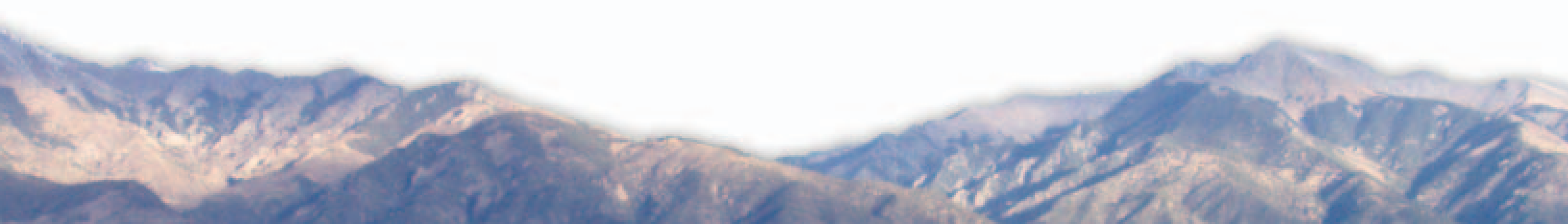
COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2005



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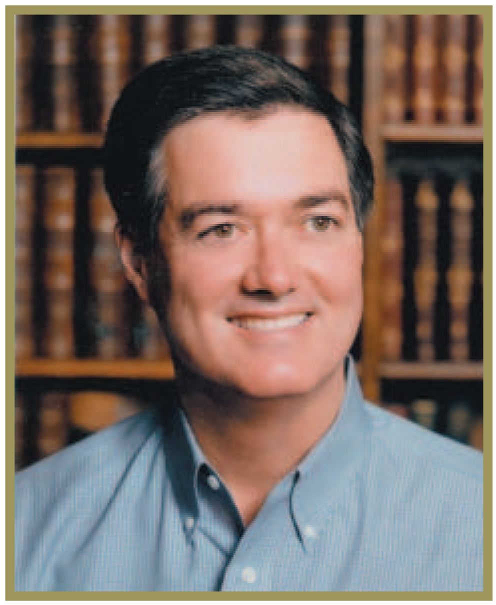

Bill Owens
Governor

Department of Personnel & Administration
Jeffrey M. Wells, Executive Director
Leslie M. Shenefelt, State Controller

REPORT LAYOUT

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

INTERNET ACCESS

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

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

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2005

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State of Colorado

Bill Owens
Governor

Jeffrey M. Wells
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Paul Farley
Deputy Executive Director

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December 29, 2005

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, 2005. 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 except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 21, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll 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 activities that are legally separate but have been blended with the accounts of the institution that is financially accountable for the activity.

The state's elected officials are financially accountable for other legally separate entities that qualify as discretely presented component units. The following entities are the discretely presented component units of the state:

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
Denver Metropolitan Major League Baseball Stadium District
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
CoverColorado

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 69). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

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

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

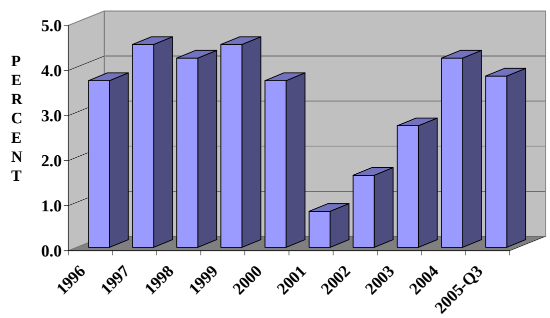
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited 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

The state's General Fund revenue picture continued to rebound in Fiscal Year 2004-05. General Fund revenues were $394.4 million (6.8 percent) over the prior year amount; however, those revenues remained $194.5 million (3.1 percent) below the Fiscal Year 2000-01 record level. The general-purpose revenue growth parallels the reported 2004 state personal income growth of 5.8 percent. It also reflects a beginning recovery in state employment as 27,600 jobs were added in Fiscal Year 2003-04 and employment increased 2.3 percent in August 2005 – the tenth highest rate of increase in the nation.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT

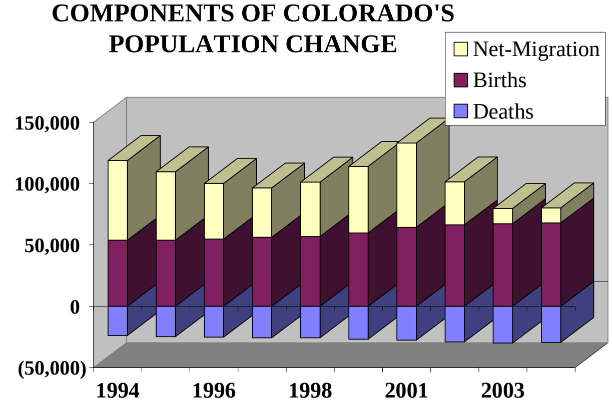


The state's recovery from the most recent recession follows the national recovery although the state has recovered more slowly. Inflation adjusted national gross domestic product grew at an annual rate of 4.2 percent in calendar 2004, and in the third quarter of 2005, it grew at a 3.6 percent annual rate over the third quarter of 2004. National personal consumption expenditures, which account for two-thirds of GDP and were up 3.8 percent, outpaced the third-quarter to third-quarter average while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) lagged the average at 3.4 percent. Government spending also lagged the average at a 2.1 percent growth rate and was primarily the result of slower growth in state and local government spending. Federal spending, while increasing, also lagged the third-quarter to third-quarter average growth rate.

The Denver-Boulder-Greeley index, which measures Colorado inflation, was extremely low in 2004 with consumer prices rising only .1 percent. Inflation remained low through August 2005 with prices up only 1.4 percent. Colorado inflation was controlled primarily by reductions in housing rental rates and incentives offered by automobile dealers. The high-wage jobs lost in the 2001 recession have also mitigated inflation pressures, as the job recovery has been slow since that time. A change in the method of computing the unemployment rate increased the 2004 percentage to 5.5 percent from 5.1 percent calculated under the old method; however, unemployment is forecast to decline in Fiscal Year 2005 as job growth continues. After two successive years of decline, housing permits increased 15.6 percent in 2004 while the value of nonresidential construction increased 26.3 percent.

Colorado's economic difficulties in Fiscal Year 2001-02 through 2003-04 have continued to affect net migration in calendar year 2004. Net in-migration declined from approximately 69,000 and 35,000 in 2001 and 2002, respectively, to approximately 12,000 in both 2003 and 2004. However, the 2004 amount includes international in-migration of approximately 22,000 and out-migration to other states of around 6,000. This pattern likely results in replacing established households that have a high level of economic activity with new households that have a lower level of economic activity. The information in the adjacent chart is based on current 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



The Governor's Office of State Planning and Budgeting (OSPB) has made the following forecast for Colorado's major economic variables:

- Employment growth will be above 2.3 percent in 2005 and above 2.6 percent for 2006.
- Unemployment will average 5.1 percent in 2005 and is expected to fall to 4.4 percent by 2007.
- Wages and salary income will grow by 6.1 percent in 2005, 5.7 percent in 2006, and will be over 6.0 percent growth by 2007.
- Total personal income will increase by 6.4 percent in 2005 and average about 6.7 percent growth by 2006, continuing through 2009.
- In-migration is expected to increase in 2005, and, as the economy recovers, the state's population growth rate will reach 1.6 percent by 2008.
- Total housing permits will decrease 6.7 percent in 2005 and the value of nonresidential construction will decline 9.2 percent.
- Colorado inflation will increase slightly in 2005 to 1.7 percent and will be 2.2 percent by 2006.

MAJOR GOVERNMENT INITIATIVES

The legislature passed significant legislation to implement measures recently placed in the State Constitution by voters and to address the fiscal impact of other voter approved constitutional requirements. The legislation was generally of two types. The first type was legislation that was immediately effective upon passage and signature by the Governor; the second type was legislation that was contingent on a vote of the people at the November 1, 2005, general election.

Legislation that was immediately effective on signature included the following:

- House Bill 05-1310 required the state to change its accounting for TABOR refunds made in excess of the TABOR constitutional requirements. (TABOR is explained in detail in the Management Discussion and Analysis on page 28.) The change allowed the state to take credit for TABOR refunds made for which it previously did not receive credit. The change reduced the amount of TABOR refunds due to the state taxpayers for Fiscal Year 2004-05 by $222.5 million.

- Senate Bill 05-209, the annual appropriations bill, included funding of an Amortization Equalization Disbursement beginning January 2006 that is intended to begin addressing the decline in funding status of the Public Employees Retirement Association.

- House Bills 05-1261 created the Tobacco Tax Cash Fund to receive and distribute tobacco taxes authorized by Section 21 of Article X of the State Constitution (Amendment 35), which was passed by the state's voters in the November 2004 general election. The same bill changed the financing for some existing tobacco education, prevention, and cessation programs from the Tobacco Litigation Settlement monies to the Tobacco Tax Cash monies. Both funds are reported in the state's Comprehensive Annual Financial Report in a single column titled Tobacco Impact Mitigation Fund. House Bill 05-1262 created several new funds to receive and expend monies distributed by the Tobacco Tax Cash Fund for programs generically designated in the constitution.

- House Bill 05-1330 authorized the Governor to initiate the sale and leaseback of eligible state facilities, in Fiscal Year 2005-06, if the Office of State Planning and Budgeting revenue estimates show that the required General Fund Reserve will drop below two percent. The State Capitol is not considered an eligible state facility.

Legislation that was passed and was contingent on a vote of the people at the November 1, 2005, general election included:

- House Bill 05-1194 placed a referred measure (Referendum C) on the statewide ballot requesting voter approval for the state to retain and spend all state revenues in excess of the constitutional revenue and spending limitations in Section 20 Article X of the State Constitution for the following five years. The legislation specified categories of spending that ranged from general to specific for the related spending. A companion measure (House Joint Resolution 05-1057 - Referendum D) that was contingent on the passage of Referendum C asked voters for authority to issue $2.072 billion of notes with a maximum repayment cost of $3.225 billion. The referendum specified that $1.7 billion would be issued for transportation needs while $147.0 million would be used to pay the settlement of a lawsuit that required the state to fund repairs of public school facilities. $50.0 million would be used to repair facilities at institutions of higher education, and $175.0 million would be used for state shortfalls in funding local fire and police pension liabilities. The voters passed Referendum C in the November 2005 election, and Referendum D was defeated.
- House Bill 05-1333 created the Critical Needs Financing Authority (CNFA) and authorized the Department of Transportation and the CNFA to issue notes authorized by Referendum D.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly enacts the annual state budget for all ongoing programs, except for federal and custodial funds. New programs are funded for the first time in enabling legislation and are continued through the Long Appropriations Act in future periods. For the most part, appropriations lapse at the end of the fiscal year unless extenuating circumstances 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 estimates of federal awards and custodial funds of the various departments. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A). Encumbrances are also recorded and result in a reduction of the budgeted spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. Encumbrances in the General Fund are not reported as a reservation of fund balance unless the related appropriations are approved for rollforward to the subsequent fiscal year. Fund balance is reserved for encumbrances that represent legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund.

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

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 matured claims or judgments. (See Note 6-H on page 77, Note 22 on page 103, Note 26 on page 110). 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. The Board of Governors of the Colorado State University System is self-insured for certain risks and participates in the state's risk management fund for other risks.

INDEPENDENT AUDIT

The State Auditor performs an audit of the Basic Financial Statements. The opinion of the auditor is on page 18 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, 2005, the State Treasurer held the following investments at fair value:

Investment Type	Amount in Millions
U.S. Government Securities	$ 1,902.1
Commercial Paper	1,012.9
Asset Backed Securities	602.1
Corporate Bonds	468.8
Mutual Funds	50.0
Total	$ 4,035.9

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, 2004. This was the eighth 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,

