restrictions dictate how the asset 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.

The Unrestricted Net Assets of $1,083.4 million or 6.5 percent of total net assets represents the amount by which total assets exceed total liabilities after all restrictions are considered. This represents a reduction of $339.4 million from the prior fiscal year; however, the decline in governmental activities unrestricted net assets was more pronounced at $510.0 million. Depreciation recorded by the governmental activities accounted for $87.1 million of this reduction, but the remainder is the result of consuming unrestricted assets for operations or converting them to capital assets. The largest portion of unrestricted net assets is reported in Special Revenue Funds, and generally, legislative action is required to make it available for state programs other than the program for which the revenue was collected.

Since capital assets are not readily available to meet current financial needs, it is informative to observe the change in net assets other than those related to capital assets. For the governmental activities, net assets other than capital assets declined from $2,195.3 million to $1,691.4 million – a reduction of 23.0 percent in one year. On a comparable basis, business-type activities had a smaller reduction of 13.2 percent, and the reduction for the total primary government was 18.9 percent.

Another measure of the state's financial health is the change in net assets from the prior year. The following condensed statement of activities shows that net assets of both the governmental and business type activities decreased during the fiscal year. For the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by $353.5 million. With grants revenue and equivalent expenses excluded, governmental activities revenue declined by $248.1 million from the prior year, while expenses increased by $309.4 million over the prior year. Approximately $25.0 million of the expenditure increase was related to depreciation, which is beyond management's immediate control. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances decreased by $557.2 million.

Business-type activities' expenses exceeded revenues and transfers-in by $182.9 million resulting in a reduction in net assets. Even though fee and grant revenue of the business type activities increased by $210.6 million, increases in expenditures of $344.6 million and reductions in transfers-in result in the overall reduction of net assets. Without cash and capital asset transfers from the governmental activities, the business type activities net assets would have declined by $893.8 million. Transfers-in from the governmental activities declined by $102.7 million from the prior year. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	$ 674,783	$ 650,972	$2,467,707	$2,323,531	$ 3,142,490	$ 2,974,503
Operating Grants and Contributions	3,523,377	3,147,220	1,101,827	1,016,860	4,625,204	4,164,080
Capital Grants and Contributions	410,070	352,125	28,662	47,202	438,732	399,327
General Revenues:						
Taxes	5,488,683	5,676,869	-	-	5,488,683	5,676,869
Restricted Taxes	731,138	818,234	-	-	731,138	818,234
Unrestricted Investment Earnings	16,577	37,236	-	-	16,577	37,236
Other General Revenues	146,516	122,527	-	-	146,516	122,527
Total Revenue	10,991,144	10,805,183	3,598,196	3,387,593	14,589,340	14,192,776
Expenses:						
General Government	244,062	210,837	-	-	244,062	210,837
Business, Community, and Consumer Affairs	327,935	253,054	-	-	327,935	253,054
Education	194,436	285,636	-	-	194,436	285,636
Health and Rehabilitation	475,405	471,198	-	-	475,405	471,198
Justice	971,227	957,320	-	-	971,227	957,320
Natural Resources	103,888	103,801	-	-	103,888	103,801
Social Assistance	2,830,164	2,608,748	-	-	2,830,164	2,608,748
Transportation	890,081	750,759	-	-	890,081	750,759
Payments to School Districts	2,946,679	2,689,452	-	-	2,946,679	2,689,452
Payments to Other Governments	1,687,006	1,596,066	-	-	1,687,006	1,596,066
Interest on Debt	16,219	16,750	-	-	16,219	16,750
Higher Education Institutions	-	-	3,108,493	2,942,776	3,108,493	2,942,776
Unemployment Insurance	-	-	742,745	583,508	742,745	583,508
Student Obligation Bond Authority	-	-	45,213	41,351	45,213	41,351
Lottery	-	-	341,907	349,955	341,907	349,955
Other Business-Type Activities	-	-	253,633	229,773	253,633	229,773
Total Expenses	10,687,102	9,943,621	4,491,991	4,147,363	15,179,093	14,090,984
Excess(Deficiency) Before Contributions, Transfers, and Special and Extraordinary Items	304,042	861,562	(893,795)	(759,770)	(589,753)	101,792
Special and Extraordinary Items	-	(21,000)	-	-	-	(21,000)
Transfers	(634,674)	(662,141)	634,674	662,141	-	-
Internal Capital Contributions	(22,855)	25	76,210	151,465	53,355	151,490
Increase (Decrease) in Net Assets	(353,487)	178,446	(182,911)	53,836	(536,398)	232,282
Net Assets Beginning	13,617,705	5,457,647	3,614,667	4,887,925	17,232,372	10,345,572
Prior Period Adjustment	(128,341)	7,981,612	72,948	(1,327,094)	(55,393)	6,654,518
Net Assets Ending	$13,135,877	$13,617,705	$3,504,704	$3,614,667	$16,640,581	$17,232,372

TABOR Revenue, Debt, and Tax-Increase Limits

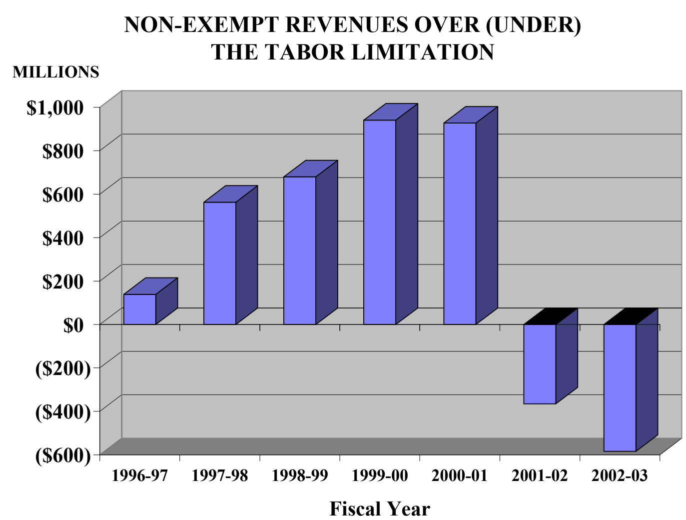
Fiscal Year 2002-03 is the tenth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, 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. TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits (including the six percent limit on General Fund expenditure growth). With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a vote of the people at the annual election.

The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations are a significant factor in the changing fiscal health of the state's General Fund.

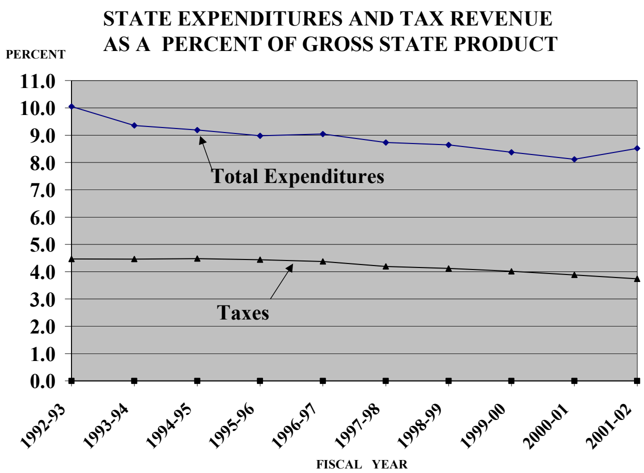
State revenues subject to TABOR were $584.3 million below the Fiscal Year 2002-03 limit. In Fiscal Year 2001-02, those revenues were below the limit by $365.7 million. When TABOR revenues are below the TABOR limit, no refund to the taxpayers is required. However, the amount by which the revenues are below the limit is important to the state because the new-year limit on revenues is determined by adjusting the lower of the prior revenues or prior year limit. As a result, any amount that revenues fall below the limit represents a permanent reduction in state's ability to retain revenues. This condition is commonly referred to as the ratchet-down effect of TABOR.

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. On the nonbudgetary financial statements, the state recorded a liability in the General Fund at June 30 for these amounts in each fiscal year, and the amounts were refunded in subsequent years. In Fiscal Year 2002-03, the state refunded the $48.9 million shown on the Fiscal Year 2001-02 *Statement of Net Assets* as TABOR Refund Liability. In addition, the state distributed an additional $19.9 million to taxpayers in the form of TABOR refunds because statutes required refund rates be set to refund 105 percent of the constitutionally required refund amount. The $19.9 million reduced sales tax revenue in Fiscal Year 2002-03, and therefore, increased the ratchet down effect of the TABOR limit.



The TABOR limit on revenues was calculated during the 1990's based on population estimates. The census of 2000 showed that these estimates were too low. Because of the artificially low estimates, the TABOR refunds throughout the 1990's were greater than would have been required with accurate population figures. The actual count from the 2000 census resulted in an adjusted population growth rate of six percent between 1999 and 2000. Legislation enacted in 2002 allows the state to "store" the six percent population adjustment and apply it as an increase to the limit in subsequent years when state revenues would exceed the TABOR limit. Without the legislation, the state would not have benefited from the correction of the population estimates because the adjustment was applicable in Fiscal Year 2001-02 when the state's depressed revenues precluded a TABOR surplus. This treatment, which is commonly referred to as the "growth dividend" allows the state to recapture part of the excess refunds paid throughout the 1990's by reducing refunds calculated in the future. However, application of the growth dividend is limited to a cumulative six percent increase in the TABOR limit over nine fiscal years.

The Governor's Office of State Planning and Budgeting (OSPB) currently estimates that the 6.0 percent growth dividend will be used between Fiscal Years 2003-04 and 2005-06. Over this period, the growth dividend will allow the state to keep approximately $980 million of additional revenues. At the end of that period, the base upon which future limits are calculated (barring further ratcheting down) will also be higher than would have been the case without the growth dividend.



TABOR controls state revenues by limiting their growth to the sum of inflation plus population increases. If, however, the state's economy grows at a rate above the percentage change in inflation and population then state revenues become a smaller percentage of Gross State Product (GSP). While expenditures and revenues have increased in absolute amount, the chart at left shows that tax revenues have continued to decline as a percent of GSP during the period that TABOR has been in effect. The recent increase in expenditure as a percent of GSP reflects that expenditure levels have been maintained while GSP growth has slowed. Some of the growth in expenditures is related to federal grants and is not supported by state general tax revenues. Nongrant expenditure levels have been maintained while revenues have declined by spending the fund balances of funds established for specific purposes. The chart reflects the most recent GSP data available, which is for the year 2001; it therefore does not reflect the continuing downturn in the state economy.

INDIVIDUAL FUND ANALYSIS

General Fund

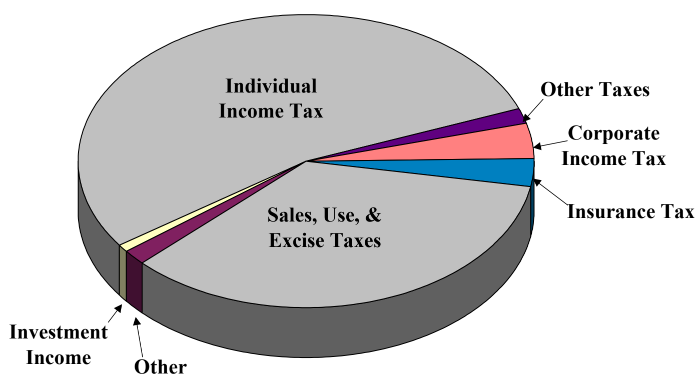
The General Fund is the focal point in determining the state's ability to maintain its financial position. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General Fund consist of two broad categories, general-purpose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

The General Fund ended the fiscal year with a $126.8 million cash deficit. This compares to a $525.5 million cash deficit in the prior fiscal year. The current year cash deficit has been reclassified on the financial statements as a payable to the Higher Education Institutions Fund, which was the only fund with borrowable cash resources adequate to absorb the entire General Fund cash deficit. The cash deficit is completely offset by investments held in the General Fund. In the normal course the General Fund does not hold investments – they are held instead in the State Treasurer's pool. However, in prior years, investments were transferred to the General Fund rather than cash to avoid liquidating those investments at a loss. To meet cash flow needs in Fiscal Year 2002-03, a significant portion of those investments were liquidated resulting in a realized gain and a reduction in future interest earnings. The ending cash deficit is indicative of the cash flow problems experienced by the General Fund throughout the fiscal year. Larger cash deficits that occurred during the year were financed by the borrowable resources in the State Treasurer's pooled cash and investment account.

During Fiscal Years 2001-02 and 2002-03, the state transferred $1,602.3 million ($996.0 million net of related transfers-out) into the General Fund from various other funds to support General Fund spending. The legislature also reduced the original Fiscal Year 2002-03 General Fund appropriation by $529.8 million. Parts of that reduction were shifted to cash funds, and therefore, those expenditures were reported in enterprise, special revenue, and other funds. In addition, the budgetary basis of accounting for the General Fund was changed to defer June payroll expenditures and certain Medicaid expenditures into the following fiscal year. This change did not affect the financial statements on a generally accepted accounting principle (GAAP) basis.

In general, these budget actions were made necessary by declining state revenues from a constricting economy. However, recent constitutional amendments approved by voters and tax reductions passed by the legislature also exacerbated the imbalance between revenues and expenditures of the General Fund. In Fiscal Year 2002-03, the state paid $61.5 million to compensate counties for property tax reductions given to persons over 65 years of age. This first time payment was required by a legislatively referred measure known as the Homestead Exemption that was approved by voters in the 2000 general election. It was anticipated that this payment would be made from excess TABOR revenues subject to refund. However, the downturn in the economy prevented excess revenues from being realized, and the General Fund made the payment without benefit of the anticipated revenues.

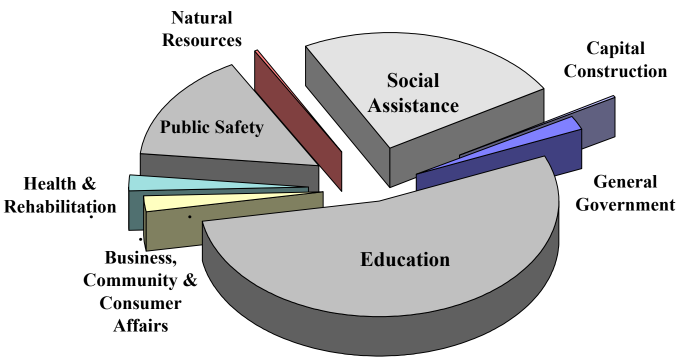
GENERAL PURPOSE REVENUES BY SOURCE



General-purpose revenues for Fiscal Years 2002-03 and 2001-02 were $5,477.0 million (see page 125) and $5,571.6 million, respectively – a decrease of $94.6 million or 1.7 percent. Individual income and other taxes decreased by $155.8 million. All major categories of individual income tax declined including withholding, estimated payments, and cash remitted with income tax forms. This indicates that reduced investment earnings and reduced self-employment income as well as reduced wage income affected taxable income. In addition, individual income tax refunds were up significantly over the prior year further reducing income tax revenues. Corporate income increased by $49.6 million or 30.2 percent, which according to the Governor's Office of State Planning and Budgeting was primarily due to a tax amnesty program and rising corporate profits. Investment income of the General Fund increased by $25.6 million or 101.1 percent primarily due to the premature liquidation of securities for cash management purposes. Sales, use, and excise taxes decreased by $48.4 million or 2.5 percent, primarily due to continuing softness in the Colorado economy. Insurance premium taxes increased by $16.7 million or 10.8 percent because of increases in the dollar amount of insurance policies in force. Other revenues increased by $17.6 million or 24.5 percent primarily related to unemployment insurance premium revenues that are required to be deposited in the General Fund through July 1, 2004, by Senate Bill 296, which passed in the 2003 legislative session.

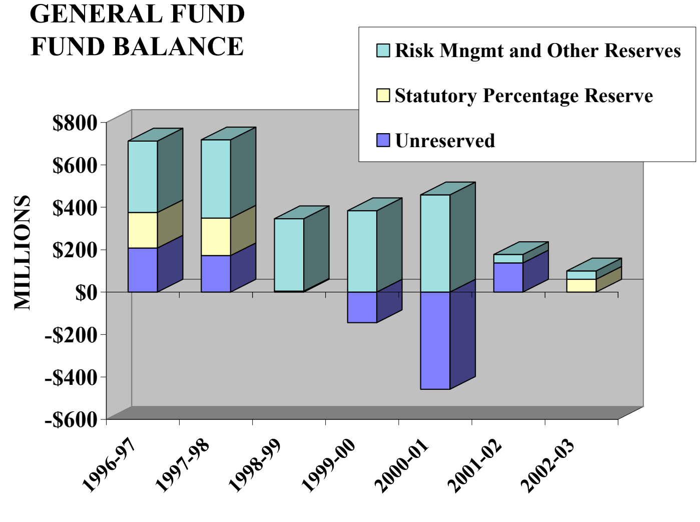
On the budgetary basis, total expenditures and transfers-out (excluding the Fiscal Year 2002-03 transfer to repay cash funds) that were funded from general-purpose revenues during Fiscal Years 2002-03 and 2000-02 were $5,603.8 million (see page 125) and $5,721.9 million, respectively. The total annual increase in general funded expenditures is limited to six percent over the previous year with certain adjustments. The primary adjustments are for changes in federal mandates and lawsuits against the state. This limitation is controlled through the legislative budget process and carries the weight of a constitutional requirement because of the TABOR amendment. The limitation did not affect the level of expenditures in Fiscal Year 2002-03 because budgetary basis expenditures were reduced to address the revenue shortfall.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



GAAP basis expenditures for the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 81.2 percent of all Fiscal Year 2002-03 general funded expenditures, which was the same percentage as the prior year. However, the expenditures of the Departments of Higher Education and Human Services were both reduced to accommodate mandated increases in primary education and Medicaid. Of the departments with substantial general funded expenditures, the most significant increases were in the Department of Treasury ($58.0 million or 1,381.0 percent), the Governor's Office ($11.9 million or 60.8 percent), and the Department of Corrections ($33.6 million or 7.6 percent). The increase in the Department of Treasury expenditures is the direct result of the first-time $61.5 million payment to counties for the Homestead Property Tax Exemption discussed above. The increase in the Governor's Office expenditures resulted from $9.0 million spent on tourism promotion and a $4.0 million increase in economic incentive expenditures. Absent these specific payments, the Department of Treasury and the Governor's Office would have experienced expenditure reductions consistent with those at other state departments. The increase in the Department of Corrections expenditures resulted from an $8.4 million increase in payments to private facilities and a significant number of smaller increases in other departmental programs that were driven by increased personal services costs and increases in inmate population. The most significant decreases in General Fund expenditures occurred in the Department of Higher Education ($53.9 million or 7.3 percent) and the Department of Public Health and Environment ($15.2 million or 47.9 percent). These departments were appropriated cash funds to continue services for which the general funding was reduced.

GENERAL FUND FUND BALANCE



The chart at the right shows the changes in the major reserves in the General Fund on a GAAP basis. Historically, statutes required a four percent reserve in fund balance. However, legislation passed in the 2003 reduced the required reserve for Fiscal Year 2002-03 to three percent less $31.2 million which resulted in a reserve requirement of $131.3 million. The General Fund is reported in the attached financial statements using generally accepted accounting principles; on the GAAP basis only $60.7 million was available to meet this reserve requirement. Compliance with the statutory reserve requirement was achieved on the budgetary basis by deferring payroll and Medicaid expenditures into the following fiscal year. In Fiscal Year 2002-03, statutes also required that TABOR refunds be deferred into the following fiscal year; however, since there was no TABOR refund in Fiscal Year 2002-03, this requirement did not result in a difference between the GAAP and the budgetary basis fund balance. Legislation passed in the 2003 legislative session repealed the requirement to defer TABOR refunds into the following fiscal year. (Note to the General Fund Fund Balance Chart: Before Fiscal Year 2001-02, the reserves of a large number of funds were reported as part of the General Fund; from Fiscal Year 2001-02 forward they are reported as Special Revenue Funds.)

As noted above, the state converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03. This change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. To explain these differences the following analysis addresses the GAAP and budgetary basis perspectives separately. On the GAAP financial statements the net General Fund revenues that are available for expenditure are titled Unreserved Reported in: General Fund; the analogous legally defined title on the budgetary basis statement is General Fund Surplus. Because of the shortfall in the Statutory Percentage Reserve, there was no amount to report as unreserved on the GAAP basis financial statements.

General Fund Unreserved Fund Balance - GAAP Basis

In Fiscal Year 2002-03, the beginning unreserved fund balance of the General Fund was $137.6 million. The original General Fund budget anticipated general-purpose revenues of $5,964.2 million, however, the General Fund recorded only $5,482.2 million of revenues – a shortfall of $482.0 million. A similar shortfall of $966.2 million between estimated and actual revenues occurred in Fiscal Year 2001-02. Final expenditures and transfers-out from general-purpose revenues were $6,117.6 million, which was $400.1 million below the original budget and resulted in reversions of unspent appropriations of $30.6 million. Along with other minor adjustments, this combination of revenues and expenditures would have resulted in a fund balance deficit of $495.1 million unless additional resources were identified. In order to avoid a constitutional violation caused by a deficit budgetary basis fund balance (discussed below), the Legislature took several actions including appropriating $555.8 million of transfers from various cash funds. This provided $60.7 million to meet the required reserve of $131.3 million, but resulted in zero unreserved fund balance on the GAAP basis.

General Fund Surplus - Budgetary Basis

In Fiscal Year 2002-03, the beginning General Fund Surplus was $137.6 million. On the budgetary basis the General Fund revenues were the same as the GAAP basis – $5,482.2 million. When it became clear during the year that revenues would be inadequate to support the original appropriation and the statutory four percent reserve requirement, state management took the following actions to avoid the constitutional violation associated with a defict General Fund Surplus.

- Legislation reduced the statutory four percent reserve to three percent less $31.2 million, which resulted in a reserve requirement of $131.3 million. Since the prior year reserve was statutorily set to zero, $131.3 million of current year resources had to be used to fund the reserve. Additional statutory provisons authorized the Governor to expend the reserve balance and transfer additional funds into the General Fund at the end of the fiscal year if deemed necessary to avoid a deficit General Fund fund balance. The use of these provisions was not deemed necessary at year end.
- Senate Bill 03-197 required that the General Fund Surplus be computed on the cash basis with regard to payroll expenditures, and it required that salaries for the month of June be paid on July 1 of the following fiscal year. For employees paid monthly, this resulted in a one-day delay in receiving their pay; employees paid biweekly experienced longer delays. As a result of this change, $64.2 million of payroll expenditures were not reported in Fiscal Year 2002-03 on the budgetary basis that were reported for GAAP purposes.
- Senate Bill 03-196 required that the General Fund Surplus be computed on the cash basis with regard to Medicaid expenditures. It also provided the Department of Health Care Policy and Financing with discretion as to when it requested payment for Medicaid costs. The department stopped paying Medicaid providers in mid-June to reduce its budgetary basis expenditures. As a result of this change, $219.8 million of Medicaid expenditures were not reported in Fiscal Year 2002-03 on the budgetary basis that were reported under the GAAP basis. Federal revenues of $119.8 million related to the Medicaid and payroll expenditures were not recorded on the budgetary basis that were reported for GAAP purposes. The legislation places no limit on the point at which the department stops paying for services rendered, and the department could lengthen the period of nonpayment in subsequent years to address budgetary shortfalls.
- Supplemental appropriations shifted funding sources for certain expenditures from the General Fund to various cash funds. The cash funds must use existing resources or raise additional resources (fees in most instances) to support these expenditures. Because the shifting of funding sources is a recurrent budgetary procedure, it is not practicable to determine its effect on avoiding a General Fund deficit.

After these actions were taken, the budgetary basis expenditures and transfers were $5,953.4 million, which is less than the GAAP basis by the $164.2 million of payroll and Medicaid expenditures (net of related augmenting revenue). Along with other minor adjustments, this combination of beginning surplus, revenues, and budgetary basis expenditures would have resulted in a General Fund Surplus deficit of $330.9 million. To address this potential deficit, legislation transferred $555.8 million from various cash funds to the General Fund. Note 31 provides the detail of the sources of individual funds transferred to the General Fund (see page 107).

In total these actions left the budgetary General Fund Surplus at $93.7 million. It should be noted that these actions were primarily one-time resource enhancements – revenues were not increased because TABOR precludes the Legislature from raising taxes without a vote of the people. However, cost shifting to cash funds and deferral of expenditures into the following year does not address the systemic imbalance between state revenues and expenditures. As shown on the GAAP basis comparative government-wide *Statement of Net Assets* (page 24), net assets of the government declined notwithstanding these actions to comply with constitutional requirements of the General Fund.

In Fiscal Year 2002-03, the General Fund and other state funds made reduced contributions to the Public Employees Retirement Association (PERA) for employee retirements. The contribution rate of 10.04 percent was an increase over the prior year rate of 9.9 percent, but it was below the statutory rate of 10.4 percent. PERA currently reports that the State and School Division of the plan is underfunded because assets are 87.9 percent of actuarial liabilities. The actual contribution rate was below the statutory rate because of the lag in implementing a statutory override formula designed to reduce the state contribution when the pension plan is overfunded. In addition, at the current employer contribution rate, the plan will never reach a fully funded status. Because the plan uses four-year smoothing in its investment valuation, it is expected that the funded percentage of the plan will be lower in subsequent years. The underfunding of the plan represents an imbalance between the resources of the plan (investments and employer/employee contributions) and the benefits specified in the plan. The long-term viability of the plan depends on a balance between the plan resources and benefits.

Public School Fund

The Public School Fund is a statutory fund whose primary revenue source is quarterly transfers from the General Fund. The fund distributes substantially all of the transfer to local school districts resulting in year end fund balances that are not significant. The fund made distributions of $2,201.0 million and $2,146.9 million in Fiscal Year 2002-03 and 2001-02, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance declined by $320.2 million from the prior year primarily related to expending restricted cash received from anticipation notes issued in prior years. Other significant changes from the prior year include:

- A $17.3 million increase in revenue primarily comprising a $53.2 million increase in federal revenue, a $20.7 million decline in investment earnings related to the reduced restricted cash balance, a $14.4 million decline in local government and private grant revenues.
- A $38.1 million decrease in expenditures primarily related to reduced payments for construction activity on transportation infrastructure funded by prior year issuance of Transportation Revenue Anticipation Notes (TRANs).
- A $294.7 million reduction in other financing sources primarily related to a $62.7 million reduction in transfers-in to the fund and the fact that $220.0 million of TRANs were issued in the prior year, but none were issued in the current year.
- The Department of Transportation issued $400.2 million of refunding notes and removed $387.8 million of outstanding TRANs from its liabilities (see Note 27 beginning on page 103). This activity was reported in the Debt Service Fund.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $13.8 million. Historically the Highway Users Tax Fund shows a deficit unreserved fund balance because its reserve for encumbrances is usually greater than net assets. The encumbrances are related to multiple year construction project contracts that are to be funded primarily from future gas tax and motor vehicle license fee revenues. However, in the current year the Highway Users Tax Fund has a large restricted cash balance, a portion of which is from TRANs issued in the current and prior years. Since the liability related to the TRANs is not reported on the fund level statements, the fund shows a positive Unreserved Fund Balance. Both the TRANs liability and the related capital assets are reported along with the fund's other assets and liabilities on the government-wide *Statement of Net Assets.*

Capital Projects Fund

The Capital Projects Fund fund balance declined by $122.3 million from the prior fiscal year end, which compares to a decline of $243.3 million in Fiscal Year 2001-02. The primary cause for the current year reduction in fund balance was ongoing expenditures related to three-year appropriations for construction projects. The fund is not being significantly replenished currently because of the shortfall in General Fund general-purpose revenues. In fact, a net amount of $20.1 million was transferred out of the Capital Projects Fund in Fiscal Year 2002-03. The lack of transfers into the Capital Projects fund means that construction of new capital assets and maintenance of existing capital assets is likely being deferred.

State Education Fund

The State Education Fund balance declined by $85.3 million during Fiscal Year 2002-03, which compares to an increase of $135.0 million in Fiscal Year 2001-02. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and those receipts declined in Fiscal Year 2002-03 by $84.5 million from the prior year. Expenditures of the fund are limited to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $321.4 million and $144.6 million in Fiscal Year 2002-03 and 2001-02, respectively. The constitutional requirement that income of the fund be spent before the principal of the fund signals the intent that the fund assets would grow over time to provide a future funding source. However, 27.7 percent of the fund's beginning fund balance was consumed in Fiscal Year 2002-03.

Business Type Activities

Higher Education Institutions

Current period activity increased the net assets of the Higher Education Institutions by $125.7 million. The fund has a wide variety of funding sources, and expenses are not specifically matched to those funding sources; therefore, it is not possible to specifically identify the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $67.1 million, federal revenues increased by $90.8 million, and investment income increased by $30.1 million. The state made capital contributions of $52.7 million ($147.8 million in Fiscal Year 2001-02) funded by the Capital Projects Fund and transferred $694.7 million ($749.6 million in Fiscal Year 2001-02) to Higher Education Institutions primarily from the General Fund. This contribution level represents a $150.0 million or 16.7 percent reduction in state support for Higher Education Institutions.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund declined by $331.3 million. The decline was primarily related to an increase in unemployment benefits necessitated by the economic downturn. However, the decline was exacerbated by a $16.5 million reduction in investment income related to the $344.9 million drop in the fund's cash balance. Statutes require the fund to increase unemployment insurance premiums when the fund's balances declines below established thresholds. Since the fund's revenues are counted against the TABOR limit, the automatic premium increase will likely result in accelerated use of the growth dividend (discussed above), and eventually, TABOR refunds made out of the General Fund.

Student Obligation Bond Authority (dba, College Invest)

The authority is a state agency (not a component unit) whose net assets increased by $9.3 million or 9.1 percent. Assets of the fund increased from $907.2 million to $1,092.8 million primarily related to investments purchased with bond proceeds. Liabilities of the fund increased from $804.8 million to $981.0 million, primarily due to the issuance of $366.3 million of bonds; payments on principal of existing bonds offset this increase. College Invest uses its bond proceeds to fund loans to students that are recorded on the *Statement of Net Assets* in the line items Student and Other Receivables and Other Long-Term Assets. The authority's liabilities declined by $53.0 million related to promises to pay future tuition costs under its prepaid tuition program. The authority closed the prepaid tuition program to new participants and potentially limited future withdrawals to a prorata share of the program's assets. As a result, a significant number of participants cancelled their contracts with the program.

State Lottery

The Lottery produced operating income of $103.4 million ($105.0 million in Fiscal Year 2001-02) on sales of $396.0 million ($408.0 million in Fiscal Year 2001-02); this represents a 1.5 percent decrease in operating income. The lottery distributed $48.7 million ($46.5 million in Fiscal Year 2001-02) to the Great Outdoors Colorado program, a related organization, and transferred $56.5 million ($63.9 million in Fiscal Year 2001-02) to other state funds, of which $3.7 million was distributed to local school districts, $10.5 million was used to fund operations of the state Division of Parks and Recreation, and $41.9 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 125. That schedule isolates general-purpose revenues and expenditures funded from those revenues; it is therefore the best source for identifying General Fund budget activities.

Differences Between Original and Final Budgets

Estimated general-purpose revenues declined significantly between the December 2001 estimate, which was the basis for the original appropriations, and the start of the fiscal year on July 1, 2002. The Governor vetoed approximately $46 million of operating and capital budgets in the original appropriations act and required a four percent restriction on general funded budgets of the Executive Branch agencies. As the revenue shortfall worsened, the Governor proposed significant budget reductions that were enacted by the Legislature. In total, the Legislature reduced the original budget $529.8 million. This amount included an estimated $90 million budget reduction related to the shifting of general-funded payroll to the following fiscal year. The following list shows departments that had reductions in budget greater than $20 million.

- Department of Corrections – The department's original budget exceeded the final budget by $40.5 million. In addition to the $25.5 million budget reduction related to the payroll shift, the department had approximately $15.1 million of supplemental reductions that affected most of its appropriated line items. These reductions were offset by a $2.8 million increase in the budget for payments to house state inmates in city and county jails.
- Department of Education – The department's original budget exceeded the final budget by $95.1 million. In addition to the $1.0 million budget reduction related to the payroll shift, the department had a $90.4 million reduction in its general-funded appropriation when the Legislature chose to fund part of the distributions to local school districts from the State Education Fund. The department's general-funded appropriation was also reduced $3.8 million when federal funds became available to support the Student Assessment Program. These general-funded reductions were offset by a $3.0 million increase in the department's contingency reserve program driven by additional need at local school districts.
- Department of Health Care Policy and Financing – The department's original budget exceeded the final budget by $140.2 million. In addition to the $2.3 million budget reduction related to the payroll shift, the department had at least $130.4 million of reduction in its budget related to the conversion of Medicaid payments to the cash basis of accounting. Included in this amount was a $15.0 million reduction in the General Fund appropriation as required by the (M) headnote of the long appropriations act because the federal government increased the match percentage for Medicaid. These reductions were offset by a $10.6 million increase to pay a settlement of contested reimbursement rates to health maintenance organizations.
- Department of Higher Education – The department's original budget exceeded the final budget by $112.3 million. In addition to the $23.1 million reduction related to the payroll shift, the department experienced

significant reductions that were not related to programmatic changes, but rather were made solely to address the general revenue shortfall. In essence these reductions switched the funding for existing programs from the General Fund to the Higher Education Enterprise Fund.

- Department of Human Services – The department's original budget exceeded the final budget by $81.1 million. In addition to the $12.3 million budget reduction related to the payroll shift, the department had significant cuts in its General Administration ($20.5 million), Child Welfare Services ($18.5 million), and Youth Corrections Contract Placements ($5.1 million) line items. These reductions and reductions in many more of the department's line items were not related to programmatic changes, but rather, were made to address the general revenue shortfall.
- Judicial Branch – The department's original budget exceeded the final budget by $27.5 million. In addition to the $13.3 million budget reduction related to the payroll shift, the department had $3.4 million of appropriation refinanced to a new Judicial Stabilization Cash Fund, and a $10.7 million supplemental reduction related to employee furloughs undertaken to address the general-purpose revenue shortfall.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds total $5.9 million including $5.8 million of general funded Medicaid overexpenditures for which there is no statutory limit due to the entitlement nature of the program. Other general funded overexpenditures were not significant, and they are discussed in detail in Note 8B on page 77. In total, state departments reverted $30.6 million of general funded appropriations. In addition, they reverted $5.2 million of revenue in excess of that which was required to support specific appropriations in the General Fund. The final budget is presented without regard to restrictions in order to show the total reversion of appropriated budget. In at least one instance discussed below, the reversion occurred solely because of the conversion to the cash basis of accounting for Medicaid expenditures. The following list shows those departments that had reversions of at least $2.0 million.

- Department of Corrections – The department reverted $2.9 million – the largest portion of which was a $1.0 million reversion related to Purchased Medical Services. The effect of decreases in medical costs per offender was greater than unanticipated increases in inmate population resulting in lower than expected Purchased Medical Service expenditures. The department's Purchased Pharmaceuticals line item was overexpended by $985,692 in the Fiscal Year 2001-02, and consequently it was restricted in Fiscal Year 2002-03. Since the department received a supplemental in the current year to cover the restriction, the restriction was not removed, and the amount shows as reverted.
- Department of Health Care Policy and Financing – The department reverted $12.1 million from various line items in its budget; much of the reversion is the direct result of restrictions required by the (M) headnote in the appropriations act, which requires general fund match to be reduced for any increase in federal funds available. However, if not for the conversion to cash basis accounting for Medicaid expenditures the reversion would not have occurred. In fact, if the expenditures were reported as required by Generally Accepted Accounting Principles (GAAP), the department would have had a significant overexpenditure. In essence, the department was able to revert general funded appropriations because it did not accrue Medicaid expenditures of the period and because did not pay Medicaid service providers when the payments were due in late June.
- Department of Human Services – The department reverted $2.0 million of Aid to Needy Disabled State Appropriation primarily because departmental spending on this and other programs was curtailed in anticipation of additional appropriation reductions which did not occur.
- Legislative Branch – The Legislative Branch reverted $2.0 million of general administration funds that it did not expend.
- Department of Revenue – The department reverted $9.3 million, $7.7 million of which was related to the Old Age Heat and Fuel Credit. The final budget for this tax credit was overstated because it was based on revenues incorrectly recorded in prior years; in addition, fixed thresholds for the tax credit in relation to increasing personal income resulted in fewer taxpayers qualifying for the credit. An additional $1.1 million of reversions was related to the Cigarette Tax Rebate Program under which 27 percent of cigarette tax receipts

are rebated to cities and counties. Cigarette tax receipts were down in Fiscal Year 2002-03 due to a warehouse fire and a distributor bankruptcy.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2003 was $15.0 billion ($14.5 billion in Fiscal Year 2001-02). Included in this amount were $3.5 billion of depreciable capital assets net of $2.4 billion of depreciation. Also included was $11.6 billion that was primarily nondepreciable infrastructure reported under the modified approach, which is discussed below. The state added $868.4 million and $1,274.5 million of capital assets in Fiscal Year 2002-03 and 2001-02, respectively. In Fiscal Year 2002-03 – $440.5 million was recorded by governmental funds and $427.9 million was recorded by proprietary funds. Of the additions, $142.8 million was funded by general-purpose revenues and the balance 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 continued construction of a major project to rebuild a portion of Interstate 25 in Denver. The project increases the capacity and efficiency of the highway and adds a light rail line. The project is funded by Transportation Revenue Anticipation Notes (TRANs) authorized by a vote of the people in the November 1999 election. The state will repay the notes from future federal and other state revenues. Several other projects throughout the state that are funded by the TRANs are also underway.