Leslie M. Shenefelt
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

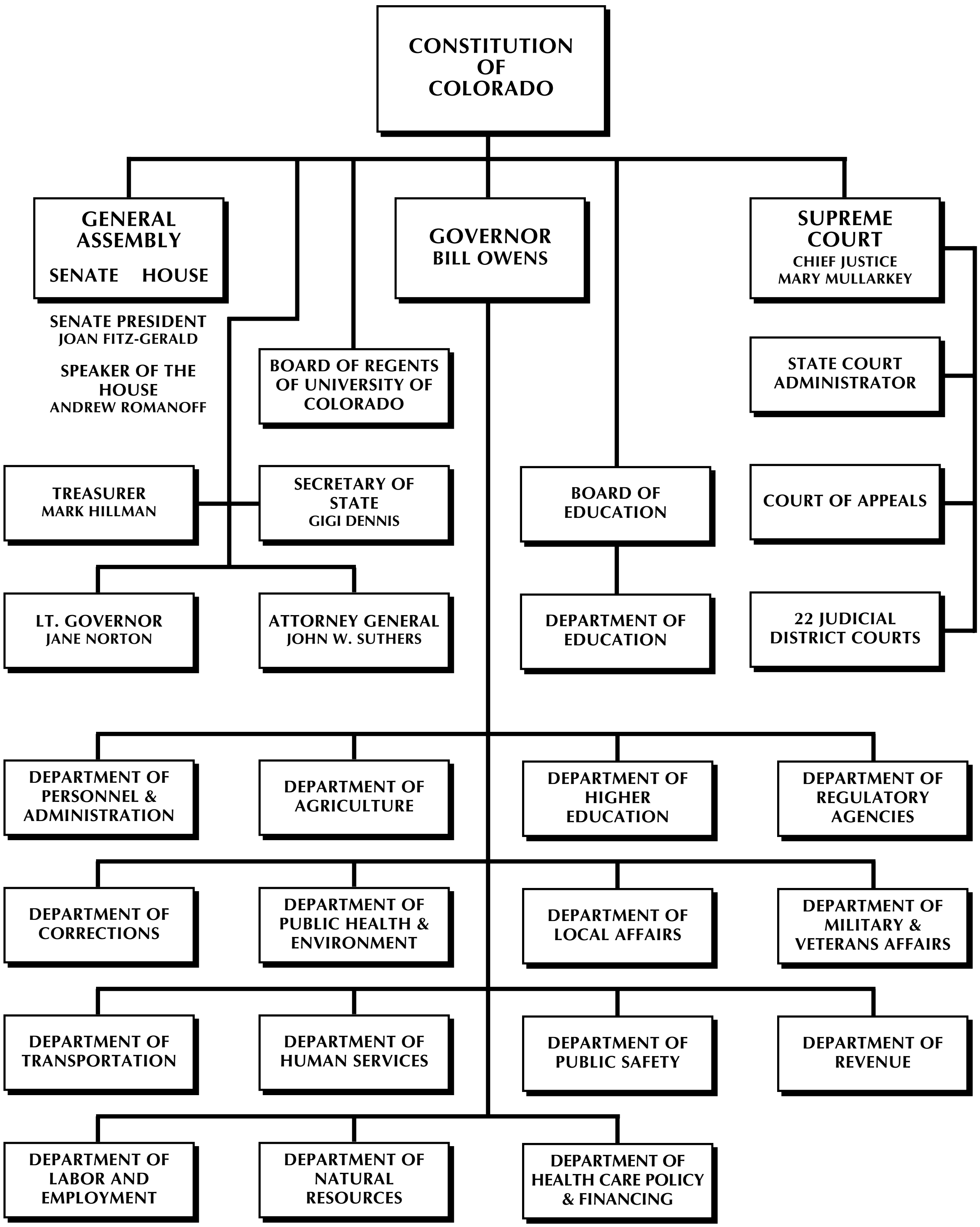
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



FINANCIAL

SECTION

JOANNE HILL, CPA
State Auditor

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

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

December 29, 2005

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, each major fund and the aggregate remaining fund information of the State of Colorado as of and for the fiscal year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenue of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents 3 percent of the total assets, 3 percent of the net assets, and 8 percent of the total revenue of Higher Education Institutions, a major enterprise fund, and 2 percent of the total assets, 3 percent of the net assets, and 5 percent of the total revenue of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., are based solely on the reports of the other auditors, except as explained in Note 4.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 37 to the financial statements, in Fiscal Year 2005 the State implemented the Colorado Benefits Management System (CBMS). CBMS is an automated system that supports various medical and public assistance programs including Medicaid, Food Stamps, and Temporary Assistance for Needy Families. The State has received notice of a $1.07 million disallowance from the federal oversight agency for the Food Stamp program due to payments made to ineligible beneficiaries. The State has appealed the ruling, and the ultimate outcome of this issue cannot presently be determined. The State could incur additional disallowances related to the implementation of CBMS from other federal oversight agencies. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As explained in the introduction to the Summary of Significant Accounting Policies on page 69 of the basic financial statements, the State of Colorado has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* as of July 1, 2004.

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 and other matters 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 21 through 39 and "Budgetary Information" and "Infrastructure Assets Reported Under The Modified Approach" on pages 131 through 143 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied 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

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. To avoid duplication of the analysis, the cause of the significant items identified in the Financial Highlights Section and the Overall Financial Position and Results of Operations Section are explained in the Individual Fund Analysis Section that follows.

FINANCIAL HIGHLIGHTS

Government-wide:
Assets of the state's governmental activities exceeded liabilities by $14,126.3 million, an increase of $319.1 million as compared to the prior year amount of $13,807.2 million. Assets of the state's business-type activities exceeded liabilities by $3,977.2 million, an increase of $360.5 million as compared to the prior year amount of $3,616.7 million. In total, net assets increased by $679.6 million to $18,103.5 million.

Fund Level:
Governmental fund assets exceeded liabilities resulting in total fund balances of $3,441.1 million (prior year $3,195.6 million), of which, $2,349.3 million (prior year $2,507.1 million) was reserved, and the balance of $1,091.8 million (prior year $688.5 million) was unreserved. In total, governmental fund balances increased $245.5 million from the prior year primarily due to increases in Other Special Revenue Funds and Other Governmental Funds. The unreserved undesignated fund balance of the General Fund was zero, at both June 30, 2005, and June 30, 2004, because there were not adequate net assets to meet the statutorily required reserve on the generally accepted basis of accounting.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $3,977.2 million (prior year $3,616.7 million), of which, $3,106.0 million (prior year $2,903.9 million) was restricted or invested in capital assets, and the balance of $871.2 million (prior year $712.8 million) was unrestricted. The total increase of $360.5 million in Enterprise Fund net assets primarily occurred in the Higher Education Institutions and Unemployment Insurance Funds.

Debt Issued and Outstanding:
The outstanding governmental activities notes, bonds, and certificates of participation at June 30, 2005 were $2,096.3 million (prior year $1,959.8 million), which is 40.6 percent (prior year 41.7 percent) of financial assets (cash, receivables, and investments) and 11.3 percent (prior year 11.0 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 revenue bonds outstanding that total $2,148.5 million (prior year $1,658.9 million). The revenue bonds are primarily invested in loans and capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:
The State Constitution indirectly limits the rate of spending increases and directly limits the state's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers. The state recorded a TABOR liability of $41.1 million that will be distributed to taxpayers in early 2006. The state would have recorded a total TABOR liability of approximately $352.8 million if not for the growth dividend and the credit taken for over-refunds as required by House Bill 05-1310. (See page 28 for more information on the TABOR refund, growth dividend, and House Bill 05-1310.)

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 measure the difference between assets and liabilities. Restrictions reported in net assets indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net assets from year to year indicate the state is better off, while decreases in total net assets indicate the state is worse off.

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

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

- 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 69.

Fund Level Statements

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

- Governmental Funds – A large number of the state's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Permanent Funds.
- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the state's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds charge other state agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal service fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an adjustment to program expenses on the government-wide *Statement of Activities.* On the fund level statements, Nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.
- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported in these funds are not available to finance the state's programs, and therefore, these funds are not included in the government-wide statements. The state's fiduciary funds include 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.

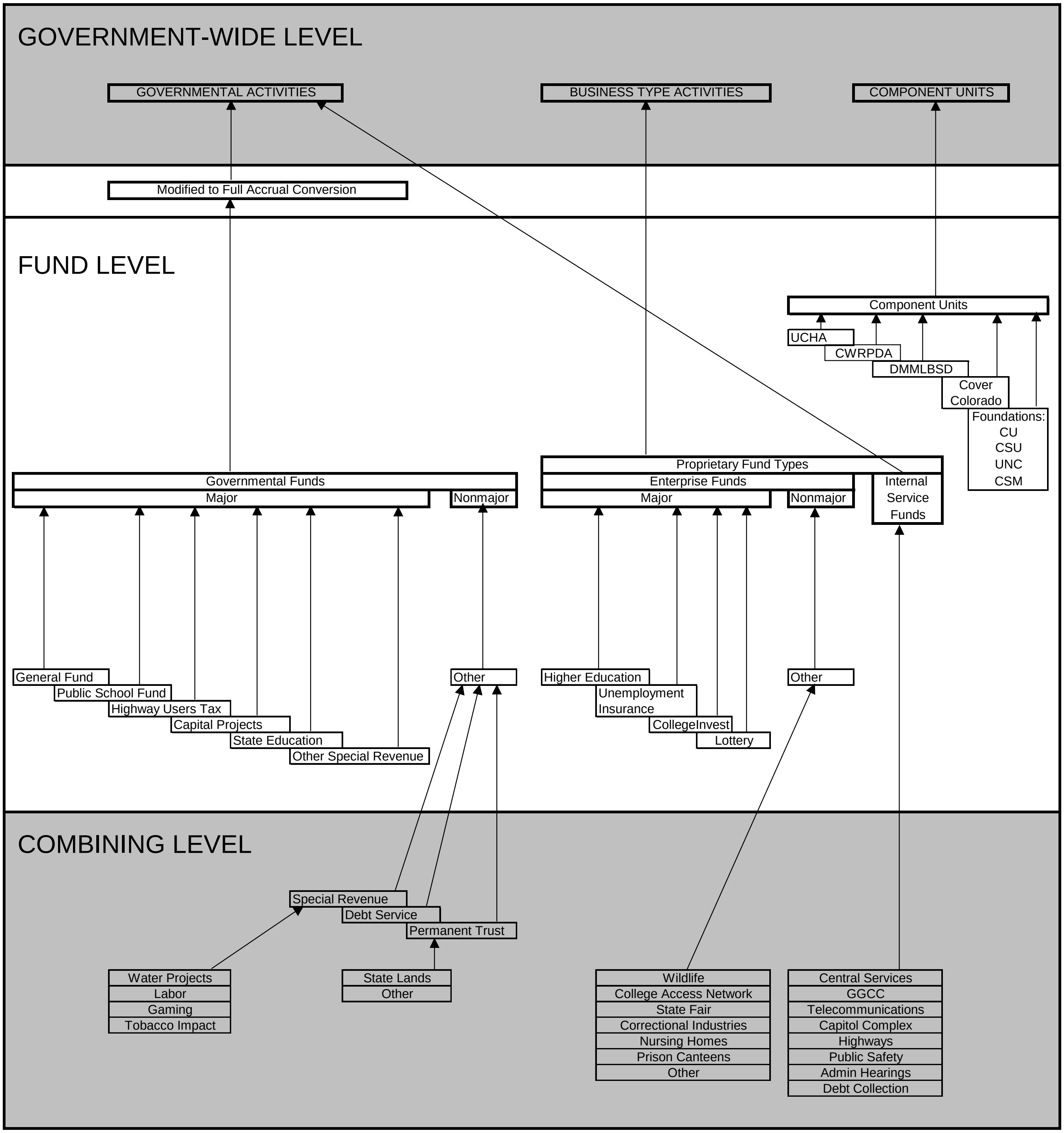
Notes to Basic Financial Statements

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
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
UCHA
CWRPDA
DMMLBSD
Cover Colorado
Foundations: CU CSU UNC CSM
Proprietary Fund Types
Governmental Funds
Major
Nonmajor
Enterprise Funds
Major
Nonmajor
Internal Service Funds
General Fund
Public School Fund
Highway Users Tax
Capital Projects
State Education
Other Special Revenue
Other
Higher Education
Unemployment Insurance
CollegeInvest
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Impact
State Lands
Other
Wildlife
College Access Network
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Other
Central Services
GGCC
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Hearings
Debt Collection

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Noncapital Assets	$ 5,558,672	$ 5,076,359	$ 3,962,351	$ 3,186,388	$ 9,521,023	$ 8,262,747
Capital Assets	12,962,066	12,791,392	3,122,815	2,995,366	16,084,881	15,786,758
Total Assets	18,520,738	17,867,751	7,085,166	6,181,754	25,605,904	24,049,505
Current Liabilities	2,166,682	1,849,243	757,133	706,449	2,923,815	2,555,692
Noncurrent Liabilities	2,227,761	2,211,342	2,350,862	1,858,565	4,578,623	4,069,907
Total Liabilities	4,394,443	4,060,585	3,107,995	2,565,014	7,502,438	6,625,599
Invested in Capital Assets, Net of Related Debt	11,771,877	11,747,276	2,238,068	2,195,837	14,009,945	13,943,113
Restricted	1,455,029	1,415,400	867,919	708,063	2,322,948	2,123,463
Unrestricted	899,389	644,490	871,184	712,840	1,770,573	1,357,330
Total Net Assets	$14,126,295	$13,807,166	$ 3,977,171	$ 3,616,740	$18,103,466	$17,423,906

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 $14,009.9 million or 77.4 percent of the state's total net assets, which represents an increase of $66.8 million over the prior year. This line item shows the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. The 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 $2,322.9 million or 12.8 percent of net assets, which represents a $199.4 million increase over the prior year. In general, these restrictions dictate how the related assets must be used by the state, and therefore, the amount may not be available for the general use of the state's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the state's net assets.

The Unrestricted Net Assets of $1,770.6 million or 9.8 percent of total net assets represents the amount by which total assets exceed total liabilities after all restrictions are considered. This represents an increase of $413.3 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $254.9 million of this increase with the balance in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds, and generally, legislative action is required to make those resources available for state programs other than the program for which the revenue was collected.

Another important measure of the state's financial health is the change in net assets from the prior year. The following condensed statement of activities shows that net assets of both the governmental and business-type activities increased during the fiscal year. For the governmental activities, revenues and transfers-in exceeded expenses and transfers-out resulting in net assets increasing by $317.8 million. Program revenue of the governmental activities increased by $28.8 million (0.6 percent), and general-purpose revenues increased by $466.5 million (6.7 percent) while expenses increased by $673.7 million (6.3 percent) from the prior year. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by $245.5 million.

Business-type activities' revenues and transfers-in exceeded expenses by $344.5 million resulting in an increase in net assets. Program revenue of the business-type activities increased by $220.0 million while expenses decreased by $22.2 million. Without cash and capital asset transfers of $555.5 million from the governmental activities, the business-type activities net assets would have declined by $210.9 million. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for Services	$ 743,151	$ 719,445	$ 2,704,665	$ 2,487,183	$ 3,447,816	$ 3,206,628
Operating Grants and Contributions	3,684,878	3,601,808	1,403,928	1,344,192	5,088,806	4,946,000
Capital Grants and Contributions	409,458	487,442	16,667	73,952	426,125	561,394
General Revenues:						
Taxes	6,396,801	5,972,764	-	-	6,396,801	5,972,764
Restricted Taxes	868,251	835,680	-	-	868,251	835,680
Unrestricted Investment Earnings	29,736	16,534	-	-	29,736	16,534
Other General Revenues	95,912	99,200	-	-	95,912	99,200
Total Revenues	12,228,187	11,732,873	4,125,260	3,905,327	16,353,447	15,638,200
Expenses:						
General Government	141,320	161,588	-	-	141,320	161,588
Business, Community, and Consumer Affairs	367,553	343,589	-	-	367,553	343,589
Education	194,723	173,823	-	-	194,723	173,823
Health and Rehabilitation	475,668	477,572	-	-	475,668	477,572
Justice	1,026,282	936,374	-	-	1,026,282	936,374
Natural Resources	62,638	81,114	-	-	62,638	81,114
Social Assistance	3,016,668	2,954,217	-	-	3,016,668	2,954,217
Transportation	919,388	746,153	-	-	919,388	746,153
Payments to School Districts	3,283,590	3,131,486	-	-	3,283,590	3,131,486
Payments to Other Governments	1,848,922	1,674,416	-	-	1,848,922	1,674,416
Interest on Debt	26,925	9,625	-	-	26,925	9,625
Higher Education Institutions	-	-	3,294,154	3,128,126	3,294,154	3,128,126
Unemployment Insurance	-	-	352,712	591,789	352,712	591,789
CollegeInvest	-	-	54,453	37,355	54,453	37,355
Lottery	-	-	367,474	354,159	367,474	354,159
Other Business-Type Activities	-	-	267,408	246,988	267,408	246,988
Total Expenses	11,363,677	10,689,957	4,336,201	4,358,417	15,699,878	15,048,374
Excess (Deficiency) Before Contributions, Transfers, and Other Items	864,510	1,042,916	(210,941)	(453,090)	653,569	589,826
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(545,175)	(546,580)	545,175	546,580	-	-
Internal Capital Contributions	(431)	(20)	10,303	15,330	9,872	15,310
Special Item	(1,112)	-	-	-	(1,112)	-
Total Contributions, Transfers, and Other Items	(546,718)	(546,600)	555,478	561,910	8,760	15,310
Total Changes in Net Assets	317,792	496,316	344,537	108,820	662,329	605,136
Net Assets - Beginning	13,807,166	13,135,877	3,616,740	3,504,704	17,423,906	16,640,581
Prior Period Adjustment	1,337	174,973	15,894	3,216	17,231	178,189
Net Assets - Ending	$14,126,295	$13,807,166	$ 3,977,171	$ 3,616,740	$18,103,466	$17,423,906

TABOR Revenue, Debt, and Tax-Increase Limits

Fiscal Year 2004-05 is the twelfth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits (including the previously existing statutory six percent limit on General Fund expenditure growth). With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

The state's ability to retain revenues is also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the state's ability to retain revenues collected.

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

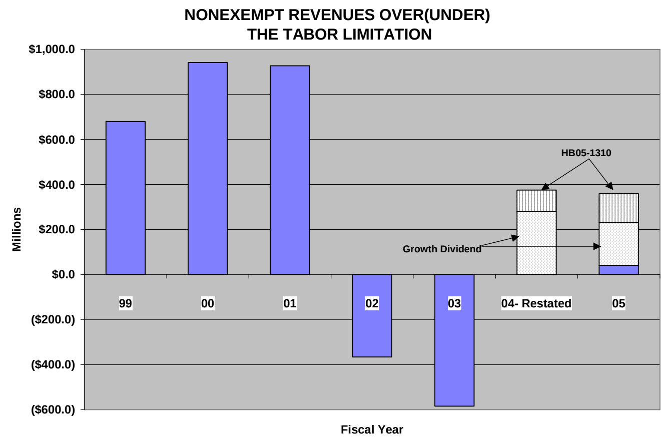
In the first three years of operations under TABOR, the state did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, state revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. At the beginning of Fiscal Year 2005, this amounted to total required refunds of $3,250.1 million since TABOR's inception. At June 30 of each fiscal year, the state recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years.

In Fiscal Year 2004-05, the TABOR refund was affected by two significant interdependent factors. The first is called the growth dividend; it is a statutory provision that allows the state to increase the TABOR limit up to a total of 6.0 percentage points over nine years in order to recover excess refunds required in the 1990s because population estimates were understated. The understated population estimates caused the TABOR limit to be understated and resulted in refunds greater than would otherwise have been required if the population estimates accurately reflected the actual population growth. In Fiscal Year 2003-04, the state reported using 4.9 percentage points of the available 6.0 percentage point growth dividend.

The second factor was the enactment of House Bill 05-1310 that directed the state to take credit for TABOR refunds made in Fiscal Years 2001-02 through 2003-04 that were in excess of the required TABOR refund. These excess refunds were not related to the population estimation errors, but they occurred because the statutes at one time set the TABOR refund target at 105 percent of the required refund amount. Under the requirements of this statute, the state paid cumulative TABOR refunds of $192.5 million that were not required by the TABOR amendment.

Prior to the effective date of House Bill 05-1310, the state reduced revenues of each fiscal year for the dollar amount of excess refunds paid; this increased the ratchet down effect when revenues were declining. Taking credit for those excess refunds required the state to recalculate the base upon which the current limit was calculated, including recalculating the use of the growth dividend reported in Fiscal Year 2003-04. It also required that the current year refund be reduced by excess refunds made in years when the excess refunds increased the ratchet down effect. The House Bill 05-1310 increase to the base reduced the growth dividend used in Fiscal Year 2003-04 from 4.9 percentage points to 3.6 percentage points of the available 6.0 percentage point growth dividend. This made an additional 1.2 percentage points ($94.7 million) of growth dividend available to offset the Fiscal Year 2004-05 refund. In addition, the direct adjustment for excess refunds reduced the refund Fiscal Year 2004-05 by $127.8 million.

In Fiscal Year 2004-05, state revenues subject to TABOR were $8,483.0 million, which was $41.1 million above the limit after the growth dividend and House Bill 05-1310 adjustments discussed above. The $41.1 million is reported as a current liability on the fund-level General Fund Balance Sheet and the government-wide Statement of Net Assets; most of the refund will be paid out between January and May of 2006. Without the growth dividend and the House Bill 05-1310 adjustments, the Fiscal Year 2004-05 refund would have been at least $352.8 million.



At the beginning of Fiscal Year 2004-05 the University of Colorado, the Brand Board in the Department of Agriculture, and the Parking Fund in the Department of Personnel & Administration all became fully qualified TABOR enterprises. As fully qualified enterprises, the revenues of these activities are not subject to the TABOR revenue limits. As required by TABOR, the State Controller makes qualifications of enterprises neutral in the TABOR calculations by removing the activities' revenues from the base upon which the TABOR limit is calculated. In Fiscal Year 2004-05, the base was reduced by $384.0 million related to enterprise qualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates refunds growing from $440.4 million in Fiscal Year 2005-06 to $838.8 million in Fiscal Year 2009-10. However, the Legislature placed a referendum on the November 2005 ballot allowing the state to retain the TABOR refund during those years. The voters approved the referendum, and although the Fiscal Year 2004-05 refund will be distributed in Fiscal Year 2005-06, there will be no refunds made related to Fiscal Years 2005-06 through 2009-10.

INDIVIDUAL FUND ANALYSIS

General Fund

The General Fund is the focal point in determining the state's ability to maintain or improve its financial position. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General Fund consist of two broad categories, general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Augmenting revenues 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 ending fund balance condition of the General Fund was largely unchanged from the prior fiscal year, with a shortfall in the required reserve of $38.7 million. However, a different set of conditions resulted in the similarities between fiscal years. In Fiscal Year 2004-05, $65.7 million was transferred into the General Fund from the Tobacco Settlement Funds, which is $11.3 million more than was transferred into the fund in Fiscal Year 2003-04. Increasing general-purpose revenues supported the recognition of a TABOR refund liability of $41.1 million and an infrequent transfer-out from the General Fund to the Controlled Maintenance Trust Fund in the amount of $185.6 million. In Fiscal Year 2003-04, there was no TABOR refund liability recorded and the transfer out to repay various cash funds was $56.2 million.

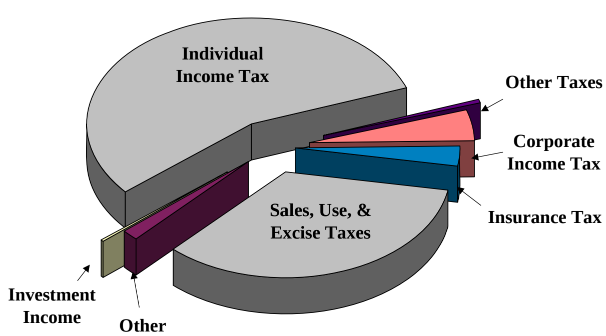
Several items that previously have been considered obligations of the General Fund were not recognized as liabilities or disbursements in Fiscal Year 2004-05 including compensating counties for property tax reductions given to persons over 65 years of age (approximately $60.0 million), state funding for Old Hire Pension Plans (approximately

$25.0 million), appropriations to the Capital Construction Fund for maintenance of state facilities and new construction, and repayment to cash funds for General Fund support received during the economic downturn.

The General Fund's $708.8 million cash balance increased $184.8 million over the prior year; however, the largest portion of this increase was due to larger repayments related to Tax Revenue Anticipation Notes issued by the state on behalf of local school districts. The increased cash did not result in increased fund balance because the State Treasurer has recorded a matching liability for the repayment due in August 2005.

As mentioned above, the General Fund did not have adequate reserves to meet the statutorily required reserve on the generally accepted accounting principles (GAAP) basis. The reserve was met on the budgetary basis because the state deferred June payroll expenditures and certain Medicaid expenditures into the following fiscal year.

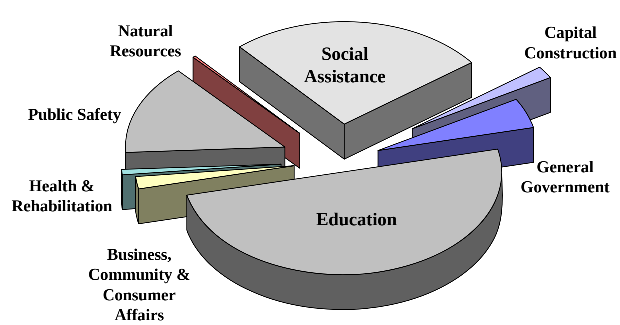
GENERAL-PURPOSE REVENUES BY SOURCE



General-purpose revenues for Fiscal Years 2004-05 and 2003-04 were $6,160.8 million (see page 139) and $5,766.5 million, respectively – an increase of $394.4 million or 6.8 percent. Individual income tax revenue increased by $232.4 million. The major categories of individual income tax, all of which contributed to the increase, were withholding payments (up 5.6 percent), estimated payments (up 24.8 percent), and payments with returns (up 3.2 percent). The change in income tax refunds (up 11.3 percent) offset these increases. The significant percentage increase in estimated tax payments is normally associated with self-employment or taxpayers' investment earnings, while the comparatively smaller increase in withholding reflects limited job growth and limited wage inflation. Corporate income tax receipts increased by $74.9 million or 34.4 percent. Investment income of the General Fund increased by $8.2 million or 41.9 percent; the increase reflects recovering cash balances in the General Fund and other funds that surrender their investment earnings to the General Fund as required by statute. Sales, use, and excise taxes increased by $99.8 million or 5.0 percent, buoyed by a 6.4 percent estimated increase in personal income. Insurance premium taxes increased by $13.3 million or 7.6 percent due to increases in the dollar amount of insurance policies in force. Other Taxes decreased by $21.2 million or 44.9 percent due to the phase out of federal estate taxes and the related credit claimed by the state against those taxes. This revenue source will continue to decline through the end of the decade when the federal estate tax is schedule to reduce to zero at which time it will return to its original level unless Congress acts to make the reduction permanent. Other revenues decreased by $13.1 million or 11.7 percent primarily related to the termination of a Fiscal Year 2003-04 diversion of $15.5 million of unemployment insurance premium surcharge to the General Fund. The temporary diversion to the General Fund was to mitigate the effects of other general-purpose revenue shortfalls.