The state's commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2003, the state had commitments of $35.0 million ($115.3 million in Fiscal Year 2001-02) in the Capital Projects Fund and $881.0 million ($879.4 million in Fiscal Year 2001-02) in the Highway Users Tax Fund.

The state's capital assets at June 30, 2003 and 2002, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 81	$ 78	$ 180	$ 174	$ 261	$ 252
Collections	8	8	12	10	20	18
Construction in Progress	840	830	328	468	1,168	1,298
Infrastructure	10,104	9,911	-	-	10,104	9,911
Total Capital Assets Not Being Depreciated	11,033	10,827	520	652	11,553	11,479
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,400	1,314	2,980	2,560	4,380	3,874
Vehicles and Equipment	491	471	596	552	1,087	1,023
Library Books, Collections, and Other Capital Assets	27	26	358	335	385	361
Infrastructure	20	19	18	23	38	42
Total Capital Assets Being Depreciated	1,938	1,830	3,952	3,470	5,890	5,300
Accumulated Depreciation	(746)	(691)	(1,692)	(1,572)	(2,438)	(2,263)
Total	$ 12,225	$ 11,966	$ 2,780	$ 2,550	$ 15,005	$ 14,516

The state is constitutionally prohibited from issuing general obligation debt. However, the state has issued certificates of participation secured by buildings and vehicles and 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, the pledged revenue stream is future federal revenues and state taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and certificates of participation. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing (see Notes 23, 24, and 25 for additional detail).

Fiscal Year 2002-03
(Amounts in Millions)

	Revenue Bonds		Certificates of Particpation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 1,273.1	$ 547.2	$ 57.1	$ 4.0	$ 1,330.2	$ 551.2
Business Type Activities	1,553.6	686.0	46.8	21.5	1,600.4	707.5
Total	$ 2,826.7	$ 1,233.2	$ 103.9	$ 25.5	$ 2,930.6	$ 1,258.7

Fiscal Year 2001-02
(Amounts in Millions)

	Revenue Bonds		Certificates of Particpation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 1,282.9	$ 635.4	$ 64.7	$ 5.4	$ 1,347.6	$ 640.8
Business Type Activities	1,240.9	572.5	54.1	21.5	1,295.0	594.0
Total	$ 2,523.8	$ 1,207.9	$ 118.8	$ 26.9	$ 2,642.6	$ 1,234.8

In Fiscal Year 2001-02, the total principal amount of revenue bonds and certificates of participation was 33.6 percent of net asset other than capital assets. In Fiscal Year 2002-03, that measure rose to 38.8 percent. The change was affected both by the decline in net assets and the increase in outstanding debt. Total debt per capita including bonds, certificate of participation, mortgages, notes, and leases was $588 per person in Fiscal Year 2001-02; it rose to $645 per person in Fiscal Year 2002-03.

Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. The amendment does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures.

INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

The state has elected to report infrastructure owned and maintained by the state Department of Transportation under the modified approach. The main feature of the modified approach is that annual maintenance costs are reported rather than depreciation. In order for the use of the modified approach to remain valid, the condition of the infrastructure must be maintained at a level set in advance by the state. The state's maintenance of the infrastructure is measured by condition assessments compared to the target condition level. The state must also disclose how the amount actually spent on maintenance compares to the estimate of the amount needed to maintain the established condition level.

The established condition level set by the Colorado Transportation Commission is unchanged from the prior year at 54 percent of roadways rated in the good or fair categories. The following table presents the roadway condition assessment for the preceding six years and shows that the most recent condition assessment exceeds the established condition level.

	2002	**2001**	**2000**	**1999**	**1998**	**1997**
Percent Rated Good/Fair	58	54	54	51	58	62
Percent Rated Poor	42	46	46	49	42	38

The established condition level for bridges is also unchanged from the prior year and requires that no more than 25 percent of bridges be rated as structurally deficient. The following table presents the condition assessment of bridges for the current and preceding five years and shows that the most recent condition assessment significantly exceeds the established condition level.

	2003	2002	2001	2000	1999	1998
Percent Structurally Deficient	6.3	6.6	6.7	6.3	6.5	5.6

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain. The following table shows that the department expended more than the amount budgeted for maintaining the infrastructure in Fiscal Year 2002-03. This does not represent an overexpenditure, but occurs because of the multi-year nature of construction contracts.

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2002-03	$ 631.0	$ 1,457.1
2001-02	968.5	1,051.8
2000-01	1,842.2	929.2
1999-00	688.6	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	$ 5,852.3	$ 5,875.8

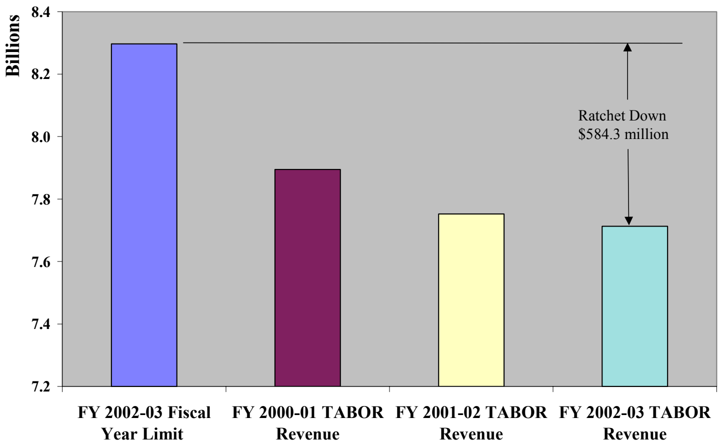
CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Recent reports of general-purpose revenue receipts have shown improvements in relation to current estimates and in relation to the prior year year-to-date balances. These increases in revenue are a positive sign; however, they are currently inadequate to fund the long-term scheduled expenditure increases related to education funding and debt service that are beyond management's immediate control. For Fiscal Year 2003-04, the Governor's Office of State Planning and Budgeting (OSPB) projects maintaining the required four percent reserve in the General Fund without the need for the major transfers-in that occurred in Fiscal Years 2001-02 and 2002-03. However, OSPB anticipates that under current law, General Fund appropriations growth in Fiscal Year 2004-05 will be limited to zero in order to fund required capital expenditures and transfers to restore the Controlled Maintenance Trust Fund. In subsequent years, the General Fund payment of TABOR refunds related to statewide revenues of all funds will also constrict General Fund spending increases.

The state expects to receive $73.2 million in Fiscal Year 2003-04, in addition to the $73.2 million it received in Fiscal Year 2002-03, from the federal government under the flexible federal aid to states program that was part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. In addition, OSPB estimates that the state will receive $75 million of increased Medicaid federal matching funds, which will reduce the amount expended by the General Fund.

The current year effects of TABOR were discussed on page 26 of the Management Discussion and Analysis. The fact that TABOR revenues were below the TABOR limit again in Fiscal Year 2002-03 also affects the state prospectively because the decline adds to the ratchet down effect and delays the application of the growth dividend discussed below.

TABOR REVENUES AND CURRENT LIMIT



Actual Fiscal Year 2002-03 TABOR revenues were $584.3 million less than the amount that would have been allowed by the TABOR limit given the growth in population and consumer prices. In Fiscal Year 2001-02 actual revenues were $365.7 million less than would have been allowed by that year's TABOR limit adjusted for the growth dividend. Without the growth dividend legislation, which allowed the state to store part of population estimate correction, the ratchet down would have been $847.7 million in Fiscal Year 2001-02. Over the two years, the actual ratchet down represents a permanent $950.0 million or 11.5 percent reduction in the states ability to retain revenues as compared to the allowed growth since Fiscal Year 2000-01, and it increases the likelihood of TABOR refunds early in an economic recovery. (Note: The scale of the adjacent graph does not begin at zero; it is intended to show the relationship between the ratchet down amount and the change in actual revenues – it is not intended to show the absolute change in TABOR revenues.)

The delay in applying the stored growth dividend results in a lower benefit to the state because the growth dividend is stored as a percentage of the base to which it is applied rather than as a fixed dollar amount. If the dividend could have been applied in the current year (when the base was larger) rather than moved forward to Fiscal Year 2003-04, it would have resulted in $2.4 million more in retained revenue.

House Bill 02-1310 and Senate Bill 02-179 also contained provisions that transfer any General Fund fund balance in excess of the four percent statutory reserve and TABOR refund to the Highway Users Tax Fund and the Capital Projects Fund in a two-thirds to one-third ratio, respectively. While these provisions increase the funding for transportation and capital projects, they also make it unlawful to accumulate a surplus in the General Fund that would mitigate the effects of future revenue shortfalls. This provision is applicable in Fiscal Year 2003-04 because the ending General Fund Surplus plus the current statutory reserve amounted to $224.9 million, which was $8.3 million in excess of the four percent threshold. As a result, the excess will be transferred to the Highway Fund and the Capital Projects Fund even though the excess balance exists primarily because Medicaid providers were not paid timely in late June. Since the cash basis accounting for Medicaid remains in effect, this condition may recur.

Several conditions adversely affect the state's future operations:

- Transfers to Other Funds – While one legislature cannot bind another, current law requires the General Fund to repay the Controlled Maintenance Trust Fund and transfer significant resources to the Capital Projects Fund. In relation to the current year programmatic spending, this requirement increases the demands on future General Fund resources if Legislative action is not taken.

- Pension Plan Contributions – The funding ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State and School Division of the Public Employees Retirement Association (PERA) declined from 98.2 percent to 87.9 percent within its most recent fiscal year. Because of the four-year market smoothing, PERA anticipates that the funded ratio will decline again in the following year. The amortization period for the plan's liability is infinite, which means that at the current contribution level the liability associated with existing benefits will never be fully paid. The state continues to make statutorily reduced contributions to the plan that are a carry over from gain sharing initiated when the plan's investments had high valuations at the stock market peak. An increase in employer contribution is among the options available to address this problem, however, that option places additional pressure on all state funds that make payroll payments to PERA covered employees.

- Election 2000 Amendment 23 – This constitutional requirement was intended to dedicate a portion of TABOR refunds to education programs. OSPB estimates that $265.4 million will be diverted from general-purpose tax revenue in Fiscal Year 2003-04 under this requirement even though no TABOR refund is anticipated. In addition, the state is required to increase funding for education by specified percentages from General Fund sources. The mandated expenditure increase infringes on general funding for other programs because of the existing spending limits.

- Cash Basis Accounting – House Bill 98-1414 required that refunds of excess TABOR revenues be counted as expenditures in the year following the collection of the revenues. This allowed the Legislature to appropriate monies that would have to be refunded to the taxpayers in the following year. Recognizing the outflow of resources was deferred into the following year. This requirement caused serious budget problems in Fiscal Year 2001-02 when $927.2 million had to be refunded to taxpayers even though revenues had dropped significantly. The legislature repealed the effects of House Bill 98-1414 in the 2003 Legislative session.

  The Legislature changed the budgetary accounting for Medicaid to the cash basis giving the Department of Health Care Policy and Financing the ability to determine its expenditures by delaying payments. This causes the outflow of resources to be deferred into the following year. In addition, June payroll expenditures of the General Fund were similarly deferred into the following year. As a result, the state does not use full accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities are delayed until the following year under the hopeful assumption that subsequent revenues will be adequate to pay those liabilities. In the event of further declining revenues, there would be increased pressure to delay Medicaid payments earlier in the fiscal year. It will be difficult for the state to return to the generally accepted accounting principles basis for budgetary expenditure because of the significant one-time budgetary impact of recording payroll and Medicaid expenditures that were previously deferred.

- Temporary Spending Reductions – The Legislature made the following temporary spending reductions for Fiscal Year 2003-04:
    - Salary survey and performance pay increases were eliminated reducing General Funded expenditures by $29.2 million.
    - Payments to counties for the senior Homestead Property Tax Exemption were suspended reducing General Fund expenditures by an estimated $55 million. These payments were also suspended for Fiscal Year 2004-05.
    - Payments to the Fire and Police Pension Association for Old Hire Pension Plans were suspended reducing General Fund expenditures by an estimated $25 million. These payments were also suspended for Fiscal Year 2004-05.

  These demands on the General Fund will return at the end of the suspension periods.

- Debt Service – Debt service payments on the $1.3 billion of Transportation Revenue Anticipation Notes issued by the Department of Transportation begin in earnest in the upcoming fiscal years – $86.1 million and $91.8 million in Fiscal Years 2005-06 and 2006-07 respectively. While a portion of the debt services will be funded by federal funds, a significant amount will be funded by state sources. When the notes were issued, the diversion of surplus general-purpose revenues was expected to accumulate to fund that debt service. However, no diversion was available in the current year, and no material diversion or transfer is anticipated in the following years. While this is not a General Fund responsibility, the use of other transportation resources to pay the debt service may be unacceptable because of the impact on road maintenance and construction statewide.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 712,256	$ 754,879	$ 1,467,135	$ 116,547
Taxes Receivable, net	758,887	46,597	805,484	462
Other Receivables, net	104,475	219,048	323,523	113,153
Due From Other Governments	515,860	98,017	613,877	469
Internal Balances	(98,203)	98,203	-	-
Inventories	17,580	33,861	51,441	6,517
Prepaids, Advances, and Deferred Charges	27,413	19,138	46,551	5,178
Total Current Assets	2,038,268	1,269,743	3,308,011	242,326
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,236,865	114,642	1,351,507	51,328
Restricted Investments	571,970	114,292	686,262	329,814
Restricted Receivables	-	-	-	36,798
Investments	152,495	888,232	1,040,727	125,623
Other Long-Term Assets	332,964	832,622	1,165,586	647,358
Depreciable Capital Assets and Infrastructure, net	1,191,785	2,259,846	3,451,631	440,873
Land and Nondepreciable Infrastructure	11,032,850	520,085	11,552,935	112,800
Total Noncurrent Assets	14,518,929	4,729,719	19,248,648	1,744,594
TOTAL ASSETS	16,557,197	5,999,462	22,556,659	1,986,920
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	431,132	-	431,132	-
Accounts Payable and Accrued Liabilities	684,956	332,990	1,017,946	58,186
Due To Other Governments	151,989	26,570	178,559	2,428
Deferred Revenue	114,149	138,313	252,462	832
Accrued Compensated Absences	7,394	10,582	17,976	8,628
Claims and Judgments Payable	14,743	-	14,743	6,117
Leases Payable	3,492	5,283	8,775	-
Notes, Bonds, COP's Payable	21,125	60,105	81,230	34,205
Other Current Liabilities	33,987	92,272	126,259	-
Total Current Liabilities	1,462,967	666,115	2,129,082	110,396
Noncurrent Liabilities:				
Deposits Held In Custody For Others	8	-	8	-
Accrued Compensated Absences	113,548	124,853	238,401	-
Claims and Judgments Payable	29,200	-	29,200	-
Capital Lease Obligations	5,054	80,636	85,690	-
Notes, Bonds, COP's Payable	1,309,153	1,546,903	2,856,056	877,204
Other Long-Term Liabilities	501,390	76,251	577,641	174,400
Total Noncurrent Liabilities	1,958,353	1,828,643	3,786,996	1,051,604
TOTAL LIABILITIES	3,421,320	2,494,758	5,916,078	1,162,000
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,444,442	2,142,940	13,587,382	263,523
Restricted for:				
Highway Construction and Maintenance	509,354	-	509,354	-
State Education	218,545	-	218,545	-
Unemployment Insurance	-	322,423	322,423	-
Debt Service	5,241	2,048	7,289	-
Emergencies	150,762	32,881	183,643	37
Permanent Funds and Endowments:				
Expendable	986	17,746	18,732	-
Nonexpendable	378,369	46,851	425,220	-
Court Awards and Other Purposes	95,135	189,466	284,601	289,467
Unrestricted	333,043	750,349	1,083,392	271,893
TOTAL NET ASSETS	$ 13,135,877	$ 3,504,704	$ 16,640,581	$ 824,920

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	Expenses		Program Revenues		
(DOLLARS IN THOUSANDS) Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 263,180	$ (19,118)	$ 70,751	$ 215,243	$ 5
Business, Community, and Consumer Affairs	326,078	1,857	105,109	194,525	2,328
Education	193,327	1,109	12,780	388,434	3,066
Health and Rehabilitation	474,248	1,157	62,206	291,937	-
Justice	966,237	4,990	106,339	39,843	11,299
Natural Resources	102,568	1,320	58,310	54,684	39
Social Assistance	2,827,778	2,386	39,999	2,248,529	-
Transportation	888,142	1,939	219,289	90,182	393,333
Payments to School Districts	2,946,679	-	-	-	-
Payments to Other Governments	1,687,006	-	-	-	-
Interest on Debt	16,219	-	-	-	-
Total Governmental Activities	10,691,462	(4,360)	674,783	3,523,377	410,070
Business-type Activities:					
Higher Education	3,105,573	2,920	1,491,973	967,004	28,662
Unemployment Insurance	742,745	-	386,748	24,730	-
Student Obligation Bond Authority	45,213	-	36,328	18,208	-
Lottery	341,555	352	396,273	1,959	-
Other Business-types	252,545	1,088	156,385	89,926	-
Total Business-type Activities	4,487,631	4,360	2,467,707	1,101,827	28,662
Total Primary Government	15,179,093	-	3,142,490	4,625,204	438,732
Component Units:					
University of Colorado Hospital Authority	411,240	-	421,063	-	3,343
Denver Metropolitan Baseball Stadium District	5,858	-	672	-	-
Colorado Water Resources and Power Development Authority	35,571	-	23,460	27,916	-
CoverColorado	24,377	-	14,043	-	-
Total Component Units	$ 477,046	$ -	$ 459,238	$ 27,916	$ 3,343

General Revenues:
Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings
Other General Revenues
Payment from State of Colorado
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Total General Revenues, Special Items, and Transfers
Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 28)
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-Type Activities	Total		Component Units
$ 41,937	$ -	$ 41,937		
(25,973)	-	(25,973)		
209,844	-	209,844		
(121,262)	-	(121,262)		
(813,746)	-	(813,746)		
9,145	-	9,145		
(541,636)	-	(541,636)		
(187,277)	-	(187,277)		
(2,946,679)	-	(2,946,679)		
(1,687,006)	-	(1,687,006)		
(16,219)	-	(16,219)		
(6,078,872)	-	(6,078,872)		
-	(620,854)	(620,854)		
-	(331,267)	(331,267)		
-	9,323	9,323		
-	56,325	56,325		
-	(7,322)	(7,322)		
-	(893,795)	(893,795)		
(6,078,872)	(893,795)	(6,972,667)		
-	-	-		13,166
-	-	-		(5,186)
-	-	-		15,805
-	-	-		(10,334)
-	-	-		13,451
1,829,380	-	1,829,380		534
86,048	-	86,048		-
2,996,597	-	2,996,597		-
205,569	-	205,569		-
371,089	-	371,089		-
177,012	-	177,012		-
11,388	-	11,388		-
541,944	-	541,944		-
794	-	794		-
16,577	-	16,577		26,436
146,516	-	146,516		-
-	-	-		9,973
(634,674)	634,674	-		-
(22,855)	76,210	53,355		-
5,725,385	710,884	6,436,269		36,943
(353,487)	(182,911)	(536,398)		50,394
13,617,705	3,614,667	17,232,372		774,526
(128,341)	72,948	(55,393)		-
$ 13,135,877	$ 3,504,704	$ 16,640,581		$ 824,920

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ -	$ 18,456	$ 19,130
Taxes Receivable, net	752,895	-	54,738
Other Receivables, net	57,181	-	15,036
Due From Other Governments	314,814	706	189,096
Due From Other Funds	43,459	7,088	2,847
Inventories	10,019	-	6,609
Prepaids, Advances, and Deferred Charges	17,974	-	123
Restricted Cash and Pooled Cash	-	-	999,163
Restricted Investments	-	-	-
Investments	143,630	-	-
Other Long-Term Assets	231	-	30,336
Land and Nondepreciable Infrastructure	-	-	-
TOTAL ASSETS	$ 1,340,203	$ 26,250	$ 1,317,078
LIABILITIES:			
Tax Refunds Payable	$ 427,743	$ -	$ 1,334
Accounts Payable and Accrued Liabilities	451,104	2,124	167,085
Due To Other Governments	53,189	10,155	45,166
Due To Other Funds	132,298	45	484
Deferred Revenue	134,339	-	27,434
Compensated Absences Payable	18	-	-
Claims and Judgments Payable	1,033	-	-
Other Current Liabilities	5,758	-	24
Deposits Held In Custody For Others	6	-	-
TOTAL LIABILITIES	1,205,488	12,324	241,527
FUND BALANCES:			
Reserved for:			
Encumbrances	3,684	-	881,030
Noncurrent Assets	231	-	30,336
Debt Service	-	-	-
Statutory Purposes	60,731	-	-
Risk Management	39,412	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	135,529
Unreserved, Reported in:			
Special Revenue Funds	-	13,926	13,766
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains	30,657	-	14,890
TOTAL FUND BALANCES	134,715	13,926	1,075,551
TOTAL LIABILITIES AND FUND BALANCES	$ 1,340,203	$ 26,250	$ 1,317,078

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 56,784	$ -	$ 596,951	$ 691,321
-	-	46,424	854,057
903	1,960	28,928	104,008
5,279	-	5,812	515,707
1,689	-	51,736	106,819
-	-	267	16,895
4,973	-	4,087	27,157
-	5,801	231,901	1,236,865
-	211,026	360,944	571,970
-	-	8,865	152,495
172	-	203,913	234,652
-	-	12,575	12,575
$ 69,800	$ 218,787	$ 1,552,403	$ 4,524,521
$ -	$ -	$ 2,055	$ 431,132
15,516	195	41,784	677,808
22	47	32,958	141,537
630	-	81,961	215,418
2,773	-	44,258	208,804
-	-	20	38
-	-	13,710	14,743
-	-	2,050	7,832
-	-	2	8
18,941	242	218,798	1,697,320
35,023	-	-	919,737
172	-	247,498	278,237
-	-	5,137	5,137
10,929	-	-	71,660
-	-	-	39,412
-	-	150,762	150,762
-	202,671	432,674	770,874
-	-	-	27,692
4,555	-	-	4,555
-	-	448,766	448,766
-	-	961	961
180	15,874	47,807	109,408
50,859	218,545	1,333,605	2,827,201
$ 69,800	$ 218,787	$ 1,552,403	$ 4,524,521

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2003

		(A)	(B)	(C)	(D)	(E)	(F)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUND	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 691,321	$ 20,935	$ -	$ -	$ -	$ -	$ -	$ 712,256
Taxes Receivable, net	854,057	147	-	-	-	(95,317)	-	758,887
Other Receivables, net	104,008	121	-	-	-	346	-	104,475
Due From Other Governments	515,707	122	-	-	-	31	-	515,860
Due From Other Funds	106,819	88	-	-	-	(31)	(205,079)	(98,203)
Inventories	16,895	685	-	-	-	-	-	17,580
Prepaids, Advances, and Deferred Charges	27,157	256	-	-	-	-	-	27,413
Total Current Assets	2,315,964	22,354	-	-	-	(94,971)	(205,079)	2,038,268
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,236,865	-	-	-	-	-	-	1,236,865
Restricted Investments	571,970	-	-	-		-	-	571,970
Investments	152,495	-	-	-	-	-	-	152,495
Other Long-Term Assets	234,652	465	-	-	-	97,847	-	332,964
Depreciable Capital Assets and Infrastructure, net	-	47,310	1,144,475	-	-	-	-	1,191,785
Land and Nondepreciable Infrastructure	12,575	-	11,020,275	-	-	-	-	11,032,850
Total Noncurrent Assets	2,208,557	47,775	12,164,750	-	-	97,847	-	14,518,929
TOTAL ASSETS	4,524,521	70,129	12,164,750	-	-	2,876	(205,079)	16,557,197
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	431,132	-	-	-	-	-	-	431,132
Accounts Payable and Accrued Liabilities	677,808	6,853	-	295	-	-	-	684,956
Due To Other Governments	141,537	-	-	-	-	10,452	-	151,989
Due To Other Funds	215,418	113	-	-	-	(10,452)	(205,079)	-
Deferred Revenue	208,804	662	-	-	-	(95,317)	-	114,149
Compensated Absences Payable	38	35	-	-	-	7,321	-	7,394
Claims and Judgments Payable	14,743	-	-	-	-	-	-	14,743
Leases Payable	-	1	-	3,491	-	-	-	3,492
Notes, Bonds, COP's Payable	-	12,800	-	8,325	-	-	-	21,125
Other Current Liabilities	7,832	-	-	-	26,155	-	-	33,987
Total Current Liabilities	1,697,312	20,464	-	12,111	26,155	(87,996)	(205,079)	1,462,967
Noncurrent Liabilities:								
Deposits Held In Custody For Others	8	-	-	-	-	-	-	8
Accrued Compensated Absences	-	1,260	-	-	-	112,288	-	113,548
Claims and Judgments Payable	-	-	-	-		29,200	-	29,200
Capital Lease Obligations	-	1	-	5,053	-	-	-	5,054
Notes, Bonds, COP's Payable	-	28,695	-	1,280,458	-	-	-	1,309,153
Other Long-Term Liabilities	-	-	-	-	91,683	409,707	-	501,390
Total Noncurrent Liabilities	8	29,956	-	1,285,511	91,683	551,195	-	1,958,353
TOTAL LIABILITIES	1,697,320	50,420	-	1,297,622	117,838	463,199	(205,079)	3,421,320
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	12,575	5,813	12,164,750	(738,696)	-	-	-	11,444,442
Restricted for:								
Highway Construction and Maintenance	1,056,169	-	-	(546,815)	-	-	-	509,354
State Education	218,545	-	-	-	-	-	-	218,545
Debt Service	5,241	-	-	-	-	-	-	5,241
Emergencies	150,762	-	-	-	-	-	-	150,762
Permanent Funds and Endowments:								
Expendable	986	-	-	-	-	-	-	986
Nonexpendable	378,369	-	-	-	-	-	-	378,369
Court Awards and Other Purposes	95,135	-	-	-	-	-	-	95,135
Unrestricted	909,419	13,896	-	(12,111)	(117,838)	(460,323)	-	333,043
TOTAL NET ASSETS	$ 2,827,201	$ 19,709	$ 12,164,750	$ (1,297,622)	$ (117,838)	$ (460,323)	$ -	$ 13,135,877

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

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

(B) Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources, and therefore, they 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 therefore reported in the *Statement of Net Assets.* The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 2,944,643	$ -	$ -
Corporate Income	214,307	-	-
Sales and Use	1,819,884	-	-
Excise	94,437	-	541,944
Other Taxes	244,228	-	794
Licenses, Permits, and Fines	38,066	-	219,797
Charges for Goods and Services	64,388	-	7,427
Investment Income	73,503	3	49,171
Federal Grants and Contracts	2,819,556	-	391,036
Other	260,914	581	33,631
TOTAL REVENUES	8,573,926	584	1,243,800
EXPENDITURES:			
Current:			
General Government	208,000	-	7,645
Business, Community and Consumer Affairs	154,336	-	-
Education	91,776	83	-
Health and Rehabilitation	391,862	-	6,505
Justice	841,445	-	63,302
Natural Resources	53,166	-	-
Social Assistance	2,755,482	-	-
Transportation	-	-	1,103,499
Capital Outlay	20,475	-	10,810
Intergovernmental:			
Cities	22,967	-	105,699
Counties	1,112,622	-	152,227
School Districts	398,334	2,200,963	-
Special Districts	58,863	40	16,529
Federal	1,522	-	-
Other	45,652	-	345
Debt Service	18,241	-	-
TOTAL EXPENDITURES	6,174,743	2,201,086	1,466,561
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,399,183	(2,200,502)	(222,761)
OTHER FINANCING SOURCES (USES):			
Transfers-In	730,527	2,202,841	6,108
Transfers-Out	(3,214,324)	(5,592)	(104,399)
Capital Lease Proceeds	12,193	-	-
Sale of Capital Assets	-	-	836
Debt Refunding Proceeds	-	-	-
Debt Refunding Payments	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,471,604)	2,197,249	(97,455)
NET CHANGE IN FUND BALANCES	(72,421)	(3,253)	(320,216)
FUND BALANCE, FISCAL YEAR BEGINNING	206,326	17,179	1,395,767
Prior Period Adjustment (See Note 28)	810	-	-
FUND BALANCE, FISCAL YEAR END	$ 134,715	$ 13,926	$ 1,075,551

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 177,605	$ -	$ 3,122,248
-	10,794	-	225,101
-	-	10,828	1,830,712
-	-	2,357	638,738
-	-	200,215	445,237
973	-	258,158	516,994
3	-	36,008	107,826
4,508	49,790	81,528	258,503
36,787	-	223,824	3,471,203
1,511	266	53,905	350,808
43,782	238,455	866,823	10,967,370
6,591	-	6,723	228,959
1,688	-	160,521	316,545
8,253	356	16,016	116,484
40	-	51,637	450,044
7,102	-	20,792	932,641
2,032	-	27,036	82,234
23,766	-	71,913	2,851,161
-	-	1,161	1,104,660
93,216	-	11,802	136,303
1,656	-	68,064	198,386
1,043	-	62,411	1,328,303
-	320,962	26,420	2,946,679
539	49	15,028	91,048
-	-	1,149	2,671
535	-	20,131	66,663
-	-	80,456	98,697
146,461	321,367	641,260	10,951,478
(102,679)	(82,912)	225,563	15,892
19,907	6,771	540,950	3,507,104
(39,968)	(9,141)	(728,374)	(4,101,798)
-	-	49	12,242
466	-	1,671	2,973
-	-	442,518	442,518
-	-	(436,113)	(436,113)
(19,595)	(2,370)	(179,299)	(573,074)
(122,274)	(85,282)	46,264	(557,182)
173,133	303,827	1,286,285	3,382,517
-	-	1,056	1,866
$ 50,859	$ 218,545	$ 1,333,605	$ 2,827,201

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

(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	$ 3,122,248	$ -	$ -	$ -	$ (1,932)	$ 3,120,316
Corporate Income	225,101	-	-	-	(8,738)	216,363
Sales and Use	1,830,712	-	-	-	(1,333)	1,829,379
Excise	638,738	-	-	-	(10,746)	627,992
Other Taxes	445,237	-	-	-	608	445,845
Licenses, Permits, and Fines	516,994	-	-	-	6,568	523,562
Charges for Goods and Services	107,826	-	-	-	-	107,826
Investment Income	258,503	341	-	-	(14)	258,830
Federal Grants and Contracts	3,471,203	-	-	-	(10,610)	3,460,593
Other	350,808	-	17,207	-	(21,870)	346,145
TOTAL REVENUES	10,967,370	341	17,207	-	(48,067)	10,936,851
EXPENDITURES:						
Current:						
General Government	228,959	(1,040)	15,475	-	16,929	260,323
Business, Community and Consumer Affairs	316,545	(694)	1,530	-	35,361	352,742
Education	116,484	(94)	1,308	-	222	117,920
Health and Rehabilitation	450,044	(166)	5,113	-	1,171	456,162
Justice	932,641	(507)	28,243	-	1,076	961,453
Natural Resources	82,234	(259)	3,384	-	7,859	93,218
Social Assistance	2,851,161	(655)	4,032	-	(21,131)	2,833,407
Transportation	1,104,660	(689)	(266,892)	-	315	837,394
Capital Outlay	136,303	-	(67,996)	-	-	68,307
Intergovernmental:						
Cities	198,386	-	-	-	(64)	198,322
Counties	1,328,303	-	-	-	-	1,328,303
School Districts	2,946,679	-	-	-	-	2,946,679
Special Districts	91,048	-	-	-	-	91,048
Federal	2,671	-	-	-	-	2,671
Other	66,663	-	-	-	-	66,663
Debt Service	98,697	1,356	-	(22,516)	-	77,537
TOTAL EXPENDITURES	10,951,478	(2,748)	(275,803)	(22,516)	41,738	10,692,149
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,892	3,089	293,010	22,516	(89,805)	244,702
OTHER FINANCING SOURCES (USES):						
Transfers-In	3,507,104	653	-	-	-	3,507,757
Transfers-Out	(4,101,798)	(3,455)	-	-	-	(4,105,253)
Bond Premium/Discount	-	-	-	5	-	5
Capital Lease Proceeds	12,242	-	-	(12,242)	-	-
Sale of Capital Assets	2,973	-	(4,227)	-	-	(1,254)
Debt Refunding Proceeds	442,518	-	-	(442,518)	-	-
Debt Refunding Payments	(436,113)	-	-	436,113	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(573,074)	(2,802)	(4,227)	(18,642)	-	(598,745)
Internal Service Fund Charges to BTAs	-	556	-	-	-	556
NET CHANGE FOR THE YEAR	$ (557,182)	$ 843	$ 288,783	$ 3,874	$ (89,805)	$ (353,487)

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

- Fleet management, printing, and mail services;
- Information management services;
- Telecommunication services;
- Building maintenance and management in the capitol complex;
- Administrative hearings services;
- 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 book value of the asset.