On the budgetary basis, total expenditures and transfers-out (excluding the TABOR refund and transfers specifically to repay cash funds) funded from general-purpose revenues during Fiscal Years 2004-05 and 2003-04 were $6,025.1 million (see page 139) and $5,640.0 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. After adjustments in Fiscal Year 2004-05, appropriation growth was six percent including a portion of the temporary repayment of funds transferred from the Controlled Maintenance Trust Fund in prior years.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES

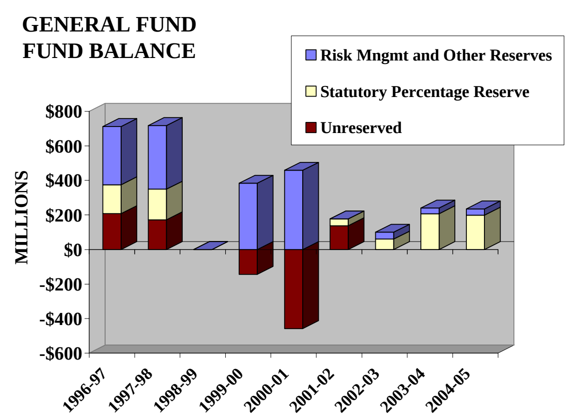


GAAP basis expenditures for the Departments of Education, Health Care Policy and Financing, Higher

Education, and Human Services accounted for approximately 79.4 percent of all Fiscal Year 2004-05 general funded expenditures, which is a decrease of 3.9 percent from the prior year. The decrease is entirely due to comparison to a larger base of total expenditures that were the result of $307.4 million of transfers to the Highway Fund, the Capital Projects Fund, and the Controlled Maintenance Trust Fund. Without the transfers, the expenditures of the four departments would have been a larger portion (.2 percentage points) of total expenditures than in the prior year. Of the departments with substantial General Fund expenditures, the major increases were in the Department of Education ($96.9 million or 4.0 percent), the Department of Health Care Policy and Financing ($104.6 million or 9.2 percent), the Department of Human Services ($33.7 million or 6.3 percent), and the Department of Corrections ($28.0 million or 6.0 percent). The Department of Treasury does not have substantial General Fund expenditures, but it had a significant increase ($14.3 million or 2,077.8 percent) due to the recognition of interest costs on the recently initiated borrowing program for local school districts.

Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending while participation in the federal Medicaid program mandates the increase in the Department of Health Care Policy and Financing expenditures. The Department of Human Services' increase was partially due to additional costs of implementing the Colorado Benefits Management System, however, most of the increase was due to increased case loads in a wide variety of Medicaid funded and other entitlement programs for which the department must provide General Fund expenditures as a match to receive related federal revenue. The increasing caseload is consistent with several years of job losses in the state economy, and caused increased government expenditures at the same time that the state was recovering from significant revenue reductions. The Department of Corrections increase was due to increased utilities costs, increased inmate medical care costs, and a general increase in the offender population.

The expenditures of two departments declined by a total of $3.3 million offsetting the increased expenditures discussed above. The Department of Higher Education incurred most of the general funded expenditure decrease and institutions increased student tuition charges in part to make up for the decline in available General Fund resources. A small decrease also occurred in the Legislative Branch.



The chart at the right shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes required a four percent fund balance reserve ($237.4 million) in Fiscal Year 2004-05. The General Fund is reported in the attached financial statements under GAAP; on that basis $198.8 million was available to meet this reserve requirement. As a result, the unreserved General Fund fund balance was zero. Compliance with the statutory reserve requirement was achieved on the budgetary basis by deferring payroll and Medicaid expenditures into the following fiscal year. On the budgetary basis of accounting the deferral resulted in an excess over the required reserve that will be transferred to the Highway Fund and the Capital Projects Fund as discussed below. (Note to the General Fund Fund Balance Chart: Before Fiscal Year 2001-02, the reserves of a large number of funds were reported as part of the General Fund; from Fiscal Year 2001-02 forward they are reported as Special Revenue Funds and are therefore not included in the chart.)

As required by Senate Bills 03-196 and 03-197, the state converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03. This change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. On the GAAP financial statements the net General Fund revenues that are available for expenditure are titled Unreserved Reported in: General Fund; the analogous legally defined title on the budgetary basis statement is General Fund Surplus. Deferring payroll expenditures moved $65.4 million of expenditures into the following year, while deferring Medicaid related expenditures moved $155.9 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $84.6 million. In total, the effect was to increase General Fund fund balance by $136.7 million, which was $1.8 million less than the effect of deferring Fiscal Year 2003-04 expenditures into Fiscal Year 2004-05.

In Fiscal Year 2004-05, the General Fund fund balance transfer consisted of the entire $121.8 million Fiscal Year 2003-04 ending General Fund Surplus of which $81.2 million went to the Highway Users Tax Fund and $40.6 million went to the Capital Projects Fund. The transfer is required by statute and is equal to the General Fund Surplus calculated on the budgetary basis (the amount in excess of the required four percent reserve). The transfer will be $98.0 million in Fiscal Year 2005-06 with $65.3 million going to the Highway Users Tax Fund and $32.7 million going to the Capital Projects Fund. Due to the constitutional restriction against a General Fund deficit, these transfers could not be made under GAAP, but they are made possible by the budgetary basis calculation of General Fund Surplus discussed above.

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 $2,434.4 million and $2,317.5 million in Fiscal Year 2004-05 and 2003-04, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $94.8 million from the prior year primarily related to the spending of restricted cash received from anticipation notes issued in prior years. Other significant changes from the prior year include:

- A $46.4 million decrease in revenue primarily comprising a $50.3 million decrease in federal revenue, a $12.8 million increase in motor vehicle registrations and fines, and smaller decreases in excise taxes, investment income, and other revenues.
- An $88.8 million decrease in expenditures primarily related to reduced payments to construction consultants and contractors.
- A $174.1 million decrease in other financing sources (uses), which was primarily a combination of reduced inflows of $234.9 million relate to debt issued in the prior year but not in the current year and a $75.6 million increase in transfers-in (primarily from the General Fund Surplus transfer discussed above).

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $18.0 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 Transportation Revenue Anticipation Notes (TRANs) issued in 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 increased by $26.5 million from the prior fiscal year end, compared with a decline of $14.9 million and $122.3 million in Fiscal Years 2003-04 and 2002-03, respectively. The primary cause for the increase in the current year fund balance was the $40.6 million transfer of the General Fund Surplus discussed above. Much of this transfer remains in fund balance because construction contracts routinely take several years to complete. The transfer into the Capital Projects Fund in Fiscal Year 2004-05 was small in relation to the dollar amount of capital construction and maintenance that has been deferred since the decline in state revenue that began in Fiscal Year 2001-02.

State Education Fund

The State Education Fund fund balance declined by $23.4 million during Fiscal Year 2004-05, which follows decreases of $71.3 million and $85.3 million in Fiscal Years 2003-04 and 2002-03, respectively. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and the fund's portion of those receipts increased in Fiscal Year 2004-05 by $35.2 million from the prior year, while investment income increased by $8.0 million. Investment income increased in comparison to the prior year primarily because in the prior year unrealized losses were significant. Expenditures of the fund are limited to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $340.0 million and $339.8 million in Fiscal Year 2004-05 and 2003-04, respectively; however, transfers out of the fund were greater in Fiscal Year 2003-04 than in the current year. The constitutional requirement that income of the fund be spent before the principal of the fund signals the intent that the fund's assets would grow over time to provide a future funding source. However, 15.9 percent of the fund's beginning fund balance was consumed in Fiscal Year 2004-05, and the fund balance has been in continuous decline since it peaked in Fiscal Year 2001-02.

Other Special Revenue Funds

Other Special Revenue Funds are presented in the CAFR as a major fund for the first time in Fiscal Year 2004-05. This is a collection of 285 funds that do not have common characteristics but collectively meet the Governmental Accounting Standards Board thresholds for presentation as a major fund. The collective fund balance of these funds increased by $231.0 million primarily due to the $185.6 million transfer from the General Fund to the Controlled Maintenance Trust Fund discussed above, and a $60.4 million increase in Severance Tax Fund fund balances. The Severance Tax Fund increase was related to the escalating price of petroleum products and the related increase in drilling for those resources. The collective fund balance also declined by $56.6 million due to expending of the 2003-Federal Tax Relief Act Fund monies primarily through state grants to the Departments of Transportation, Corrections, Human Services, Health Care Policy and Financing, Public Safety, and Personnel & Administration. A large number of funds in the group had smaller increases primarily related to fees and charges specific to the purpose of the individual fund.

Higher Education Institutions

Current period activity along with prior period adjustments increased the net assets of the Higher Education Institutions by $196.8 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 $44.8 million, federal revenues increased by $43.0 million, and investment income increased by $77.3 million. The state made capital contributions of $9.8 million in both Fiscal Years 2004-05 and 2003-04 funded by the Capital Projects Fund and transferred $599.4 million ($605.2 million in Fiscal Year 2003-04) to Higher Education Institutions primarily from the General Fund. This contribution level represents a $5.8 million or 1.0 percent reduction in state support for Higher Education Institutions.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund increased by $121.4 million. The net asset increase was affected by a $124.1 million increase in unemployment insurance premiums, a $114.9 million decrease in federal revenue, and a decrease in unemployment benefits of $237.0 million. Statutes require the fund to increase unemployment insurance premiums when the fund's balance declines below established thresholds. Since the fund's revenues are counted against the TABOR limit, the automatic premiums escalation increased the TABOR refund recorded in the General Fund in Fiscal Year 2004-05. The decrease in benefits paid was due to a combination of the expiration of benefits for the unemployed and partial recovery in employment within the state. The decrease in federal revenue was caused by the termination of the Temporary Extended Unemployment Compensation program, which existed in Fiscal Year 2003-04 but not in Fiscal Year 2004-05.

CollegeInvest

CollegeInvest's net assets increased by $13.9 million or 10.8 percent. The fund experienced a $10.6 million increase in federal revenue and a $12.4 million increase in debt service. Assets of the fund increased from $1,072.9 million to $1,269.6 million while liabilities increased from $943.9 million to $1,126.7 million, primarily due to a $179.1 million bond issuance. CollegeInvest uses bond proceeds to fund loans to students that are recorded on the *Statement of Net Assets* in the line items Student and Other Receivables and Restricted Receivables.

State Lottery

The Lottery produced operating income of $104.6 million ($103.1 million in Fiscal Year 2003-04) on sales of $420.7 million ($407.2 million in Fiscal Year 2003-04); this represents a 1.5 percent increase in operating income. The Lottery distributed $50.2 million ($49.6 million in Fiscal Year 2003-04) to the Great Outdoors Colorado program, a related organization, and transferred $53.9 million ($54.8 million in Fiscal Year 2003-04) to other state funds, of which, $1.7 million was distributed to local school districts through the Public School Fund, $10.4 million was used to fund operations of the state Division of Parks and Recreation, and $41.5 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 139. That schedule isolates general-purpose revenues and expenditures funded from those revenues; it is therefore the best source for identifying General Fund budget activities.

Differences Between Original and Final Budgets

The following list shows departments that had changes in General Fund budget greater than $2.0 million.

- Department of Corrections – The department's original budget exceeded the final budget by $3.4 million. The department had a $3.4 million and a $2.3 million supplemental appropriation increase for payments to house state inmates in city and county and out-of-state jails, respectively. A supplemental increase of $1.3 million was made for medical costs that exceeded initial projections. Additional supplementary appropriations included a $0.9 million increase for utility costs, a $0.6 million increase for litigation settlement on construction at the Trinidad Correctional Facility, and a $0.5 million increase for Community Corrections programs. The increases were offset by a $12.1 million reduction in the budget for payments to house state inmates in private prisons, which reflected slower inmate population growth than anticipated.
- Department of Education – The department's original budget exceeded the final budget by $25.0 million. This variance is due to a supplemental decrease that changed the source of public school funding from the General Fund to the State Public School Fund that had available federal mineral leasing revenues.
- Department of Local Affairs – The department's final budget exceeded the original budget by $3.7 million. This increase was primarily due to a supplemental appropriation that the department received to make payments to the Volunteer Firefighter Retirement Plan that were formerly disbursed by the Department of Treasury.
- Department of Health Care Policy and Financing – The department's final budget exceeded the original budget by $20.6 million. The increase was the result of a supplemental increase for Medicaid Services Premiums appropriated to address a growing caseload. However, the anticipated expenditures did not materialize, and the spending authority reverted.
- Department of Human Services – The department's final budget exceeded the original budget by $19.7 million. The change was primarily related to the following individual increases: $3.1 million for the Colorado Benefits Management System, $0.8 million for Capital Complex leased space and utilities, $0.8 million for Child Welfare Services, $3.0 million for the Aid to Needy Disabled program, $2.5 million for contract placements in community programs, $1.7 million for the Child Placement Agency Medicaid Transfer Program, $2.3 million for personal services and operating costs at the Mental Health Institutes, $2.8 million for consulting services and operating subsidy of the Fitzsimons Nursing Home, and $1.3 million for the refinancing of previously cash funded expenditures in the Executive Director's Office as general funded. Most of these increases were caseload driven.

- Department of Treasury – The department's original budget exceeded the final budget by $3.8 million. This variance was primarily the result of a supplemental which decreased the department's appropriation due to the transfer of the Volunteer Firefighter Retirement Plan payments to the Department of Local Affairs, as noted above.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds total $2.6 million including $1.3 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 8A on page 79. In total, state departments reverted $39.6 million of general funded appropriations. In addition, they reverted $3.3 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. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $3.1 million – which included a $0.8 million reversion related to payments for medical services for inmates at the state hospital which were less than projected, $0.4 million reversion of personal services due to the inability to fill nursing vacancies, and a $0.5 million reversion of health, life, and dental costs related to vacant positions. The balance of the reversion was related to a large number of operating, contract services, and personal services line items.
- Department of Health Care Policy and Financing – The department reverted $25.8 million primarily related to Medicaid Services Premium expenditures that did not materialize after the department sought additional spending authority based on anticipated caseloads.
- Department of Human Services – The department reverted $1.7 million of general funded appropriation, of which $0.6 million was reverted from the Aid to Needy Disabled state appropriation because the program served fewer state-funded clients than originally projected. In addition, $0.4 million was reverted due to a restriction on the current year spending authority related to a Fiscal Year 2003-04 overexpenditure, $0.2 million was reverted due to vacancy savings related to management turnover in the Division of Youth Corrections, and $0.1 million was reverted related to costs not paid to financial institutions for fees related to identifying available resources from depositors that owe child support payments. The balance of the reversion was related to a number of smaller items.
- Legislative Branch – The Legislative Branch reverted $1.9 million due to lower than expected costs for administration and a statutorily required property tax study.
- Department of Revenue – The department reverted $4.8 million, of which $9.5 million was a negative reversion related to Old Age Pension costs that were higher than estimated. Old Age Pension costs are continuously appropriated, so this negative reversion does not constitute an overexpenditure. $12.1 million was reverted related to fewer Old Age Heat and Fuel refunds requested than were estimated due to a change from annual to quarterly distributions, and $1.0 million was reverted related to cigarette tax rebates to cities and counties that were lower than anticipated because cigarette taxes were lower than estimated.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2005, was $16.1 billion ($15.8 billion in Fiscal Year 2003-04). Included in this amount were $4.1 billion of depreciable capital assets net of $2.9 billion of depreciation. Also included was $12.0 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $750.3 million and $964.2 million of capital assets in Fiscal Year 2004-05 and 2003-04, respectively. Of the Fiscal Year 2004-05 additions, $416.5 million was recorded by governmental funds and $333.8 million was recorded by proprietary funds. Of the additions, $13.5 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.

The state's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2005, the state had commitments of $64.6 million ($63.6 million in Fiscal Year 2003-04) in the Capital Projects Fund and $564.8 million ($731.8 million in Fiscal Year 2003-04) in the Highway Users Tax Fund. Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation; additionally, commitments for the related capital expenditures are not shown because the enterprise funds do not report a reserve for encumbrances.

The state's capital assets at June 30, 2005 and 2004, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 83	$ 81	$ 211	$ 200	$ 294	$ 281
Collections	9	8	13	12	22	20
Construction in Progress	1,165	1,335	179	160	1,344	1,495
Infrastructure	10,356	10,159	-	-	10,356	10,159
Total Capital Assets Not Being Depreciated	11,613	11,583	403	372	12,016	11,955
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,464	1,430	3,597	3,395	5,061	4,825
Vehicles and Equipment	643	510	699	665	1,342	1,175
Library Books, Collections, and Other Capital Assets	27	27	397	378	424	405
Infrastructure	77	21	19	19	96	40
Total Capital Assets Being Depreciated	2,211	1,988	4,712	4,457	6,923	6,445
Accumulated Depreciation	(862)	(779)	(1,992)	(1,834)	(2,854)	(2,613)
Total	$ 12,962	$ 12,792	$ 3,123	$ 2,995	$ 16,085	$ 15,787

The state is constitutionally prohibited from issuing general obligation debt. However, the state has issued Certificates of Participation (COPs) secured by buildings and vehicles and revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and state taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 25 for additional detail).

Fiscal Year 2004-05
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 22.3	$ 5.7	$ 1,513.0	$ 516.7	$ 63.3	$ 24.0	$ 1,598.6	$ 546.4
Business-Type Activities	90.1	55.0	2,063.4	1,450.1	75.7	46.1	2,229.2	1,551.2
Total	$ 112.4	$ 60.7	$ 3,576.4	$ 1,966.8	$ 139.0	$ 70.1	$ 3,827.8	$ 2,097.6

Fiscal Year 2003-04
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 16.0	$ 4.8	$ 1,518.6	$ 595.7	$ 44.2	$ 2.6	$ 1,578.8	$ 603.1
Business-Type Activities	86.5	56.2	1,578.9	709.4	73.7	45.4	1,739.1	811.0
Total	$ 102.5	$ 61.0	$ 3,097.5	$ 1,305.1	$ 117.9	$ 48.0	$ 3,317.9	$ 1,414.1

In Fiscal Year 2003-04, the total principal amount of revenue bonds and COPs was 38.9 percent of net asset other than capital assets. In Fiscal Year 2004-05, that measure increased to 40.2 percent because debt principal increased more than did noncapital net assets on a proportional basis. Total per capita debt including bonds, certificate of participation, mortgages, notes, and leases was $642 per person in Fiscal Year 2002-03, $781 per person in Fiscal Year 2003-04, and it rose to $904 per person in Fiscal Year 2004-05.

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 to continue using the modified approach, the condition of the infrastructure must be maintained at a level set in advance by the state. The state's maintenance of the infrastructure is measured by condition assessments compared to the target condition level. The state must also disclose how the amount actually spent on maintenance 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 in the good or fair categories; the assessed condition level is up slightly from the prior year at 61 percent. The following table presents the roadway condition assessment for the preceding six years and shows that the most recent condition assessment meets the established condition level.

	2004	2003	2002	2001	2000	1999
Percent Rated Good/Fair	61	58	58	54	54	51
Percent Rated Poor	39	42	42	46	46	49

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 six years and shows that the most recent condition assessment significantly exceeds the established condition level.

	2005	2004	2003	2002	2001	2000	1999
Percent Structurally Deficient	6.2	6.5	6.3	6.6	6.7	6.3	6.5

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 in some years the department expended more than the amount budgeted for maintaining the infrastructure. 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
2004-05	$ 138.0	$ 452.8
2003-04	554.1	529.9
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	$ 6,544.4	$ 6,858.5

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the state that were included in Fiscal Year 2003-04 Management Discussion and Analysis continued to affect the state at the end of Fiscal Year 2004-05. However, there has been a very significant change related to previously anticipated TABOR refunds over the next five years.

In a bipartisan agreement between the legislature and the governor, two referenda were placed on the November 2005 election ballot. Voters approved one of the referenda by a narrow margin and rejected the other. The approved referendum, known as Referendum C, allows the state to retain all revenues in excess of the TABOR limits from Fiscal Year 2005-06 through Fiscal Year 2009-10. At the time of the vote, Legislative Council estimated the retained revenues at $3.7 billion. The election did not guarantee the availability of those funds, but rather it allowed the state to keep and spend those dollars if they are realized through existing taxes, fees, and other sources subject to the TABOR limits. The defeated referendum, known as Referendum D, would have allowed the state to borrow $2.07 billion in anticipation of the revenues to be retained under Referendum C. It specified the use of the debt proceeds to fund transportation, fire and police pensions, primary education buildings, and higher education buildings. The rejection of Referendum D means that many of the items cited in this discussion in Fiscal Year 2003-04 continue to be conditions that are expected to affect future operations.

An existing statute provides for diversion of general-purpose sales tax revenue to the Highway Fund when other General Fund obligations have been met. Another statute provides that any General Fund Surplus be distributed to the Highway Fund and Capital Projects Fund in a two-thirds and one-third ratio, respectively. With the passage of Referendum C, OSPB currently estimates that $836.7 million will be sent to the Highway Fund between Fiscal Years 2005-06 and 2009-10 under these statutes. Even if none of this amount is used for debt service on the Highway Fund's existing debt, it will result in less new highway construction than would have occurred under the passage of Referendum D. In addition, any new highway construction will be spread over five to eight years and will be reduced by any construction cost inflation occurring during that period.

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 transfers from various cash funds when resources exceed General Fund obligations.
- Pension Plan Contributions – Notwithstanding a 14.1 percent return on investments, 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 75.2 percent to 70.1 percent within its most recent fiscal year. This is down from a 104.7 percent funding ratio in 2000. The amortization period for the plan is infinite, which means that at the current contribution level the liability associated with existing benefits will never be fully paid. The current contribution rate of 10.15 percent is 1.3 percentage points (or 11.4 percent) below the average during the 1990s. PERA's actuary estimates that the contribution rate would need to be 16.9 percent to achieve the 40-year amortization period

currently called for by the Governmental Accounting Standards Board. Several options have been offered to address the PERA funding issues, such as, cutting benefits, raising employee contributions, or increasing employer contributions; however, each raises either legal, political, or budgetary issues.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to dedicate a portion of TABOR refunds to education programs. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund notwithstanding the passage of Referendum C, which eliminates TABOR refunds for the following five years. OSPB estimates that $321.7 million will be diverted from general-purpose tax revenue in Fiscal Year 2005-06 under this requirement. In addition, the state is required to increase funding of education by specified percentages over inflation. This requirement will have less of an impact in the near term than it has had historically because of the low level of inflation experienced by the state economy. Nonetheless, this revenue diversion and mandated expenditure growth infringes on general funding for other programs because of the existing spending limits.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and Medicaid expenditures to the cash basis. This causes the outflow of resources to be deferred into the following year. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($136.7 million net of related deferred revenue in Fiscal Year 2004-05) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the state's credit rating. It will be difficult for the state to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll and Medicaid expenditures that were previously deferred.

- Temporary Spending Reductions – The Legislature made the following temporary spending reductions for Fiscal Year 2004-05:
  - Payments to counties for the senior Homestead Property Tax Exemption were suspended reducing General Fund expenditures. These payments were also suspended for Fiscal Year 2005-06, but are scheduled to resume at an estimated amount of $65.8 million in Fiscal Year 2006-07.
  - 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 resume in Fiscal Year 2005-06.

- Debt Service – Debt service payments on the remaining $1.4 billion of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $270.8 million per year over the next five years. While a portion of the debt services will be funded by federal funds, a significant amount will be funded by state sources. When most of the notes were issued, the diversion of surplus general-purpose revenues was expected to accumulate to fund that debt service. Due to the economic recession, those diversions did not occur for several years. As discussed above, the diversion of General Fund resources is expected to resume with the passage of Referendum C. Nonetheless, the use of federal and other transportation resources to pay this debt service will reduce the amount that can be expended on road maintenance and construction statewide.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,944,751	$ 872,618	$ 2,817,369	$ 124,225
Investments	10,440	670,346	680,786	39,066
Taxes Receivable, net	731,647	103,598	835,245	280
Contributions Receivable, net	-	-	-	18,975
Other Receivables, net	146,906	206,946	353,852	131,454
Due From Other Governments	307,704	95,170	402,874	3,491
Internal Balances	18,122	(18,122)	-	-
Due From Component Units	110	9,294	9,404	-
Inventories	18,266	34,797	53,063	8,635
Prepaids, Advances, and Deferred Charges	23,700	13,723	37,423	6,626
Total Current Assets	3,201,646	1,988,370	5,190,016	332,752
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,199,258	160,283	1,359,541	66,545
Restricted Investments	465,819	453,876	919,695	572,821
Restricted Receivables	311,462	1,015,134	1,326,596	22,482
Investments	24,162	225,329	249,491	1,235,407
Contributions Receivable, net	-	-	-	30,894
Other Long-Term Assets	356,325	119,359	475,684	894,759
Depreciable Capital Assets and Infrastructure, net	1,348,957	2,719,778	4,068,735	580,408
Land and Nondepreciable Infrastructure	11,613,109	403,037	12,016,146	36,141
Total Noncurrent Assets	15,319,092	5,096,796	20,415,888	3,439,457
TOTAL ASSETS	18,520,738	7,085,166	25,605,904	3,772,209
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	476,445	-	476,445	-
Accounts Payable and Accrued Liabilities	679,425	350,347	1,029,772	66,389
TABOR Refund Liability (Note 8B)	41,064	-	41,064	-
Due To Other Governments	192,611	38,472	231,083	2,694
Due To Component Units	-	1,607	1,607	-
Deferred Revenue	73,609	145,432	219,041	2,740
Accrued Compensated Absences	7,900	14,103	22,003	10,794
Claims and Judgments Payable	38,738	8,233	46,971	11,295
Leases Payable	3,403	6,039	9,442	225
Notes, Bonds, COP's Payable	628,395	85,672	714,067	44,385
Other Current Liabilities	25,092	107,228	132,320	167,597
Total Current Liabilities	2,166,682	757,133	2,923,815	306,119
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	-	16	111,994
Accrued Compensated Absences	111,418	131,883	243,301	-
Claims and Judgments Payable	430,978	20,019	450,997	-
Capital Lease Payable	18,905	84,101	103,006	4,852
Notes, Bonds, COP's Payable	1,467,924	2,062,837	3,530,761	1,320,962
Other Long-Term Liabilities	198,520	52,022	250,542	151,474
Total Noncurrent Liabilities	2,227,761	2,350,862	4,578,623	1,589,282
TOTAL LIABILITIES	4,394,443	3,107,995	7,502,438	1,895,401
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,771,877	2,238,068	14,009,945	246,048
Restricted for:				
Highway Construction and Maintenance	679,440	-	679,440	-
State Education	123,867	-	123,867	-
Unemployment Insurance	-	321,725	321,725	-
Debt Service	3,298	122,290	125,588	-
Emergencies	71,000	27,247	98,247	19
Permanent Funds and Endowments:				
Expendable	1,953	16,483	18,436	511,576
Nonexpendable	433,538	76,460	509,998	397,442
Court Awards and Other Purposes	141,933	303,714	445,647	372,507
Unrestricted	899,389	871,184	1,770,573	349,216
TOTAL NET ASSETS	$ 14,126,295	$ 3,977,171	$ 18,103,466	$ 1,876,808