(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 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, 2003

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 323,559	$ 287,035
Investments	164,216	-
Taxes Receivable, net	-	46,597
Student and Other Receivables, net	138,508	6,772
Due From Other Governments	78,464	5,628
Due From Other Funds	127,836	26
Inventories	23,151	-
Prepaids, Advances, and Deferred Charges	13,636	-
Total Current Assets	869,370	346,058
Noncurrent Assets:		
Restricted Cash and Pooled Cash	77,654	-
Restricted Investments	114,292	-
Investments	467,757	-
Other Long-Term Assets	84,595	-
Depreciable Capital Assets and Infrastructure, net	2,162,762	-
Land and Nondepreciable Infrastructure	423,633	-
Total Noncurrent Assets	3,330,693	-
TOTAL ASSETS	4,200,063	346,058
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	309,832	1,181
Due To Other Governments	-	201
Due To Other Funds	1,333	3,263
Deferred Revenue	107,722	-
Compensated Absences Payable	9,764	-
Leases Payable	4,905	-
Notes, Bonds, COP's Payable	29,137	-
Other Current Liabilities	53,587	18,990
Total Current Liabilities	516,280	23,635
Noncurrent Liabilities:		
Accrued Compensated Absences	115,909	-
Capital Lease Obligations	80,312	-
Notes, Bonds, COP's Payable	648,751	-
Other Long-Term Liabilities	38,202	-
Total Noncurrent Liabilities	883,174	-
TOTAL LIABILITIES	1,399,454	23,635
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	1,952,042	-
Restricted for:		
Unemployment Insurance	-	322,423
Debt Service	2,048	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	17,746	-
Nonexpendable	46,851	-
Court Awards and Other Purposes	189,466	-
Unrestricted	592,456	-
TOTAL NET ASSETS	$ 2,800,609	$ 322,423

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

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 31,683	$ 31,535	$ 81,067	$ 754,879	$ 20,935
41,989	-	-	206,205	-
-	-	-	46,597	147
52,569	15,340	5,859	219,048	121
3,578	-	10,347	98,017	122
357	-	398	128,617	88
-	1,049	9,661	33,861	685
343	2,688	2,471	19,138	256
130,519	50,612	109,803	1,506,362	22,354
-	-	36,988	114,642	-
-	-	-	114,292	-
214,025	-	245	682,027	-
746,656	-	1,371	832,622	465
1,575	1,427	94,082	2,259,846	47,310
-	-	96,452	520,085	-
962,256	1,427	229,138	4,523,514	47,775
1,092,775	52,039	338,941	6,029,876	70,129
2,651	2,667	16,659	332,990	6,853
18,841	52	7,476	26,570	-
-	25,445	373	30,414	113
-	426	30,165	138,313	662
-	142	676	10,582	35
-	-	378	5,283	1
29,032	-	1,936	60,105	12,800
-	19,374	321	92,272	-
50,524	48,106	57,984	696,529	20,464
94	830	8,020	124,853	1,260
-	-	324	80,636	1
892,454	-	5,698	1,546,903	28,695
37,920	129	-	76,251	-
930,468	959	14,042	1,828,643	29,956
980,992	49,065	72,026	2,525,172	50,420
1,575	1,427	187,896	2,142,940	5,813
-	-	-	322,423	-
-	-	-	2,048	-
-	-	32,881	32,881	-
-	-	-	17,746	-
-	-	-	46,851	-
-	-	-	189,466	-
110,208	1,547	46,138	750,349	13,896
$ 111,783	$ 2,974	$ 266,915	$ 3,504,704	$ 19,709

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
License and Permits	$ -	$ -
Tuition and Fees	813,469	-
Pledged Tuition and Fees	31,597	-
Scholarship Allowance for Tuition and Fees	(161,321)	-
Sales of Goods and Services	453,027	-
Pledged Sales of Goods & Services	178,794	-
Scholarship Allowance for Sales of Goods & Services	(14,599)	-
Investment Income (Loss)	1,196	-
Pledged Investment Income	-	-
Rental Income	11,586	-
Gifts and Donations	8,923	-
Federal Grants and Contracts	675,010	199,118
Pledged Federal Grants and Contracts	122,187	-
Intergovernmental Revenue	4,738	-
Other	170,186	190,587
Pledged Other Revenues	6,702	-
TOTAL OPERATING REVENUES	2,301,495	389,705
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,974,369	-
Operating and Travel	759,858	749,832
Cost of Goods Sold	105,061	-
Depreciation and Amortization	169,074	-
Intergovernmental Distributions	59,924	-
Debt Service	-	-
Prizes and Awards	45	-
TOTAL OPERATING EXPENSES	3,068,331	749,832
OPERATING INCOME (LOSS)	(766,836)	(360,127)
NONOPERATING REVENUES AND (EXPENSES):		
Fines and Settlements	545	-
Investment Income	59,396	28,860
Pledged Investment Income	1,317	-
Rental Income	3,414	-
Gifts and Donations	74,089	-
Intergovernmental Distributions	-	-
Gain/(Loss) on Sale of Capital Assets	(13,606)	-
Debt Service	(24,286)	-
Other Expenses	-	-
Other Revenues	6,367	-
TOTAL NONOPERATING REVENUES (EXPENSES)	107,236	28,860
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(659,600)	(331,267)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	93,726	-
Additions to Permanent Endowments	303	-
Transfers-In	694,663	-
Transfers-Out	(3,392)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	785,300	-
CHANGE IN NET ASSETS	125,700	(331,267)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,601,961	653,690
Prior Period/Other Adjustments (See Note 28)	72,948	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,800,609	$ 322,423

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

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ 56	$ 59,366	$ 59,422	$ -
-	-	512	813,981	-
-	-	-	31,597	-
-	-	-	(161,321)	-
1,249	395,980	74,387	924,643	79,580
-	-	-	178,794	-
-	-	-	(14,599)	-
3,377	-	1,471	6,044	-
2,459	-	-	2,459	-
-	-	1,251	12,837	8,322
-	-	-	8,923	-
-	-	91,679	965,807	-
12,370	-	-	134,557	-
-	-	7,554	12,292	-
891	237	711	362,612	239
34,192	-	-	40,894	-
54,538	396,273	236,931	3,378,942	88,141
1,553	8,472	104,500	2,088,894	20,260
25,699	41,995	94,382	1,671,766	44,494
-	10,517	21,281	136,859	5,046
2,271	464	6,416	178,225	16,622
-	-	5,134	65,058	3
15,690	-	11,914	27,604	-
-	231,423	678	232,146	-
45,213	292,871	244,305	4,400,552	86,425
9,325	103,402	(7,374)	(1,021,610)	1,716
-	-	480	1,025	7
-	1,959	3,930	94,145	341
-	-	-	1,317	-
-	-	327	3,741	37
-	-	4,787	78,876	-
-	(48,699)	-	(48,699)	-
-	-	(7,514)	(21,120)	(799)
-	-	(1,026)	(25,312)	(1,357)
-	-	(1)	(1)	(64)
-	-	-	6,367	-
-	(46,740)	983	90,339	(1,835)
9,325	56,662	(6,391)	(931,271)	(119)
-	-	23,456	117,182	3,766
-	-	7	310	-
-	-	3,331	697,994	653
-	(56,452)	(7,282)	(67,126)	(3,456)
-	(56,452)	19,512	748,360	963
9,325	210	13,121	(182,911)	844
102,458	2,764	253,794	3,614,667	18,865
-	-	-	72,948	-
$ 111,783	$ 2,974	$ 266,915	$ 3,504,704	$ 19,709

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 691,005	$ -
Fees for Service	604,506	-
Sales of Products	5,861	-
Gifts, Grants, and Contracts	926,678	197,886
Loan and Note Repayments	12,319	-
Unemployment Insurance Taxes	-	175,187
Other Sources	53,529	-
Cash Payments to or for:		
Employees	(1,803,999)	-
Suppliers	(788,727)	-
Lottery Prizes and Sales Commissions	-	-
Unemployment Benefits	-	(739,748)
Scholarships	(109,979)	-
Others for Student Loans and Loan Losses	(19,599)	-
Other Governments	(36,612)	-
Other	(5,921)	(7,087)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(470,939)	(373,762)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	694,665	-
Transfers-Out	(130,566)	-
Receipt of Deposits Held in Custody	253,324	-
Release of Deposits Held in Custody	(248,938)	-
Gifts for Other Than Capital Purposes	73,222	-
Intergovernmental Distributions	(23,312)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(685)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	617,710	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(313,667)	-
Capital Contributions	14,541	-
Capital Gifts, Grants, and Contracts	25,929	-
Proceeds from Sale of Capital Assets	33,183	-
Income from Property	15,000	-
Capital Debt Proceeds	121,673	-
Capital Debt Service Payments	(64,679)	-
Capital Lease Payments	(17,837)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(185,857)	-

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

(Continued)

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STUDENT OBLIGATION BOND AUTHORITY	LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 543	$ 691,548	$ -
5,995	-	101,322	711,823	78,296
-	394,239	37,193	437,293	1,302
11,634	-	88,038	1,224,236	-
247,478	-	-	259,797	-
-	-	-	175,187	-
202	293	13,701	67,725	116
(1,483)	(7,318)	(83,686)	(1,896,486)	(17,239)
(58,025)	(24,669)	(78,385)	(949,806)	(51,413)
-	(258,649)	(1,707)	(260,356)	-
-	-	-	(739,748)	-
-	-	-	(109,979)	-
(301,190)	-	(58,689)	(379,478)	-
-	-	(29,860)	(66,472)	(3)
-	-	(3,148)	(16,156)	(72)
(95,389)	103,896	(14,678)	(850,872)	10,987
-	-	2,392	697,057	653
-	(56,452)	(6,343)	(193,361)	(3,456)
-	-	88	253,412	-
-	-	(69)	(249,007)	-
-	-	686	73,908	-
-	(45,223)	-	(68,535)	-
295,000	-	5,269	300,269	-
(88,567)	-	-	(89,252)	-
206,433	(101,675)	2,023	724,491	(2,803)
(214)	(372)	(15,167)	(329,420)	(8,860)
-	-	-	14,541	-
-	-	-	25,929	-
-	-	1,894	35,077	1,079
-	-	1,579	16,579	8,352
-	-	-	121,673	1,002
-	-	(1,129)	(65,808)	(7,845)
-	-	(453)	(18,290)	-
(214)	(372)	(13,276)	(199,719)	(6,272)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	48,595	28,860
Proceeds from Sale/Maturity of Investments	2,295,999	-
Purchases of Investments	(2,330,543)	-
NET CASH FROM INVESTING ACTIVITIES	14,051	28,860
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(25,035)	(344,902)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	413,990	631,937
Prior Period Adjustment	12,258	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 401,213	$ 287,035
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (766,836)	$ (360,127)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	169,074	-
Investment/Rental Income and Other Revenue in Operating Income	(11,586)	-
Fines, Donations, and Grants and Contracts in NonOperating	8,008	-
Loss on Disposal of Capital Assets	6,416	-
Compensated Absences	5,848	-
Interest and Other Expense in Operating Income	13,943	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(3,824)	(11,890)
(Increase) Decrease in Inventories	246	-
(Increase) Decrease in Other Operating Assets	(2,887)	-
Increase (Decrease) in Accounts Payable	125,030	2,406
Increase (Decrease) in Other Operating Liabilities	(14,371)	(4,151)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (470,939)	$ (373,762)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	38,172	-
Capital Assets Acquired by Grants or Donations and Payable Increases	15,163	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	4,023	-
Loss on Disposal of Capital Assets	12,815	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	537	-
Assumption of Capital Lease Obligation	39,250	-

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

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
4,810	1,567	4,512	88,344	307
1,707,599	399	907	4,004,904	13,992
(1,812,816)	-	-	(4,143,359)	(3,655)
(100,407)	1,966	5,419	(50,111)	10,644
10,423	3,815	(20,512)	(376,211)	12,556
21,260	27,720	138,567	1,233,474	8,379
-	-	-	12,258	-
$ 31,683	$ 31,535	$ 118,055	$ 869,521	$ 20,935
$ 9,325	$ 103,402	$ (7,374)	$ (1,021,610)	$ 1,716
2,271	464	6,416	178,225	16,629
(5,836)	-	(2,722)	(20,144)	(8,322)
-	-	4,588	12,596	7
-	-	23	6,439	-
1	88	104	6,041	102
15,690	83	106	29,822	2
(69,123)	(1,317)	1,739	(84,415)	(40)
-	461	747	1,454	(53)
(35)	(2,151)	(1,242)	(6,315)	73
5,298	925	(17,134)	116,525	946
(52,980)	1,941	71	(69,490)	(73)
$ (95,389)	$ 103,896	$ (14,678)	$ (850,872)	$ 10,987
-	-	23,457	61,629	3,766
-	-	-	15,163	-
(223)	-	2	3,802	-
-	-	7,554	20,369	-
-	-	-	537	-
-	-	129	39,379	2

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PINNACOL ASSURANCE	PRIVATE PURPOSE TRUST	AGENCY	TOTALS
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 5,076	$ 93,830	$ 32,725	$ 338,464	$ 470,095
Investments	-	3,871	605	7,775	12,251
Taxes Receivable, net	-	-	-	81,818	81,818
Other Receivables, net	35	12,661	6,296	533	19,525
Due From Other Funds	-	-	1,436	9,016	10,452
Inventories	-	-	-	3	3
Prepaids, Advances, and Deferred Charges	14	-	-	-	14
Noncurrent Assets:					
Investments	264,501	1,307,970	970,146	3	2,542,620
Other Long-Term Assets	-	-	-	10,252	10,252
TOTAL ASSETS	269,626	1,418,332	1,011,208	447,864	3,147,030
LIABILITIES:					
Current Liabilities:					
Tax Refunds Payable	-	-	-	1,060	1,060
Accounts Payable and Accrued Liabilities	1,069	-	30,100	531	31,700
Due To Other Governments	-	-	-	144,147	144,147
Due To Other Funds	-	-	3	28	31
Claims and Judgments Payable	-	-	-	504	504
Other Current Liabilities	-	-	-	255,025	255,025
Noncurrent Liabilities:					
Deposits Held In Custody For Others	-	-	-	46,324	46,324
Accrued Compensated Absences	21	-	-	-	21
Other Long-Term Liabilities	-	-	1,823	245	2,068
TOTAL LIABILITIES	1,090	-	31,926	447,864	480,880
NET ASSETS:					
Held in Trust for:					
Pension/Benefit Plan Participants	263,458	-	-	-	263,458
Investment Trust Participants	-	1,418,332	-	-	1,418,332
Individuals, Organizations, and Other Entities	-	-	979,282	-	979,282
Unrestricted	5,078	-	-	-	5,078
TOTAL NET ASSETS	$ 268,536	$ 1,418,332	$ 979,282	$ -	$ 2,666,150

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

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	COMPENSATION INSURANCE AUTHORITY	PRIVATE PURPOSE TRUST	TOTALS
ADDITIONS:				
Additions By Participants	$ 1,383	$ 575,877	$ 402,262	$ 979,522
Member Contributions	104,858	-	-	104,858
Employer Contributions	83,843	-	-	83,843
Investment Income/(Loss)	3,663	156,407	78,045	238,115
Employee Deferral Fees	444	-	-	444
Unclaimed Property Receipts	-	-	31,961	31,961
Other Additions	434	375	1,616	2,425
TOTAL ADDITIONS	194,625	732,659	513,884	1,441,168
DEDUCTIONS:				
Distributions to Participants	45,707	457,225	-	502,932
Health Insurance Premiums Paid	122,339	-	-	122,339
Other Benefits Plan Expense	28,534	-	-	28,534
Payments in Accordance with Trust Agreements	-	-	37,752	37,752
Administrative Expense	293	-	-	293
Other Deductions	1,260	-	-	1,260
TOTAL DEDUCTIONS	198,133	457,225	37,752	693,110
TRANSFERS:				
Transfers-In	-	-	1,000	1,000
Transfers-Out	(394)	-	(33,977)	(34,371)
TOTAL TRANSFERS	(394)	-	(32,977)	(33,371)
NET INCREASE (DECREASE) IN ASSETS	(3,902)	275,434	443,155	714,687
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	272,438	1,142,898	536,127	1,951,463
FISCAL YEAR ENDING	$ 268,536	$ 1,418,332	$ 979,282	$ 2,666,150

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	TOTAL
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 27,464	$ 76,457	$ 3,148	$ 9,478	$ 116,547
Investments	-	-	-	653	653
Taxes Receivable, net	-	-	462	-	462
Other Receivables, net	71,065	41,968	112	8	113,153
Due From Other Governments	-	469	-	-	469
Inventories	6,517	-	-	-	6,517
Prepaids, Advances, and Deferred Charges	5,175	-	3	-	5,178
Total Current Assets	110,221	118,894	3,725	10,139	242,979
Noncurrent Assets:					
Restricted Cash and Pooled Cash	-	51,328	-	-	51,328
Restricted Investments	9,891	319,923	-	-	329,814
Restricted Receivables	31,143	5,655	-	-	36,798
Investments	124,970		-	-	124,970
Other Long-Term Assets	10,395	636,617	346	-	647,358
Depreciable Capital Assets and Infrastructure, net	291,864	33	148,955	21	440,873
Land and Nondepreciable Infrastructure	94,624	-	18,176	-	112,800
Total Noncurrent Assets	562,887	1,013,556	167,477	21	1,743,941
TOTAL ASSETS	673,108	1,132,450	171,202	10,160	1,986,920
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	47,680	10,145	-	361	58,186
Due To Other Governments	-	2,428	-	-	2,428
Deferred Revenue	-	-	-	832	832
Compensated Absences Payable	8,628	-	-	-	8,628
Claims and Judgments Payable	-	-	-	6,117	6,117
Notes, Bonds, COP's Payable	4,350	29,855	-	-	34,205
Total Current Liabilities	60,658	42,428	-	7,310	110,396
Noncurrent Liabilities:					
Notes, Bonds, COP's Payable	295,690	581,514	-	-	877,204
Other Long-Term Liabilities	895	172,029	-	1,476	174,400
Total Noncurrent Liabilities	296,585	753,543	-	1,476	1,051,604
TOTAL LIABILITIES	357,243	795,971	-	8,786	1,162,000
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	96,339	33	167,130	21	263,523
Restricted for:					
Emergencies	-	-	37	-	37
Court Awards and Other Purposes	31,143	256,480	491	1,353	289,467
Unrestricted	188,383	79,966	3,544	-	271,893
TOTAL NET ASSETS	$ 315,865	$ 336,479	$ 171,202	$ 1,374	$ 824,920

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	TOTAL
OPERATING REVENUES:					
Fees	$ -	$ 23,276	$ -	$ 14,043	$ 37,319
Sales of Goods and Services	403,922	-	-	-	403,922
Investment Income (Loss)	-	19,843	-	-	19,843
Rental Income	-	-	672	-	672
Federal Grants and Contracts	-	3,380	-	-	3,380
Other	17,141	184	-	-	17,325
TOTAL OPERATING REVENUES	421,063	46,683	672	14,043	482,461
OPERATING EXPENSES:					
Salaries and Fringe Benefits	178,675	797	-	-	179,472
Operating and Travel	114,592	4,874	75	24,371	143,912
Cost of Goods Sold	75,576	-	-	-	75,576
Depreciation and Amortization	29,442	10	4,183	6	33,641
Debt Service	-	29,889	-	-	29,889
TOTAL OPERATING EXPENSES	398,285	35,570	4,258	24,377	462,490
OPERATING INCOME (LOSS)	22,778	11,113	(3,586)	(10,334)	19,971
NONOPERATING REVENUES AND (EXPENSES):					
Taxes	-	-	534	-	534
Investment Income	6,455	-	42	96	6,593
Gain/(Loss) on Sale of Capital Assets	(87)	-	-	-	(87)
Debt Service	(12,359)	-	-	-	(12,359)
Other Expenses	(509)	-	(1,600)	-	(2,109)
Other Revenues	-	-	-	9,973	9,973
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,500)	-	(1,024)	10,069	2,545
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	16,278	11,113	(4,610)	(265)	22,516
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions	3,343	24,535	-	-	27,878
TOTAL CONTRIBUTIONS AND TRANSFERS	3,343	24,535	-	-	27,878
CHANGE IN NET ASSETS	19,621	35,648	(4,610)	(265)	50,394
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	296,244	300,831	175,812	1,639	774,526
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 315,865	$ 336,479	$ 171,202	$ 1,374	$ 824,920

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 37,319	Charges for Services	$ 459,238
Sales of Goods and Services	403,922	Charges for Services	
Investment Income (Loss)	19,843	Unrestricted Investment Earning	26,436
Rental Income	672	Charges for Services	
Federal Grants and Contracts	3,380	Operating Grants & Contributions	27,916
Other	17,325	Charges for Services	
TOTAL OPERATING REVENUES	482,461		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	179,472	Expenses	477,046
Operating and Travel	143,912	Expenses	
Cost of Goods Sold	75,576	Expenses	
Depreciation and Amortization	33,641	Expenses	
Debt Service	29,889	Expenses	
TOTAL OPERATING EXPENSES	462,490		
OPERATING INCOME (LOSS)	19,971		
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	534	Sales & Use Taxes	534
Investment Income	6,593	Unrestricted Investment Earning	
Gain/(Loss) on Sale of Capital Assets	(87)	Expenses	
Debt Service	(12,359)	Expenses	
Other Expenses	(2,109)	Expenses	
Other Revenues	9,973	Payment from State	9,973
TOTAL NONOPERATING REVENUES (EXPENSES)	2,545		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	22,516		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	24,535	Operating Grants & Contributions	
Capital Contributions	3,343	Capital Grants & Contributions	3,343
TOTAL CONTRIBUTIONS AND TRANSFERS	27,878		
CHANGE IN NET ASSETS	50,394 -		50,394
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	774,526		774,526
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 824,920		$ 824,920

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

The following entities are component units that are discretely presented in the basic financial statements:

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
Denver Metropolitan Major League Baseball Stadium District
CoverColorado

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

The University of Colorado Hospital Authority and CoverColorado are included because they present a financial burden on the state. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the entity. The Water Resources and Power Development Authority is included because the state is able to impose its will upon the authority.

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-401, P.O. Box 6506
Aurora, Colorado 80045-0506

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

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

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

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:

Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)

Colorado Educational and Cultural Facilities Authority
Colorado Health Facilities Authority
Colorado Institute of Technology
Colorado Agricultural Development Authority
Colorado Housing and Finance Authority
Colorado Sheep and Wool Authority
Colorado Beef Council Authority
Fire and Police Benefit 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, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

The state's reporting entity changed from the prior year. University Physicians Incorporated (UPI) is now reported as a blended component unit in the Higher Education Institutions Enterprise Fund. UPI was previously reported as a related party (see Note 28 for the impact this change had on beginning net assets of the Higher Education Institutions Enterprise Fund).

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

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

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

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

The *Statement of Net Assets* presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the line item Restricted Net Assets. The nature of the 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 and reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Assets* as part of the governmental activities.

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

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

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

Some of the state's component units have fiscal year ends that differ from the state's fiscal year end. However, there were no significant receivable and payable balances between the primary government and the component units at the fiscal year end reporting dates.

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. All of the state's component units are reported as major except Cover-Colorado, which is presented as the sole nonmajor component unit.

MAJOR FUNDS:

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

Transactions related to resources obtained and used for those services traditionally provided by state government, which are not accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Public School Fund

The Public School Fund receives transfers from the General Fund on a quarterly basis and makes distributions to local school districts on a monthly basis. The fund also receives minor transfers from other state programs that are also distributed to the local school districts.

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. Other financing sources include the issuance of revenue bonds. Most of the state's infrastructure is financed by this fund.

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities and certain equipment are accounted for in the Capital Projects Fund.

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 primary education by specified programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11.

PROPRIETARY FUND TYPE:

Higher Education

This fund reports the activities of all state supported institutions of higher education. A combination of transfers from the state General Fund, tuition, grants, and fees primarily funds this activity. This activity has significant capital debt secured solely by pledged revenues.

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

Colorado Student Obligation Bond Authority
The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans, and operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. The authority also operates an IRS Section 529 tax-advantaged College Savings Plan that is presented as a Private Purpose Trust Fund.

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

NONMAJOR FUNDS:

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

GOVERNMENTAL FUND TYPE:

Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include the Water Projects Construction Fund, the Labor Fund, the Gaming Fund, the Tobacco Litigation Settlement Fund, and a large number of smaller funds.

Debt Service Fund
This fund accounts for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest. The primary debt serviced by this fund consists of certificates of participation and 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 several other smaller funds. On the government-wide financial statements the net assets of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts.

PROPRIETARY FUND TYPE:

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 include, the Wildlife Fund, the Guaranteed Student Loan Fund, the State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, and several smaller funds.

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

FIDUCIARY FUND TYPE:

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

Pension Trust Funds
In the basic financial statements, the state reports in a single column, the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. (Financial statements are presented in Note 21). Participation in the defined contribution plan is limited to select employees – primarily legislators and elected officials. Most state employees are covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 19).

Investment Trust Fund
As directed by statute, the state operates an external investment account solely for the benefit of Pinnacol Assurance, a related organization.

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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.

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, 2003.

The Colorado Water Resources and Power Development Authority is engaged only in business-type and fiduciary activities. It uses proprietary fund accounting for its operations except for an agency fund, which is not presented in the state's financial statements. The authority's financial information is presented as of December 31, 2002.

The Denver Metropolitan Major League Baseball Stadium District uses proprietary fund accounting in preparation of its financial statements. CoverColorado uses proprietary accounting in preparing its financial statements, and applies 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 both entities is presented as of December 31, 2002.

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 STATEMENTS:

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

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

FUND LEVEL FINANCIAL STATEMENTS:

Governmental Funds

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

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due by June 30.
- Net income taxes from individuals, corporations, and trusts are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate the taxpayer's current income. The 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 the fund 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, special termination benefits, and environmental postremediation liabilities are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund level statements are reported as expenses/liabilities on the government-wide statements.

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

Component Units

The University of Colorado Hospital Authority follows the provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide for Health Care Organizations. As a governmental entity, the hospital applies all Governmental Accounting Standards Board (GASB) statements and has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority utilizes the accrual basis of accounting in preparing its financial statements under which revenues are recognized when earned and expenses are recognized when incurred. The authority elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

A. CASH AND POOLED CASH

Primary Government

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

Component Units

The University of Colorado Hospital Authority defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

CoverColorado considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Denver Metropolitan Major League Baseball Stadium District and the Colorado Water Resources and Power Development Authority consider highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

B. INVENTORY

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

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

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

C. INVESTMENTS

For the primary government, items classified as investments, including those held by the State Treasurer and represented as pooled cash, are both short and long-term investments. These are stated at fair value except for certain money market investments (see Note 15). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

D. CAPITAL ASSETS

Primary Government

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

Infrastructure owned by the Colorado Department of Transportation is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded (see Note RSI-2 to the Required Supplementary Information, page 128, for more information on the modified approach). Other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

The state does not capitalize interest incurred during the construction of capital assets unless the asset is reported in an Enterprise Fund.

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 their capital assets.

The following table lists the range of lives that state agencies normally use in depreciating capital assets. Certain 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	2	50
Buildings	5	100
Leasehold Improvements	3	40
Equipment	3	50
Library Books	5	20
Collections	23.5	23.5
Infrastructure	50	50

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. Due to the ongoing relocation of its main campus, the hospital evaluates long-lived assets semi-annually for impairment. No adjustments for impairment have been recognized for the years ended June 30, 2003 or 2002. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method.

E. DEFERRED REVENUE

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

F. 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 their respective accrued balance on July 1, 1988 plus 360 additional hours. After earning the maximum accrual, each employee converts five hours of sick leave to one hour of annual leave. Employees are paid for one-fourth of their unused sick leave upon death or retirement.

Annual leave is earned at increasing rates based on employment longevity. In no event can a classified employee 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 or serious health conditions. 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 which will ultimately retire from the hospital.

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

G. INSURANCE

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

The state insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 22).

H. NET ASSETS AND FUND BALANCES

In the financial statements, assets in excess of liabilities are represented in two ways based 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 to the government, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

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

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

Invested in Capital Assets Net of Related Debt – This item comprises capital assets net of accumulated depreciation if applicable. It is reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

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

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

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

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

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

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

Restricted for Court Awards and Other Purposes – The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. In addition, the state received $73.2 million in Fiscal Year 2002-03 from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state."

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

The fund balance of the General Fund is reserved as provided by statute or as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis is available for appropriation or working capital.

Reserved for Encumbrances - In the General Fund, this reserve is for the portion of the current fiscal year appropriation that was encumbered for goods and services that were not received before June 30 due to extenuating circumstances. The specific appropriation related to these items is rolled-forward to the following fiscal year.

In the Special Revenue and Capital Projects Funds this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects. Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

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

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

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations for expenditures, and it is only presented in full when the unreserved fund balance is positive. However in Fiscal Year 2002-03, in order to address a general revenue shortfall, the Legislature changed the reserve requirement to three percent of General Fund appropriations reduced by $31,175,000, which equates to a reserve of approximately 2.4 percent or $131.3 million. On a GAAP basis, General Fund assets were not adequate to meet this reserve. This resulted in the $60.7 million reserve shown on the *Balance Sheet – Governmental Funds.* The state complied with the reserve requirement on the budget basis by deferring Medicaid and payroll expenditures to the following fiscal year.

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

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

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

Unreserved - Designated for Unrealized Investment Gains In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance tax used to support business type activities, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement 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,
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and Business-Type Activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2002-03. The Plan uses cost from Fiscal Year 2000-01 that will be incorporated in state agency indirect cost rates to be charged to federal grants in Fiscal Year 2004-05. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

Primary Government

The state reports four major Enterprise Funds and several nonmajor Enterprise Funds. Because these enterprises engage in a wide variety of activities, the state's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Assets* and income 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.*

- Rental income of proprietary funds for which the core business activity is real estate services is reported as operating revenue on the *Statement of Revenues, Expenses, and Changes in Net Assets* but is reported as a capital and related financing activities on the *Statement of Cash Flows*.

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

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

Component Units

The Denver Metropolitan Major League Baseball Stadium District defines operating revenues as those revenues for which cash flows are reported as operating activities. In general these revenues are derived from its principal on-going operations – leasing the ballpark and related activities. Nonoperating revenues include revenue from other than exchange or exchange-like transactions, such as, taxes, interest, and other income.

NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – LEGAL COMPLIANCE

A. STATUTORY AND BOND COVENANTS NON-COMPLIANCE

Colorado Revised Statutes prohibit the State Fair Authority, a nonmajor Enterprise Fund, from accepting contributions from local governments if those contributions will result in the authority exceeding the TABOR enterprise limitation on total contributions from state and local governments. The State Fair Authority received $458,012 in grants from the City of Pueblo and Pueblo County in addition to $577,685 of capital contributions from the State of Colorado. Together these amounts were in excess of ten percent of the authority's revenue, and therefore, the authority violated the statutory limit. In addition, the State Fair violated a bond covenant that requires Gross Operating Revenue less General Operating Expenses to be in excess of 125 percent of annual bond principal, interest, and required reserve additions.

The Department of Human Services issued $6,045,000 of Enterprise System Revenue Anticipation Warrants without the approval of the State Controller. The Controller's review, required by Colorado Revised Statutes 24-30-202(1), is to determine that any proposed expenditures are authorized by appropriation, prices and rates are fair and reasonable or in accordance with law or administrative rules, and that the amount does not exceed the unencumbered balance of the appropriation. The issuance costs and insurance premiums on the warrants amounting to $534,102 were 8.8 percent of the face amount of the warrants and 11.1 percent of the funds made available for the project.

B. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 118.

Within the limitations discussed below, the State Controller may allow certain overexpenditures of the legal appropriation with the approval of the Governor, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The Department of Human Services is allowed $1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1 million in total for the remainder of the Executive Branch. An additional $1 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

If the Governor authorizes a restriction of the subsequent year appropriation because of an overexpenditure, the agency is required to seek a supplemental appropriation from the General Assembly or reduce their subsequent year's expenditures.

Total overexpenditures at June 30, 2003, were $5,931,112. The State Controller has recommended that Fiscal Year 2003-04 appropriations be restricted by that amount. Overexpenditures at June 30, 2003, are described below.

Medicaid Overexpenditures:

- Medical Services Premiums. – The Department of Health Care Policy and Financing overexpended this line item by $4,230,429 of general funds. In the normal course, pharmaceutical drug rebates offset expenditures recorded by the department. However, when Senate Bill 03-196 put the Medical Services Premium appropriation on a cash basis, those drug rebates were unavailable to offset expenditures recorded earlier in the fiscal year because they were not received by June 30.
- Office of Behavioral Health and Housing Medicaid Funding - Alcohol and Drug Abuse Division - High Risk Pregnant Women Program – The Department of Human Services overexpended this line item by $27,514 of cash funds because the actual number of pregnant women eligible for the program exceeded the estimate used in establishing the appropriation. The Department of Health Care Policy and Financing (DHCPF) overexpended this line item by $13,757, which is the 50 percent general fund match for Medicaid that DHCPF pays to the Department of Human Services to fund this program.
- Office of Behavioral Health and Housing Medicaid Funding - Mental Health Community Programs - Medicaid Mental Health Fee for Service Payments – The Department of Human Services overexpended this line item by $255,145 of general funds because the actual services provided exceeded the estimate used in establishing the appropriation for this program. The department is not authorized to deny these services or the related payments.
- Office of Behavioral Health and Housing Medicaid Funding - Mental Health Community Programs -

Medicaid Anti-Psychotic Pharmaceuticals – The Department of Human Services overexpended this line item by $359,876 of general funds. The department overexpended the line because, as discussed above, the change to cash basis accounting for Medicaid made drug rebates unavailable to offset expenditures recorded earlier in the fiscal year.

- Office of Rehabilitation and Disability Services Medicaid Funding - Institutional Programs for Persons with Developmental Disabilities. – The Department of Health Care Policy and Financing (DHCPF) overexpended this line item by $973,293 of general funds. The overexpenditure occurred because the department reimbursed the Department of Human Services (DHS) based on rates that included depreciation and certain prior year expenditures erroneously included in the rate setting. Neither DHCPF's nor DHS's appropriation included the depreciation and reimbursement for prior year expenditures. As a resulted, DHCPF overexpended their appropriation and DHS over collected and reverted some of this revenue.

Department of Human Services Overexpenditures Other Than Medicaid:

- Office of Operations – Vehicle Lease Payments. – The Department of Human Services overexpended this budget line item by $13,925 of general funds. The overexpenditure occurred because the department's appropriation for lease payments was less than the amount that the Fleet Management Program (an Internal Service Fund) was authorized to bill the department. Fleet Management's billing authority is based on its appropriation, which did not align with departmental appropriations.

Statewide Overexpenditures Subject to the $1 Million Limit:

- Executive Director's Office - Vehicle Lease Payments – The Department of Local Affairs overexpended this appropriation by $758 of general funds. The department overexpended the line item because, as discussed above, its appropriation did not align with the amount that Fleet Management was authorized to bill by its appropriation.

- Executive Director's Office - Vehicle Lease Payments – The Department of Personnel & Administration overexpended this appropriation by $4,831 of general funds. The department overexpended the line item because, as discussed above, its appropriation did not align with the amount that Fleet Management was authorized to bill by its appropriation.

- Division of Parks and Outdoor Recreation - Vehicle Lease Payments – The Department of Natural Resources (DONR) overexpended this appropriation by $28,113 of general funds. The department overexpended the line item because, as discussed above, its appropriation did not align with the amount that Fleet Management was authorized to bill by its appropriation. In this department, the misalignment was greater than other departments because the seasonal use of vehicles by DONR was not accurately assessed in the supplemental process.

- Motor Vehicle Division and Division of Racing Events - Operating Expenses – The Department of Revenue overexpended this line item by $23,471 of cash funds. The activity underlying these expenditures is the purchase of telecommunications data lines. The appropriation for these expenditures was changed in the supplemental process when responsibility for the expenditures was shifted to the Department of Personnel & Administration. The revised appropriation was less than amounts already expended for the data lines while they were the responsibility of the Department of Revenue.

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

C. 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 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.

Annual revenues that exceed the constitutional limitation must be refunded, unless voters approve otherwise. The state did not exceed the TABOR limit in Fiscal Year 2002-03 or Fiscal Year 2001-02. Before Fiscal Year 2001-02, the state exceeded the revenue growth limitation in each year since Fiscal Year 1996-97.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2002-03 this amount was $231,375,350. At June 30, 2003, the financial net assets of the following funds were applied to the reserve:

- Employment Support Fund (a nonmajor Special Revenue Fund) – $14,052,213

- Tobacco Litigation Settlement Fund (a nonmajor Special Revenue Fund) – $51,456,993

- Wildlife Cash Fund (a nonmajor Enterprise Fund) – $32,880,638
- Severance Tax Trust Fund (a nonmajor Special Revenue Fund) – $84,747,395

The remaining amount of $48,238,112 needed to meet the emergency reserve requirement comes from the $137.8 million of Capital Assets Net of Related Debt shown for the Wildlife Fund on the *Combining Statement of Net Assets – Other Enterprise Funds*. Legislation also designated state capital assets to be used as part of the emergency reserve if the previously listed funds were inadequate to meet the reserve requirement. In the event of an emergency that exceeded the financial assets in the reserve, the designated capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

The GAAP requirement to reduce unrestricted net assets for amounts invested in capital assets (net of related debt) results in some funds showing unrestricted net asset deficits. These deficits do not represent a legal infraction and are to be expected of funds that have capital asset intensive operations.

The Telecommunications Fund, an Internal Service Fund, shows a deficit unrestricted net assets of $2,755,924 on the *Combining Statement of Net Assets – Internal Service Funds.* This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

The State Fair Authority, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of $482,313 on the *Combining Statement of Net Assets – Enterprise Funds*. This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

The State Nursing Homes, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of $2,510,877 on the *Combining Statement of Net Assets – Enterprise Funds*. This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

NOTES 10 through 18 – DETAILS OF ASSET ITEMS

NOTE 10 – CASH AND POOLED CASH

Primary Government

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

Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Fund – the payer of last resort for the pool. In Fiscal Year 2002-03, the General Fund overdrew its rights in the Treasurer's pooled cash. For financial reporting purposes, management selected the Higher Education Institutions to provide the cash and report the receivable because it was the only single fund that had adequate cash rights in the pool that meets the state's definition of borrowable resources. In practice, all funds that have borrowable resources in the pool contribute ratably to cover the General Fund overdraft.