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS) Functions/Programs	Expenses: Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 163,203	$ (21,883)	$ 83,912	$ 69,931	$ 1,202
Business, Community, and Consumer Affairs	365,413	2,140	106,221	219,789	1,195
Education	193,407	1,316	6,792	448,450	5,669
Health and Rehabilitation	474,416	1,252	71,400	303,654	120
Justice	1,020,510	5,772	128,945	46,956	3,687
Natural Resources	61,112	1,526	95,670	50,582	125
Social Assistance	3,013,491	3,177	20,941	2,438,127	4,857
Transportation	917,106	2,282	229,270	107,389	392,603
Payments to School Districts	3,283,590	-	-	-	-
Payments to Other Governments	1,848,922	-	-	-	-
Interest on Debt	26,925	-	-	-	-
Total Governmental Activities	11,368,095	(4,418)	743,151	3,684,878	409,458
Business-Type Activities:					
Higher Education	3,291,283	2,871	1,606,066	1,245,165	16,667
Unemployment Insurance	352,712	-	462,416	11,707	-
CollegeInvest	54,453	-	34,535	33,823	-
Lottery	367,218	256	421,625	747	-
Other Business-Type Activities	266,117	1,291	180,023	112,486	-
Total Business-Type Activities	4,331,783	4,418	2,704,665	1,403,928	16,667
Total Primary Government	15,699,878	-	3,447,816	5,088,806	426,125
Component Units:					
University of Colorado Hospital Authority	477,441	-	464,246	5,994	3,143
Denver Metropolitan Baseball Stadium District	5,277	-	544	-	1,237
Colorado Water Resources and Power Development Authority	43,351	-	32,338	25,958	-
University of Colorado Foundation	117,383	-	13,214	93,865	-
Colorado State University Foundation	35,155	-	-	35,181	-
Colorado School of Mines Foundation	10,394	-	-	20,854	-
University of Northern Colorado Foundation	8,864	-	-	12,947	-
CoverColorado	39,769	-	46,350	2,318	-
Total Component Units	$ 737,634	$ -	$ 556,692	$ 197,117	$ 4,380

General Revenues:
Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings
Other General Revenues
Payment from State of Colorado
Special and/or Extraordinary Items
(Transfers-Out) / Transfers-In
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	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
$ 13,725	$ -	$ 13,725	
(40,348)	-	(40,348)	
266,188	-	266,188	
(100,494)	-	(100,494)	
(846,694)	-	(846,694)	
83,739	-	83,739	
(552,743)	-	(552,743)	
(190,126)	-	(190,126)	
(3,283,590)	-	(3,283,590)	
(1,848,922)	-	(1,848,922)	
(26,925)	-	(26,925)	
(6,526,190)	-	(6,526,190)	
-	(426,256)	(426,256)	
-	121,411	121,411	
-	13,905	13,905	
-	54,898	54,898	
-	25,101	25,101	
-	(210,941)	(210,941)	
(6,526,190)	(210,941)	(6,737,131)	
-	-	-	(4,058)
-	-	-	(3,496)
-	-	-	14,945
-	-	-	(10,304)
-	-	-	26
-	-	-	10,460
-	-	-	4,083
-	-	-	8,899
-	-	-	20,555
1,980,785	-	1,980,785	63
182,726	-	182,726	-
3,450,493	-	3,450,493	-
291,583	-	291,583	-
491,214	-	491,214	-
290,487	-	290,487	-
23,447	-	23,447	-
553,627	-	553,627	-
690	-	690	-
29,736	-	29,736	44,341
95,912	-	95,912	-
-	-	-	14,308
(1,112)	-	(1,112)	-
(545,175)	545,175	-	-
(431)	10,303	9,872	-
6,843,982	555,478	7,399,460	58,712
317,792	344,537	662,329	79,267
13,807,166	3,616,740	17,423,906	1,797,541
1,337	15,894	17,231	-
$ 14,126,295	$ 3,977,171	$ 18,103,466	$ 1,876,808

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 708,786	$ 16,770	$ 22,174
Taxes Receivable, net	786,020	-	-
Other Receivables, net	58,631	-	2,784
Due From Other Governments	298,575	325	204
Due From Other Funds	46,627	5,293	797
Due From Component Units	110	-	-
Inventories	11,270	-	5,590
Prepaids, Advances, and Deferred Charges	14,878	-	58
Restricted Cash and Pooled Cash	-	-	915,470
Restricted Investments	-	-	-
Restricted Receivables	-	-	295,765
Investments	4,130	-	-
Other Long-Term Assets	192	-	11,453
Land and Nondepreciable Infrastructure	-	-	-
TOTAL ASSETS	$ 1,929,219	$ 22,388	$ 1,254,295
LIABILITIES:			
Tax Refunds Payable	$ 461,428	$ -	$ 1,784
Accounts Payable and Accrued Liabilities	445,440	5,822	161,681
TABOR Refund Liability (Note 8B)	41,064	-	-
Due To Other Governments	75,741	5,387	55,505
Due To Other Funds	4,425	22	451
Deferred Revenue	134,492	-	17,255
Compensated Absences Payable	21	-	-
Claims and Judgments Payable	1,660	-	-
Notes, Bonds, COP's Payable	520,000	-	-
Other Current Liabilities	6,029	-	35
Deposits Held In Custody For Others	6	-	-
TOTAL LIABILITIES	1,690,306	11,231	236,711
FUND BALANCES:			
Reserved for:			
Encumbrances	3,497	-	564,785
Noncurrent Assets	192	-	11,453
Debt Service	-	-	-
Statutory Purposes	198,751	-	-
Risk Management	36,473	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	423,395
Unreserved, Reported in:			
Special Revenue Funds	-	11,157	17,951
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	-	-	-
Reported in Nonmajor Special Revenue Funds	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	238,913	11,157	1,017,584
TOTAL LIABILITIES AND FUND BALANCES	$ 1,929,219	$ 22,388	$ 1,254,295

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 70,496	$ -	$ 821,743	$ 277,494	$ 1,917,463
-	-	29,478	27,592	843,090
2,894	-	14,782	66,689	145,780
1,048	-	6,981	343	307,476
4,536	-	52,556	2,015	111,824
-	-	-	-	110
-	-	285	-	17,145
5,905	-	2,545	33	23,419
-	63,576	96,172	124,040	1,199,258
-	59,294	-	406,525	465,819
-	997	-	14,700	311,462
-	-	10,440	20,032	34,602
156	-	13,651	213,546	238,998
-	-	-	13,771	13,771
$ 85,035	$ 123,867	$ 1,048,633	$ 1,166,780	$ 5,630,217
$ -	$ -	$ 13,233	$ -	$ 476,445
17,056	-	35,596	5,515	671,110
-	-	-	-	41,064
26	-	35,156	20,796	192,611
196	-	4,795	83,185	93,074
5,235	-	24,695	1,643	183,320
-	-	14	-	35
-	-	451	-	2,111
-	-	-	-	520,000
3	-	3,233	17	9,317
-	-	-	10	16
22,516	-	117,173	111,166	2,189,103
64,645	-	-	-	632,927
156	-	51,780	228,947	292,528
-	-	-	3,298	3,298
10,263	-	-	-	209,014
-	-	-	-	36,473
-	-	18,000	53,000	71,000
-	119,383	78,082	483,201	1,104,061
-	-	783,598	-	812,706
(12,545)	-	-	-	(12,545)
-	-	-	274,941	274,941
-	-	-	1,954	1,954
-	4,484		-	4,484
-	-	-	347	347
-	-		9,926	9,926
62,519	123,867	931,460	1,055,614	3,441,114
$ 85,035	$ 123,867	$ 1,048,633	$ 1,166,780	$ 5,630,217

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET ASSETS

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 1,917,463	$ 27,248	$ -	$ -	$ -	$ 40	$ -	$ 1,944,751
Investments	-	-	-	-	-	10,440	-	10,440
Taxes Receivable, net	843,090	-	-	-	-	(111,443)	-	731,647
Other Receivables, net	145,780	471	-	-	-	655	-	146,906
Due From Other Governments	307,476	228	-	-	-	-	-	307,704
Due From Other Funds	111,824	76	-	-	-	(628)	(93,150)	18,122
Due From Component Units	110	-	-	-	-	-	-	110
Inventories	17,145	1,121	-	-	-	-	-	18,266
Prepaids, Advances, and Deferred Charges	23,419	281	-	-	-	-	-	23,700
Total Current Assets	3,366,307	29,425	-	-	-	(100,936)	(93,150)	3,201,646
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,199,258	-	-	-	-	-	-	1,199,258
Restricted Investments	465,819	-	-	-	-	-	-	465,819
Restricted Receivables	311,462	-	-	-	-	-	-	311,462
Investments	34,602	-	-	-	-	(10,440)	-	24,162
Other Long-Term Assets	238,998	522	-	-	-	116,805	-	356,325
Depreciable Capital Assets and Infrastructure, net	-	64,281	1,284,676	-	-	-	-	1,348,957
Land and Nondepreciable Infrastructure	13,771	-	11,599,338	-	-	-	-	11,613,109
Total Noncurrent Assets	2,263,910	64,803	12,884,014	-	-	106,365	-	15,319,092
TOTAL ASSETS	5,630,217	94,228	12,884,014	-	-	5,429	(93,150)	18,520,738
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	476,445	-	-	-	-	-	-	476,445
Accounts Payable and Accrued Liabilities	671,110	8,258	-	57	-	-	-	679,425
TABOR Refund Liability (Note 8B)	41,064	-	-	-	-	-	-	41,064
Due To Other Governments	192,611	-	-	-	-	-	-	192,611
Due To Other Funds	93,074	76	-	-	-	-	(93,150)	-
Deferred Revenue	183,320	1,732	-	-	-	(111,443)	-	73,609
Compensated Absences Payable	35	13	-	-	-	7,852	-	7,900
Claims and Judgments Payable	2,111	-	-	-	-	36,627	-	38,738
Leases Payable	-	183	-	3,220	-	-	-	3,403
Notes, Bonds, COP's Payable	520,000	11,915	-	96,480	-	-	-	628,395
Other Current Liabilities	9,317	-	-	-	25,123	(9,348)	-	25,092
Total Current Liabilities	2,189,087	22,177	-	99,757	25,123	(76,312)	(93,150)	2,166,682
Noncurrent Liabilities:								
Deposits Held In Custody For Others	16	-	-	-	-	-	-	16
Accrued Compensated Absences	-	1,352	-	-	-	110,066	-	111,418
Claims and Judgments Payable	-	-	-	-		430,978	-	430,978
Capital Lease Payable	-	13,441	-	5,464	-	-	-	18,905
Notes, Bonds, COP's Payable	-	26,000	-	1,441,924	-	-	-	1,467,924
Other Long-Term Liabilities	-	-	-	-	67,911	130,609	-	198,520
Total Noncurrent Liabilities	16	40,793	-	1,447,388	67,911	671,653	-	2,227,761
TOTAL LIABILITIES	2,189,103	62,970	-	1,547,145	93,034	595,341	(93,150)	4,394,443
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	13,771	12,740	12,884,014	(1,138,648)	-	-	-	11,771,877
Restricted for:								
Highway Construction and Maintenance	988,180	-	-	(308,740)	-	-	-	679,440
State Education	123,867	-	-	-	-	-	-	123,867
Debt Service	3,298	-	-	-	-	-	-	3,298
Emergencies	71,000	-	-	-	-	-	-	71,000
Expendable	1,953	-	-	-	-	-	-	1,953
Nonexpendable	433,538	-	-	-	-	-	-	433,538
Court Awards and Other Purposes	141,933	-	-	-	-	-	-	141,933
Unrestricted	1,663,574	18,518	-	(99,757)	(93,034)	(589,912)	-	899,389
TOTAL NET ASSETS	$ 3,441,114	$ 31,258	$ 12,884,014	$ (1,547,145)	$ (93,034)	$ (589,912)	$ -	$ 14,126,295

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 3,421,183	$ -	$ -
Corporate Income	292,615	-	-
Sales and Use	1,966,899	-	-
Excise	96,867	-	553,628
Other Taxes	219,474	-	690
Licenses, Permits, and Fines	40,093	-	239,013
Charges for Goods and Services	54,022	-	4,536
Rents	134	-	705
Investment Income (Loss)	35,299	6	23,047
Federal Grants and Contracts	3,156,425	-	443,797
Other	248,999	1,885	40,717
TOTAL REVENUES	9,532,010	1,891	1,306,133
EXPENDITURES:			
Current:			
General Government	197,015	-	9,868
Business, Community and Consumer Affairs	130,581	-	-
Education	97,563	177	-
Health and Rehabilitation	388,732	-	7,504
Justice	848,934	-	66,515
Natural Resources	55,262	-	-
Social Assistance	2,953,538	-	-
Transportation	-	-	981,425
Capital Outlay	21,097	-	24,502
Intergovernmental:			
Cities	21,613	-	111,028
Counties	1,236,851	-	157,848
School Districts	484,152	2,434,402	-
Special Districts	77,755	-	18,133
Federal	1,816	-	-
Other	17,234	-	591
Debt Service	23,215	-	-
TOTAL EXPENDITURES	6,555,358	2,434,579	1,377,414
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,976,652	(2,432,688)	(71,281)
OTHER FINANCING SOURCES (USES):			
Transfers-In	268,119	2,426,418	81,312
Transfers-Out	(3,258,141)	(900)	(120,280)
Capital Leases and Certificates of Participation	6,766	-	12,535
Sale of Capital Assets	15	-	2,950
TOTAL OTHER FINANCING SOURCES (USES)	(2,983,241)	2,425,518	(23,483)
NET CHANGE IN FUND BALANCES	(6,589)	(7,170)	(94,764)
FUND BALANCE, FISCAL YEAR BEGINNING	246,982	18,327	1,112,348
Prior Period Adjustment (See Note 28)	(1,480)	-	-
FUND BALANCE, FISCAL YEAR END	$ 238,913	$ 11,157	$ 1,017,584