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 major revenues as soon as the moneys are available within the banking system. Electronic transfers are used by the state to enhance availability of funds for investment purposes.

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 to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal insurance.

The state maintains accounts for various purposes at locations throughout the state. Cash balances in these accounts that are not required for immediate use are invested in certificates of deposit by the fund custodian or moved to the State Treasurer's pooled cash investments.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $2,387.3 million of claims of the state's funds on monies in the treasurer's pooled cash. At June 30, 2003, the treasurer had invested $2,299.5 million of the pool with the balance of $87.8 million held in demand deposits and certificates of deposit. At June 30, 2003, the state had cash balances in all funds with a carrying value of $1,145.0 million; this amount includes the $87.8 million held as cash in the treasurer's pool. The state categorizes its cash into three categories as to its risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by the state or its agent in the state's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
- Category 3 is uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the state's name.

The bank balances of these funds are categorized by risk as follows:

Risk Category	Bank Balance June 30
1	$ 336,362,021
2	809,556,390
3	775,965
Total	$ 1,146,694,376

Component Units

The University of Colorado Hospital Authority had cash deposits of $27.5 million and $13.1 million at June 30, 2003 and 2002, respectively. These deposits were either insured or collateralize with securities held by the hospital or by its agent in the hospital's name.

At December 31, 2002 and 2001, the Colorado Water Resources and Power Development Authority had federally insured deposits with a bank balance of $42,013 and $332,285, and carrying amounts of $37,907 and $(41,207), respectively. It also reported as cash and cash equivalents $63.8 million held by the State Treasurer in a Treasurer's Agency Fund, $47.4 million held in a local government investment pool, and $16.6 million held in money market mutual funds. These amounts are not subject to custodial, insurance, or collateralization risk classification.

At December 31, 2002 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of $39,781. They also had $3,108,284 in bank money market funds that are carried at cost, which approximates market value. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk.

NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded By the Capital Projects Fund – Most capital construction projects funded by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donation of Capital Assets – Capital assets received as donations 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.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds recorded unrealized gains on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains on the Treasurer's pool are shown as increases in cash balances. The unrealized gains/losses on investments individually held are shown as increases/decreases in

investment balances, and therefore, are reported as noncash transactions. Note 15 shows the combined effect of these two sources of unrealized gains/losses.

- Loss on Disposal of Capital Assets – When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets,* but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation – Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the *Statement of Net Assets.* Therefore, these transactions are reported as noncash.

NOTE 12 – RECEIVABLES

Primary Government

The taxes receivable of $805.5 million shown on the government-wide *Statement of Net Assets* comprises:

- $752.9 million primarily of self-assessed income, estate, and sales taxes recorded in the General Fund, of which, $95.3 million is expected to be collected after one year and is reported as an other long-term asset; this balance is offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $54.7 million primarily of fuel taxes recorded in the Highway Users Tax Fund, a major Special Revenue Fund,
- $46.6 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund,
- $46.4 million recorded in nonmajor Special Revenue Funds, approximately one-half of which is from gaming taxes and insurance premium taxes, and the balance is primarily from severance taxes and employment taxes.

The other receivables of $323.5 million shown on the government-wide *Statement of Net Assets* are net of $83.6 million in allowance for doubtful accounts and primarily comprise the following:

- $138.5 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund,
- $52.6 million of student loan receivables of the Colorado Student Obligation Bond Authority, a major Enterprise Fund,
- $57.2 million of receivables recorded in the General Fund of which $18.6 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $18.2 million related primarily to certification of providers expenditures as match for Medicaid grant funds, rebates from drug companies, and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $9.1 million of patient receivables.

The other receivables shown on the government-wide *Statement of Net Assets* and the *Balance Sheet – Governmental Funds* also includes $4.8 million lease receivable that is the result the State Treasurer entering an agreement with the St. Vrain School District to purchase a district building and lease it back to the district. Legislation passed in the 2003 legislative session authorized the agreement, which was entered into because the District was unable to timely repay a no interest loan issued to it by the State Treasurer. The State Constitution prohibited the school district from carrying the loan over its fiscal year end. The legislation requires the lease obligation to be repaid within one year. On the fund level *Statement of Revenues, Expenditures, and Changes in Fund Balance,* the state recorded capital purchases of $4.8 million and an other financing source of $4.8 million related to the transaction.

Component Units

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (18 percent), Medicaid (9 percent), managed care including Blue Cross (40 percent), other commercial insurance (7 percent), and self-pay and medically indigent (23 percent). However, the authority's management does not believe there are credit risks associated with these payers other than the self-pay and medically indigent category. Further, 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 2002-03 and 2001-02 were approximately $151.7 million and $123.7 million, respectively. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the years ended June 30, 2003 and 2002, increased approximately $22.4 million and $9.1 million, respectively, due to final settlements.

The hospital reports pledges at their net present value. As a result, two pledges received during 2001 totaling $40 million were discounted at rates ranging from 4.25 percent to 5.75 percent. After the discounts were applied at June 30, 2003, the hospital reported receivables restricted by donors in the amount of $31.1 million. During Fiscal Year 2002-03, the hospital received the final payment of $9.0 million on a $25.0 million pledge made by the Anschutz Foundation in 2000.

The Colorado Water Resources and Power Development Authority had loans receivable of $670.9 million and $576.5 million at December 31, 2002 and 2001, respectively. During 2002, the authority made new loans of $124.0 million and canceled or received repayments for existing loans of $29.6 million.

NOTE 13 – INVENTORY

Inventories of $51.4 million shown on the government-wide *Statement of Net Assets* at June 30, 2003, primarily comprise:

- $7.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund, $17.1 million of resale inventories recorded primarily by Higher Education Institutions, a major Enterprise Fund,
- $21.0 million of consumable supplies inventories recorded primarily by the Highway User's Tax Fund, a major Special Revenue Fund, the Higher Education Institutions, a major Enterprise Fund, and the General Fund.

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, advances and deferred charges of $46.6 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $14.5 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $5.0 million of advance paid by the Division of Parks and Recreation from the Capital Projects Fund, and
- $2.6 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

NOTE 15 – INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for certain entities as provided by law. The state does not invest its funds with any external investment pool; rather, funds not required for immediate payments are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value 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.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 10)	$ 1,144,993
Investments	6,580,223
Total	$ 7,725,216
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 1,937,230
Add: Warrants Payable Included in Cash	154,619
Total Cash and Pooled Cash	2,091,849
Add: Restricted Cash	1,351,507
Add: Restricted Investments	686,262
Add: Investments	3,595,598
Total	$ 7,725,216

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. Realized gains from the sale of investments underlying the Treasurer's pooled cash were $3,516,890 for Fiscal Year 2002-03. Realized gains on investments held in the General Fund were $38,894,086 for Fiscal Year 2002-03. Excluding the Individual Investment Trust Fund, the Deferred Compensation Plan, and the Defined Contribution Plan, the state recognized $8,084,146 of net realized gains from the sale of investments of other funds during Fiscal Year 2002-03.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2003 and 2002, the treasurer had $53.6 million and $57.2 million at fair value, respectively, of GOCO's funds on deposit and invested. The treasurer also maintains an individual investment account (reported as an Investment Trust Fund) for Pinnacol Assurance, a related organization. At June 30, 2003, and 2002, the treasurer had $1,405.7 million and $1,129.32 million at fair value, respectively, of Pinnacol's funds on deposit and invested.

Colorado Revised Statutes 24-75-601.1 authorizes the type of investments that the state may hold. In general, the statute requires securities that are of the highest quality as determined by national rating agencies, are guaranteed by another state or the federal government, or are a registered money market fund whose policies meet criteria set forth in the statute. The state may enter securities lending agreements that meet certain collateralization and other requirements, and it may invest in securities issued by Colorado public entities including authorities established by the state.

The state categorizes the custodial risks of its investments into the following categories:

- Category A is those investments that are insured or registered securities held by the state or its agent in the state's name.
- Category B is those investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
- Category C is those investments that are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the state's name.

Open-end mutual funds and certain other investments are not categorized as to custodial risk because ownership is not evidenced by a security. The following table lists the state's investments by type and risk category:

(Amounts in Thousands)

Type of Investment*	Risk Category A	B	C	Total Fair Value
U.S. Government Securities	$ 1,233,123	$ 26,716	$ 539	$ 1,260,378
Bank Acceptances	31,060	-	-	31,060
Commercial Paper	567,570	-	1,147	568,717
Corporate Bonds	1,129,636	-	1,426	1,131,062
Corporate Securities	35,804	-	35,247	71,051
Repurchase Agreements	3,409	553	-	3,962
Asset Backed Securities	467,986	-	-	467,986
Mortgages	748,923	-	-	748,923
Total	$ 4,217,511	$ 27,269	$ 38,359	4,283,139
Investments not Subject to Categorization:				
Mutual Funds				2,037,941
Guaranteed Investment Agreements				201,292
Other				57,851
Total Investments				$ 6,580,223

*Note: Amounts include the treasurer's pool and individual investment accounts.

The following schedule shows the state's net unrealized gains and (losses) by fund category.

(Amounts in Thousands)

	Fiscal Year 2002-03	Fiscal Year 2001-02
Governmental Activities:		
Major Funds		
General Fund	$ 3,960	$ 9,329
Highway Users Tax	2,757	4,720
Capital Projects	(68)	(6,676)
State Education	13,410	(149)
NonMajor Funds:		
State Lands	8,720	8,554
Controlled Maintenance	-	6
Tobacco Settlement (Permanent Trust)	-	(2,958)
Other Permanent Trusts	65	70
Water Projects	699	579
Labor	51	(10,410)
Gaming	1,125	1,526
Tobacco Settlement (Special Revenue)	(342)	1,005
Other Special Revenue	3,180	2,987
Highways (Internal Service)	34	25
Business Type Activities:		
Major Funds		
Higher Education Institutions	12,485	(6,459)
Student Obligation Bond Authority	300	4,381
Lottery	399	218
NonMajor Funds:		
Wildlife	765	605
Guaranteed Student Loan	(374)	470
State Fair Authority	(1)	5
Correctional Industries	84	37
State Nursing Homes	45	5
Prison Canteens	1	-
Other Enterprise Activities	5	4
Fiduciary:		
Pension/Benefits Trust	(576)	229
Investment Trust	77,300	17,710
Private Purpose Trust	70,679	(41,051)
	$ 194,703	$ (15,238)

Component Units

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which governmental units may invest. The risk criteria are defined the same as for the primary government.

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 a trustee under a bond indenture or insurance agreement. All of the authority's investments that are subject to categorization at June 30, 2002, are classified as category 'A'.

The hospital uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Credit loss from counter party nonperformance is not anticipated. At June 30, 2003, the hospital was party to a swap agreement having notional amount of $72 million. The fair value of the swap was ($855,000) and ($369,000), respectively at June 30, 2003, and 2002, based on the gross unrealized market gain/loss. Gains and losses are reported in income, as the agreements do not qualify for hedge accounting. The interest rate swap is scheduled to terminate in 2006.

The Colorado Water Resources and Power Development Authority investments are reported at fair value.

CoverColorado investments are reported at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.*

The following table lists the component units' investments by type and risk category:

(Amounts in Thousands)

Type of Investment	Risk Category A	Risk Category B	Risk Category C	Total Fair Value
U.S. Government Securities	$ 74,519	$ -	$ 10,569	$ 85,088
Repurchase Agreements	-	-	287,029	287,029
Corporate Bonds	31,157	-	-	31,157
Equity Securities	35,645	-	-	35,645
Subtotal	$ 141,321	$ -	$ 297,598	438,919
Investments not Subject to Categorization:				
Guaranteed Investment Contracts				8,230
Other				8,288
Total				$ 455,437

NOTE 16 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all state agencies with the exception of the University of Colorado. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains and losses and interest earnings, adjusted for amortization of premium and discounts, are distributed monthly, prorated to the average of the participant's daily balance during the month, if the participant is authorized to receive interest and investment earnings by statute.

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2002-03, the treasurer loaned U. S. Government, federal agencies' securities, mortgage pools, and collateralize mortgage obligation securities, held for Pinnacol Assurance, a related organization, to Morgan Stanley. The agreement with Morgan Stanley requires that all securities must be collateralized. The State Treasurer also loaned U.S. government and federal agencies securities held for the Colorado Treasury Pool, the State Lands Fund, the Labor Fund, the Prepaid Tuition Fund (a portion of the Colorado Student Obligation Bond Authority), the State Education Fund, and the Controlled Maintenance Trust Fund (an Other Special Revenue Fund) to Deutsche Bank. Morgan Stanley and Deutsche Bank pay the treasurer an agreed upon fee for use of these securities. Under their agreement, Duetsche Bank is only required to collateralize securities that are on loan. Collateral is deposited and held in a custodial bank.

Currently, collateral held by the custodial bank includes A-rated or better domestic corporate bonds, mortgage pools, U.S. treasuries, and federal agencies securities. Corporate securities held as collateral must equal at least 105 percent of the market value of the loaned securities, while government securities must equal at least 102 percent of the market value. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the Treasurer accept cash as collateral.

Morgan Stanley, acting as the principal, and Deutsche Bank, acting as agent and fiduciary, are directly responsible for safeguarding the assets. Each carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2003, the market value of securities on loan from Pinnacol Assurance to Morgan Stanley was $593,782,922. The market value of the collateral securities pledged was $638,707,884. At June 30, 2003, the market value of the state securities held by Deutsche Bank was $726,850,018; however, only 95 percent of those securities, valued at $690,507,517, were actually on loan at June 30, 2003. The market value of the related pledged collateral was $763,805,342.

NOTE 17 – CAPITAL ASSETS

Primary Government

Capital asset activity for the Fiscal Year 2002-03 was as shown on the following page:

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 73,885	$ 5,164	$ -	$ (420)	$ 78,629
Land Improvements	4,265	-	-	(1,690)	2,575
Collections	7,847	-	350	-	8,197
Construction in Progress (CIP)	729,821	313,921	(187,350)	(16,442)	839,950
Infrastructure	10,011,405	61,991	80,421	(50,318)	10,103,499
Total Capital Assets Not Being Depreciated	10,827,223	381,076	(106,579)	(68,870)	11,032,850
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	71,822	1,211	1,767	(4,049)	70,751
Buildings	1,242,192	10,339	81,118	(4,161)	1,329,488
Vehicles and Equipment	470,529	45,761	87	(25,431)	490,946
Library Materials and Collections	5,527	337	-	(153)	5,711
Other Capital Assets	20,919	45	119	(1)	21,082
Infrastructure	19,416	1,700	632	(2,237)	19,511
Total Capital Assets Being Depreciated	1,830,405	59,393	83,723	(36,032)	1,937,489
Less: Accumulated Depreciation:					
Leasehold and Land Improvements	(31,940)	(2,801)	-	3,197	(31,544)
Buildings	(390,265)	(36,974)	-	6,443	(420,796)
Vehicles and Equipment	(240,416)	(46,899)	-	22,466	(264,849)
Library Materials and Collections	(4,776)	(439)	-	154	(5,061)
Other Capital Assets	(16,978)	-	-	-	(16,978)
Infrastructure	(7,035)	(670)	-	1,229	(6,476)
Total Accumulated Depreciation	(691,410)	(87,783)	-	33,489	(745,704)
Total Capital Assets Being Depreciated, net	1,138,995	(28,390)	83,723	(2,543)	1,191,785
TOTAL GOVERNMENTAL ACTIVITIES	11,966,218	352,686	(22,856)	(71,413)	12,224,635
BUSINESS TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	158,765	11,955	4	-	170,724
Land Improvements	15,293	112	(4,324)	(1,551)	9,530
Collections	9,620	1,975	-	(9)	11,586
Construction in Progress (CIP)	467,613	271,386	(388,364)	(22,390)	328,245
Infrastructure	-	-	-	-	-
Total Capital Assets Not Being Depreciated	651,291	285,428	(392,684)	(23,950)	520,085
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	220,128	895	66,027	(9,625)	277,425
Buildings	2,339,972	50,411	332,702	(20,913)	2,702,172
Vehicles and Equipment	560,325	65,283	16,302	(46,388)	595,522
Library Materials and Collections	326,509	25,487	51	(2,904)	349,143
Other Capital Assets	8,964	398	-	(105)	9,257
Infrastructure	23,343	-	458	(5,655)	18,146
Total Capital Assets Being Depreciated	3,479,241	142,474	415,540	(85,590)	3,951,665
Accumulated Depreciation:					
Leasehold and Land Improvements	(94,358)	(9,469)	(9,738)	6,695	(106,870)
Buildings	(877,796)	(95,914)	9,738	15,023	(948,949)
Vehicles and Equipment	(393,692)	(55,002)	-	37,866	(410,828)
Library Materials and Collections	(201,863)	(18,279)	-	2,426	(217,716)
Other Capital Assets	(20)	(2)	-	-	(22)
Infrastructure	(10,382)	(449)	-	3,397	(7,434)
Total Accumulated Depreciation	(1,578,111)	(179,115)	-	65,407	(1,691,819)
Total Capital Assets Being Depreciated, net	1,901,130	(36,641)	415,540	(20,183)	2,259,846
TOTAL BUSINESS TYPE ACTIVITIES	2,552,421	248,787	22,856	(44,133)	2,779,931
TOTAL CAPITAL ASSETS, NET	$ 14,518,639	$ 601,473	$ -	$ (115,546)	$ 15,004,566

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	$ 16,366
Business, Community, and Consumer Affairs	1,778
Education	1,308
Health and Rehabilitation	5,113
Justice	28,260
Natural Resources	3,391
Social Assistance	3,950
Transportation	10,312
Internal Service Funds (Charged to programs and BTAs based on useage)	16,623
Total Depreciation Expense Governmental Activities	87,101
BUSINESS TYPE ACTIVITIES	
Higher Education Institutions	169,074
Colorado Student Obligation Bond Authority	2,271
State Lottery	464
Other Enterprise Funds	6,416
Total Depreciation Expense Business Type Activities	178,225
Total Depreciation Expense Primary Government	$ 265,326

Component Units

At June 30, 2003, the University of Colorado Hospital Authority reported gross amounts for the nondepreciable assets land and construction in progress of $94.6 million. Depreciable assets included buildings and improvements of $316.3 million and equipment of $157.0 million. Accumulated depreciation related to these capital assets was $181.5 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $33,180, net of accumulated depreciation of $136,717 at December 31, 2002.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of $167.1 million and $171.3 million, net of accumulated depreciation, at December 31, 2002 and 2001, respectively. 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. Accumulated depreciation was $35.5 million and $31.4 million at December 31, 2002 and 2001, respectively.

NOTE 18 – OTHER LONG-TERM ASSETS

The $1,165.6 million shown as Other Long-term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $95.3 million, related to the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund,* but rather are shown in Taxes Receivable offset by Deferred Revenue.

The $234.7 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($30.3 million), a major Special Revenue Fund, and the Water Projects Fund ($180.2 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state. The loans are made for periods ranging from 10 to 40 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. Long-term receivables of the State Lands Fund, a nonmajor Permanent Fund, in the amount of $12.8 million are also reported in this line. In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable not offset by deferred revenue.

The $832.6 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and the Colorado Student Obligation Bond Authority, but also includes deferred debt issuance costs.

NOTES 19 through 26 – DETAILS OF LIABILITY ITEMS

NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Virtually all State of Colorado employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372.

Administration of the Plan

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931, and it includes the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund. The authority to establish or amend plan benefits is retained by the General Assembly in accordance with Title 24, Article 51 of the Colorado Revised Statutes (CRS).

Members with five or more years of service automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

Defined Retirement Benefits

Plan members are eligible to receive a monthly retirement benefit when they reach age 65 or meet the age and service requirements listed below.

Service Retirement Benefits

Minimum Service Credit	Minimum Age
30 years	50
Age and Service = 80 years or more	55
5 years	65
Less than 5 years with 60 months on payroll	65

Reduced Service Retirement Benefits

Minimum Service Credit	Minimum Age
25 years	50
20 years	55
5 years	60

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55, have a minimum of 5 year of service credit, and their age plus years of service equals 80 or more.

Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest annual salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit. Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit. The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

PERA retirement and survivor benefits increased at 3.5 percent compounded annually. If the member has not been retired for a full year, the benefit is increased proportionately.

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who are under age 65 or are not eligible for retirement that withdraw from the plan 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. The interest rate paid (7.0 percent in 2002) is set at 80 percent of the PERA actuarial investment assumption rate (8.75 percent in 2002).

Disability and Survivor Benefits

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

If a member dies before retirement, their survivors are entitled to a single payment or monthly benefits. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

On January 1, 2001, the state began matching employees' contributions to eligible tax deferred retirement programs under the PERA Matchmaker Program. At that time the state match was contingent on PERA's actuarial determination that the plan was overfunded (actuarial value of assets in excess of actuarial liabilities). In any period in which the plan is overfunded, a reduced contribution rate is calculated that will eliminate the overfunding in ten years. The difference between the statutory rate and the reduced rate is allocated by PERA to three separate programs – 20 percent to reducing the employer's contribution, 30 percent to the Health Care Trust Fund, and 50 percent to the MatchMaker Program.

During FY02-03, the state contributed 10.04 percent (12.74 percent for state troopers and 11.82 percent for the Judicial Branch) of the employee's gross covered wages, which was allocated by PERA as follows:

- Before January 1, 2003, 1.64 percent was allocated to the Health Care Trust Fund. After December 31, 2002, 1.10 percent was allocated to the Health Care Trust Fund.
- Throughout the fiscal year, the amount needed to meet the match requirement set by the PERA Board was allocated to individual member's eligible voluntary tax-deferred retirement programs. Before January 1, 2003, the matching amount was set at 100 percent of up to 3 percent of employee gross covered wages paid during the month (7 percent for judges in the Judicial Branch). After December 31, 2002, the matching amount was set at 100 percent of up to 2 percent of employee gross covered wages paid during the month (6 percent for judges in the Judicial Branch). Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match.
- The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

At December 31, 2002, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rate. Per statutes, the PERA board is required to reduce the amortization period to ten years by reducing the amount available for matching contributions under the Matchmaker Program. However, the matching contribution may not change by more than one percent in any year. As a result of this requirement, the state continues to contribute to the Matchmaker Program at the same time that its contributions to the defined benefit plan are inadequate to meet its nonmandatory 40-year amortization period, which is the target set in the Colorado Revised Statutes.

The state made retirement contributions of $155.7 million, $135.8 million, $156.0 million, $174.2 million, and $184.9 million, in Fiscal Years 2002-03, 2001-02, 2000-01, 1999-00, and 1998-99, respectively. These amounts do not include the Health Care Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

The Fire and Police Pension Association, a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2002-03 and 2001-02, the State Treasurer transferred $29.1 million and $28.9 million, respectively, to the association to enhance its actuarial soundness. This included the state's cost for the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

The University of Colorado Hospital Authority participates in two retirement 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 $203,000 and $152,000 to this plan in Fiscal Years 2002-03 and 2001-02, respectively. The other plan is maintained by the authority and comprises a single employer noncontributory defined benefit plan, a single employer defined contribution plan, and a single employer tax-deferred annuity plan. The authority made contributions of $10.9 million and $9.4 million to these plans in Fiscal Years 2002-03 and 2001-02, respectively. Employees contributed $16.1 million and $13.7 million for those years. The financial statements of these pension plans are available from the authority.

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

NOTE 20 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Primary Government

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and it is reduced by 5 percent for each year less than 20 years.

From January 1, 2002, through December 31, 2002, the Health Care Trust Fund was maintained by a contribution of 1.64 percent of gross covered wages. After December 31, 2002, the contribution was 1.10 percent of gross covered wages. The state paid contributions of $24.6 million, $24.8 million, $21.3 million, $18.6 million, and $14.0 million in Fiscal Years 2002-03, 2001-02, 2000-01, 1999-00, and 1998-99, respectively. Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado.

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. As of December 31, 2002, there were 35,418 participants, including spouses and dependents, from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group decreasing-term life insurance plans offered by Prudential and Anthem Life Insurance Company (formerly Rocky Mountain Life Insurance Company). Active members may join one or both plans, and they may continue coverage into retirement.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees.

Component Units

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

NOTE 21 – OTHER EMPLOYEE BENEFITS

Primary Government

Some employees of various institutions of higher education may be covered under other retirement plans. Presidents, deans, professors, and instructors in state educational institutions are enrolled in defined benefit plans such as the Teachers Insurance and Annuity Association, the Variable Annuity Insurance Corporation, or other similar plans.

Faculty members at the University of Colorado are also under Social Security. Faculty members at Colorado State University were covered exclusively by PERA until May 1993. Faculty members hired after that time are covered by one of several defined contribution plans. Faculty previously covered by PERA had the choice of converting entirely to the defined contribution plan or remaining in PERA for their service until May 1993, with service after that time credited to the defined contribution plan.

The state made contributions to other pension plans of $59.0 million and $64.6 million during Fiscal Years 2002-03 and 2001-02, respectively. In addition, the state paid $53.2 million and $48.8 million in FICA or Medicare taxes on employee wages during Fiscal Years 2002-03 and 2001-02, respectively.

Medical and Disability Benefits

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-insured using Anthem Blue Cross Blue Shield as the plan administrator. After January 1, 2000, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. Through Fiscal Year 2001-02, the Group Benefit Plans Fund continued to cover claims originating before January 1, 2000. The state's contribution to the premium is fixed in statute; state employees pay the difference between the statutory contribution and the premium set by the insurer.

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 19-A). 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 program provides an employee with 60 percent of their pay beginning after 30 days of disability or the exhaustion of the employee's 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 and a termination premium that is 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 while deficits are carried forward.

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In 2002, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution), to a maximum of $11,000. In 2003, the maximum increased to $12,000. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $2,000 contribution in 2003, for a total contribution of $14,000. Contributions and earnings are tax deferred. On December 31, 2002, the plan had net assets of $737.8 million and 70,664 accounts.

Employee Deferred Compensation Plan

The state initiated a deferred compensation (457) plan for state employees in 1981. The nine-member Deferred Compensation Committee establishes rules and regulations for implementation of the plan. The Committee comprises the state controller, the state treasurer, four plan participants elected by plan members, and three plan participants appointed by the Governor, President of the Senate, and Speaker of the House, respectively. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was $260.2 million and $266.2 million at June 30, 2003, and June 30, 2002, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

Defined Contribution Pension Plan

On January 1, 1999, the state began providing a defined contribution pension plan for certain employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-206 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

The following classes of state employees are eligible for participation: legislators, elected state officials and their deputies, district attorneys, department executive directors appointed by the governor, members of the Public Utilities Commission, employees of the Governor's Office not covered by the state personnel system, and employees of the Senate and House of Representatives. Participation in the plan by eligible employees is voluntary and requires an irrevocable written election; however, a participant cannot simultaneously be an active member in the Public Employees Retirement Association (PERA). At June 30, 2003, 226 individuals had accounts with the defined contribution pension plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan administered by PERA. During Fiscal Year 2002-03, the state contribution rate was 10.04 percent and the employee was required to contribute 8 percent of gross covered wages.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis of accounting in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as additions in the period in which the employee provides services. Investments are reported at fair value. The Plan had the following concentrations of investments greater than five percent:

Investment	Balance	Percent
Valic Fixed Interest	$ 1,078,845	20%
Vanguard 500 Index	690,715	13%
MFS Mass Inv Grwth Stk	586,845	12%
Vanguard Asset Alloc	484,084	10%
T Rowe Small Cap	448,415	9%
Vantage Trust PLUS Fund	371,168	7%
Templeton World Fund	296,281	6%
Other	1,119,968	23%
Totals	$ 5,076,321	100%

The following are the financial statements for the state's pension and other employee benefits plans discussed above.

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 820	$ 2	$ 4,254	$ 5,076
Other Receivables, net	32	-	3	35
Prepaids, Advances, and Deferred Charges	-	-	14	14
Investments	259,425	5,076	-	264,501
TOTAL ASSETS	260,277	5,078	4,271	269,626
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	46	-	1,023	1,069
Accrued Compensated Absences	5	-	16	21
TOTAL LIABILITIES	51	-	1,039	1,090
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	260,226	-	3,232	263,458
Unrestricted	-	5,078	-	5,078
TOTAL NET ASSETS	$ 260,226	$ 5,078	$ 3,232	$ 268,536

STATEMENT OF CHANGES IN NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Additions By Participants	$ -	$ 1,383	$ -	$ 1,383
Member Contributions	27,578	-	77,280	104,858
Employer Contributions	8,762	-	75,081	83,843
Investment Income/(Loss)	3,151	131	381	3,663
Employee Deferral Fees	442	2	-	444
Other Additions	-	-	434	434
TOTAL ADDITIONS	39,933	1,516	153,176	194,625
DEDUCTIONS:				
Distributions to Participants	45,482	225	-	45,707
Health Insurance Premiums Paid	-	-	122,339	122,339
Other Benefits Plan Expense	-	-	28,534	28,534
Administrative Expense	290	3	-	293
Other Deductions	97	11	1,152	1,260
TOTAL DEDUCTIONS	45,869	239	152,025	198,133
TRANSFERS:				
Transfers-Out	(38)	-	(356)	(394)
TOTAL TRANSFERS	(38)	-	(356)	(394)
NET INCREASE (DECREASE) IN ASSETS	(5,974)	1,277	795	(3,902)
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	266,200	3,801	2,437	272,438
FISCAL YEAR ENDING	$ 260,226	$ 5,078	$ 3,232	$ 268,536

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA 401K Defined Contribution Pension Plan discussed above.

NOTE 22 – RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for certain risks of losses to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance.

All funds and agencies of the state, with the exception of the public authorities and the University of Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical 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. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completed an actuarial study during Fiscal Year 2002-03 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.

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 – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. The university purchases re-insurance for losses over $500,000 per occurrence, except for nonproperty claims excluded from the governmental immunity act. Those nonproperty claims in excess of $6.0 million individually or in aggregate annually are covered by re-insurance.

The University of Colorado Health Sciences Center's Housestaff Health Benefits Plan is a comprehensive self-insurance health and dental benefits program for physicians in training at the Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $125,000 per person and $4.67 million in aggregate annually. There have been no collections against the aggregate stop-loss insurance in the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Health Sciences Center also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $6.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study.

Colorado State University provides a medical, dental, short-term disability, and post-retirement health care subsidy plan for academic faculty, administrative professional staff, and certain other employees. The plan was formed in 1985 and is completely self-insured except for medical claims. The medical, dental, and short-term disability plans are funded by monthly contributions of participating employees. The university contributes one percent of covered payroll to the post-retirement health care subsidy. Various third-party administrators process claims and provides actuarial analysis of claims liabilities. The plan purchases re-insurance for health claims over $200,000 and for aggregate claims over 125 percent of expected claims.

The Department of Human Services uses Pinnacol Assurance, a related organization, to administer claims related to the Human Services Workers' Compensation Plan, which was self-insured during the period from July 1, 1985, to June 30, 1990. However, new claims are administered by Risk Management and paid from the Risk Management Workers' Compensation Plan.

There were no significant reductions or changes in insurance coverage from the prior year. Settlements did not exceed insurance coverage in any of the past three fiscal years.

Changes in claims liabilities were as follows:

(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
Risk Management:				
Liability Fund				
2002-03	$ 25,475	$ 21,731	$ 7,456	$ 39,750
2001-02	17,374	29,193	21,092	25,475
2000-01	20,488	445	3,559	17,374
Workers' Compensation				
2002-03	65,011	25,952	22,233	68,730
2001-02	81,881	19,015	35,885	65,011
2000-01	101,884	964	20,967	81,881
Group Benefit Plans:				
2002-03	-	-	-	-
2001-02	88	89	177	-
2000-01	1,705	(562)	1,055	88
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2002-03	10,886	4,769	3,622	12,033
2001-02	11,386	2,780	3,280	10,886
2000-01	13,343	1,195	3,152	11,386
University of Colorado Health Sciences Center:				
Medical Malpractice				
2002-03	7,707	2,147	1,095	8,759
2001-02	7,876	333	502	7,707
2000-01	7,671	1,461	1,256	7,876
Housestaff Health Benefits				
2002-03	669	4,484	4,365	788
2001-02	551	3,665	3,547	669
2000-01	541	2,598	2,588	551
Colorado State University:				
Medical, Dental, and Disability Benefits				
2002-03	3,577	12,932	11,216	5,293
2001-02	3,084	7,945	7,452	3,577
2000-01	2,816	8,243	7,975	3,084
Department of Human Services:				
Workers' Compensation				
2002-03	663	194	72	785
2001-02	814	-	151	663
2000-01	1,156	-	342	814

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits and contracts with a commercial insurance company for coverage to $5.0 million per occurrence when governmental immunity does not apply. For Fiscal Year 2002-03, the hospital recorded premium and administrative expenses of $515,000. The trust had a fund balance of $2.2 million in excess of reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for employee health, dental, and accident claims through the University of Colorado and commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most all risks of loss. No claims have been made against this commercial coverage in any of the past three fiscal years.

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2002 and 2001. There were no significant reductions in insurance coverage from the prior year.

NOTE 23 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses indicating 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, 2003, the state had the following amounts of gross assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

	Land	Buildings	Equipment and Other
Governmental Activities	$ -	$ 1,541	$ 13,544
Business Type Activities	5,940	83,610	16,936
Total	$ 5,940	$ 85,151	$ 30,480

At June 30, 2003, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ -	$ 67	$ 67
Business Type Activities	4,648	162	4,810
Total	$ 4,648	$ 229	$ 4,877

During the year ended June 30, 2003, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business Type Activities	$ -	$ 79	$ 79
Total	$ -	$ 79	$ 79

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Fiscal Year 2002-03 was the final year in which the Colorado State University System leased space from the foundation, and therefore, no outstanding lease obligation exists. Colorado State University continues to sublease space from the foundation. The total obligation at June 30, 2003, is $2,243,000, with average annual lease payments of $188,000. The university and the system are also leasing equipment from the foundation and have a total lease obligation of $2,006,000 with terms ranging from one to six years.

Fort Lewis College leases assets from the Fort Lewis College Foundation and had a lease payable of $217,850 at June 30, 2003.

Aurora Community College made operating lease payments of approximately $1 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

Morgan Community College made lease payments of $73,500 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made lease payments of $149,982 to the Trinidad State Junior College Educational 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 results of the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2002-03, the state recorded building and land rent of $33.3 million and $17.4 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $6.4 million and $23.4 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program. The state recorded $.4 million and $1.5 million of lease interest costs in governmental and business-type activities, respectively.

The $12.2 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* primarily comprises the following:

- The Department of Human Services recorded $5.3 million related to lease financing of computers,
- The Department of Corrections recorded $1.7 million related to bus leases,
- The Department of Treasury recorded $4.8 million of lease financing in which the state was the lessor, and a lease receivable was recorded in the General Fund. See Note 12 for more information on the lease receivable recorded.

An equivalent amount of capital outlay expenditure is recognized at the inception of these leases, and therefore, there is no impact on fund balance.

Future minimum payments at June 30, 2003, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2004	$ 27,238	$ 13,592	$ 5,676	$ 10,101
2005	21,702	10,177	3,451	9,389
2006	17,024	7,303	1,127	8,887
2007	12,077	5,115	806	7,740
2008	9,913	3,795	279	6,635
2009 to 2013	14,672	10,379	917	30,580
2014 to 2018	37	4,716	1,063	28,991
2019 to 2023	5	71	1,232	25,759
2024 to 2028	-	-	-	12,426
2029 to 2033	-	-	-	4,203
Total Minimum Lease Payments	102,668	55,148	14,551	144,711
Less: Imputed Interest Costs			6,005	58,792
Present Value of Minimum Lease Payment	$ 102,668	$ 55,148	$ 8,546	$ 85,919

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $6.2 million and $4.8 million for Fiscal Years 2002-03 and 2001-02, respectively. Future minimum lease payments for these leases at June 30, 2003, are:

(Amounts in Thousands)

Fiscal Year	Amount
2004	$ 5,559
2005	1,251
2006	636
Total Minimum Obligations	$ 7,446

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease. Total rental expense for the year ended December 31, 2002 and 2001, was $121,398 and $99,167, respectively. The total minimum rental commitment under this lease is $319,352 for years 2003 through 2005.