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 291,537	$ -	$ -	$ 3,712,720
-	22,397	-	-	315,012
-	-	14,137	-	1,981,036
-	-	3,535	80,692	734,722
-	-	180,832	137,383	538,379
768	-	196,913	88,271	565,058
-	-	39,939	919	99,416
-	-	5,229	55,456	61,524
1,814	9,804	16,879	38,813	125,662
25,128	-	205,041	640	3,831,031
4,642	31	23,772	941	320,987
32,352	323,769	686,277	403,115	12,285,547
6,271	-	65,320	-	278,474
195	-	129,459	17,019	277,254
2,596	10	5,084	23,391	128,821
127	-	43,357	3,284	443,004
2,701	-	59,908	-	978,058
3,175	-	27,107	4,567	90,111
3,831	-	63,987	3,091	3,024,447
-	-	1,765	-	983,190
30,310	-	16,303	31	92,243
855	-	66,327	18,161	217,984
238	-	53,412	25,405	1,473,754
-	339,972	8,540	16,524	3,283,590
214	-	17,118	1,103	114,323
-	-	2,154	463	4,433
289	-	19,858	451	38,423
-	-	30	91,158	114,403
50,802	339,982	579,729	204,648	11,542,512
(18,450)	(16,213)	106,548	198,467	743,035
49,157	-	275,829	97,548	3,198,383
(4,168)	(7,206)	(157,451)	(184,450)	(3,732,596)
-	-	7,538	-	26,839
-	-	745	6,002	9,712
44,989	(7,206)	126,661	(80,900)	(497,662)
26,539	(23,419)	233,209	117,567	245,373
35,980	147,286	700,467	934,254	3,195,644
-	-	(2,216)	3,793	97
$ 62,519	$ 123,867	$ 931,460	$ 1,055,614	$ 3,441,114

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

(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	$ 3,712,719	$ -	$ -	$ -	$ 3,184	$ 3,715,903
Corporate Income	315,012	-	-	-	(1,032)	313,980
Sales and Use	1,981,036	-	-	-	(244)	1,980,792
Excise	734,722	-	-	-	1,632	736,354
Other Taxes	538,379	-	-	-	1,403	539,782
Licenses, Permits, and Fines	565,058	-	-	-	(10)	565,048
Charges for Goods and Services	99,416	-	-	-	-	99,416
Rents	61,524	-	-	-	-	61,524
Investment Income (Loss)	125,662	311	-	-	(635)	125,338
Federal Grants and Contracts	3,831,031	-	-	-	-	3,831,031
Other	320,987	-	1,220	-	(471)	321,736
TOTAL REVENUES	12,285,546	311	1,220	-	3,827	12,290,904
EXPENDITURES:						
Current:						
General Government	278,474	(785)	7,200	-	(1,011)	283,878
Business, Community and Consumer Affairs	277,254	114	3,501	-	113,441	394,310
Education	128,821	8	821	-	(29)	129,621
Health and Rehabilitation	443,004	133	5,350	-	230	448,717
Justice	978,058	1,682	27,054	-	(984)	1,005,810
Natural Resources	90,111	161	3,304	-	(29,090)	64,486
Social Assistance	3,024,447	(244)	1,078	-	27	3,025,308
Transportation	983,190	177	(128,321)	-	(125)	854,921
Capital Outlay	92,243	-	(87,234)	-	-	5,009
Intergovernmental:						
Cities	217,984	-	-	-	-	217,984
Counties	1,473,754	-	5	-	-	1,473,759
School Districts	3,283,590	-	-	-	-	3,283,590
Special Districts	114,323	-	-	-	-	114,323
Federal	4,433	-	-	-	-	4,433
Other	38,423	-	-	-	-	38,423
Debt Service	114,403	1,128	-	(18,592)	-	96,939
TOTAL EXPENDITURES	11,542,512	2,374	(167,242)	(18,592)	82,459	11,441,511
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	743,034	(2,063)	168,462	18,592	(78,632)	849,393
OTHER FINANCING SOURCES (USES):						
Transfers-In	3,198,383	693	-	-	-	3,199,076
Transfers-Out	(3,732,596)	(4,824)	-	-	-	(3,737,420)
Capital Leases and Certificates of Participation	26,839	-	-	(26,839)	-	-
Sale of Capital Assets	9,712	-	(2,517)	-	-	7,195
TOTAL OTHER FINANCING SOURCES (USES)	(497,662)	(4,131)	(2,517)	(26,839)	-	(531,149)
Internal Service Fund Charges to BTAs	-	(452)	-	-	-	(452)
NET CHANGE FOR THE YEAR	$ 245,372	$ (6,646)	$ 165,945	$ (8,247)	$ (78,632)	$ 317,792

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, 2005

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 516,636	$ 231,288
Investments	669,477	-
Taxes Receivable, net	-	103,598
Student and Other Receivables, net	175,282	4,383
Due From Other Governments	90,495	1,232
Due From Other Funds	3,600	27
Due From Component Units	9,294	-
Inventories	22,521	-
Prepaids, Advances, and Deferred Charges	8,477	-
Total Current Assets	1,495,782	340,528
Noncurrent Assets:		
Restricted Cash and Pooled Cash	91,672	-
Restricted Investments	271,092	-
Restricted Receivables	-	-
Investments	189,919	-
Other Long-Term Assets	108,052	-
Depreciable Capital Assets and Infrastructure, net	2,621,953	-
Land and Nondepreciable Infrastructure	280,837	-
Total Noncurrent Assets	3,563,525	-
TOTAL ASSETS	5,059,307	340,528
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	323,072	193
Due To Other Governments	-	98
Due To Other Funds	6,729	1,059
Due To Component Units	1,607	-
Deferred Revenue	112,183	-
Compensated Absences Payable	13,514	-
Claims and Judgments Payable	-	8,233
Leases Payable	5,795	-
Notes, Bonds, COP's Payable	39,994	-
Other Current Liabilities	76,002	9,220
Total Current Liabilities	578,896	18,803
Noncurrent Liabilities:		
Accrued Compensated Absences	123,147	-
Claims and Judgments Payable	20,019	-
Capital Lease Payable	83,911	-
Notes, Bonds, COP's Payable	1,034,467	-
Other Long-Term Liabilities	13,336	-
Total Noncurrent Liabilities	1,274,880	-
TOTAL LIABILITIES	1,853,776	18,803
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,033,720	-
Restricted for:		
Unemployment Insurance	-	321,725
Debt Service	4,852	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	16,483	-
Nonexpendable	76,460	-
Court Awards and Other Purposes	300,671	-
Unrestricted	773,345	-
TOTAL NET ASSETS	$ 3,205,531	$ 321,725

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 26,094	$ 28,804	$ 69,796	$ 872,618	$ 27,248
869	-	-	670,346	-
-	-	-	103,598	-
1,610	21,623	4,043	206,941	471
-	-	3,443	95,170	228
342	-	2,816	6,785	76
-	-	-	9,294	-
-	1,233	11,043	34,797	1,121
350	3,953	943	13,723	281
29,265	55,613	92,084	2,013,272	29,425
-	-	68,611	160,283	-
182,784	-	-	453,876	-
1,011,358	-	3,776	1,015,134	-
35,260	-	150	225,329	-
9,761	-	1,546	119,359	522
1,172	861	95,792	2,719,778	64,281
-	-	122,200	403,037	-
1,240,335	861	292,075	5,096,796	64,803
1,269,600	56,474	384,159	7,110,068	94,228
4,279	7,120	15,683	350,347	8,258
20,259	39	5,867	26,263	-
671	27,790	862	37,111	76
-	-	-	1,607	-
-	154	33,095	145,432	1,732
-	12	577	14,103	13
-	-	-	8,233	-
-	-	244	6,039	183
43,947	-	1,731	85,672	11,915
3,928	17,345	733	107,228	-
73,084	52,460	58,792	782,035	22,177
118	836	7,782	131,883	1,352
-	-	-	20,019	-
-	-	190	84,101	13,441
1,014,916	-	13,454	2,062,837	26,000
38,557	129	-	52,022	-
1,053,591	965	21,426	2,350,862	40,793
1,126,675	53,425	80,218	3,132,897	62,970
1,172	861	202,315	2,238,068	12,740
-	-	-	321,725	-
117,438	-	-	122,290	-
-	-	27,247	27,247	-
-	-	-	16,483	-
-	-	-	76,460	-
-	-	3,043	303,714	-
24,315	2,188	71,336	871,184	18,518
$ 142,925	$ 3,049	$ 303,941	$ 3,977,171	$ 31,258

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Taxes	$ -	$ 462,419
License and Permits	-	-
Tuition and Fees	909,618	-
Pledged Tuition and Fees	75,984	-
Scholarship Allowance for Tuition and Fees	(180,011)	-
Sales of Goods and Services	530,231	-
Pledged Sales of Goods & Services	206,094	-
Scholarship Allowance for Sales of Goods & Services	(16,390)	-
Investment Income (Loss)	1,080	-
Pledged Investment Income	-	-
Rental Income	14,543	-
Gifts and Donations	8,772	-
Federal Grants and Contracts	769,182	11,618
Pledged Federal Grants and Contracts	134,829	-
Intergovernmental Revenue	6,035	-
Other	134,505	-
Pledged Other Revenues	6,684	-
TOTAL OPERATING REVENUES	2,601,156	474,037
OPERATING EXPENSES:		
Salaries and Fringe Benefits	2,148,834	-
Operating and Travel	721,076	359,162
Cost of Goods Sold	115,396	-
Depreciation and Amortization	201,765	-
Intergovernmental Distributions	32,383	-
Debt Service	-	-
Prizes and Awards	62	-
TOTAL OPERATING EXPENSES	3,219,516	359,162
OPERATING INCOME (LOSS)	(618,360)	114,875
NONOPERATING REVENUES AND (EXPENSES):		
Fines and Settlements	168	-
Investment Income (Loss)	122,760	6,539
Pledged Investment Income	1,932	-
Rental Income	5,372	-
Gifts and Donations	93,599	-
Intergovernmental Distributions	(19,544)	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale of Capital Assets	(4,440)	-
Debt Service	(50,763)	-
Other Expenses	-	-
Other Revenues	15,748	-
TOTAL NONOPERATING REVENUES (EXPENSES)	164,832	6,539
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(453,528)	121,414
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	40,052	-
Additions to Permanent Endowments	-	-
Transfers-In	599,399	-
Transfers-Out	(3,090)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	636,361	-
CHANGE IN NET ASSETS	182,833	121,414
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,008,769	200,311
Prior Period/Other Adjustments (See Note 28)	13,929	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 3,205,531	$ 321,725

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ -	$ 462,419	$ -
-	51	64,813	64,864	-
-	-	493	910,111	-
-	-	-	75,984	-
-	-	-	(180,011)	-
393	420,664	87,698	1,038,986	79,014
-	-	-	206,094	-
-	-	-	(16,390)	-
3,489	-	1,141	5,710	-
5,170	-	-	5,170	-
-	-	1,298	15,841	9,754
-	-	-	8,772	-
-	-	114,566	895,366	-
25,164	-	-	159,993	-
-	-	13,846	19,881	-
2	911	4,849	140,267	638
33,901	-	-	40,585	-
68,119	421,626	288,704	3,853,642	89,406
1,677	9,013	109,803	2,269,327	20,386
15,617	43,773	113,372	1,253,000	48,432
6,535	10,816	19,813	152,560	5,363
332	193	7,301	209,591	18,501
-	-	4,323	36,706	3
30,292	-	10,948	41,240	-
-	253,199	718	253,979	-
54,453	316,994	266,278	4,216,403	92,685
13,666	104,632	22,426	(362,761)	(3,279)
-	-	429	597	2
-	747	1,505	131,551	311
-	-	-	1,932	-
-	-	314	5,686	-
-	-	2,183	95,782	-
-	(50,177)	-	(69,721)	-
-	-	-	-	841
-	-	361	(4,079)	533
-	-	(522)	(51,285)	(1,000)
-	-	(54)	(54)	(111)
-	-	-	15,748	-
-	(49,430)	4,216	126,157	576
13,666	55,202	26,642	(236,604)	(2,703)
-	-	532	40,584	180
-	-	11	11	-
241	-	3,044	602,684	693
(23)	(53,869)	(5,156)	(62,138)	(4,824)
218	(53,869)	(1,569)	581,141	(3,951)
13,884	1,333	25,073	344,537	(6,654)
129,041	1,716	276,903	3,616,740	37,634
-	-	1,965	15,894	278
$ 142,925	$ 3,049	$ 303,941	$ 3,977,171	$ 31,258