CoverColorado leases office facilities under an operating lease that expires in 2007. Total rental expense for the year ended December 31, 2002, and 2001 was $17,272 and $15,225, respectively. The total minimum rental commitment under this lease is $141,300 for years 2003 through 2007.

NOTE 24 – SHORT-TERM DEBT

The State Treasurer issued tax revenue anticipation notes in the amount of $800.0 million on July 2, 2002, and $200.0 million on November 25, 2002. The notes were issued primarily for cash management purposes, and were repaid before June 30, 2003, as required by the State Constitution.

The following schedule shows the changes in short-term financing for the period ended June 30, 2003:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 1,000,000	$1,000,000	$ -
Total Short-Term Financing	$ -	$ 1,000,000	$1,000,000	$ -

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

Many Higher Education Institutions, the Highway Fund, the State Nursing Homes, and the Colorado Student Obligation Bond Authority have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student tuition lending. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. During Fiscal Year 2002-03, the state's governmental activities had $71.1 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. The state's business-type activities had $352.4 million of available net revenue after operating expenses to meet the $89.9 million of debt service requirement related to these bonds.

The state recorded $130.8 million of interest costs of which $80.4 million was recorded by governmental activities and $50.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $13.6 million of interest on tax revenue anticipation notes issued by the Department of Treasury, $64.8 million of interest on transportation revenue anticipation notes issued by the Department of Transportation, and $1.9 million of interest primarily on certificates of participation issued by the Department of Personnel & Administration. The business-type activities interest cost primarily comprises $22.0 million of interest paid on revenue bonds issued by Higher Education Institutions, $15.7 million of interest paid on bonds issued by the Colorado Student Obligation Bond Authority, and $11.9 million of interest paid on bonds issued by the Colorado Guaranteed Student Loan Program.

Annual maturities of notes and bonds payable 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
2004	$ 3,250	$ 65,092	$ 17,875	$ 1,694	$ 21,125	$ 66,786
2005	5,870	64,926	16,200	1,211	22,070	66,137
2006	86,135	64,621	11,195	661	97,330	65,282
2007	91,800	60,125	7,075	309	98,875	60,434
2008	96,625	55,302	3,210	105	99,835	55,407
2009 to 2013	564,415	195,222	1,095	28	565,510	195,250
2014 to 2018	386,400	41,939	-	-	386,400	41,939
Subtotals	1,234,495	547,227	56,650	4,008	1,291,145	551,235
Unamortized Prem/Discount	38,651	-	482	-	39,133	-
Totals	$ 1,273,146	$ 547,227	$ 57,132	$ 4,008	$ 1,330,278	$ 551,235

(Amounts in Thousands)

Business Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2004	$ 52,817	$ 44,011	$ 369	$ 252	$ 48	$ 18	$ 5,335	$ 2,477	$ 58,569	$ 46,758
2005	51,583	42,631	379	240	51	15	5,685	2,211	57,698	45,097
2006	51,214	41,163	350	228	53	12	9,290	1,801	60,907	43,204
2007	56,686	39,462	362	214	56	10	2,080	1,488	59,184	41,174
2008	43,979	37,860	372	201	59	7	2,715	1,939	47,125	40,007
2009 to 2013	234,115	157,189	1,988	779	70	4	7,850	5,380	244,023	163,352
2014 to 2018	115,726	117,924	2,445	300	-	-	4,905	3,334	123,076	121,558
2019 to 2023	134,107	93,291	-	-	-	-	4,105	2,004	138,212	95,295
2024 to 2028	277,202	60,467	-	-	-	-	5,275	838	282,477	61,305
2029 to 2033	148,390	37,633	-	-	-	-	-	-	148,390	37,633
2034 to 2038	390,462	14,366	-	-	-	-	-	-	390,462	14,366
Subtotals	1,556,281	685,997	6,265	2,214	337	66	47,240	21,472	1,610,123	709,749
Unamortized Prem/Discount	(2,686)	-	-	-	-	-	(429)	-	(3,115)	-
Totals	$1,553,595	$ 685,997	$ 6,265	$ 2,214	$ 337	$ 66	$ 46,811	$ 21,472	$1,607,008	$ 709,749

Component Units

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2002, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2003	$ 29,855	$ 30,940	$ 60,795
2004	31,480	29,700	61,180
2005	32,465	28,233	60,698
2006	33,800	26,719	60,519
2007	34,905	25,091	59,996
2008 to 2012	185,210	98,398	283,608
2013 to 2017	153,365	52,518	205,883
2018 to 2022	100,225	16,831	117,056
2023 to 2027	12,105	993	13,098
Total Future Payments	$ 613,410	$ 309,423	$ 922,833

The original principal amount for the outstanding bonds was $848.2 million. Total interest paid during 2002 and 2001 amounted to $29,889,321 and $27,164,122, respectively.

All of the Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation. The authority has provided a Debt Service Bond Reserve Fund of $8.5 million that is represented as a restricted net asset.

During Fiscal Years 2002-03 and 2001-02 the University of Colorado Hospital Authority met all the financial ratio requirements of its bond indenture. Cash paid for interest by the hospital in Fiscal Years 2002-03 and 2001-02 approximated $15.4 million and $13.8 million, respectively. Total interest cost capitalized in Fiscal Year 2002-03 amounted to $3.2 million, which is net of $.7 million of investment income from the unexpended bond funds. The aggregate maturities of long-term debt for University of Colorado Hospital Authority at June 30, 2003, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2004	$ 4,350	$ 15,813	$ 20,163
2005	5,175	15,606	20,781
2006	5,420	15,359	20,779
2007	5,685	15,095	20,780
2008	5,965	14,815	20,780
2009 to 2013	34,525	69,366	103,891
2014 to 2018	44,180	59,713	103,893
2019 to 2023	57,110	46,780	103,890
2024 to 2028	74,090	29,810	103,900
2029 to 2032	74,660	8,452	83,112
Total Long-Term Debt Payments	311,160	$ 290,809	$ 601,969
Less: Unamortized Discount	(4,129)		
Deferred Amount on Refunding of Series 1997A Bonds	(6,991)		
Total Carrying Amount of Long-Term Debt	$ 300,040		

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

Changes in long-term liabilities are summarized as follows:

(Amount in Thousands)

	Beginning Balance July 1 (Restated)	Changes		Ending Balance June 30	Due Within One Year
		Additions	Reductions		
Governmental Activities					
Deposits Held In Custody For Others	$ 12	$ 4	$ 8	$ 8	$ -
Accrued Compensated Absences	112,027	11,044	9,523	113,548	7,394
Claims and Judgments Payable	21,000	8,200	-	29,200	14,743
Capital Lease Obligations	2,175	7,443	4,564	5,054	3,492
Notes, Bonds, COP's Payable	1,328,072	434,213	453,132	1,309,153	21,125
Other Long-Term Liabilities	452,708	67,883	19,201	501,390	-
Total Governmental Activities Long-Term Liabilities	1,915,994	528,787	486,428	1,958,353	46,754
Business Type Activities					
Accrued Compensated Absences	121,127	12,414	8,688	124,853	10,582
Capital Lease Obligations	44,225	41,080	4,669	80,636	5,283
Notes, Bonds, COP's Payable	1,199,091	625,206	277,394	1,546,903	60,105
Other Long-Term Liabilities	144,027	16,106	83,882	76,251	-
Total Business Type Activities Long-Term Liabilities	1,508,470	694,806	374,633	1,828,643	75,970
Fiduciary Activities					
Deposits Held In Custody For Others	61,520	44,538	59,734	46,324	-
Accrued Compensated Absences	33	-	12	21	-
Claims and Judgments Payable	-	-	-	-	504
Other Long-Term Liabilities	2,090	264	286	2,068	-
Total Fiduciary Activities Long-Term Liabilities	63,643	44,802	60,032	48,413	504
Total Primary Government Long-Term Liabilities	$ 3,488,107	$ 1,268,395	$ 921,093	$ 3,835,409	$ 123,228

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

At June 30, 2003, the following obligations were classified as other long-term liabilities on the government-wide *Statement of Net Assets.*

The $501.4 million shown for governmental activities primarily comprises:

- $91.7 million of Risk Management claims that are actuarially determined for general liability and workers' compensation, which are accounted for in the General Fund on the fund-level statements;
- $183.2 million of actuarially determined Labor Fund claims related to medical and other benefits primarily for workers injured in private sector employment. The state expects to fund these benefits through future revenues from a special tax on workers' compensation premiums, court awards, and interest income.
- $225.7 million of tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The $76.3 million shown for business-type activities primarily comprises:

- $37.9 million of promises to pay future tuition costs related to the prepaid tuition program of the Colorado Student Obligation Bond Authority.
- $38.2 million of actuarially determined risk management claims, long-term deferred revenue, and a $1.9 million promise to pay the Lowry Redevelopment Authority for borrowing to finance infrastructure improvements that will not become property of the state. The risk management claims are related to the University of Colorado's self-insurance program for general liability, property, workers' compensation, medical benefits, and medical malpractice ($22.3 million), and Colorado State University's self-insurance of medical, dental and short-term disability benefits for faculty and staff ($6.7 million). The deferred revenue is primarily related to a ground lease at the University of Northern Colorado ($2.5 million) and advance receipts from a contract entered into by the Colorado School of Mines ($4.7 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	$ 303,483	$ 727	$ 4,170	$ 300,040	$ 4,350
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 501,210	$ 109,680	$ 29,376	$ 581,514	$ 29,855

NOTE 27 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2002-03, debt was defeased in the governmental activities and in the business-type activities.

At June 30, 2003, 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	$ 387,770
Business Type Activities:	
University of Northern Colorado	$ 37,775
Western State College	20,280
Auraria Higher Education Center	14,805
University of Colorado	14,735
Colorado School of Mines	12,320
Mesa State College	11,185
Fort Lewis College	7,535
Red Rocks Community College	2,565
Colorado State University	2,135
Pikes Peak Community College	1,175
Colorado State University - Pueblo	10
Total	$ 512,290

Colorado State University issued $11,482,646 of Enterprise System Refunding and Improvement Revenue Bonds Series 2003A to defease $12,730,000 of Auxiliary Facilities Enterprise Refunding and Improvement Bonds Series 1992 and Student Sports Recreational Facilities Refunding Revenue Bonds Series 1993. The defeased debt had an interest rate of 6.21 percent, and the new debt has an interest rate of 4.52 percent. The remaining term of the debt was unchanged at 14 years, and debt service cash flows decreased by $2,798,975. The refunding resulted in an economic gain of $2,600,604 and a book loss of $144,744 that was expensed in the current year.

On May 28, 2003, Western State College issued $18,740,000 of Auxiliary Facilities System Revenue Bonds of which $12,470,000 was used to defease $10,415,000 of Student Housing Revenue Bonds that were issued in March 1994. The defeased debt had an average interest rate of 5.46 percent, and the new debt has an average interest rate of 3.78 percent. The remaining term of the debt was increased from 12 to 16 years, and debt service cash flows increased by $2,601,874. The refunding resulted in an economic loss of $1,005,113 and a book loss of $556,722 that will be amortized as interest expense over the twelve year remaining life of the old debt.

Pikes Peak Community College issued $4,900,000 of State Board of Community Colleges and Occupational Education Series 2003 System-wide Revenue Refunding and Improvement Bonds of which $1,344,420 was used to defease $1,175,000 of State Board for Community Colleges and Occupational Education Series 1996 Pikes Peak Community College North Campus Bonds. The defeased debt had interest rates ranging from 5.05 to 5.88 percent, and the new debt has interest rates ranging from 2.00 to 4.13 percent. The remaining term of the debt was increased from 13 to 28 years, and debt service cash flows increased by $696,074. The refunding resulted in an economic loss of $45,500 and a book loss of $169,420 that will be amortized over 13 years.

The Colorado School of Mines (CSM) issued $32,040,000 of the Board of Trustees of the Colorado School of Mines Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2002 for current construction and to carry out the following two refundings:

- CSM used $1,416,585 of the issuance to defease $1,330,000 of Board of Trustees of the Colorado School of Mines Auxiliary Facilities Enterprise Revenue Bonds Series 1997A. The defeased debt had interest rates ranging from 4.5 percent to 4.75 percent, and the new debt has an average interest rate of 2.54 percent. The remaining term of the debt was unchanged at 5.5 years, and debt service cash flows increased by $13,775. The refunding resulted in an economic gain of $55,568 and a book loss of $17,769 that will be amortized as interest expense over 5.5 years.
- CSM used $2,774,589 of the issuance to defease $2,605,000 of Board of Trustees of the Colorado School of Mines Auxiliary Facilities Refunding and Improvement Revenue Bonds Series 1993. The defeased debt had interest rates ranging from 4.6 percent to 5.0 percent, and the new debt has an average interest rate of 2.54 percent. The remaining term of the debt was reduced from 11.5 years to 5.5 years, and debt service cash flows decreased by $765,060. The refunding resulted in an economic gain of $290,646 and a book loss of $146,741 that will be amortized as interest expense over 5.5 years.

Fort Lewis College issued $3,418,370 of Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 2003, to defease $3,330,000 of Auxiliary Facilities Refunding and Improvement Bonds, Series 1992. The defeased debt had an interest rate of 6.5 percent, and the new debt has interest rates ranging from 2.0 to 2.7 percent. The remaining term of the debt was unchanged at 5.67 years, and debt service cash flows decreased by $217,996. The refunding resulted in an economic gain of $103,508 and a book loss of $166,792 that will be amortized as interest expense over 5.67 years.

Auraria Higher Education Center issued $14,805,000 of Series 2003 Parking Bonds to defease an equivalent amount of Series 1993 Parking Bonds that were originally issued with a face amount of $21,510,000. The defeased debt had an interest rate of 4.65 percent, and the new debt carries an interest rate of 2.5 percent. The remaining term of the debt was reduced to 9 years, and debt service cash flows decreased by $4,769,846. The refunding resulted in an economic gain of $4,135,892 and a book loss of $766,420 that will be amortized as interest expense over 9 years.

The Department of Transportation issued $400,160,000 of Transportation Revenue Anticipation Refunding Notes, Series 2002, to defease $387,770,000 of Transportation Revenue Anticipation Notes, Series 2000 and Series 2001A. The defeased debt had interest rates ranging from 5.5 percent to 6.0 percent, and the new debt has interest rates ranging from 3.0 percent to 5.5 percent. The remaining term of the debt was increased from 13 to 14 years, and debt service cash flows increased by $60,938,673. The refunding resulted in an economic gain of $11,633,480 and a book loss of $37,595,525 that will be amortized as interest expense over 13 years.

Component Units

In November 1997, the University of Colorado Hospital Authority issued $123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. At June 30, 2003, $101.8 million of bonds outstanding are considered defeased. The refunding resulted in a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2003, the unamortized deferred loss on refunding is $7.0 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by $6.5 million and to obtain an economic gain of $3.7 million.

At December 31, 2002, the Colorado Water Resources and Power Development Authority had $23.8 million of bonds previously issued but defeased, and thus, not reflected in bonds payable.

Total debt service, including principal and interest, remaining for the Denver Metropolitan Major League Baseball Stadium District's in-substance defeased debt was $15.7 million at December 31, 2002. The amortized cost of the related escrow securities was $13.5 million.

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

NOTE 28 – PRIOR PERIOD ADJUSTMENTS

The beginning net assets of the Governmental Activities on the *Statement of Activities* decreased by $128,340,350 due to correction of the following accounting errors:

- During Fiscal Year 2002-03, the Department of Revenue developed a system for estimating long-term taxes receivable and refunds payable related to income taxes. The estimate reduced beginning net assets by $133,632,000. This information was not available in Fiscal Year 2001-02 when the state converted to full accrual reporting for taxes as required by Governmental Accounting Standards Board (GASB) Statement No. 34 – <u>Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments</u>.
- The Department of Transportation overstated accumulated depreciation of noninfrastructure capital assets when it implemented GASB Statement No. 34 in Fiscal Year 2001-02. To correct the error in Fiscal Year 2002-03, the department increased beginning net assets by $3,425,280.
- The Department of Regulatory Agencies removed $1,866,370 of deferred revenue increasing beginning fund balance by the same amount. The deferred revenue was related to license fees for which the department had deferred an amount different from the amount related to subsequent periods.

The beginning net assets of the Business-type Activities on the *Statement of Activities* increased by $72,948,192 due to correction of the following error. The University of Colorado previously reported University Physicians Incorporated (UPI) as a related party, and it now reports UPI as a blended component unit. This adjustment also increased the beginning net assets of the Higher Education Institutions on the *Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.*

The beginning fund balance of the General Fund on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances* increased by $810,015 because the Family Issues Cash Fund, a nonmajor Special Revenue Fund, was closed into the General Fund. This caused the beginning fund balance of the Other Governmental Funds to decrease by the same amount. In addition, the $1,866,370 of deferred revenue removed by the Department of Regulatory Agencies increased beginning fund balance of the Other Governmental Funds on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances.*

On the *Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds,* the beginning net assets of the Central Services Fund decreased by $354,430 when the state started reporting debt collection activities in a new Debt Collection Fund. The $354,430 is shown on the same statement as an increase in beginning net assets of the Debt Collection Fund.

NOTE 29 –FUND EQUITY

In the Capital Projects Fund, the Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve and other minor funds that are allowed to retain fund balances in the Capital Projects Fund.

Details of the TABOR Emergency Reserve required by Article X, Section 20, of the State Constitution are presented in Note 8C.

NOTE 30 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2003, were:

(Amounts in Thousands)

SELLER'S/LENDER'S RECEIVABLE	BUYER'S/BORROWER'S PAYABLE								
	General Fund	Public School	Highway Users Tax	Capital Projects	Higher Education Institutions	Unemploy-ment Insurance	State Lottery	All Other Funds	Total
GOVERNMENTAL FUNDS:									
General	$ -	$45	$ 289	$ -	$ 494	$ 2,106	$ 32	$ 40,493	$ 43,459
Public School	-	-	-	-	-	-	3,690	3,398	7,088
Highway Users Tax	1,781	-	-	5	-	-	-	1,061	2,847
Capital Projects	1,428	-	-	-	261	-	-	-	1,689
State Lands	-	-	-	-	-	-	-	113	113
Labor	176	-	-	-	42	-	-	-	218
Gaming	-	-	-	-	-	-	-	5,914	5,914
Water Projects	-	-	-	180	-	-	-	1,643	1,823
Other Special Revenue	76	-	191	47	30	1,157	12,707	29,460	43,668
PROPRIETARY FUNDS:									
Higher Education Institutions	127,350	-	4	381	70	-	-	31	127,836
Unemployment Insurance	23	-	-	-	-	-	-	3	26
Student Obligation Bond Authority	-	-	-	-	-	-	-	357	357
Correctional Industries	4	-	-	2	364	-	-	5	375
Nursing Homes	7	-	-	-	-	-	-	-	7
Other Enterprise	16	-	-	-	-	-	-	-	16
INTERNAL SERVICE FUNDS									
Central Services	-	-	-	15	71	-	-	-	86
Telecommunications	1	-	-	-	1	-	-	-	2
FIDUCIARY FUNDS									
Treasurer's Private Purpose	1,436	-	-	-	-	-	-	-	1,436
Treasurer's Agency	-	-	-	-	-	-	9,016	-	9,016
Total	$ 132,298	$45	$ 484	$ 630	$ 1,333	$ 3,263	$ 25,445	$ 82,478	$ 245,976

The $127.4 million receivable shown in the Higher Education fund is payable from the General Fund. This General Fund payable is primarily the result of reclassifying the General Fund's overdraft of its share of the Treasurer's pooled cash. See Note 10 for more information on the General Fund's overdraft of the Treasurer's pool.

The $25.4 million payable shown for the State Lottery is related to distributions to other state and agency funds that were accrued at June 30, 2003, and were paid early in Fiscal Year 2003-04.

The $40.5 million receivable in the General Fund, which is shown as payable from All Other Funds, is primarily related to the Gaming Fund distribution that was accrued at June 30, 2003, and was paid early in Fiscal Year 2003-04. The Gaming Fund is a nonmajor Special Revenue Fund.

The $29.5 million receivable in the Other Special Revenue Funds and shown as payable from All Other Funds is primarily related to a long-term receivable of $29.3 million recorded by the Severance Tax Trust Fund, an Other Special Revenue Fund. The amount is payable from the Water Projects Fund, a nonmajor Special Revenue Fund. The Water Projects Fund has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund. The loans have terms ranging from 10 to 40 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

No other long-term interfund receivable/payable balances are material. Other balances shown in the schedule above are the result of timing differences between when expenses/expenditures and revenues must be accrued on a GAAP basis and when the payment is actually made.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2003, were as follows:

(Amounts in Thousands)

	TRANSFER-IN FUND							
TRANSFER-OUT FUND	General Fund	Public School	Highway Users Tax	Capital Projects	State Education	Higher Education Institutions	Nonmajor Funds	TOTAL
MAJOR FUNDS:								
General Fund	$ -	$ 2,138,891	$ -	$ 12,806	$ -	$ 689,880	$ 372,747	$ 3,214,324
Public School	93	-	-	-	-	-	5,499	5,592
Highway Users	30,468	-	-	1,671	-	-	72,260	104,399
Capital Projects	30,074	-	5,031	-	-	-	4,863	39,968
State Education	-	6,560	-	-	-	1,581	1,000	9,141
Higher Education Institutions	3,392	-	-	-	-	-	-	3,392
Lottery	372	3,690	-	-	-	-	52,390	56,452
NONMAJOR FUNDS								
SPECIAL REVENUE FUNDS:								
Labor	245,399	-	-	-	-	-	-	245,399
Gaming	42,747	-	1,010	977	-	-	6,096	50,830
Tobacco Litigation Settlement	208,725	-	-	-	-	3,000	17,500	229,225
Water Projects	5,704	-	-	-	-	-	339	6,043
Other Special Revenue	116,940	22,641	67	3,446	6,771	-	7,507	157,372
PERMANENT FUNDS:								
State Lands Trust Expendable	35	31,059	-	-	-	69	327	31,490
State Lands Trust Nonexpendable	1,041	-	-	-	-	133	3,736	4,910
Other Permanent Trust Nonexpendable	7	-	-	-	-	-	100	107
OTHER GOVERNMENTAL FUNDS:								
Debt Service	2,998	-	-	-	-	-	-	2,998
ENTERPRISE FUNDS:								
Wildlife	4,190	-	-	-	-	-	1,195	5,385
Guaranteed Student Loan	126	-	-	-	-	-	-	126
Correctional Industries	557	-	-	-	-	-	-	557
Nursing Homes	123	-	-	-	-	-	-	123
Prison Canteens	84	-	-	1,007	-	-	-	1,091
INTERNAL SERVICE FUNDS:								
Central Services	432	-	-	-	-	-	-	432
General Government Computer Center	163	-	-	-	-	-	-	163
Telecommunications	1,585	-	-	-	-	-	-	1,585
Capitol Complex	753	-	-	-	-	-	250	1,003
Administrative Hearings	155	-	-	-	-	-	-	155
Debt Collection	85	-	-	-	-	-	33	118
FIDUCIARY FUNDS:								
Deferred Compensation	38	-	-	-	-	-	-	38
Group Benefit Plans	356	-	-	-	-	-	-	356
Treasurer's Private Purpose	33,885	-	-	-	-	-	92	33,977
TOTAL	$ 730,527	$ 2,202,841	$ 6,108	$ 19,907	$ 6,771	$ 694,663	$ 545,934	$ 4,206,751

In the normal course of events, the Legislature specifies a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs. However, in Fiscal Year 2002-03 as in Fiscal Year 2001-02, certain appropriated transfers were unusual both in nature and in dollar amount. The state experienced a significant shortfall in projected general revenues during the year. If legislative action had not been taken, the shortfall would have resulted in a deficit General Fund fund balance at June 30, 2003. Such a deficit would have been a constitutional violation. In response to the fiscal stress caused by the shortfall, the Governor and the Legislature authorized transfers totaling $555.8 million from various funds to the General Fund including the following:

- $245.0 million from the Labor Fund, a nonmajor Special Revenue Fund, including $20.0 million from the Subsequent Injury Fund and $225.0 million from the Major Medical Fund.
- $208.59 million from the Tobacco Litigation Settlement Fund, a nonmajor Special Revenue Fund, including $144.33 million from the Tobacco Litigation Settlement Trust Fund, $60.54 million from the Tobacco Litigation Settlement Fund, $2.28 million from the State Veterans Trust Fund, and $1.44 million from the Read-To-Achieve Cash Fund.

- $42.63 million from Other Special Revenue Funds, a portion of the nonmajor Special Revenue Funds, including $11.4 million from the Employment Support Fund, $6.88 million from the Severance Tax Trust Fund, $6.0 million from the Workers Compensation Cash Fund, $3.2 million from the Real Estate Recoveries Fund, $2.7 million from the Secretary of State Fees Fund, $2.0 million from the Children's Basic Health Plan Fund, $1.47 million from the Waste Tire Recycling Fund, $1.3 million from the Motor Carrier Fund, $1.13 million from the Disabled Telephone Users Fund, $1.0 million from the Species Conservation Fund, $1.0 million from the Alcohol Driver Safety Fund, and the remaining $4.55 million from eleven other cash funds.
- $30.0 million from the Unclaimed Property Trust Fund, a Private Purpose Trust Fund.
- $29.62 million from the Capital Projects Fund, including $29.48 million from Capital Construction Fund and $.14 million from the Art in Public Places Fund.

The $6.88 million transferred from the Severance Tax Trust Fund to the General Fund was required by Colorado Revised Statutes to be $7.1 million; however, only $6.88 million was available in the fund. The statutes also prohibit deficit fund balances. Because of the conflict between these statutes the lesser amount was transferred from the Severance Tax Trust Fund to the General Fund.

In Fiscal Year 2001-02 the state transferred $726.1 million from various funds to the General Fund. Legislation required that certain of those transfers be repaid to the cash funds in Fiscal Year 2002-03. Under that requirement, the state transferred $349.6 million from the General Fund to the cash funds including $211.5 million to the Major Medical Fund and $138.1 million to the Tobacco Litigation Settlement Trust Fund.

Component Units

The Colorado Water Resources and Power Development Authority held resources in an agency fund that it had pledged to support the construction of the proposed Animas-La Plata dam and reservoir in Southwest Colorado. In December 2000, Congress authorized a much smaller Animas-La Plata project. As a result, the authority contributed $7.3 million and $37.9 million from the agency fund to the authority's Enterprise Funds in year 2002 and 2001, respectively. The agency fund is not presented in the state's financial statements.

NOTE 32 – ON-BEHALF PAYMENTS AND UNUSUAL OR INFREQUENT TRANSACTIONS

The Governor's Office of Innovation and Technology received on-behalf payments in the amount of $356,540 for salaries. The Governor's Office was not legally responsible for payment of these salaries, and it recorded equivalent amounts of revenue and expenditure for these payments in the General Fund. However, these revenues and expenditures were not included in the *Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis Budget and Actual – General Funded.*

In addition to the unusual transfers discussed in Note 31 – Transfers Between Funds, additional fiscal stress relief was achieved on the budgetary basis by legislative action reducing the previously required reservation of four percent of General Fund expenditures to approximately 2.4 percent. See Note 6H for information on the required reserve. Certain expenditures originally budgeted to be made from general purpose revenues were instead funded from cash fund revenues. In addition, June payroll expenditures were deferred until Fiscal Year 2003-04, and Medicaid expenditures were changed to the cash basis. Together the payroll and Medicaid changes increased the General Fund budget-basis fund balance by $164.2 million over the GAAP-basis fund balance.

NOTE 33 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no state law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of $4.5 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported $29,675 of net appreciation on its donor-restricted endowments, and the full amount was available for expending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The Colorado State University Foundation investment committee manages the endowment investments and has the discretion to distribute investment income to meet current or special needs.

The University of Northern Colorado reported $40,262 of net appreciation on donor-restricted endowments with $31,456 available for expending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The university's policy on spending endowment earnings is to make available 4.5 percent of a three year moving average of the book value of investments at June 30.

The Colorado School of Mines (CSM) reported $262,160 of net appreciation on donor-restricted endowments with $135,630 available for expending. The CSM reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds.* CSM's spending rate policy allows 5.5 percent of endowment net assets to be expended.

NOTE 34 – SEGMENT INFORMATION

Primary Government

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the state's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the state's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the state's segments.

The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CSOBA is not presented because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions' Segments:

The University of Colorado research activities segment charges for research services.

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 Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund.

The Colorado State University - Pueblo student activities segment charges students fees for programs and facilities provided at the campus. The university's recreational and childcare segment charges students fees for recreational facilities and programs as well as fees for childcare services and facilities.

The Colorado School of Mines auxiliary housing segment charges students for housing. The School of Mines' general research facilities segment charges rent to research programs.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities.

Condensed financial information for the state's segments for the year ended June 30, 2003, is:

CONDENSED STATEMENT OF NET ASSETS

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY OF COLORADO RESEARCH ACTIVITIES	UNIVERSITY OF COLORADO UNIVERSITY PHYSICIANS INCORPORATED
ASSETS:			
Current Assets	$ 944	$ -	$ 50,196
Due From Other Funds	-	261	-
Other Assets	292	26,030	48,877
Capital Assets	11,225	60,839	7,800
Total Assets	12,461	87,130	106,873
LIABILITIES:			
Current Liabilities	3,366	3,672	9,505
Due To Other Funds	-	8,496	598
Noncurrent Liabilities	273	18,307	20,776
Total Liabilities	3,639	30,475	30,879
NET ASSETS:			
Invested in Capital Assets , Net of Related Debt	9,304	38,010	1,480
Expendable	-	-	-
Unrestricted	(482)	18,645	74,514
Total Net Assets	$ 8,822	$ 56,655	$ 75,994

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	STATE FAIR AUTHORITY	RESEARCH ACTIVITIES	UNIVERSITY PHYSICIANS INCORPORATED
OPERATING REVENUES :			
Tuition and Fees	$ -	$ -	$ -
Sales of Goods and Services	6,818	2,860	169,981
Other	547	8,814	-
Total Operating Revenues	7,365	11,674	169,981
OPERATING EXPENSES:			
Depreciation	600	3,637	939
Other	7,939	4,628	168,669
Total Operating Expenses	8,539	8,265	169,608
OPERATING INCOME (LOSS)	(1,174)	3,409	373
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	26	354	3,086
Gifts and Donations	458	-	-
Other Nonoperating Revenues	-	87	(413)
Debt Service	(155)	(1,103)	-
Other Nonoperating Expenses	-	-	-
Total Nonoperating Revenues(Expenses)	329	(662)	2,673
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions and Additions to Endowments	578	247	-
Transfers-In	-	1,813	-
Transfers-Out	-	-	-
Total Contributions, Transfers, and Other	578	2,060	-
CHANGE IN NET ASSETS	(267)	4,807	3,046
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	9,089	51,848	72,948
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 8,822	$ 56,655	$ 75,994

CONDENSED STATEMENT OF CASH FLOWS

	STATE FAIR AUTHORITY	RESEARCH ACTIVITIES	UNIVERSITY PHYSICIANS INCORPORATED
NET CASH PROVIDED (USED) BY:			
Operating activities	$ (303)	$ 7,137	$ (2,418)
Noncapital Financing Activities	-	1,813	(857)
Capital and Related Financing Activities	188	(6,427)	13,549
Investing Activities	41	(2,523)	(10,483)
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(74)	-	(209)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	735	-	12,258
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 661	$ -	$ 12,049

COLORADO STATE UNIVERSITY - PUEBLO		COLORADO SCHOOL OF MINES		AURARIA HIGHER EDUCATION CENTER	
STUDENT ACTIVITIES	RECREATIONAL AND CHILDCARE FACILITIES	AUXILIARY HOUSING	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDENT FACILITIES
$ 368	$ 1,846	$ 27,690	$ 1,355	$ 9,762	$ 11,307
-	-	-	-	-	-
-	1,090	-	-	4,362	23,882
1,706	3,316	21,650	11,488	22,992	16,672
2,074	6,252	49,340	12,843	37,116	51,861
5	992	1,392	1,333	2,332	3,528
-	88	-	-	-	-
-	3,242	47,578	10,860	19,816	38,289
5	4,322	48,970	12,193	22,148	41,817
-	-	(26,683)	627	5,025	791
-	-	-	-	908	71
2,069	1,930	27,053	23	9,035	9,182
$ 2,069	$ 1,930	$ 370	$ 650	$ 14,968	$ 10,044

$ 301	$ 1,584	$ -	$ -	$ 7,239	$ 25,759
6	6,470	7,298	-	-	-
-	27	-	-	-	-
307	8,081	7,298	-	7,239	25,759
69	316	1,252	-	743	1,088
134	6,217	4,447	-	2,712	20,943
203	6,533	5,699	-	3,455	22,031
104	1,548	1,599	-	3,784	3,728
29	105	235	43	71	291
39	-	4	972	-	-
-	-	8,497	-	-	-
(22)	(229)	(1,948)	(290)	(889)	(1,057)
-	-	(7,643)	(145)	(114)	-
46	(124)	(855)	580	(932)	(766)
-	-	-	-	-	168
-	1,016	-	-	70	-
-	(1,909)	(326)	-	-	(123)
-	(893)	(326)	-	70	45
150	531	418	580	2,922	3,007
1,919	1,399	(48)	70	12,046	7,037
$ 2,069	$ 1,930	$ 370	$ 650	$ 14,968	$ 10,044

$ (105)	$ 459	$ (2,103)	$ -	$ 4,464	$ 4,858
-	-	4	972	-	-
-	-	27,849	(7,568)	(7,711)	20,170
-	-	235	43	2,942	(23,231)
(105)	459	25,985	(6,553)	(305)	1,797
473	1,387	1,661	6,938	10,827	6,500
$ 368	$ 1,846	$ 27,646	$ 385	$ 10,522	$ 8,297

NOTE 35 – COMPONENT UNITS

The state has four component units under the requirements of Governmental Accounting Standards Board Statement No. 14. All of the component units are considered major except CoverColorado, which is presented as the sole nonmajor component unit. Financial statements for the component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian, general acute and psychiatric care regional hospital licensed for 450 beds, with six outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority. It also includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Health Sciences Center (UCHSC), a state institution of higher education. The hospital's mission is to provide education, research and a full spectrum of primary, secondary and tertiary health care services to the Denver metropolitan area and the Rocky Mountain Region. The hospital is in the process of relocating its main campus from east central Denver to the Fitzsimons Campus in the Denver suburb of Aurora.

During Fiscal Year 2002-03, University Hospital paid the UCHSC $29.0 million, and UCHSC paid University Hospital $7.7 million. UCHSC also reported on-behalf payments of $2.7 million from University Hospital as revenue and expense of the Higher Education Institutions on the government-wide *Statement of Activities* and the fund-level *Statement of Revenues, Expenses and Changes in Net Assets*. At June 30, 2003, University Hospital owed the UCHSC $600,210; UCHSC owed University Hospital $461,387.

The hospital contracts with University Physicians Incorporated (UPI) a component unit of the state that is blended into the Higher Education Institutions, a major Enterprise Fund. During Fiscal Year 2002-03 and 2001-02, UPI recognized $12.2 million and $16.0 million, respectively, of contract income from the hospital related to UPI's clinical and academic mission. Additionally, the hospital reimbursed UPI $494,000 and $759,000, for Fiscal Year 2002-03 and 2001-02, respectively, related to joint patient care administrative functions performed by UPI. In Fiscal Year 2002-03, the hospital paid UPI $7.8 million for faculty members services provided under the State of Colorado medically indigent and other programs that are required to be processed through the hospital. In Fiscal Year 1996-97, UPI paid the hospital $993,750 for a 30 percent interest in Triwest Healthcare Alliance Corporation, which is discussed in Note 36. UPI received $28,938 in dividends from this investment in Fiscal Year 2002-03.

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, and federal capitalization grants.

The Denver Metropolitan Major League Baseball Stadium District includes all or part of the six 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 district levied a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt. In June 2002 and 2001, the district refunded $1.6 million and $11.25 million, respectively, of the sales tax levy to the six counties because the funds were deemed unnecessary for the expenses and reserves of the district.

CoverColorado (formerly known as the Colorado Uninsurable Health Insurance Plan) is a nonprofit 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.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado Historical Foundation was established in part to hold and forward funds for the benefit of the Colorado Historical Society, a state agency. In Fiscal Year 2002-03 the foundation provided grants and reimbursements totaling $943,171 to the Colorado Historical Society. The foundation owed the society $28,429 at June 30, 2003.

In January 2003, University Physicians Incorporated (UPI) loaned Colorado Access $487,500 at a variable interest rate that was 4.25 percent at June 30, 2003. Colorado Access is a nonprofit corporation formed by the University of Colorado Hospital Authority (a component unit of the state) and four other entities (see the Component Unit section of Note 36 for more information).

The University of Colorado Foundation, Inc., an unconsolidated affiliated corporation, was established in 1967 as a separate corporation to solicit, collect, and invest donations for the university and the University of Colorado Hospital Authority. The foundation distributed $59.8 million and $55.1 million to the university in Fiscal Year 2002-03 and 2001-02, respectively. The University of Colorado is the ultimate beneficiary of substantially all of foundation's endowment funds, which included net assets of $54.7 million and $55.5 million, respectively, at June 30, 2003 and 2002.

The Coleman Colorado Foundation was established in August 2001 to support the University of Colorado Coleman Institute for Cognitive Disabilities. During Fiscal Year 2002-03, the foundation received contributions of $283,000, and the university received related contributions of $1,298,000. The foundation has received a pledge of stock holdings of $250.0 million to be received over ten years; however, the pledge is subject to changes in valuation and donor revision. As a result, it has not been recorded in the accounts of the foundation or the university.

The Colorado State University Foundation was established to receive, manage, and invest philanthropic gifts to Colorado State University. During Fiscal Years 2002-03 and 2001-02, the foundation transferred $24.6 million and $22.2 million, respectively, to the university.

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 2002-03, and it owed the university $33,241 at June 30, 2003.

The Fort Lewis College Foundation was established to assist in promoting, developing, and enhancing the facilities and programs of the college. During Fiscal Years 2002-03 and 2001-02, the foundation transferred $694,839 and $705,419, respectively, to the college.

The Adams State College Foundation was established to provide scholarships and work study grants to students, as well as, providing program development grants to Adams State College. The foundation provided $530,780 and $537,260 in scholarships and grants during Fiscal Year 2002-03 and 2001-02, respectively.

The Mesa State College Foundation was established to provide financial assistance to Mesa State College students and to assist the college in serving educational needs. In Fiscal Year 2002-03, the college drew $236,676 from the foundation primarily for athletic scholarships, and the foundation expended $338,430 on construction costs for a new performing arts complex. This portion of the arts complex construction in progress was gifted to the college. At June 30, 2003, the $236,676 was reported as due from the foundation.

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 $2.39 million and $1.58 million of funding to the college in Fiscal Year 2002-03 and 2001-02, respectively. The foundation also reimbursed the college $157,532 for services provided by college employees.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $1.35 million and $1.48 million to the college in Fiscal Year 2002-03 and 2001-02, respectively.

Most of the state's community colleges have established foundations to assist in their educational missions. However, none of those foundations made annual transfers to their related colleges in excess of $250,000.

The University of Northern Colorado Foundation, Inc. was established in February 1966 to promote the welfare, development, growth, and well being of the University of Northern Colorado. The foundation donated $1.34 million and $4.52 million to the university in Fiscal Year 2002-03 and 2001-02, respectively. At June 30, 2003, $151,598 was due from the foundation to the university.

The Colorado School of Mines Foundation, Inc. was established in 1928 as a separate corporation to benefit the School of Mines by soliciting, collecting, and investing donations. During Fiscal Years 2002-03 and 2001-02, the school received $9.2 million and $7.1 million, respectively, from the foundation. The foundation owed the school $329,791 at June 30, 2003. In the event of the Foundation's dissolution, any remaining assets will be transferred to the Colorado School of Mines.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation at June 30, 2003, and June 30, 2002 were $3.6 million and $2.8 million, respectively.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued $10.86 million of bonds in October 2001 and construction was completed in Fiscal Year 2002-03. The net assets of the Development Corporation were $649,708, and $70,285, at June 30, 2003 and 2002, respectively.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Years 2002-03 and 2001-02, the board funded $14.49 million and $17.58 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2003, GOCO owed the Department of Natural Resources $2.75 million.

Component Units

The University of Colorado Hospital Authority provided charity care primarily to individuals meeting federal poverty guidelines valued at $70.3 million and $67.3 million for the years ended June 30, 2003 and 2002, respectively. Since, these amounts are not collectible they are not reported as net patient revenue. The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements (net of related payments) from the state of $24.8 million and $31.0 million for the years ended June 30, 2003, and 2002, respectively.

The Hospital Authority and the University of Colorado Health Sciences Center have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education and the U.S. Army approved the transfer of 186 acres of land and buildings at the Fitzsimons Army Medical Center to the University of Colorado in federal Fiscal Year 2002-03. The Army has conveyed 88 acres under quitclaim deeds in advance of the official transfer. The quitclaim deeds include conditions subsequent that if not met provide for reverting the property to the United States. The authority entered a 30-year Ground Lease agreement with the University of Colorado Regents for 18.4 acres with a one-dollar annual fee. The agreement provides for renewals up to 99 years, and with certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

Under the Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1990, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the University of Colorado Health Sciences Center. Amounts of approximately $29.0 million and $26.8 million were paid for these services in Fiscal Years 2002-03 and 2001-02, respectively. Other contracts with the Regents for storage facilities, student health services, and research projects resulted in reimbursements of approximately $4.6 million and $5.2 million in Fiscal Years 2002-03 and 2001-02, respectively.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2002 and 2003. As part of the agreements, the hospital purchased a minority interest in TriWest for approximately $3.3 million. This investment is accounted for under the cost method.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $1.6 million and $1.3 million were billed to CRC for the cost of these services during Fiscal Years 2002-03 and 2001-02, respectively. Amounts due from the Health Sciences Center, including CRC, amounted to $1.0 million and $2.0 million at June 30, 2003 and 2002, respectively.

The hospital created University Hospital Home Therapies (UHHT) in February 1996. Chartwell Rocky Mountain Region is a Colorado general partnership between UHHT and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain Region was formed to provide home infusion and respiratory services to alternate-site patients. The partnership began in April 1996. UHHT and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain Region.

During 1995, the hospital and four other entities formed Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO that serves Medicaid patients. In August 2001, the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest, which is currently set at 4.75 percent, is due on or before August 24, 2004. In January 2003, the hospital entered an agreement to loan Colorado Access an additional $512,500 with a variable interest rate currently set at 4.25 percent and a due date of January 31, 2006.

By agreement with the University of Colorado, the hospital coordinates fund-raising initiatives through the University of Colorado Foundation.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental 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 include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying of salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The state is contesting the disallowance related to such audits, and the outcome is uncertain at this time.

The Colorado Student Loan Program, in the event of adverse loss experience, could be liable for approximately 25 percent ($459.2 million) of the outstanding balance ($1,837.0 million) of loans in repayment status. However, the probability of a material loss is remote.

Several health care providers have sued the Department of Health Care Policy and Financing alleging that the department breached contracts because managed care rates were incorrectly calculated. The state lost some of these cases and settled others. However, the suit with the largest provider remains in process in the courts, and damages could reach $90 million plus interest. The department also entered various lawsuits in an attempt to recover overpayments it made to certain healthcare providers. Those healthcare providers have filed counterclaims that the department failed to make capitation payments in the amount of $10.1 million

The U.S. Environmental Protection Agency has given notice of the state's potential responsibility under CERCLA. Responsibility for clean up costs has not been apportioned between the Colorado School of Mines and other potential responsible parties that include non-state parties.

The state has been sued for unlawful taking of property in relation to the Colorado Oil and Gas Commission's action to close oil wells for violations of Commission rules. Damages of $2 billion are sought; however, the amount of a potential award cannot be estimated.

At June 30, 2003, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $652.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thus, 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 individually could result in refunds up to $3.7 million.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over $5.51 billion are outstanding. Of this amount, $4.17 billion is covered by private insurance.

The State of Kansas has sued the state in the U.S. Supreme Court for alleged violations of the Arkansas River Compact. The case was bifurcated into a liability and a remedy phase. The Supreme Court ruled in favor of Kansas in one of its three claims and a Special Master was appointed. The Special Master's original damage-calculation methodology resulted in damages of over $40 million, which the State of Colorado challenged in the U.S. Supreme Court. The Supreme Court reduced the amount of prejudgment interest included in the calculation, and directed the Special Master to calculate the remainder of the damages. The Special Master has now set damages at $29.2 million, but the Supreme Court must approve the amount after a comment period for the states. In Fiscal Year 2002-03, the state increased the long-term liability reported on the *Statement of Net Assets* from $21.0 million to $29.2 million. Kansas claims damages of $54 million and may also seek litigation cost reimbursement that is estimated at $10.0 million.

A suit has been brought against the state alleging that the TABOR refund program (Article X, Section 20, of the State Constitution) violates interstate commerce, equal protection and privileges, and immunity clauses of the

U.S. Constitution. The claims are primarily due to part-year residents being excluded from receiving refunds. Damages are indeterminable, but the state was required to refund $3.25 billion in total since Fiscal Year 1996-97.

The state believes it has a good chance of prevailing in these cases, but the ultimate outcome cannot presently be determined. With the exception of $29.2 million recorded for the Arkansas River Compact suit and $23.7 million recorded related to the healthcare provider suit, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 38 – SUBSEQUENT EVENTS

A. NOTE ISSUANCE

Primary Government

On July 3, 2003, the State Treasurer issued $300.0 million of General Fund Tax Revenue Anticipation Notes, Series 2003A. The notes are due and payable on June 25, 2004, at an interest rate of 1.9 percent. The total interest related to this issuance will be $5.74 million. The notes are issued for cash management purposes.

On July 9, 2003, the State Treasurer issued $195.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2003A. The notes carry an interest rate of approximately 1.7 percent, which will result in $3.36 million of interest due at maturity. The notes mature on August 9, 2004, but the State Treasury has established a Series 2003A Note Repayment Account that it will fund by June 28, 2004, in an amount adequate to fully defease the outstanding notes.

On July 22, 2003, the University of Colorado issued $64.26 million of Enterprise System Revenue Bonds, Series 2003A. The proceeds will be used to finance capital improvements and acquisitions at the University's various campuses. The serial revenue bonds bear interest rates from 3 to 5 percent with final maturity in 2025.

On July 30, 2003, the University of Colorado issued $35.48 million of Certificates of Participation, Series 2003A and 2003B. The proceeds will be used to finance capital improvements and acquisitions at the University's Colorado Springs campus and the Health Sciences Center. The certificates of participation bear interest rates from 2 to 4.125 percent with final maturity in 2014.

On August 21, 2003, the Department of Transportation issued $100.0 million of Transportation Revenue Anticipation Notes, Series 2003A. The notes carry an average interest rate of 5.14 percent and have an average term of 13 years.

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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, 2003

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 1,914,321	
Income Taxes			3,158,950	
Other Taxes			244,228	
Federal Grants and Contracts			34	
Sales and Services			381	
Interest Earnings			55,131	
Medicaid Provider Revenues			15,594	
Other Revenues			47,462	
Transfers-In			610,442	
TOTAL REVENUES AND TRANSFERS-IN			6,046,543	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,618	$ 8,299	8,194	$ 105
Corrections	495,575	453,769	452,145	1,624
Education	2,407,933	2,313,623	2,313,375	248
Governor	20,420	31,168	31,056	112
Health Care Policy and Financing	1,179,259	1,024,249	1,024,296	(47)
Higher Education	797,861	685,753	685,416	337
Human Services	550,652	469,907	467,962	1,945
Judicial Branch	228,144	200,629	200,359	270
Law	9,590	8,418	7,941	477
Legislative Branch	33,194	28,602	26,582	2,020
Local Affairs	9,735	7,225	7,224	1
Military Affairs	4,873	4,177	4,067	110
Natural Resources	28,603	22,357	22,363	(6)
Personnel & Administration	14,702	11,614	11,600	14
Public Health and Environment	21,758	16,270	16,252	18
Public Safety	59,523	53,760	53,417	343
Regulatory Agencies	2,068	1,499	1,497	2
Revenue	191,596	177,298	167,915	9,383
Treasury	442,132	441,612	440,837	775
SUB-TOTAL OPERATING BUDGETS	6,508,236	5,960,229	5,942,498	17,731

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

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2003 (Continued)

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	847	673	174
Corrections	70	13,202	7,492	5,710
Education	-	629	619	10
Governor	-	747	357	390
Health Care Policy and Financing	1,649	5,779	4,270	1,509
Higher Education	520	72,099	53,114	18,985
Human Services	2,543	14,481	8,775	5,706
Judicial Branch	-	963	681	282
Law	-	83	78	5
Local Affairs	-	497	497	-
Military Affairs	-	689	653	36
Personnel & Administration	5,826	20,874	14,900	5,974
Public Health and Environment	-	4,099	2,141	1,958
Public Safety	-	6,009	4,512	1,497
Revenue	-	75	5	70
Transportation	-	5,071	5,064	7
Budgets/Transfers Not Booked by Department	38,964	38,964	38,964	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	49,572	185,108	142,795	42,313
TOTAL EXPENDITURES AND TRANSFERS-OUT	$6,557,808	$6,145,337	6,085,293	$ 60,044
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (38,750)	

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, 2003

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 555,130	
Income Taxes			188,400	
Other Taxes			454,078	
Tuition and Fees			595,223	
Sales and Services			850,592	
Interest Earnings			241,860	
Other Revenues			1,901,986	
Transfers-In			4,363,367	
TOTAL REVENUES AND TRANSFERS-IN			9,150,636	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 20,182	$ 20,983	19,700	$ 1,283
Corrections	64,958	63,425	42,779	20,646
Education	2,516,977	2,588,520	2,586,366	2,154
Governor	40,058	44,447	16,112	28,335
Health Care Policy and Financing	204,888	219,541	209,446	10,095
Higher Education	1,573,661	1,661,820	1,436,994	224,826
Human Services	813,459	279,884	261,840	18,044
Judicial Branch	65,132	68,435	60,073	8,362
Labor and Employment	884,975	877,626	849,765	27,861
Law	24,186	28,298	25,748	2,550
Legislative Branch	3,860	3,860	2,741	1,119
Local Affairs	171,461	176,626	97,910	78,716
Military Affairs	4,409	3,654	3,291	363
Natural Resources	365,599	355,296	220,593	134,703
Personnel & Administration	391,299	391,790	336,460	55,330
Public Health and Environment	100,129	106,386	95,665	10,721
Public Safety	95,672	95,716	92,517	3,199
Regulatory Agencies	97,524	99,913	96,808	3,105
Revenue	612,817	619,275	541,034	78,241
State	15,782	16,111	13,977	2,134
Transportation	776,166	789,663	554,936	234,727
Treasury	1,243,007	1,243,627	1,078,651	164,976
SUB-TOTAL OPERATING BUDGETS	10,086,201	9,754,896	8,643,406	1,111,490
Capital and Multi-Year Budgets:				
Departmental:				
Corrections	819	1,912	972	940
Governor	-	2,249	1,063	1,186
Health Care Policy and Financing	16	23	23	-
Higher Education	264,358	86,848	22,337	64,511
Human Services	4,692	17,972	9,826	8,146
Labor and Employment	18,200	84,680	41,066	43,614
Law	-	269	252	17
Natural Resources	42,385	50,595	15,755	34,840
Personnel & Administration	3,562	12,510	7,652	4,858
Public Health and Environment	2,657	14,255	1,375	12,880
Public Safety	1,250	224	46	178
Regulatory Agencies	-	1,701	633	1,068
Revenue	2,812	4,533	273	4,260
Transportation	1,767,344	1,743,301	791,244	952,057
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,108,095	2,021,072	892,517	1,128,555
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$12,194,296	$11,775,968	9,535,923	$2,240,045
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (385,287)	

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, 2003

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$3,690,095	
TOTAL REVENUES AND TRANSFERS-IN			3,690,095	
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 1,019	$ 5,701	2,790	$ 2,911
Corrections	4,567	13,175	9,563	3,612
Education	371,836	501,937	339,199	162,738
Governor	19,102	22,005	16,256	5,749
Health Care Policy and Financing	1,347,445	1,300,029	1,285,982	14,047
Higher Education	11,272	91,219	75,372	15,847
Human Services	483,675	932,207	784,183	148,024
Judicial Branch	1,935	3,733	2,143	1,590
Labor and Employment	107,426	547,607	303,742	243,865
Law	826	988	822	166
Local Affairs	47,509	119,855	58,484	61,371
Military Affairs	122,074	24,039	18,796	5,243
Natural Resources	21,979	46,906	21,850	25,056
Personnel & Administration	22	116	103	13
Public Health and Environment	176,357	278,541	186,834	91,707
Public Safety	38,277	111,603	39,864	71,739
Regulatory Agencies	916	2,317	1,811	506
Revenue	1,663	4,510	2,761	1,749
Transportation	303,207	724,852	391,349	333,503
Treasury	-	67,425	57,078	10,347
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,061,107	4,798,765	3,598,982	1,199,783
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$3,061,107	$4,798,765	3,598,982	$1,199,783
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 91,113	

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, 2003

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 6,032,835	$ -	$ -	$ 13,708	$ -	$ -
Cash	662,240	2,206,865	1,329,935	38,357	231,816	1,774,466
Federal	2,735,055	-	391,036	36,786	-	223,829
Sub-Total Revenues and Transfers-In	9,430,130	2,206,865	1,720,971	88,851	231,816	1,998,295
Expenditures/Expenses and Transfers-Out						
General Funded	5,951,987	-	-	133,306	-	-
Cash Funded	657,212	2,210,118	1,652,954	41,135	330,508	1,846,768
Federally Funded	2,734,976	-	391,036	36,473	-	141,306
Expenditures/Expenses and Transfers-Out	9,344,175	2,210,118	2,043,990	210,914	330,508	1,988,074
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	85,955	(3,253)	(323,019)	(122,063)	(98,692)	10,221
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	3,960	-	2,757	(68)	13,410	13,497
Increase for Budgeted Non-GAAP Expenditures	-	-	53	-	-	24,693
Increase/(Decrease) for GAAP Expenditures Not Budgeted	(182,630)	-	(7,232)	15,008	-	(2,172)
Increase/(Decrease) for GAAP Revenue Adjustments	20,294	-	7,225	(15,151)	-	25
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(72,421)	(3,253)	(320,216)	(122,274)	(85,282)	46,264
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1	206,326	17,179	1,395,767	173,133	303,827	1,286,285
Prior Period Adjustments (See Note 28)	810	-	-	-	-	1,056
FUND BALANCE/NET ASSETS, JUNE 30	$ 134,715	$ 13,926	$ 1,075,551	$ 50,859	$ 218,545	$ 1,333,605

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

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,046,543
1,318,953	219,447	49,794	397,833	189,995	92,365	638,570	9,150,636
225	199,118	12,367	-	91,679	-	-	3,690,095
1,319,178	418,565	62,161	397,833	281,674	92,365	638,570	18,887,274
-	-	-	-	-	-	-	6,085,293
1,303,547	538,791	53,138	397,767	175,102	88,174	240,709	9,535,923
225	206,205	-	-	88,761	-	-	3,598,982
1,303,772	744,996	53,138	397,767	263,863	88,174	240,709	19,220,198
15,406	(326,431)	9,023	66	17,811	4,191	397,861	(332,924)
859	-	302	399	524	34	70,103	105,777
-	-	-	311	9,093	118	-	34,268
2,052	(4,836)	-	(566)	(14,307)	(3,499)	(29,988)	(228,170)
-	-	-	-	-	-	-	12,393
107,383	-	-	-	-	-	276,711	384,094
125,700	(331,267)	9,325	210	13,121	844	714,687	(24,562)
2,601,961	653,690	102,458	2,764	253,794	18,865	1,951,463	8,967,512
72,948	-	-	-	-	-	-	74,814
$ 2,800,609	$ 322,423	$ 111,783	$ 2,974	$ 266,915	$ 19,709	$ 2,666,150	$ 9,017,764

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the Unreserved – Undesignated Fund Balance on the Balance Sheet by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* in several ways as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet – Governmental Funds* as "Reserved for Risk Management". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (see Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative excess general purpose and related augmenting revenues of the state. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the 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 expenditures. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance.

Another purpose of this schedule is to identify the General Fund fund balance available for appropriation. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual column. In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown.

The $454.5 million deficit in Ending General Fund Surplus anticipated at the beginning of the fiscal year was the result of declining revenue estimates between December 2001 and June 2002. The original appropriation was based on the December 2001 revenue estimate.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$1,970,900	$1,806,100	$1,819,884		
Other Excise Taxes	99,600	94,200	94,437		
Individual Income Tax, net	3,401,500	2,921,300	2,944,644		
Corporate Income Tax, net	189,600	199,300	214,307		
Estate Tax	51,000	54,000	53,383		
Insurance Tax	145,100	169,300	171,274		
Parimutuel, Courts, and Other	51,400	59,000	74,182		
Investment Income	4,300	45,200	50,910		
Gaming	40,100	37,800	38,385		
Medicaid Provider Revenues	10,700	20,000	15,594		
TOTAL GENERAL PURPOSE REVENUES	5,964,200	5,406,200	5,477,000		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,618	8,299	8,194	$ 105	$ 63
Corrections	495,575	455,043	452,145	2,898	8
Education	2,407,933	2,312,839	2,312,590	249	4
Governor	20,420	31,168	31,062	106	5
Health Care Policy and Financing	1,179,259	1,039,036	1,026,955	12,081	928
Higher Education	797,861	685,529	685,511	18	-
Human Services	550,652	469,564	467,578	1,986	2,058
Judicial Branch	228,144	200,629	200,370	259	364
Law	9,590	8,076	7,719	357	277
Legislative Branch	33,194	28,601	26,582	2,019	-
Local Affairs	9,735	7,224	7,224	-	56
Military Affairs	4,873	4,177	4,067	110	-
Natural Resources	28,603	22,352	22,357	(5)	3
Personnel & Administration	14,702	11,614	11,604	10	369
Public Health and Environment	21,758	16,274	16,252	22	993
Public Safety	59,523	53,759	53,417	342	-
Regulatory Agencies	2,068	1,499	1,497	2	1
Revenue	191,596	177,298	167,996	9,302	37
Treasury	88,732	92,007	91,232	775	16
Appropriation to the Capital Projects Fund	9,489	9,489	9,489	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	6,164,325	5,634,477	5,603,841	$ 30,636	$ 5,182
Variance Between Actual and Estimated Budgets	(3,225)	(29,982)	-		
TOTAL ESTIMATED BUDGET	6,161,100	5,604,495	5,603,841		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(196,900)	(198,295)	(126,841)		
EXCESS AUGMENTING REVENUES	-	-	5,182		
TRANSFERS:					
Transfers-In from Various Cash Funds	223,900	555,100	555,836		
Transfers-Out to Various Cash Funds	(353,400)	(349,605)	(349,605)		
TOTAL TRANSFERS	(129,500)	205,495	206,231		
BEGINNING GENERAL FUND SURPLUS	109,900	137,500	137,595		
GAAP Revenues/(Expenditures) Not Budgeted	-	-	1,853		
(Increase)/Decrease in Long-Term Asset Reserve	-	-	89		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(238,000)	(131,300)	(131,260)		
Prior Period Adjustment	-	-	810		
ENDING GENERAL FUND SURPLUS	$ (454,500)	$ 13,400	$ 93,659		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Moved to Fiscal Year 2003-04	-	(77,000)	(219,836)		
GAAP Payroll Expenditures Moved to Fiscal Year 2003-04	-	(90,000)	(64,158)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures	-	-	119,806		
Shortfall in Statutory Reserve	238,000	131,300	70,529		
ENDING GAAP UNRESERVED FUND BALANCE	$ (216,500)	$ (22,300)	$ -		

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 118 to 121). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the state-appropriated amounts are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in several instances of 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:

- Refunds under Article X, Section 20, (TABOR) of the State Constitution are reductions of revenue for nonbudgetary reporting purposes, but they are shown as expenditures for budgetary purposes. For budgetary purposes, these expenditures are recognized in the year that the refunds are paid, not in the year the refund liability arises. This provision was not applicable in Fiscal Year 2002-03 because the state did not exceed the TABOR revenue limitation.
- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month of July; for general funded appropriations, those payments are reported as expenditures in the following fiscal year. The delay in the payroll disbursement resulted in a significant increase in the line items Cash and Pooled Cash and Accounts Payable and Accrued Liabilities in relation to the comparable Fiscal 2001-02 balances.
- Medicaid claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller.
- 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 appropriation 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 Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash funded appropriations, with the exception of capital projects, lapse at year end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet – Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the state agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. The institutions of higher education are appropriated at the governing board level. Statutes allow the Judicial and Executive Branches, at year end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and any statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded, supplemental appropriations of the Legislature, statutorily authorized appropriations equal to the related expenditures, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

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

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

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 122) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 118 to 121) relate to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 46 to 63).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as, bad debt expense, and depreciation are not budgeted by the General Assembly. In addition, payroll disbursements for employee time worked in June and Medicaid payments near year end are excluded from the budget and from budget basis expenses/expenditures. These expenses/expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to cash basis 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 budgetary integration 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, thus, committing the subsequent year’s available appropriation.

NOTE RSI-2. INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense. The state capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation. Assets accounted for under the modified approach include approximately 22,600 lane miles of roads and 3,699 bridges for which the state has maintenance responsibilities.

To use the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

ROADWAY

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse, longitudinal, or fatigue. Slight rutting in the wheel paths.	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse or longitudinal or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring routine maintenance. Distress items include moderate and some high severity cracking such as transverse, longitudinal, or fatigue. Moderate rutting in the wheel paths.	Initial distresses are apparent requiring sealing. Distress items include moderate and some high severity cracking such as transverse or longitudinal or moderate corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high maintenance or major rehabilitation treatments. Distress items include a large amount of moderate to high severity cracking such as transverse, longitudinal, or fatigue. Moderate to severe rutting in the wheel paths.	Excessive distresses requiring high maintenance or slab replacement. Distress items include a large amount of moderate to high severity transverse or longitudinal cracking or moderate to severe corner breaks.

Established Condition Level

The expected condition level for roadway is that 54% of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past six years.

Rating	2002	2001	2000	1999	1998	1997
Good/Fair	58%	54%	54%	51%	58%	62%
Poor	42%	46%	46%	49%	42%	38%

BRIDGES

Measurement Scale

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of the 3699 bridges under its jurisdiction. The inventory rates bridges including the deck, superstructure, and substructure, using a 10-point scale as follows.

Rating	Description
9	Excellent
8	Very Good
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural element are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service – beyond corrective action.

Established Condition Level

No more than 25% of the bridges shall be rated as "structurally deficient".

Assessed Conditions

"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements, that is, deck, superstructure, or substructure. The following table reports the percentage of bridges whose condition was assessed as "structurally deficient".

Year	Percent
2003	6.3%
2002	6.6%
2001	6.7%
2000	6.3%
1999	6.5%
1998	5.6%
1997	5.4%

Budgeted and Estimated Costs to Maintain

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2002-03	$ 631.0	$ 1,457.1
2001-02	968.5	1,051.8
2000-01	1,842.2	929.2
1999-00	688.6	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	$ 5,852.3	$ 5,875.8

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain.

Infrastructure maintenance projects by their nature span multiple years, and the related budgets do not lapse at year end. As a result, the Department of Transportation's spending in any fiscal year may be from amounts that were budgeted in the current and/or previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 596,951	$ -	$ -	$ 596,951
Taxes Receivable, net	46,424	-	-	46,424
Other Receivables, net	24,020	-	4,908	28,928
Due From Other Governments	5,471	341	-	5,812
Due From Other Funds	51,613	-	123	51,736
Inventories	267	-	-	267
Prepaids, Advances, and Deferred Charges	2,170	1,917	-	4,087
Restricted Cash and Pooled Cash	210,697	2,879	18,325	231,901
Restricted Investments	-	-	360,944	360,944
Investments	8,865	-	-	8,865
Other Long-Term Assets	190,988	104	12,821	203,913
Land and Nondepreciable Infrastructure	-	-	12,575	12,575
TOTAL ASSETS	$1,137,466	$ 5,241	$ 409,696	$ 1,552,403
LIABILITIES:				
Tax Refunds Payable	$ 2,055	$ -	$ -	$ 2,055
Accounts Payable and Accrued Liabilities	41,768	-	16	41,784
Due To Other Governments	32,957	-	1	32,958
Due To Other Funds	78,450	-	3,511	81,961
Deferred Revenue	30,020	-	14,238	44,258
Compensated Absences Payable	20	-	-	20
Claims and Judgments Payable	13,710	-	-	13,710
Other Current Liabilities	2,050	-	-	2,050
Deposits Held In Custody For Others	2	-	-	2
TOTAL LIABILITIES	201,032	-	17,766	218,798
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	221,998	104	25,396	247,498
Debt Service	-	5,137	-	5,137
Emergencies	150,762	-	-	150,762
Funds Reported as Restricted	94,529	-	338,145	432,674
Unreserved, Reported in:				
Nonmajor Special Revenue Funds	448,766	-	-	448,766
Nonmajor Permanent Funds	-	-	961	961
Unreserved:				
Designated for Unrealized Investment Gains	20,379	-	27,428	47,807
TOTAL FUND BALANCES	936,434	5,241	391,930	1,333,605
TOTAL LIABILITIES AND FUND BALANCES	$1,137,466	$ 5,241	$ 409,696	$ 1,552,403

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 10,828	$ -	$ -	$ 10,828
Excise	2,357	-	-	2,357
Other Taxes	200,215	-	-	200,215
Licenses, Permits, and Fines	258,158	-	-	258,158
Charges for Goods and Services	35,837	-	171	36,008
Investment Income	50,552	40	30,936	81,528
Federal Grants and Contracts	223,824	-	-	223,824
Other	26,259	-	27,646	53,905
TOTAL REVENUES	808,030	40	58,753	866,823
EXPENDITURES:				
Current:				
General Government	6,723	-	-	6,723
Business, Community and Consumer Affairs	160,521	-	-	160,521
Education	16,016	-	-	16,016
Health and Rehabilitation	51,637	-	-	51,637
Justice	20,792	-	-	20,792
Natural Resources	27,034	-	2	27,036
Social Assistance	71,913	-	-	71,913
Transportation	1,161	-	-	1,161
Capital Outlay	11,466	-	336	11,802
Intergovernmental:				
Cities	68,064	-	-	68,064
Counties	62,402	-	9	62,411
School Districts	26,420	-	-	26,420
Special Districts	15,028	-	-	15,028
Federal	1,149	-	-	1,149
Other	20,125	-	6	20,131
Debt Service	41	80,415	-	80,456
TOTAL EXPENDITURES	560,492	80,415	353	641,260
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	247,538	(80,375)	58,400	225,563
OTHER FINANCING SOURCES (USES):				
Transfers-In	465,134	75,714	102	540,950
Transfers-Out	(688,869)	(2,998)	(36,507)	(728,374)
Capital Lease Proceeds	49	-	-	49
Sale of Capital Assets	507	-	1,164	1,671
Debt Refunding Proceeds	-	442,518	-	442,518
Debt Refunding Payments	-	(436,113)	-	(436,113)
TOTAL OTHER FINANCING SOURCES (USES)	(223,179)	79,121	(35,241)	(179,299)
NET CHANGE IN FUND BALANCES	24,359	(1,254)	23,159	46,264
FUND BALANCE, FISCAL YEAR BEGINNING	911,019	6,495	368,771	1,286,285
Prior Period Adjustment (See Note 28)	1,056	-	-	1,056
FUND BALANCE, FISCAL YEAR END	$ 936,434	$ 5,241	$ 391,930	$ 1,333,605

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the state.
LABOR	This fund accounts for injured workers' medical benefits provided by statutes that are 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 LITIGATION SETTLEMENT	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs related to the tobacco settlement.
OTHER SPECIAL REVENUE FUNDS	This fund category accounts for over three hundred individual statutory funds that have a wide variety of purposes. A combining schedule of total assets, total liabilities, and total nets assets for the larger of these individual funds is presented beginning on page 175.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)

	WATER PROJECTS	LABOR
ASSETS:		
Cash and Pooled Cash	$ 86,632	$ 13,253
Taxes Receivable, net	-	15,592
Other Receivables, net	10,449	194
Due From Other Governments	-	-
Due From Other Funds	1,823	218
Inventories	-	-
Prepaids, Advances, and Deferred Charges	-	-
Restricted Cash and Pooled Cash	-	-
Investments	-	-
Other Long-Term Assets	180,203	-
TOTAL ASSETS	$ 279,107	$ 29,257
LIABILITIES:		
Tax Refunds Payable	$ -	$ -
Accounts Payable and Accrued Liabilities	785	489
Due To Other Governments	-	-
Due To Other Funds	29,251	-
Deferred Revenue	-	-
Compensated Absences Payable	-	-
Claims and Judgments Payable	-	13,505
Other Current Liabilities	-	-
Deposits Held In Custody For Others	-	-
TOTAL LIABILITIES	30,036	13,994
FUND BALANCES:		
Reserved for:		
Noncurrent Assets	181,962	-
Emergencies	-	-
Funds Reported as Restricted	-	-
Nonmajor Special Revenue Funds	-	-
Unreserved:		
Designated for Unrealized Investment Gains	2,735	417
Undesignated	64,374	14,846
TOTAL FUND BALANCES	249,071	15,263
TOTAL LIABILITIES AND FUND BALANCES	$ 279,107	$ 29,257

GAMING	TOBACCO LITIGATION SETTLEMENT	OTHER SPECIAL REVENUE	TOTALS
$ 126,277	$ 7,506	$ 363,283	$ 596,951
9,708	-	21,124	46,424
3	-	13,374	24,020
-	-	5,471	5,471
5,914	-	43,658	51,613
-	-	267	267
29	-	2,141	2,170
-	51,962	158,735	210,697
-	-	8,865	8,865
-	-	10,785	190,988
$ 141,931	$ 59,468	$ 627,703	$ 1,137,466
$ -	$ -	$ 2,055	$ 2,055
1,310	5,150	34,034	41,768
20,016	-	12,941	32,957
45,760	58	3,381	78,450
217	-	29,803	30,020
-	-	20	20
-	-	205	13,710
8	-	2,042	2,050
2	-	-	2
67,313	5,208	84,481	201,032
-	-	40,036	221,998
-	51,962	98,800	150,762
1,508	-	93,021	94,529
-	-	299,916	299,916
3,849	1,929	11,449	20,379
69,261	369	-	148,850
74,618	54,260	543,222	936,434
$ 141,931	$ 59,468	$ 627,703	$ 1,137,466

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR
REVENUES:		
Taxes:		
Sales and Use	$ -	$ -
Excise	-	-
Other Taxes	-	31,647
Licenses, Permits, and Fines	-	183
Charges for Goods and Services	1	-
Investment Income	11,061	8,906
Federal Grants and Contracts	-	-
Other	113	365
TOTAL REVENUES	11,175	41,101
EXPENDITURES:		
Current:		
General Government	-	-
Business, Community and Consumer Affairs	-	11,670
Education	-	-
Health and Rehabilitation	-	-
Justice	-	-
Natural Resources	2,292	-
Social Assistance	-	-
Transportation	-	-
Capital Outlay	97	-
Intergovernmental:		
Cities	139	-
Counties	475	-
School Districts	-	-
Special Districts	356	-
Federal	40	-
Other	43	-
Debt Service	-	-
TOTAL EXPENDITURES	3,442	11,670
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,733	29,431
OTHER FINANCING SOURCES (USES):		
Transfers-In	5,313	211,482
Transfers-Out	(6,043)	(245,399)
Capital Lease Proceeds	-	-
Sale of Capital Assets	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(730)	(33,917)
NET CHANGE IN FUND BALANCES	7,003	(4,486)
FUND BALANCE, FISCAL YEAR BEGINNING	242,068	19,749
Prior Period Adjustment (See Note 28)	-	-
FUND BALANCE, FISCAL YEAR END	$ 249,071	$ 15,263

GAMING	TOBACCO LITIGATION SETTLEMENT	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 10,828	$ 10,828
-	-	2,357	2,357
97,457	-	71,111	200,215
568	94,428	162,979	258,158
199	-	35,637	35,837
4,827	303	25,455	50,552
-	-	223,824	223,824
8	6,471	19,302	26,259
103,059	101,202	551,493	808,030
-	-	6,723	6,723
8,029	-	140,822	160,521
11,994	171	3,851	16,016
-	12,259	39,378	51,637
-	-	20,792	20,792
-	-	24,742	27,034
-	5,276	66,637	71,913
-	-	1,161	1,161
-	-	11,369	11,466
16,140	5	51,780	68,064
15,640	8,199	38,088	62,402
529	15,811	10,080	26,420
370	1,893	12,409	15,028
-	-	1,109	1,149
732	278	19,072	20,125
-	-	41	41
53,434	43,892	448,054	560,492
49,625	57,310	103,439	247,538
5,914	138,124	104,301	465,134
(50,830)	(229,225)	(157,372)	(688,869)
-	-	49	49
-	-	507	507
(44,916)	(91,101)	(52,515)	(223,179)
4,709	(33,791)	50,924	24,359
69,909	88,051	491,242	911,019
-	-	1,056	1,056
$ 74,618	$ 54,260	$ 543,222	$ 936,434

PERMANENT FUNDS

STATE LANDS	This fund consists of the assets, liabilities, and related operations of lands granted to the state by the federal government for educational purposes.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including the Land and Water Management Fund, the Hall Historical Marker Fund, the Wildlife for Future Generations Fund, and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)

	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 4,908	$ -	$ 4,908
Due From Other Funds	113	10	123
Restricted Cash and Pooled Cash	11,045	7,280	18,325
Restricted Investments	360,944	-	360,944
Other Long-Term Assets	12,821	-	12,821
Land and Nondepreciable Infrastructure	12,413	162	12,575
TOTAL ASSETS	$ 402,244	$ 7,452	$ 409,696
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 12	$ 4	$ 16
Due To Other Governments	-	1	1
Due To Other Funds	3,511	-	3,511
Deferred Revenue	14,238	-	14,238
TOTAL LIABILITIES	17,761	5	17,766
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	25,234	162	25,396
Funds Reported as Restricted	331,855	6,290	338,145
Unreserved, Reported in:			
Nonmajor Permanent Funds	194	767	961
Designated for Unrealized Investment Gains	27,200	228	27,428
TOTAL FUND BALANCES	384,483	7,447	391,930
TOTAL LIABILITIES AND FUND BALANCES	$ 402,244	$ 7,452	$ 409,696

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)

	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 85	$ 86	$ 171
Investment Income	30,561	375	30,936
Other	27,646	-	27,646
TOTAL REVENUES	58,292	461	58,753
EXPENDITURES:			
Current:			
Natural Resources	2	-	2
Capital Outlay	336	-	336
Intergovernmental:			
Counties	9	-	9
Other	6	-	6
TOTAL EXPENDITURES	353	-	353
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,939	461	58,400
OTHER FINANCING SOURCES (USES):			
Transfers-In	102	-	102
Transfers-Out	(36,400)	(107)	(36,507)
Sale of Capital Assets	1,164	-	1,164
TOTAL OTHER FINANCING SOURCES (USES)	(35,134)	(107)	(35,241)
NET CHANGE IN FUND BALANCES	22,805	354	23,159
FUND BALANCE, FISCAL YEAR BEGINNING	361,678	7,093	368,771
FUND BALANCE, FISCAL YEAR END	$ 384,483	$ 7,447	$ 391,930

OTHER ENTERPRISE FUNDS

These funds account for operations of state agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
GUARANTEED STUDENT LOAN	This fund records the activities of the Colorado Student Loan Program which guarantees 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 Homelake, Walsenburg, Florence, Rifle, and Trinidad.
PRISON CANTEENS	This activity accounts for the various canteen operations in the state's prison system.
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 small enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	WILDLIFE	GUARANTEED STUDENT LOAN	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 44,580	$ 20,142	$ 661
Student and Other Receivables, net	1,767	793	43
Due From Other Governments	1,263	7,377	41
Due From Other Funds	-	-	-
Inventories	649	100	46
Prepaids, Advances, and Deferred Charges	1,711	340	153
Total Current Assets	49,970	28,752	944
Noncurrent Assets:			
Restricted Cash and Pooled Cash	32,881	4,107	-
Investments	-	-	245
Other Long-Term Assets	-	-	47
Depreciable Capital Assets and Infrastructure, net	47,241	643	10,631
Land and Nondepreciable Infrastructure	90,717	-	594
Total Noncurrent Assets	170,839	4,750	11,517
TOTAL ASSETS	220,809	33,502	12,461
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	9,120	2,039	432
Due To Other Governments	1	7,356	-
Due To Other Funds	5	368	-
Deferred Revenue	28,912	-	1,152
Compensated Absences Payable	528	-	-
Leases Payable	69	210	91
Notes, Bonds, COP's Payable	-	-	1,656
Other Current Liabilities	-	237	35
Total Current Liabilities	38,635	10,210	3,366
Noncurrent Liabilities:			
Accrued Compensated Absences	5,021	874	99
Capital Lease Obligations	116	17	174
Notes, Bonds, COP's Payable	-	-	-
Total Noncurrent Liabilities	5,137	891	273
TOTAL LIABILITIES	43,772	11,101	3,639
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	137,773	416	9,304
Restricted for:			
Emergencies	32,881	-	-
Unrestricted	6,383	21,985	(482)
TOTAL NET ASSETS	$ 177,037	$ 22,401	$ 8,822

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 6,093	$ 3,130	$ 4,253	$ 2,208	$ 81,067
610	2,037	516	93	5,859
254	1,332	-	80	10,347
375	7	-	16	398
8,089	294	303	180	9,661
-	15	-	252	2,471
15,421	6,815	5,072	2,829	109,803
-	-	-	-	36,988
-	-	-	-	245
758	566	-	-	1,371
5,227	28,683	1,309	348	94,082
952	4,189	-	-	96,452
6,937	33,438	1,309	348	229,138
22,358	40,253	6,381	3,177	338,941
1,493	2,784	452	339	16,659
-	119	-	-	7,476
-	-	-	-	373
-	84	-	17	30,165
-	138	-	10	676
-	5	-	3	378
-	280	-	-	1,936
9	-	24	16	321
1,502	3,410	476	385	57,984
742	1,069	83	132	8,020
-	15	-	2	324
-	5,698	-	-	5,698
742	6,782	83	134	14,042
2,244	10,192	559	519	72,026
6,179	32,572	1,309	343	187,896
-	-	-	-	32,881
13,935	(2,511)	4,513	2,315	46,138
$ 20,114	$ 30,061	$ 5,822	$ 2,658	$ 266,915

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	WILDLIFE	GUARANTEED STUDENT LOAN	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 59,366	$ -	$ -
Tuition and Fees	74	-	-
Sales of Goods and Services	1,915	4,702	6,818
Investment Income (Loss)	-	1,471	-
Rental Income	-	-	545
Federal Grants and Contracts	11,650	71,575	-
Intergovernmental Revenue	7,419	-	-
Other	284	10	2
TOTAL OPERATING REVENUES	80,708	77,758	7,365
OPERATING EXPENSES:			
Salaries and Fringe Benefits	49,456	13,520	4,202
Operating and Travel	23,956	53,787	3,092
Cost of Goods Sold	-	-	-
Depreciation and Amortization	3,071	524	600
Intergovernmental Distributions	3,432	-	-
Debt Service	-	11,914	-
Prizes and Awards	28	-	645
TOTAL OPERATING EXPENSES	79,943	79,745	8,539
OPERATING INCOME (LOSS)	765	(1,987)	(1,174)
NONOPERATING REVENUES AND (EXPENSES):			
Fines and Settlements	479	-	-
Investment Income	3,396	-	26
Rental Income	183	-	-
Gifts and Donations	449	310	458
Gain/(Loss) on Sale of Capital Assets	(7,547)	-	-
Debt Service	(724)	-	(155)
Other Expenses	(1)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,765)	310	329
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,000)	(1,677)	(845)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	-	-	578
Additions to Permanent Endowments	-	-	-
Transfers-In	2,134	-	-
Transfers-Out	(5,385)	(126)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(3,251)	(126)	578
CHANGE IN NET ASSETS	(6,251)	(1,803)	(267)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	183,288	24,204	9,089
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 177,037	$ 22,401	$ 8,822

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ -	$ 59,366
-	-	-	438	512
29,282	19,815	10,576	1,279	74,387
-	-	-	-	1,471
-	-	-	706	1,251
41	7,444	-	969	91,679
-	135	-	-	7,554
193	34	30	158	711
29,516	27,428	10,606	3,550	236,931
8,421	24,564	2,716	1,621	104,500
4,942	5,024	1,998	1,583	94,382
14,869	-	6,164	248	21,281
1,002	1,047	65	107	6,416
-	1,674	-	28	5,134
-	-	-	-	11,914
-	-	5	-	678
29,234	32,309	10,948	3,587	244,305
282	(4,881)	(342)	(37)	(7,374)
-	-	-	1	480
207	84	197	20	3,930
138	6	-	-	327
-	3,359	-	211	4,787
29	13	-	(9)	(7,514)
-	(147)	-	-	(1,026)
-	-	-	-	(1)
374	3,315	197	223	983
656	(1,566)	(145)	186	(6,391)
-	22,855	-	23	23,456
-	-	-	7	7
18	179	-	1,000	3,331
(557)	(123)	(1,091)	-	(7,282)
(539)	22,911	(1,091)	1,030	19,512
117	21,345	(1,236)	1,216	13,121
19,997	8,716	7,058	1,442	253,794
$ 20,114	$ 30,061	$ 5,822	$ 2,658	$ 266,915

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	WILDLIFE	GUARANTEED STUDENT LOAN	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 74	$ 10	$ -
Fees for Service	66,861	4,745	6,105
Sales of Products	626	6	16
Gifts, Grants, and Contracts	11,793	68,302	-
Other Sources	8,562	179	1,350
Cash Payments to or for:			
Employees	(39,223)	(10,918)	(1,649)
Suppliers	(29,040)	(7,588)	(5,421)
Lottery Prizes and Sales Commissions	-	(1,707)	-
Others for Student Loans and Loan Losses	-	(58,689)	-
Other Governments	(3,431)	(24,846)	-
Other	(2,133)	-	(704)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,089	(30,506)	(303)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	1,195	-	-
Transfers-Out	(4,446)	(126)	-
Receipt of Deposits Held in Custody	-	-	1
Release of Deposits Held in Custody	-	-	(1)
Gifts for Other Than Capital Purposes	449	19	-
NonCapital Debt Proceeds	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(2,802)	(107)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(8,510)	(32)	(1)
Proceeds from Sale of Capital Assets	7	-	-
Income from Property	183	-	545
Capital Debt Service Payments	(711)	(173)	(243)
Capital Lease Payments	(85)	(209)	(113)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(9,116)	(414)	188

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 21	$ -	$ 438	$ 543
4,726	18,583	-	302	101,322
25,427	57	10,136	925	37,193
41	6,835	-	1,067	88,038
193	3,339	30	48	13,701
(7,939)	(21,134)	(1,553)	(1,270)	(83,686)
(20,262)	(5,669)	(8,763)	(1,642)	(78,385)
-	-	-	-	(1,707)
-	-	-	-	(58,689)
-	(1,555)	-	(28)	(29,860)
(26)	(6)	(9)	(270)	(3,148)
2,160	471	(159)	(430)	(14,678)
18	179	-	1,000	2,392
(557)	(123)	(1,091)	-	(6,343)
-	-	87	-	88
-	-	(68)	-	(69)
-	-	-	218	686
-	5,269	-	-	5,269
(539)	5,325	(1,072)	1,218	2,023
(262)	(4,381)	(1,843)	(138)	(15,167)
29	100	1,758	-	1,894
138	6	-	707	1,579
-	(2)	-	-	(1,129)
-	(46)	-	-	(453)
(95)	(4,323)	(85)	569	(13,276)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	GUARANTEED STUDENT LOAN	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	2,632	1,472	34
Proceeds from Sale/Maturity of Investments	765	-	7
NET CASH FROM INVESTING ACTIVITIES	3,397	1,472	41
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	5,568	(29,555)	(74)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	71,893	53,804	735
CASH AND POOLED CASH, FISCAL YEAR END	$ 77,461	$ 24,249	$ 661
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 765	$ (1,987)	$ (1,174)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,071	524	600
Investment/Rental Income and Other Revenue in Operating Income	-	(1,471)	(545)
Fines, Donations, and Grants and Contracts in NonOperating	479	291	458
Loss on Disposal of Capital Assets	-	-	4
Compensated Absences	(162)	51	4
Interest and Other Expense in Operating Income	64	-	4
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	6,230	(3,348)	19
(Increase) Decrease in Inventories	(84)	(9)	(20)
(Increase) Decrease in Other Operating Assets	(949)	(188)	(14)
Increase (Decrease) in Accounts Payable	4,176	(23,782)	173
Increase (Decrease) in Other Operating Liabilities	499	(587)	188
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,089	$ (30,506)	$ (303)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	578
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	-	-	2
Loss on Disposal of Capital Assets	7,554	-	-
Assumption of Capital Lease Obligation	-	-	72

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
123	39	196	16	4,512
84	45	1	5	907
207	84	197	21	5,419
1,733	1,557	(1,119)	1,378	(20,512)
4,360	1,573	5,372	830	138,567
$ 6,093	$ 3,130	$ 4,253	$ 2,208	$ 118,055
$ 282	$ (4,881)	$ (342)	$ (37)	$ (7,374)
1,002	1,047	65	107	6,416
-	-	-	(706)	(2,722)
-	3,359	-	1	4,588
10	8	-	1	23
(106)	297	11	9	104
-	-	38	-	106
895	(1,841)	(149)	(67)	1,739
614	9	145	92	747
(46)	(13)	-	(32)	(1,242)
(495)	2,525	73	196	(17,134)
4	(39)	-	6	71
$ 2,160	$ 471	$ (159)	$ (430)	$ (14,678)
-	22,855	-	24	23,457
-	-	-	-	2
-	-	-	-	7,554
-	55	-	2	129

INTERNAL SERVICE FUNDS

These funds account for operations of state agencies that provide a majority of their services to other state agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other state agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming and motor pool.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold to other state agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining state office space in the Capitol area.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to state agencies by the Department of Public Safety.
ADMINISTRATIVE HEARINGS	This fund accounts for the operations of the Administrative Hearings Division in the Department of Personnel & Administration.
DEBT COLLECTION	This fund accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to state agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2003

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 13,229	$ 2,243	$ -
Taxes Receivable, net	147	-	-
Other Receivables, net	41	60	1
Due From Other Governments	-	-	122
Due From Other Funds	85	-	1
Inventories	388	-	-
Prepaids, Advances, and Deferred Charges	7	232	10
Total Current Assets	13,897	2,535	134
Noncurrent Assets:			
Other Long-Term Assets	465	-	-
Depreciable Capital Assets and Infrastructure, net	33,015	443	13,101
Total Noncurrent Assets	33,480	443	13,101
TOTAL ASSETS	47,377	2,978	13,235
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,463	651	2,631
Due To Other Funds	-	-	113
Deferred Revenue	507	-	12
Compensated Absences Payable	1	27	7
Leases Payable	1	-	-
Notes, Bonds, COP's Payable	12,800	-	-
Total Current Liabilities	15,772	678	2,763
Noncurrent Liabilities:			
Accrued Compensated Absences	332	345	127
Capital Lease Obligations	1	-	-
Notes, Bonds, COP's Payable	28,695	-	-
Total Noncurrent Liabilities	29,028	345	127
TOTAL LIABILITIES	44,800	1,023	2,890
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(8,482)	443	13,101
Unrestricted	11,059	1,512	(2,756)
TOTAL NET ASSETS	$ 2,577	$ 1,955	$ 10,345

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 1,027	$ 2,925	$ 219	$ 783	$ 509	$ 20,935
-	-	-	-	-	147
6	-	10	-	3	121
-	-	-	-	-	122
-	-	2	-	-	88
129	167	-	-	1	685
-	-	-	5	2	256
1,162	3,092	231	788	515	22,354
-	-	-	-	-	465
110	244	271	29	97	47,310
110	244	271	29	97	47,775
1,272	3,336	502	817	612	70,129
634	104	39	245	86	6,853
-	-	-	-	-	113
143	-	-	-	-	662
-	-	-	-	-	35
-	-	-	-	-	1
-	-	-	-	-	12,800
777	104	39	245	86	20,464
193	-	-	222	41	1,260
-	-	-	-	-	1
-	-	-	-	-	28,695
193	-	-	222	41	29,956
970	104	39	467	127	50,420
110	244	271	29	97	5,813
192	2,988	192	321	388	13,896
$ 302	$ 3,232	$ 463	$ 350	$ 485	$ 19,709

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 40,941	$ 11,419	$ 19,547
Rental Income	-	-	-
Other	223	2	12
TOTAL OPERATING REVENUES	41,164	11,421	19,559
OPERATING EXPENSES:			
Salaries and Fringe Benefits	6,679	3,901	1,894
Operating and Travel	15,581	6,877	15,291
Cost of Goods Sold	5,043	-	-
Depreciation and Amortization	13,242	278	2,933
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	40,545	11,056	20,118
OPERATING INCOME (LOSS)	619	365	(559)
NONOPERATING REVENUES AND (EXPENSES):			
Fines and Settlements	2	-	-
Investment Income	307	-	-
Rental Income	-	-	-
Gain/(Loss) on Sale of Capital Assets	602	(243)	(1,206)
Debt Service	(1,181)	(1)	(175)
Other Expenses	(64)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(334)	(244)	(1,381)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	285	121	(1,940)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	-	-	3,766
Transfers-In	284	-	-
Transfers-Out	(432)	(163)	(1,585)
TOTAL CONTRIBUTIONS AND TRANSFERS	(148)	(163)	2,181
CHANGE IN NET ASSETS	137	(42)	241
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,794	1,997	10,104
Prior Period/Other Adjustments (See Note 28)	(354)	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,577	$ 1,955	$ 10,345

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 7	$ 2,373	$ 185	$ 3,674	$ 1,434	$ 79,580
8,322	-	-	-	-	8,322
2	-	-	-	-	239
8,331	2,373	185	3,674	1,434	88,141
2,679	925	400	2,996	786	20,260
4,587	1,130	199	465	364	44,494
-	-	-	-	3	5,046
26	54	50	7	32	16,622
3	-	-	-	-	3
7,295	2,109	649	3,468	1,185	86,425
1,036	264	(464)	206	249	1,716
5	-	-	-	-	7
-	34	-	-	-	341
-	-	-	37	-	37
-	48	-	-	-	(799)
-	-	-	-	-	(1,357)
-	-	-	-	-	(64)
5	82	-	37	-	(1,835)
1,041	346	(464)	243	249	(119)
-	-	-	-	-	3,766
-	-	369	-	-	653
(1,003)	-	-	(155)	(118)	(3,456)
(1,003)	-	369	(155)	(118)	963
38	346	(95)	88	131	844
264	2,886	558	262	-	18,865
-	-	-	-	354	-
$ 302	$ 3,232	$ 463	$ 350	$ 485	$ 19,709

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Fees for Service	$ 40,677	$ 11,358	$ 19,634
Sales of Products	258	-	-
Other Sources	79	2	24
Cash Payments to or for:			
Employees	(5,072)	(3,543)	(1,595)
Suppliers	(21,421)	(6,948)	(16,253)
Other Governments	-	-	-
Other	(35)	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,486	869	1,810
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	284	-	-
Transfers-Out	(432)	(163)	(1,585)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(148)	(163)	(1,585)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(8,558)	(43)	(50)
Proceeds from Sale of Capital Assets	1,031	-	-
Income from Property	-	-	-
Capital Debt Proceeds	1,002	-	-
Capital Debt Service Payments	(7,669)	(1)	(175)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(14,194)	(44)	(225)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 7	$ 1,329	$ 186	$ 3,675	$ 1,430	$ 78,296
-	1,044	-	-	-	1,302
11	-	-	-	-	116
(2,424)	(876)	(368)	(2,677)	(684)	(17,239)
(4,619)	(1,092)	(206)	(534)	(340)	(51,413)
(3)	-	-	-	-	(3)
-	(3)	-	-	(34)	(72)
(7,028)	402	(388)	464	372	10,987
-	-	369	-	-	653
(1,003)	-	-	(155)	(118)	(3,456)
(1,003)	-	369	(155)	(118)	(2,803)
-	(54)	-	(26)	(129)	(8,860)
-	48	-	-	-	1,079
8,315	-	-	37	-	8,352
-	-	-	-	-	1,002
-	-	-	-	-	(7,845)
8,315	(6)	-	11	(129)	(6,272)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003 (Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	307	-	-
Proceeds from Sale/Maturity of Investments	13,958	-	-
Purchases of Investments	(3,655)	-	-
NET CASH FROM INVESTING ACTIVITIES	10,610	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	10,754	662	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	2,859	1,581	-
Prior Period Adjustment	(384)		
CASH AND POOLED CASH, FISCAL YEAR END	$ 13,229	$ 2,243	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 619	$ 365	$ (559)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	13,242	278	2,933
Investment/Rental Income and Other Revenue in Operating Income	-	-	-
Fines, Donations, and Grants and Contracts in NonOperating	2	-	-
Compensated Absences	96	(51)	47
Interest and Other Expense in Operating Income	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(66)	(58)	86
(Increase) Decrease in Inventories	(94)	28	-
(Increase) Decrease in Other Operating Assets	74	10	(7)
Increase (Decrease) in Accounts Payable	701	297	(702)
Increase (Decrease) in Other Operating Liabilities	(88)	-	12
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,486	$ 869	$ 1,810
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	3,766
Assumption of Capital Lease Obligation	2	-	-

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
-	-	-	-	-	307
-	34	-	-	-	13,992
-	-	-	-	-	(3,655)
-	34	-	-	-	10,644
284	430	(19)	320	125	12,556
743	2,495	238	463	-	8,379
				384	-
$ 1,027	$ 2,925	$ 219	$ 783	$ 509	$ 20,935
$ 1,036	$ 264	$ (464)	$ 206	$ 249	$ 1,716
26	61	50	7	32	16,629
(8,322)	-	-	-	-	(8,322)
5	-	-	-	-	7
(11)	-	-	10	11	102
-	-	-	2	-	2
-	-	1	-	(3)	(40)
(13)	27	-	-	(1)	(53)
-	-	-	(2)	(2)	73
248	50	25	241	86	946
3	-	-	-	-	(73)
$ (7,028)	$ 402	$ (388)	$ 464	$ 372	$ 10,987
-	-	-	-	-	3,766
-	-	-	-	-	2

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are include in this category. However, financial statements for the state's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated here. Investment Trust Funds are also included in this category, but since the state has only one such fund, it is presented in the Basic Financial Statement section of this report. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily comprises the escheats fund managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the state when the owners of the assets cannot be located. The owner's rights to the asset are protected in perpetuity. The fund records a liability for the expected pay out from the fund based on historical percentages of payouts in relation to total receipts.

SCHOLARS CHOICE FUND

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.

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 race betting.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts, contractor's performance escrow accounts, sales taxes collected for cities and counties, deposits held to ensure land restoration by mining and oil exploration companies, and assets held 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, 2003

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 31,901	$ 686	$ 138	$ 32,725
Investments	-	-	605	605
Other Receivables, net	-	6,296	-	6,296
Due From Other Funds	1,436	-	-	1,436
Noncurrent Assets:				
Investments	-	970,146	-	970,146
TOTAL ASSETS	33,337	977,128	743	1,011,208
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 26,806	$ 3,294	$ -	30,100
Due To Other Funds	-	3	-	3
Noncurrent Liabilities:				
Other Long-Term Liabilities	1,823	-	-	1,823
TOTAL LIABILITIES	28,629	3,297	-	31,926
NET ASSETS:				
Held in Trust for:				
Individuals, Organizations, and Other Entities	4,708	973,831	743	979,282
TOTAL NET ASSETS	$ 4,708	$ 973,831	$ 743	$ 979,282

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:				
Additions By Participants	$ -	$ 402,262	$ -	$ 402,262
Investment Income/(Loss)	768	77,271	6	78,045
Unclaimed Property Receipts	31,961	-	-	31,961
Other Additions	201	4	1,411	1,616
TOTAL ADDITIONS	32,930	479,537	1,417	513,884
DEDUCTIONS:				
Payments in Accordance with Trust Agreements	(2,098)	38,437	1,413	37,752
TOTAL DEDUCTIONS	(2,098)	38,437	1,413	37,752
TRANSFERS:				
Transfers-In	1,000	-	-	1,000
Transfers-Out	(33,977)	-	-	(33,977)
TOTAL TRANSFERS	(32,977)	-	-	(32,977)
NET INCREASE (DECREASE) IN ASSETS	2,051	441,100	4	443,155
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	2,657	532,731	739	536,127
FISCAL YEAR ENDING	$ 4,708	$ 973,831	$ 743	$ 979,282

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS JUNE 30, 2003

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 68,186	$ 1,757,982	$ 1,764,527	$ 61,641
Taxes Receivable, net	89,108	18,357	29,465	78,000
Other Receivables, net	17	-	17	-
Due From Other Funds	-	8	8	-
TOTAL ASSETS	$ 157,311	$ 1,776,347	$ 1,794,017	$ 139,641
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 1,239	$ 1,159	1,372	$ 1,026
Due To Other Governments	154,634	2,566,986	2,584,258	137,362
Due To Other Funds	-	162,764	162,764	-
Claims and Judgments Payable	295	2,302	2,358	239
Other Current Liabilities	617	-	(172)	789
Noncurrent Liabilities:				
Other Long-Term Liabilities	526	575	876	225
TOTAL LIABILITIES	$ 157,311	$ 2,733,786	$ 2,751,456	$ 139,641

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 99,746	$ 194,581	$ 126,168	$ 168,159
Investments	8,374	6,936	7,535	7,775
Taxes Receivable, net	-	223	(3,595)	3,818
Other Receivables, net	73	204	211	66
Due From Other Funds	274	971	1,245	-
Inventories	1	110	108	3
Noncurrent Assets:				
Investments	7	-	4	3
Other Long-Term Assets	11,917	1,556	3,221	10,252
TOTAL ASSETS	$ 120,392	$ 204,581	$ 134,897	$ 190,076
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ -	$ 80	46	$ 34
Accounts Payable and Accrued Liabilities	415	7,304	7,188	531
Due To Other Governments	4	119,373	112,592	6,785
Due To Other Funds	-	8,954	8,926	28
Claims and Judgments Payable	242	259	236	265
Other Current Liabilities	110,251	85,076	20,819	174,508
Noncurrent Liabilities:				
Deposits Held In Custody For Others	9,480	1,612	3,187	7,905
Other Long-Term Liabilities	-	82	62	20
TOTAL LIABILITIES	$ 120,392	$ 222,740	$ 153,056	$ 190,076

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 124,741	$ 188,841	$ 204,918	$ 108,664
Other Receivables, net	-	837	370	467
Due From Other Governments	-	80,108	80,108	-
Due From Other Funds	2,470	2,470	(4,076)	9,016
Noncurrent Assets:				
Investments	-	107,919	107,919	-
TOTAL ASSETS	$ 127,211	$ 380,175	$ 389,239	$ 118,147
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ -	$ 109	109	$ -
Other Current Liabilities	75,171	107,083	102,526	79,728
Noncurrent Liabilities:				
Deposits Held In Custody For Others	52,040	42,462	56,083	38,419
TOTAL LIABILITIES	$ 127,211	$ 149,654	$ 158,718	$ 118,147

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 292,673	$ 2,141,404	$ 2,095,613	$ 338,464
Investments	8,374	6,936	7,535	7,775
Taxes Receivable, net	89,108	18,580	25,870	81,818
Other Receivables, net	90	1,041	598	533
Due From Other Governments	-	80,108	80,108	-
Due From Other Funds	2,744	3,449	(2,823)	9,016
Inventories	1	110	108	3
Noncurrent Assets:				
Investments	7	107,919	107,923	3
Other Long-Term Assets	11,917	1,556	3,221	10,252
TOTAL ASSETS	$ 404,914	$ 2,361,103	$ 2,318,153	$ 447,864
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 1,239	$ 1,239	$ 1,418	$ 1,060
Accounts Payable and Accrued Liabilities	415	7,413	7,297	531
Due To Other Governments	154,638	2,686,359	2,696,850	144,147
Due To Other Funds	-	171,718	171,690	28
Claims and Judgments Payable	537	2,561	2,594	504
Other Current Liabilities	186,039	192,159	123,173	255,025
Noncurrent Liabilities:				
Deposits Held In Custody For Others	61,520	44,074	59,270	46,324
Other Long-Term Liabilities	526	657	938	245
TOTAL LIABILITIES	$ 404,914	$ 3,106,180	$ 3,063,230	$ 447,864

CAPITAL ASSETS

The following schedule presents the capital assets used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets.* Except for the Internal Service Fund capital assets, the assets on this schedule are 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, 2003

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	-	-	-
Military Affairs	863	259	21,709	-
Personnel & Administration	6,895	2,799	36,547	-
Revenue	2,966	3,548	12,248	-
Treasury	-	-	-	-
Subtotal	10,724	6,606	70,504	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS:				
Agriculture	103	-	2,308	-
[1]GOV, OEC, OED	-	-	-	-
Labor and Employment	612	41	146	-
Local Affairs	-	-	-	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	316	-
State	-	-	-	-
Subtotal	1,136	41	2,770	-
EDUCATION				
Education	78	138	9,306	455
Higher Education	1,305	-	3,514	8,198
Subtotal	1,383	138	12,820	8,653
HEALTH AND REHABILITATION				
Public Health and Environment	188	-	8,982	-
Human Services	3,105	3,178	37,299	-
Subtotal	3,293	3,178	46,281	-
JUSTICE				
Corrections	3,872	4,972	564,277	-
DHS, Division of Youth Services	75	1,583	116,288	-
Judicial	1,605	-	5,661	194
Law	-	-	-	-
Public Safety	659	105	8,074	-
Regulatory Agencies	-	-	-	-
Subtotal	6,211	6,660	694,300	194
NATURAL RESOURCES				
Natural Resources	43,905	24,945	28,995	-
SOCIAL ASSISTANCE				
Human Services	-	214	-	-
Military Affairs	-	-	-	-
Health Care Policy and Finance	-	-	-	-
Subtotal	-	214	-	-
TRANSPORTATION				
Transportation	11,977	-	53,022	-
TOTAL GENERAL FIXED ASSETS	$ 78,629	$ 41,782	$ 908,692	$ 8,847

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

VEHICLES AND EQUIPMENT	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 9	$ -	$ -	$ -	$ 9
411	-	-	-	411
205	-	4,542	-	27,578
86,977	-	3,994	-	137,212
5,323	-	26	-	24,111
2	-	-	-	2
92,927	-	8,562	-	189,323
1,212	-	-	-	3,623
19	-	-	-	19
2,411	-	-	-	3,210
255	-	-	-	255
426	-	-	-	426
350	-	-	-	1,087
2,145	-	-	-	2,145
6,818	-	-	-	10,765
1,053	-	-	-	11,030
303	-	3,657	-	16,977
1,356	-	3,657	-	28,007
3,272	-	793	-	13,235
2,614	61	1,812	-	48,069
5,886	61	2,605	-	61,304
9,986	52	7,105	-	590,264
470	-	436	-	118,852
3,203	-	-	-	10,663
136	-	-	-	136
11,497	-	-	-	20,335
22	-	-	-	22
25,314	52	7,541	-	740,272
3,314	3,991	5,904	13,034	124,088
6,421	-	6,596	-	13,231
110	-	5,463	-	5,573
48	-	-	-	48
6,579	-	12,059	-	18,852
83,903	-	799,622	10,103,500	11,052,024
$ 226,097	$ 4,104	$ 839,950	$ 10,116,534	$ 12,224,635

OTHER FUNDS DETAIL

In the preceding combining statements several fund categories show a column titled "Other". The schedule on the following pages provides a summary of assets, liabilities, and net assets of the individual 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, 2003

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife For Future Generation (Nonexpendable)	33-1-112(7)	$ 5,806	$ -	$ 5,806
Wildlife For Future Generation (Expendable)	33-1-112	958	4	954
Other Permanent-Nonexpendable	Various	572	-	572
Land & Water Management-Nonexpendable	36-1-148	87	1	86
Hall Historical Marker-Nonexpendable	24-80-209	28	-	28
Veterans' Monument Preservation	24-80-1401	1	-	1
Total Other Permanent Funds		$ 7,452	$ 5	$ 7,447
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	605	-	605
Americans with Disabilities Act Contractor Settlement	24-34-301Ada	138	-	138
Total Other Private Purpose Funds		$ 743	$ -	$ 743
OTHER ENTERPRISE FUNDS				
Statewide Tolling Operating	43-4-805	952	-	952
Business Enterprise Program	None	1,022	240	782
Buildings and Grounds Rentals	None	543	82	461
Enterprise Services	24-80-209	462	172	290
Work Therapy	None	152	22	130
Conference & Training	None	32	4	28
Other Enterprise Funds	Various	15	-	15
Total Other Enterprise Funds		$ 3,178	$ 520	$ 2,658
OTHER SPECIAL REVENUE FUNDS				
Severance Tax Trust Fund	39-29-109	87,644	898	86,746
Fed Tax Relief Act - 2003	Restricted	73,190	-	73,190
Severance Tax	39-29-110(1)	66,246	4,451	61,795
Mineral Leasing	34-63-102	29,511	2,570	26,941
Workers' Compensation Cash	8-44-112(7)	23,245	761	22,484
Employment Support Fund	8-77-109	16,197	2,145	14,052
Hazardous Substance Settlement	Restricted	13,226	74	13,152
Natural Resources Damage Recovery	25-16-104.7	12,397	47	12,350
Economic Development Fund	24-46-105	10,520	250	10,270
Dept. of Natural Resources Lottery Distribution	33-60-103(1)	11,828	1,856	9,972
Disaster Emergency Fund	24-32-2106	12,885	3,869	9,016
Travel and Tourism Additional	24-49.7-106	8,807	6	8,801
Aviation Fund	43-10-109	9,987	1,302	8,685
Species Conservation-Capital Account	24-33-111(2)	8,602	25	8,577
Hazardous Substances Response	25-16-104.6	7,831	116	7,715
Cover Colorado Cash Fund	10-8-530	7,656	-	7,656
Secretary of State Fees	24-21-104	8,100	888	7,212
Help American Vote Fund	Hava 2002	7,037	-	7,037
Supreme Court Committee	Crt Rule 227	7,093	560	6,533
Children's Basic Health Plan	26-19-105	9,686	3,253	6,433
Inactive Mines Fund	34-24-103(5)	5,930	-	5,930
Victims Assistance	24-4.2-104	5,550	38	5,512
Victims Compensation	24-4.1-124	5,393	25	5,368
Gear Up Scholarship Trust Fund	Restricted	5,174	-	5,174
Mined Land Subsidence Fund	Pl95-87 401C	5,150	-	5,150
Texaco Oil Overcharge Fund	None	5,246	105	5,141
Breast & Cervical Cancer Prevention	26-4-532(7)	5,085	-	5,085
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Stripper Well Settlement	None	4,726	41	4,685
Division of Registrations Cash Fund	24-34-105	14,678	10,114	4,564
Species Conservation-O&M Account	24-33-111(2)	3,271	-	3,271
Other Expendable Trusts	Various	10,689	7,500	3,189
Housing Rehabilitation Revolving Loans	29-4-728	3,425	457	2,968

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2003

(Dollars in Thousands)

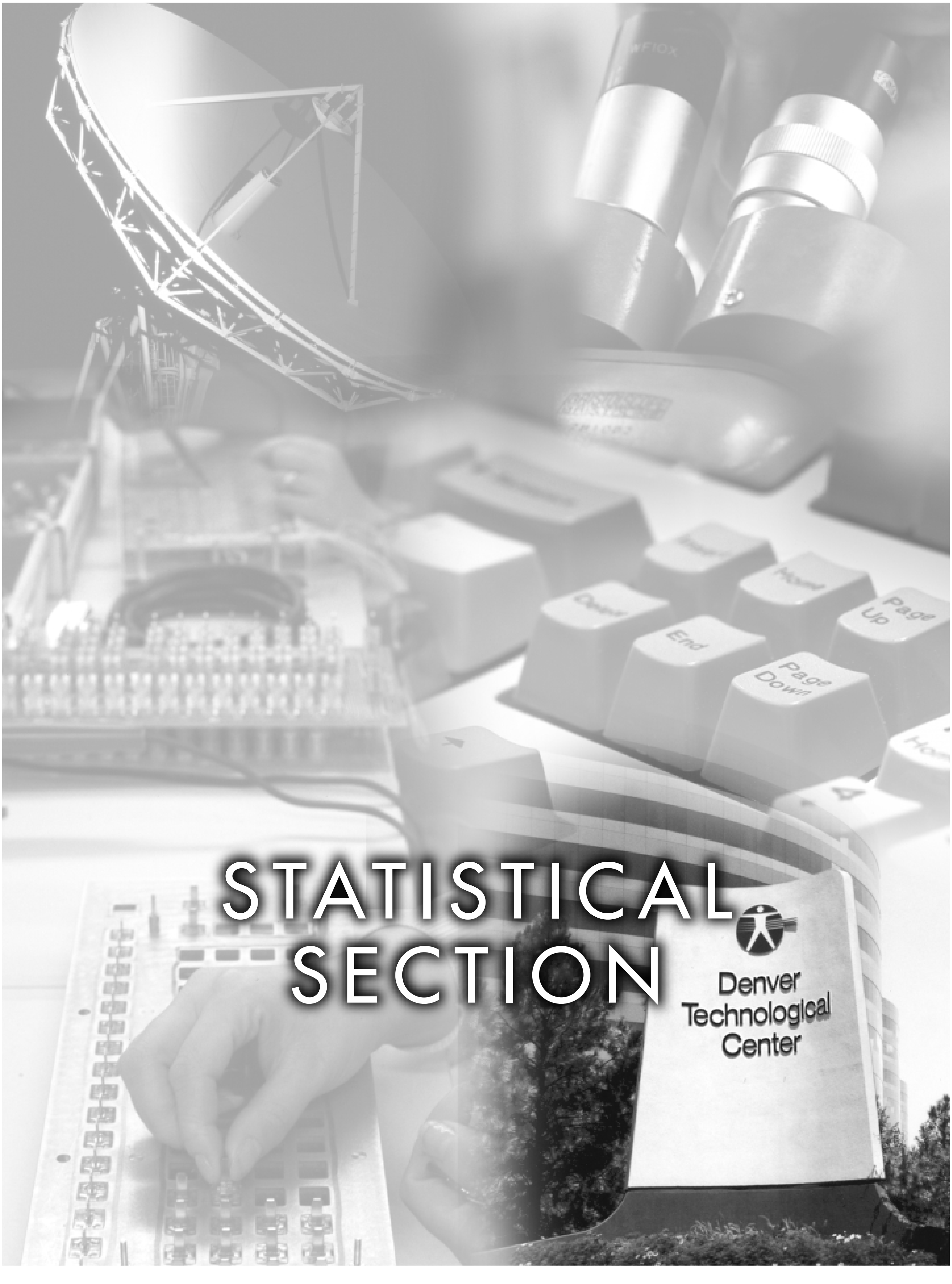
FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Unemployment Revenue Fund	8-77-106	2,828	-	2,828
Public Employees Social Security System	24-53-105	2,793	6	2,787
Exxon Oil Overcharge Funds	None	2,301	-	2,301
Patient Benefit	None	2,320	27	2,293
Operating Vouchers	None	2,979	763	2,216
Antitrust Custodial Funds	6-2-111	2,151	-	2,151
Petroleum Storage Tank Fund	8-20.5-103	3,887	1,753	2,134
Offender Services	16-11-214	2,118	205	1,913
Off Highway Vehicles	33-14.5-106	1,880	20	1,860
Real Estate Cash Fund	12-61-111.5	5,541	3,887	1,654
Brand Inspection Fund	35-41-102	5,391	3,853	1,538
CF&I Settlement Fund	Restricted	1,355	-	1,355
Disabled Telephone Users Fund	40-17-104	1,765	421	1,344
Donations	25-1-107(U)	1,620	307	1,313
Natural Resources Foundation Fund	24-33-108	1,300	20	1,280
Oil & Gas Conservation Fund	34-60-122	1,453	218	1,235
Home Grant Revolving Loan Fund	None	1,211	-	1,211
Stationary Sources	25-7-114.7(2	1,814	606	1,208
Library Trust Fund	24-90-105	1,197	4	1,193
Historical Society Unrestricted	24-80-209	1,187	-	1,187
Deaf and Hard Of Hearing Fund	26-21-107(1)	1,140	13	1,127
Drug Offender Surcharge Fund	18-19-103(4)	1,282	211	1,071
Geological Survey Cash Fund	34-1-105	1,240	281	959
Workers' Compensation Guarantee Fund	8-44-206(4)	940	37	903
Clerk and Recorder Electronic Filing	30-10-422	895	-	895
Howard Fund	26-8-104(1)C	891	1	890
Environmental Response Fund	34-60-124	906	21	885
Fixed Utilities	40-2-114	1,334	477	857
Victims Assistance and Law Enforcement	24-33.5-506	922	68	854
Motor Carrier	40-2-110.5	1,778	962	816
Parks Cash Fund	33-10-111	2,477	1,663	814
Boiler Inspection	9-4-109(4)	783	-	783
Alcohol Driver Safety	42-4-1202(5)	1,107	370	737
Ballot Information, Publication & Distribution Fund	1-40-124.5	735	-	735
Continuing Legal Education Fund	Crt Rule 260	749	15	734
Cumumulative Surplus-HUD Sec 8 Voucher	29-4-708(K)	1,433	748	685
Law Examiner Board Fund Balance	Crt Rule 201	710	29	681
Persistent Drunk Driver	42-3-130.5	854	210	644
Highway Crossing	43-4-201	1,090	510	580
Organ and Tissue Donation Awareness	42-2-107(4)	578	-	578
Supplemental Old Age Pension Health & Medical	26-2-117(3)	574	-	574
Department of Law - Custodial Funds	6-1-103	557	9	548
State Rail Bank Fund	43-1-1309	541	-	541
Real Estate Proceeds	28-3-106	548	9	539
Emergency Response Cash Fund	34-32-122(3)	1,151	613	538
Mined Land Reclamation Fund	34-32-127	704	167	537
Nursing Home Penalty Cash Fund	26-4-505(3)A	534	-	534
Workers' Compensation Immediate Payment Fund	8-44-206(3)	530	-	530
Public Deposit Administration	11-10.5-112	1,414	892	522
Colorado Family Support Loan	27-10.5-502	471	-	471
Reclamation Warranty Forfeiture	34-32-122	1,028	565	463
State Patrol Contraband	24-33.5-225	508	68	440
Comprehensive Health Education Fund	22-25-109	439	-	439
Colorado Heritage Communities Fund	24-32-3207	442	17	425
Uniform Consumer Credit Code Custodial Funds	Restricted	420	-	420
Colorado Dealer License Board	12-6-123	524	108	416
Domestic Abuse Program	39-22-802	691	283	408

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2003

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Newborn Genetics	25-4-1006	586	183	403
Uniform Consumer Credit Code	5-6-204	434	60	374
Waste Tire Recycling Fund	25-17-202(3)	528	167	361
Assisted Living Residence Fund	25-27-107.5	399	46	353
Western Slope Military Veteran's Cemetery	28-5-708	362	13	349
Infant Immunization Fund	25-4-1708	327	-	327
Ground Water Management	37-80-111.5	470	161	309
Capitol Parking Fund	None	307	2	305
Peace Officer Standards & Training Custodial Funds	Restricted	305	1	304
Crude Oil Refund	Ex Ord 56-87	290	-	290
Travel and Tourism Promotion	24-49.7-106	314	33	281
Workers' Compensation Cost Containment	8-14.5-108	264	-	264
Older Coloradans Cash Fund	26-11-205.5	697	433	264
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	260	-	260
Notary Administration Cash Fund	12-55-102.5	262	7	255
Brand Estray Fund	35-41-102	250	-	250
Agriculture Value-Added Fund	35-75-205	276	28	248
Educator Licensure Cash Fund	22-60.5-112	326	92	234
Solid Waste Management Reserve	30-20-188	301	75	226
Colorado Children's Trust Fund	19-3.5-106	292	70	222
Colorado High Cost Administration	40-15-208	237	24	213
Water Quality	25-8-502(Ii)	404	194	210
Search & Rescue Fund	33-1-112.5	490	286	204
Liquor Law Enforcement	24-35-401	326	125	201
Division of Securities Cash Fund	11-51-707	1,284	1,090	194
Hazardous Waste Fees	25-15-304	291	99	192
Diamond Shamrock Settlement	None	192	-	192
Advance Technology Fund	23-1-106.5(9	279	97	182
Federal Contracts	24-34-301	306	124	182
Public Safety Inspection	8-1-151	181	-	181
Attorney's Fees and Costs	24-31-108(2)	176	-	176
Low Income Telephone Assist	40-3.4-108(2	304	128	176
Vickers Oil Overcharge Funds	Ex Ord 56-87	174	-	174
Community Development Block Grant	24-76-101	174	-	174
Central Information System	4-9.3-105	204	32	172
Sludge Management	30-20-110.5	203	34	169
Sex Offender Surcharge Fund	18-21-103	180	17	163
Trade Name Fund Balance	24-35-301	163	-	163
Vital Records	25-2-121(2)B	250	94	156
Colorado Bureau of Investigation Contraband	24-33.5-415	154	4	150
Child Care Licensing Cash Fund	26-6-105	177	30	147
Family Support Registry Fund	26-13-115.5	146	-	146
Displaced Homemakers	8-15.5-108	145	-	145
Satellite Monitoring	37-80-111.5	174	43	131
Witness Protection Fund	24-33.5-106	130	-	130
Colorado Bureau of Investigation Revolving Fund	24-33.5-415	125	-	125
Food Protection Cash Fund	25-4-1605	316	193	123
Real Estate Recoveries	12-61-301	122	-	122
Child Abuse Registry	19-3-313(14)	154	35	119
Radiation Control	25-11-104(6)	213	94	119
Historical Society Restricted Gift	24-80-209	594	481	113
Cervidae Disease Fund	35-50-114.5	172	62	110
Patient Benefit Fund	26-12-106(2)	101	-	101
120 Funds with Net Assets Below $100,000		20,892	18,032	2,860
Total Other Special Revenue Funds		$ 627,699	$ 84,477	$ 543,222

STATISTICAL SECTION



GOVERNMENT-WIDE STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT
Last Two Fiscal Years

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2003	2002	2003	2002
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 712,256	$ 571,293	$ 754,879	$ 1,193,338
Taxes Receivable, net	758,887	809,839	46,597	36,237
Other Receivables, net	104,475	125,181	219,048	884,919
Due From Other Governments	515,860	378,906	98,017	74,061
Internal Balances	(98,203)	20,287	98,203	(20,287)
Inventories	17,580	16,895	33,861	35,315
Prepaids, Advances, and Deferred Charges	27,413	99,893	19,138	22,441
Total Current Assets	2,038,268	2,022,294	1,269,743	2,226,024
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,236,865	1,306,432	114,642	40,136
Restricted Investments	571,970	-	114,292	140,074
Investments	152,495	1,142,818	888,232	663,412
Other Long-Term Assets	332,964	244,499	832,622	74,237
Depreciable Capital Assets and Infrastructure, net	1,191,785	1,138,996	2,259,846	1,899,066
Land and Nondepreciable Infrastructure	11,032,850	10,827,222	520,085	651,292
Total Noncurrent Assets	14,518,929	14,659,967	4,729,719	3,468,217
TOTAL ASSETS	16,557,197	16,682,261	5,999,462	5,694,241
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	431,132	384,040	-	-
Accounts Payable and Accrued Liabilities	684,956	569,102	332,990	188,839
TABOR Refund Liability (Note 8B)	-	48,920	-	-
Due To Other Governments	151,989	172,691	26,570	45,626
Deferred Revenue	114,149	84,906	138,313	138,382
Accrued Compensated Absences	7,394	6,123	10,582	8,526
Claims and Judgments Payable	14,743	35,576	-	-
Leases Payable	3,492	1,298	5,283	3,840
Notes, Bonds, COP's Payable	21,125	19,530	60,105	97,064
Other Current Liabilities	33,987	37,050	92,272	89,335
Total Current Liabilities	1,462,967	1,359,236	666,115	571,612
Noncurrent Liabilities:				
Deposits Held In Custody For Others	8	12	-	-
Accrued Compensated Absences	113,548	112,027	124,853	121,127
Claims and Judgments Payable	29,200	-	-	-
Capital Lease Obligations	5,054	2,175	80,636	43,382
Notes, Bonds, COP's Payable	1,309,153	1,328,072	1,546,903	1,199,426
Other Long-Term Liabilities	501,390	263,034	76,251	144,027
Total Noncurrent Liabilities	1,958,353	1,705,320	1,828,643	1,507,962
TOTAL LIABILITIES	3,421,320	3,064,556	2,494,758	2,079,574
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,444,442	10,633,044	2,142,940	2,045,202
Restricted for:				
Highway Construction and Maintenance	509,354	1,376,522	-	-
State Education	218,545	303,827	-	-
Unemployment Insurance	-	-	322,423	653,690
Debt Service	5,241	6,495	2,048	2,295
Emergencies	150,762	81,917	32,881	38,813
Permanent Funds and Endowments:				
Expendable	986	810	17,746	47,015
Nonexpendable	378,369	356,004	46,851	49,200
Court Awards and Other Purposes	95,135	16,006	189,466	198,696
Unrestricted	333,043	843,080	750,349	579,756
TOTAL NET ASSETS	$13,135,877	$13,617,705	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT
Last Two Fiscal Years

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2003	2002	2003	2002
REVENUES:				
Program Revenues:				
Charges for Services	$ 674,783	$ 650,972	$ 2,467,707	$ 2,323,531
Operating Grants and Contributions	3,523,377	3,147,220	1,101,827	1,016,860
Capital Grants and Contributions	410,070	352,125	28,662	47,202
General Revenues:				
Taxes	5,488,683	5,676,869	-	-
Restricted Taxes	731,138	818,234	-	-
Unrestricted Investment Earnings	16,577	37,236	-	-
Other General Revenues	146,516	122,527	-	-
TOTAL REVENUES	10,991,144	10,805,183	3,598,196	3,387,593
EXPENSES:				
General Government	244,062	210,837	-	-
Business, Community, & Consumer Affairs	327,935	253,054	-	-
Education	194,436	285,636	-	-
Health and Rehabilitation	475,405	471,198	-	-
Justice	971,227	957,320	-	-
Natural Resources	103,888	103,801	-	-
Social Assistance	2,830,164	2,608,748	-	-
Transportation	890,081	750,759	-	-
Payments to School Districts	2,946,679	2,689,452	-	-
Payments to Other Governments	1,687,006	1,596,066	-	-
Interest on Debt	16,219	16,750	-	-
Higher Education Institutions	-	-	3,108,493	2,942,776
Unemployment Insurance	-	-	742,745	583,508
Student Obligation Bond Authority	-	-	45,213	41,351
Lottery	-	-	341,907	349,955
Other Business-Type Activities	-	-	253,633	229,773
TOTAL EXPENSES	10,687,102	9,943,621	4,491,991	4,147,363
EXCESS(DEFICIENCY) BEFORE CONTRIBUTIONS, TRANSFERS, AND SPECIAL AND EXTRAORDINARY ITEMS	304,042	861,562	(893,795)	(759,770)
Special and Extraordinary Items	-	(21,000)	-	-
Transfers	(634,674)	(662,141)	634,674	662,141
Internal Capital Contributions	(22,855)	25	76,210	151,465
INCREASE (DECREASE) IN NET ASSETS	(353,487)	178,446	(182,911)	53,836
NET ASSETS BEGINNING	13,617,705	5,457,647	3,614,667	4,887,925
Prior Period Adjustment	(128,341)	7,981,612	72,948	(1,327,094)
NET ASSETS ENDING	$13,135,877	$13,617,705	$ 3,504,704	$ 3,614,667

REVENUES AND OTHER FINANCING BY SOURCE
EXPENDITURES AND OTHER USES BY FUNCTION - PRIMARY GOVERNMENT
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
(GOVERNMENTAL FUND TYPES ONLY AFTER FISCAL YEAR 2001-02)
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2002-03	2001-02	2000-01	1999-00
REVENUES AND OTHER FINANCING SOURCES:				
Taxes	$ 6,261	$ 6,499	$ 7,501	$ 7,058
Less: Excess TABOR Revenues	-	-	(927)	(941)
Licenses, Permits, and Fines	517	504	534	505
Charges for Goods and Services	108	99	109	117
Investment Income	259	240	314	244
Federal Grants and Contracts	3,471	3,104	2,809	2,673
Other	351	299	308	220
Bond Proceeds and Other Financing Sources	458	238	540	540
Transfers-In	3,507	3,987	676	469
TOTAL REVENUES AND OTHER SOURCES	14,932	14,970	11,864	10,885
EXPENDITURES AND OTHER USES BY FUNCTION:				
Current:				
General Government	229	238	224	216
Business, Community and Consumer Affairs	317	277	426	391
Education	116	122	112	74
Health and Rehabilitation	450	453	467	434
Justice	933	924	851	776
Natural Resources	82	82	137	130
Social Assistance	2,851	2,619	2,367	2,152
Transportation	1,105	1,127	1,069	958
Capital Outlay	136	276	185	223
Intergovernmental:				
Cities	198	209	196	192
Counties	1,328	1,229	1,162	1,074
School Districts	2,947	2,689	2,389	2,257
Other	160	158	146	141
Deferred Compensation Distributions	-	-	18	17
Debt Service	99	85	54	5
Other	436	10	-	-
Transfers-Out:				
Higher Education	695	743	907	898
Other	3,406	3,879	655	391
TOTAL EXPENDITURES AND OTHER USES	15,488	15,120	11,365	10,329
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(556)	(150)	499	556
Prior Period Adjustments	-	(510)	21	8
FUND BALANCE, JUNE 30	$ 2,827	$ 3,383	$ 4,043	$ 3,523

Note: Significant changes in the content of this schedule occurred between Fiscal Year 2000-01 and 2001-02. The changes occurred because of the revised fund classifications prescribed by Governmental Accounting Standards Board Statement No. 34 and related statements. The primary changes were the exclusion of the Unemployment Insurance Fund and the Deferred Compensation Plan (Expendable Trust Funds that converted to Enterprise and Private Purpose Trust Funds respectively) and the inclusion of the State Lands Fund (a Nonexpendable Trust Fund that converted to a Permanent Fund). As a result of these changes, the prior period adjustment shown for Fiscal Year 2001-02 does not agree to the Fiscal Year 2001-02 financial statements where beginning balances were restated for the conversion. In addition, the amount reported as transfers increased significantly because many transfers that previously occurred within the General Fund are now reported as transfers between funds.

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
$ 6,443	$ 5,995	$ 5,265	$ 4,841	$ 4,549	$ 4,177
(680)	(563)	(139)	-	-	-
422	418	388	358	301	289
181	183	189	171	179	343
233	223	198	170	130	104
2,473	2,225	2,128	2,133	2,048	2,121
179	151	127	111	126	112
3	1	24	7	-	-
772	513	582	500	450	369
10,026	9,146	8,762	8,291	7,783	7,515
208	209	198	184	140	216
368	361	388	405	378	449
71	75	91	65	60	53
413	418	373	359	340	346
694	619	583	534	487	447
123	116	114	109	102	92
1,992	1,770	1,817	1,703	1,630	1,562
877	716	578	558	543	582
253	233	158	96	74	88
191	193	157	157	161	151
1,011	920	719	676	663	626
2,158	2,011	1,907	1,783	1,659	1,581
138	142	175	161	126	125
15					
23	41	55	43	45	40
-	-	-	6	-	-
778	735	692	632	557	543
712	461	535	644	431	372
10,025	9,020	8,540	8,115	7,396	7,273
1	126	222	176	387	242
285	-	(2)	371	(20)	1
$ 2,959	$ 2,673	$ 2,547	$ 2,327	$ 2,147	$ 1,780

GENERAL FUND
GENERAL PURPOSE REVENUE
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2002-03	2001-02	2000-01	1999-00
Income Tax:				
Individual	$ 2,945	$ 3,086	$ 3,867	$ 3,718
Less: Excess TABOR Revenues	-	-	(209)	(192)
Corporate	214	165	316	289
Net Income Tax	3,159	3,251	3,974	3,815
Sales, Use, and Excise Taxes	1,915	1,962	1,809	1,775
Less: Excess TABOR Revenues	-	-	(719)	(750)
Net Sales, Use, and Excise Taxes	1,915	1,962	1,090	1,025
Estate Taxes	53	73	83	60
Insurance Tax	171	155	142	129
Other Taxes	38	34	31	29
Interest	51	25	45	42
Medicaid Provider Revenues	16	11	-	7
Other	74	61	63	67
TOTAL GENERAL REVENUES	$ 5,477	$ 5,572	$ 5,428	$ 5,174
Percent Change Over Previous Year	0.9%	2.7%	4.9%	4.7%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2002-03	2001-02	2000-01	1999-00
Net Income Tax	57.7%	58.3%	65.8%	65.5%
Sales, Use, and Excise Taxes	34.9	35.3	28.5	29.0
Estate Taxes	1.0	1.3	1.3	1.0
Insurance Tax	3.1	2.8	2.2	2.1
Other Taxes	0.7	0.6	0.5	0.5
Interest	0.9	0.4	0.7	0.7
Medicaid Provider Revenues	0.3	0.2	0.0	0.1
Other	1.4	1.1	1.0	1.1
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
$ 3,327	$ 3,052	$ 2,573	$ 2,318	$ 2,106	$ 1,920
(30)	-	-	-	-	-
276	263	237	206	191	147
3,573	3,315	2,810	2,524	2,297	2,067
1,628	1,485	1,521	1,415	1,316	1,208
(650)	(563)	(139)	-	-	-
978	922	1,382	1,415	1,316	1,208
67	109	35	32	28	34
118	114	112	110	105	102
27	21	20	18	17	20
48	52	41	37	29	18
73	73	80	69	127	205
59	75	60	64	77	71
$ 4,943	$ 4,681	$ 4,540	$ 4,269	$ 3,996	$ 3,725
5.6%	3.1%	6.3%	6.8%	7.3%	8.2%
64.0%	63.2%	60.1%	59.1%	57.5%	55.5%
29.0	28.3	32.5	33.2	32.9	32.4
1.2	2.1	0.7	0.7	0.7	0.9
2.1	2.2	2.4	2.6	2.6	2.7
0.5	0.4	0.4	0.4	0.4	0.5
0.9	1.0	0.9	0.9	0.7	0.5
1.3	1.4	1.7	1.6	3.2	5.5
1.0	1.4	1.3	1.5	2.0	2.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT
FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2002-03	2001-02	2000-01	1999-00
Department:				
Administration	$ -	$ -	$ -	$ -
Agriculture	8,700	10,118	9,866	8,106
Corrections	476,972	443,334	417,677	381,669
Education	2,313,588	2,268,794	2,143,115	2,041,087
Governor	31,465	19,566	19,754	5,877
Health	-	-	-	-
Health Care Policy and Financing	1,132,643	1,076,838	1,028,785	951,827
Higher Education	685,686	739,556	747,332	715,933
Human Services	551,299	560,716	553,364	509,309
Institutions	-	-	-	-
Judicial Branch	213,939	214,619	205,341	194,420
Labor and Employment	-	-	-	-
Law	8,141	9,677	8,571	10,106
Legislative Branch	28,100	27,224	27,356	25,393
Local Affairs	7,419	10,361	10,525	37,758
Military Affairs	4,273	3,973	4,090	3,800
Natural Resources	23,599	24,434	28,893	28,863
Personnel and Administration	12,282	14,028	14,825	15,026
Public Health and Environment	16,573	31,790	33,496	23,731
Public Safety	54,465	56,597	56,616	49,492
Regulatory Agencies	1,582	1,914	1,975	1,919
Revenue	66,898	69,297	78,317	69,682
Social Services	-	-	-	-
Transportation	-	-	1	203
Treasury	62,171	4,198	2,378	2,240
Transfer to Capital Construction Fund	9,489	25,564	285,255	175,154
Transfer to Controlled Maintenance Trust Fund	-	-	-	-
Transfer to the Highway Users Tax Fund	-	35,179	-	-
Other Transfers	58,746	68,325	61,894	66,588
TOTALS	$ 5,768,030	$ 5,716,102	$ 5,739,426	$ 5,318,183
Percent Change Over Previous Year	0.9%	-0.4%	7.9%	0.7%
(AS PERCENT OF TOTAL)				
Education	40.1%	39.7%	37.3%	38.4%
Health Care Policy and Financing	19.6	18.8	17.9	17.9
Higher Education	11.9	12.9	13.0	13.5
Human Services	9.6	9.8	9.6	9.6
Corrections	8.3	7.8	7.3	7.2
Transfer to Capital Construction Fund	0.2	0.4	5.0	3.3
Transfer to Controlled Maintenance Trust Fund	-	-	-	-
Judicial	3.7	3.8	3.6	3.7
Social Services	-	-	-	-
Institutions	-	-	-	-
Revenue	1.2	1.2	1.4	1.3
All Others	5.4	5.6	4.9	5.1
TOTALS	100.0%	100.0%	100.0%	100.0%

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
$ -	$ -	$ -	$ -	$ 9,056	$ 10,905
7,675	7,305	11,165	6,477	6,310	5,712
338,715	297,179	257,072	234,049	204,073	179,173
1,914,294	1,830,940	1,720,335	1,590,861	1,503,783	1,416,693
7,388	2,996	12,377	3,509	6,698	2,475
-	-	-	-	-	21,473
891,319	789,532	756,690	692,241	666,813	-
676,449	651,893	618,464	581,143	537,905	531,344
486,325	481,258	441,637	407,321	366,960	-
-	-	-	-	-	125,750
180,282	166,574	159,226	150,447	142,681	132,944
-	20	-	610	272	-
9,144	8,558	7,471	6,454	7,139	6,859
23,062	21,567	21,266	19,891	18,970	18,707
29,958	26,672	25,940	23,986	21,718	15,803
3,874	3,460	3,098	2,572	2,601	2,523
26,864	24,845	24,130	22,442	20,157	17,408
15,245	15,361	14,591	13,185	4,464	4,201
22,596	20,507	18,200	17,277	16,080	-
43,910	39,433	36,047	36,325	33,269	30,202
1,730	1,194	1,479	898	527	107
69,871	70,224	52,711	38,654	35,095	26,750
-	-	-	-	-	832,629
239	244	-	-	-	-
2,970	2,800	3,102	2,535	3,852	2,410
470,179	198,387	250,968	254,962	201,708	173,073
-	-	-	196,000	19,400	32,650
-	5,611	-	-	-	-
56,992	57,811	98,464	88,614	54,384	57,081
$ 5,279,081	$ 4,724,371	$ 4,534,433	$ 4,390,453	$ 3,913,915	$ 3,646,872
11.7%	4.2%	3.3%	12.2%	7.3%	12.2%
36.3%	38.8%	37.9%	36.2%	38.4%	38.8%
16.9	16.7	16.7	15.8	17.0	-
12.8	13.8	13.6	13.2	13.7	14.6
9.2	10.2	9.7	9.3	9.4	-
6.4	6.3	5.7	5.3	5.2	4.9
8.9	4.2	5.5	5.8	5.2	4.7
-	-	-	4.5	-	-
3.4	3.5	3.5	3.4	3.6	3.6
-	-	-	-	-	22.8
-	-	-	-	-	3.4
1.3	1.5	1.2	0.9	0.9	0.7
4.8	5.0	6.2	5.6	6.6	6.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2002-03	2001-02	2000-01	1999-00
General Government	2,300	2,422	2,409	2,422
Business, Community, and Consumer Affairs	2,344	2,334	2,284	2,290
Education	32,435	31,887	31,165	29,463
Health and Rehabilitation	3,803	3,766	3,668	3,726
Justice	11,257	11,437	11,100	10,542
Natural Resources	1,453	1,453	1,395	1,397
Social Assistance	1,567	1,610	1,570	1,530
Transportation	3,080	3,065	3,048	3,015
TOTAL FTE	58,239	57,974	56,639	54,385
TOTAL CLASSIFIED FTE	31,857	32,092	31,510	30,866
AVERAGE MONTHLY SALARY	$ 3,913	$ 3,700	$ 3,491	$ 3,364
TOTAL NON-CLASSIFIED FTE	26,381	25,884	25,127	23,519
AVERAGE MONTHLY SALARY	$ 4,788	$ 4,562	$ 4,353	$ 4,387

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.

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
2,411	2,375	2,371	2,333	2,300	2,297
2,311	2,337	2,303	2,267	2,265	2,276
28,774	28,203	27,522	26,862	26,216	26,327
3,784	3,797	3,771	4,043	4,292	4,216
9,730	9,020	8,468	8,140	7,785	7,534
1,372	1,351	1,339	1,337	1,337	1,307
1,514	1,479	1,432	1,138	1,056	1,269
3,025	3,053	3,068	3,103	3,092	3,095
52,921	51,615	50,274	49,223	48,343	48,321
30,157	29,470	28,839	28,483	28,131	28,172
$ 3,232	$ 3,091	$ 3,027	$ 2,954	$ 2,877	$ 2,686
22,764	22,145	21,435	20,740	20,212	20,149
$ 4,216	$ 4,100	$ 4,000	$ 3,935	$ 3,825	$ 3,586

FTE is an acronym for Full-Time Equivalent employee. Employees on the state's payroll system are designated as either full-time or part-time. Each full-time employee was counted as one FTE. For each state agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the FTE for part-time employees.

REVENUE BOND COVERAGE
1994 to 2003

(Amounts in Thousands)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes							
2002-03	$ 71,141	$ -	$ 71,141	$ 10,005	$ 61,136	$ 71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds: State Fair and Colorado Student Obligation Bonding Authority							
2002-03	$ 1,709,605	$ 1,357,240	$ 352,365	$ 49,807	$ 40,114	$ 89,921	3.92
2001-02	689,085	357,841	331,245	42,224	38,720	80,944	4.09
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Facilities							
2002-03	$ 1,504,739	$ 1,314,988	$ 189,751	$ 20,665	$ 24,550	$ 45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60
1999-00	552,417	399,148	153,269	17,585	18,026	35,611	4.30
1998-99	395,699	274,163	121,536	16,280	18,307	34,588	3.51
1997-98	367,883	253,538	114,344	16,060	18,926	34,986	3.27
1996-97	346,355	237,948	108,407	13,745	17,434	31,179	3.48
1995-96	320,347	219,994	100,353	11,460	15,790	27,250	3.68
1994-95	248,013	155,592	92,421	10,645	17,728	28,373	3.26
1993-94	221,535	134,380	87,155	7,241	16,210	23,451	3.72

COLORADO SALES AND
GROSS FARMING REVENUES
1994 to 2003

(Amounts in Billions)

Year	Retail Sales	Wholesale Sales	Gross Farm Revenues
2003 est	$ 60.6	$ 36.3	5.30
2002 est	58.3	35.5	5.58
2001	58.9	35.9	5.44
2000	58.0	35.7	5.34
1999	52.2	33.5	5.17
1998	48.1	31.3	5.07
1997	45.2	28.3	5.02
1996	42.6	26.5	4.88
1995	40.0	28.7	4.60
1994	38.1	25.6	4.41

Retail sales based on SIC Codes 52-59.
Wholesale sales include only those sales reported on sales tax reports.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business/Economic Outlook Committee.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 1994 TO 2003

(Amounts in Millions)

Year	Residential	Non-Residential	Non-Building	Total
2003 est	$ 5,100	$ 3,300	$ 1,700	$ 10,100
2002 est	6,283	2,940	1,900	11,123
2001	6,593	3,456	1,596	11,645
2000	7,029	3,244	1,712	11,985
1999	6,229	3,602	1,576	11,407
1998	5,486	2,554	1,377	9,417
1997	4,775	3,274	1,145	9,194
1996	4,599	2,544	834	7,977
1995	3,639	1,957	879	6,475
1994	3,896	1,585	974	6,455

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

COLORADO FINANCIAL INSTITUTION DEPOSITS AND LIFE INSURANCE SALES 1994 TO 2003

(Amounts in Millions)

Year	Life Insurance Sales	Bank Deposits	Savings & Loan Deposits	Credit Union Deposits	Total Deposits
2003 est	$ 30,111	$ 38,475	$ 1,650	$ 9,400	$ 49,525
2002 est	28,940	37,722	1,604	8,998	48,324
2001	26,915	36,872	684	8,577	46,133
2000	28,925	37,315	618	7,354	45,287
1999	25,350	33,813	868	6,858	41,539
1998	22,799	31,264	783	6,622	38,669
1997	19,816	29,229	1,943	6,470	37,642
1996	18,576	34,319	1,986	5,970	42,275
1995	17,175	31,249	2,141	5,670	39,060
1994	17,043	29,705	1,961	5,133	36,799

Source: Colorado Department of Regulatory Agencies, American Council of Life Insurance, Inc. Colorado Credit Union League, Federal Reserve Bank of Kansas City, and the Colorado Business/Economic Outlook Committee.

COLORADO DEMOGRAPHIC DATA
1994 TO 2003

Year	Population (000)	% of U.S. Population	Per Capita Personal Income	% of U.S. Per Capita Income	Employment (000)	Unemployment %
2003 est	4,555	1.57%	34,200	106.4%	2,266	4.9%
2002 est	4,496	1.56	32,900	105.8	2,243	5.3
2001	4,437	1.56	32,960	108.2	2,210	3.7
2000	4,330	1.54	33,018	111.3	2,213	2.7
1999	4,216	1.55	30,334	106.3	2,198	2.9
1998	4,103	1.52	28,764	105.3	2,155	3.8
1997	3,996	1.49	27,067	104.6	2,080	3.3
1996	3,903	1.47	25,514	103.5	2,005	4.2
1995	3,811	1.45	24,289	103.1	2,000	4.2
1994	3,712	1.43	23,055	102.1	1,917	4.2

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

COLORADO EMPLOYMENT
BY INDUSTRY
1994-2003

(Amounts in Thousands)

Industry	2003 est	2002 est	2001	2000	1999	1998	1997	1996	1995	1994
Agriculture	28.0	31.4	25.0	25.5	25.7	26.0	26.3	26.0	27.1	23.9
Mining	15.9	14.9	14.0	12.9	13.0	14.2	14.0	13.7	14.8	15.6
Construction	159.0	162.0	165.8	162.3	146.9	132.6	119.0	111.0	102.1	97.1
Manufacturing	186.4	186.5	198.5	205.9	204.6	207.4	204.0	197.1	192.4	190.9
Transportation, Communication, and Public Utilities	134.5	134.0	144.0	145.2	139.7	130.2	123.8	121.1	117.5	108.3
Finance, Insurance, and Real Estate	142.0	142.0	144.5	142.0	140.8	135.7	127.4	119.0	113.4	111.1
Trade	527.1	518.0	527.3	523.6	507.0	491.7	480.1	465.9	453.3	429.5
Services	684.5	674.4	692.4	684.0	651.2	622.8	595.5	563.8	537.2	504.1
Government	362.6	357.9	346.8	337.0	328.3	322.2	315.6	308.7	303.7	299.3
Total	2,240.0	2,221.1	2,258.3	2,238.4	2,157.2	2,082.8	2,005.7	1,926.3	1,861.5	1,779.8

Excludes nonagricultural self-employed, unpaid family, and domestic workers.
Source: Colorado Division of Employment and the Colorado Business/Economic Outlook Committee.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near the present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present state and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the university, and selects Colorado City as the territorial capital.

1867 Denver established as 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 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.

Geography

Area: 104,247 square miles.

Highest Elevation: Mt Elbert – 14,431 feet above sea level.

Lowest Elevation: Along the Arkansas River in Prowers County, 3,350 feet above sea level.

Colorado has the highest average elevation of all fifty states at 6800 feet above sea level.

State Motto - Nil Sine Numine - Nothing Without the Deity

State Animal - Rocky Mountain Bighorn Sheep

State Bird - Lark Bunting

State Fish - Greenback Cutthroat Trout

State Tree - Colorado Blue Spruce

State Flower - White and Lavender Columbine

State Mineral - Rhodochrosite