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 806,712	$ -
Fees for Service	685,801	-
Sales of Products	6,449	-
Gifts, Grants, and Contracts	1,002,355	11,885
Loan and Note Repayments	3,609	-
Unemployment Insurance Taxes	-	448,114
Income from Property	19,915	-
Other Sources	69,114	-
Cash Payments to or for:		
Employees	(2,077,973)	-
Suppliers	(804,346)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(352,511)
Scholarships	(78,583)	-
Others for Student Loans and Loan Losses	(19,237)	-
Other Governments	(32,383)	-
Other	(9,128)	(9,499)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(427,695)	97,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	599,399	-
Transfers-Out	(3,090)	-
Receipt of Deposits Held in Custody	440,699	-
Release of Deposits Held in Custody	(435,870)	-
Gifts for Other Than Capital Purposes	93,599	-
Intergovernmental Distributions	(19,544)	-
NonCapital Debt Proceeds	3,955	-
NonCapital Debt Service Payments	(64)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	679,084	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(274,107)	-
Capital Contributions	1,042	-
Capital Gifts, Grants, and Contracts	25,697	-
Proceeds from Sale of Capital Assets	1,744	-
Capital Debt Proceeds	339,758	-
Capital Debt Service Payments	(87,972)	-
Capital Lease Payments	(6,575)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(413)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 501	$ 807,213	$ 11
736	-	112,429	798,966	77,220
-	413,891	35,958	456,298	2,456
21,741	-	119,590	1,155,571	841
299,506	-	-	303,115	-
-	-	-	448,114	-
-	-	1,736	21,651	9,711
-	962	22,628	92,704	868
(1,691)	(7,697)	(95,377)	(2,182,738)	(18,687)
(15,261)	(20,238)	(86,246)	(926,091)	(53,841)
-	(281,999)	(5,794)	(287,793)	-
-	-	-	(352,511)	-
-	-	-	(78,583)	-
(387,025)	-	(65,199)	(471,461)	-
-	-	(4,311)	(36,694)	(3)
-	(38)	(3,465)	(22,130)	(104)
(81,994)	104,881	32,450	(274,369)	18,472
241	-	3,044	602,684	693
(23)	(53,869)	(5,156)	(62,138)	(4,824)
-	-	75	440,774	-
-	-	(8)	(435,878)	-
-	-	1,746	95,345	-
-	(48,198)	-	(67,742)	-
229,025	-	267	233,247	-
(83,035)	-	(645)	(83,744)	-
146,208	(102,067)	(677)	722,548	(4,131)
(117)	(366)	(20,666)	(295,256)	(19,102)
-	-	-	1,042	-
-	-	24	25,721	-
-	165	9	1,918	6,536
-	-	9,094	348,852	20,678
-	-	(1,372)	(89,344)	(17,618)
-	-	(17)	(6,592)	-
(117)	(201)	(12,928)	(13,659)	(9,506)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	119,032	6,539
Proceeds from Sale/Maturity of Investments	3,583,691	-
Purchases of Investments	(3,844,950)	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(4,478)	-
NET CASH FROM INVESTING ACTIVITIES	(146,705)	6,539
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	104,271	104,528
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	504,037	126,760
Prior Period Adjustment		-
CASH AND POOLED CASH, FISCAL YEAR END	$ 608,308	$ 231,288
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (618,360)	$ 114,875
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	201,765	-
Investment/Rental Income and Other Revenue in Operating Income	(398)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	21,289	-
Loss on Disposal of Capital Assets	124	-
Compensated Absences	7,755	-
Interest and Other Expense in Operating Income	(9,687)	-
(Increase) Decrease in Operating Receivables	(34,874)	(9,187)
(Increase) Decrease in Inventories	(556)	-
(Increase) Decrease in Other Operating Assets	(13,181)	-
Increase (Decrease) in Accounts Payable	14,741	(1,797)
Increase (Decrease) in Other Operating Liabilities	3,687	(5,902)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (427,695)	$ 97,989
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	8,753	-
Capital Assets Acquired by Grants or Donations and Payable Increases	7,953	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	6,727	-
Gain/(Loss) on Disposal of Capital Assets	(5,297)	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	451	-
Assumption of Capital Lease Obligation or Mortgage	8,704	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
5,903	951	3,786	136,211	336
1,642,728	-	96	5,226,515	-
(1,716,935)	-	-	(5,561,885)	-
(244)	(218)	(1,137)	(6,077)	(25)
(68,548)	733	2,745	(205,236)	311
(4,451)	3,346	21,590	229,284	5,146
30,545	25,458	113,197	799,997	22,102
-	-	3,620	3,620	-
$ 26,094	$ 28,804	$ 138,407	$ 1,032,901	$ 27,248
$ 13,666	$ 104,632	$ 22,426	$ (362,761)	$ (3,279)
332	193	7,301	209,591	18,501
(8,659)	-	(1,141)	(10,198)	-
-	-	1,189	22,478	843
-	-	151	275	-
22	116	(552)	7,341	(137)
30,292	176	176	20,957	500
(124,460)	(6,866)	3,957	(171,430)	(35)
-	88	(1,264)	(1,732)	(200)
1,634	(389)	741	(11,195)	188
2,049	3,960	(2,785)	16,168	1,180
3,130	2,971	2,251	6,137	911
$ (81,994)	$ 104,881	$ 32,450	$ (274,369)	$ 18,472
-	-	508	9,261	180
-	-	-	7,953	-
(4,735)	-	7	1,999	-
-	142	134	(5,021)	533
-	-	-	451	-
-	-	215	8,919	123

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)	PENSION TRUST FUNDS PENSION AND BENEFIT TRUST	INVESTMENT TRUST FUNDS PINNACOL ASSURANCE	PRIVATE PURPOSE TRUST FUNDS PRIVATE PURPOSE TRUST	AGENCY FUNDS AGENCY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 6,766	$ -	$ 141,838	$ 332,514
Taxes Receivable, net	-	-	-	97,637
Other Receivables, net	1,879	-	4,618	265
Due From Other Funds	-	-	260	12,367
Prepaids, Advances, and Deferred Charges	18	-	-	-
Noncurrent Assets:				
Investments:				
Government Securities	-	-	2,560	-
Corporate Bonds	-	-	2,003	-
Asset Backed Securities	-	-	1,504	-
Mortgages	-	-	2,318	-
Mutual Funds	308,354	-	1,955,880	-
Other Investments	-	-	21,657	-
Other Long-Term Assets	-	-	-	15,443
TOTAL ASSETS	317,017	-	2,132,638	458,226
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	625
Accounts Payable and Accrued Liabilities	1,274	-	54,687	535
Due To Other Governments	-	-	-	187,142
Due To Other Funds	-	-	247	804
Claims and Judgments Payable	-	-	-	472
Other Current Liabilities	-	-	-	214,111
Noncurrent Liabilities:				
Deposits Held In Custody For Others	-	-	-	54,283
Accrued Compensated Absences	33	-	-	-
Other Long-Term Liabilities	-	-	1,772	254
TOTAL LIABILITIES	1,307	-	56,706	458,226
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	314,611	-	-	-
Individuals, Organizations, and Other Entities	-	-	2,075,932	-
Unrestricted	1,099	-	-	-
TOTAL NET ASSETS	$ 315,710	$ -	$ 2,075,932	$ -

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, 2005

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PINNACOL ASSURANCE	PRIVATE PURPOSE TRUST
ADDITIONS:			
Additions By Participants	$ 14	$ 245,596	$ 489,443
Member Contributions	109,094	-	-
Employer Contributions	80,108	-	-
Investment Income/(Loss)	15,544	(8,502)	85,133
Employee Deferral Fees	456	-	-
Unclaimed Property Receipts	-	-	98,752
Other Additions	133	215	1,531
TOTAL ADDITIONS	205,349	237,309	674,859
DEDUCTIONS:			
Distributions to Participants	1,045	1,760,426	-
Benefits and Withdrawals	28,093	-	-
Health Insurance Premiums Paid	122,264	-	-
Other Benefits Plan Expense	28,166	-	-
Payments in Accordance with Trust Agreements	-	-	162,006
Administrative Expense	504	-	-
Other Deductions	1,242	-	-
Transfers-Out	142	-	2,060
TOTAL DEDUCTIONS	181,456	1,760,426	164,066
CHANGE IN NET ASSETS	23,893	(1,523,117)	510,793
NET ASSETS AVAILABLE:			
FISCAL YEAR BEGINNING	291,817	1,523,117	1,564,903
Prior Period Adjustment	-	-	236
FISCAL YEAR ENDING	$ 315,710	$ -	$ 2,075,932

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 7,057	$ 96,512	$ 2,195
Investments	-	-	-
Taxes Receivable, net	-	-	280
Contributions Receivable, net		-	-
Other Receivables, net	77,555	49,602	71
Due From Other Governments	-	3,491	-
Inventories	8,635	-	-
Prepaids, Advances, and Deferred Charges	5,657	-	4
Total Current Assets	98,904	149,605	2,550
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	66,545	-
Restricted Investments	151,494	421,327	-
Restricted Receivables	16,270	6,212	-
Investments	153,362	-	-
Contributions Receivable, net		-	-
Other Long-Term Assets	18,384	871,941	297
Depreciable Capital Assets and Infrastructure, net	369,522	43	140,957
Land and Nondepreciable Infrastructure	17,079	-	19,062
Total Noncurrent Assets	726,111	1,366,068	160,316
TOTAL ASSETS	825,015	1,515,673	162,866
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	46,793	13,706	-
Due To Other Governments	-	2,694	-
Deferred Revenue	-	320	-
Compensated Absences Payable	10,794	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	-
Notes, Bonds, COP's Payable	6,880	36,305	-
Other Current Liabilities	8,013	150,010	-
Total Current Liabilities	72,480	203,035	-
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Capital Lease Payable	-	-	-
Notes, Bonds, COP's Payable	445,075	807,851	-
Other Long-Term Liabilities	1,472	111,314	-
Total Noncurrent Liabilities	446,547	919,165	-
TOTAL LIABILITIES	519,027	1,122,200	-
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	85,336	43	160,019
Restricted for:			
Emergencies	-	-	19
Permanent Funds and Endowments:			
Expendable	-	-	-
Nonexpendable	-	-	-
Court Awards and Other Purposes	18,326	323,563	491
Unrestricted	202,326	69,867	2,337
TOTAL NET ASSETS	$ 305,988	$ 393,473	$ 162,866

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

UNIVERSITY OF COLORADO FOUNDATION	COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	COVER COLORADO	TOTAL
$ 14,189	$ 290	$ 441	$ 4	$ 3,537	$ 124,225
-	-	-	-	39,066	39,066
-	-	-	-	-	280
13,621	3,108	1,390	856	-	18,975
151	-	2,163	528	1,384	131,454
-	-	-	-	-	3,491
-	-	-	-	-	8,635
492	473	-	-	-	6,626
28,453	3,871	3,994	1,388	43,987	332,752
-	-	-	-	-	66,545
-	-	-	-	-	572,821
-	-	-	-	-	22,482
657,647	181,366	153,928	89,104	-	1,235,407
15,641	9,886	4,498	869	-	30,894
1,608	2,200	250	79	-	894,759
67,743	276	730	1,124	13	580,408
-	-	-	-	-	36,141
742,639	193,728	159,406	91,176	13	3,439,457
771,092	197,599	163,400	92,564	44,000	3,772,209
3,655	441	745	751	298	66,389
-	-	-	-	-	2,694
1,242	-	-	-	1,178	2,740
-	-	-	-	-	10,794
-	-	-	-	11,295	11,295
225	-	-	-	-	225
1,200	-	-	-	-	44,385
8,485	-	-	-	1,089	167,597
14,807	441	745	751	13,860	306,119
87,793	12,521	10,884	796	-	111,994
4,852	-	-	-	-	4,852
68,036	-	-	-	-	1,320,962
27,506	1,053	9,989	140	-	151,474
188,187	13,574	20,873	936	-	1,589,282
202,994	14,015	21,618	1,687	13,860	1,895,401
(1,493)	276	730	1,124	13	246,048
-	-	-	-	-	19
347,974	89,566	38,633	35,403	-	511,576
189,920	75,238	87,873	44,411	-	397,442
-	-	-	-	30,127	372,507
31,697	18,504	14,546	9,939	-	349,216
$ 568,098	$ 183,584	$ 141,782	$ 90,877	$ 30,140	$ 1,876,808

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT
OPERATING REVENUES:			
Fees	$ -	$ 32,291	$ -
Sales of Goods and Services	446,833	-	-
Investment Income (Loss)	-	15,442	-
Rental Income	-	-	544
Gifts and Donations	-	-	-
Federal Grants and Contracts	-	2,327	-
Other	17,413	46	-
TOTAL OPERATING REVENUES	464,246	50,106	544
OPERATING EXPENSES:			
Salaries and Fringe Benefits	222,252	991	-
Operating and Travel	107,943	3,958	59
Cost of Goods Sold	90,442	-	-
Depreciation and Amortization	38,718	13	4,218
Debt Service	-	38,388	-
Foundation Program Distributions	-	-	-
TOTAL OPERATING EXPENSES	459,355	43,350	4,277
OPERATING INCOME (LOSS)	4,891	6,756	(3,733)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	63
Investment Income (Loss)	5,121	-	20
Gain/(Loss) on Sale of Capital Assets	(145)	-	-
Debt Service	(17,462)	-	-
Other Expenses	(479)	-	(1,000)
Other Revenues	-	-	1,237
TOTAL NONOPERATING REVENUES (EXPENSES)	(12,965)	-	320
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(8,074)	6,756	(3,413)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	9,137	23,631	-
TOTAL CONTRIBUTIONS AND TRANSFERS	9,137	23,631	-
CHANGE IN NET ASSETS	1,063	30,387	(3,413)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	304,925	363,086	166,279
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 305,988	$ 393,473	$ 162,866

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

UNIVERSITY OF COLORADO FOUNDATION	COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	COVER COLORADO	TOTAL
$ 8,247	$ -	$ -	$ -	$ 46,351	$ 86,889
-	-	-	-	-	446,833
-	-		-	-	15,442
4,668	-	-	-	-	5,212
56,761	26,952	12,622	5,665	-	102,000
-	-	-	-	2,027	4,354
918	304	(476)	945	-	19,150
70,594	27,256	12,146	6,610	48,378	679,880
-	-	-	-	-	223,243
18,899	2,369	2,257	1,796	39,760	177,041
-	-	-	-	-	90,442
-	-	-	-	10	42,959
-	-	-	-	-	38,388
98,484	32,786	8,137	7,068	-	146,475
117,383	35,155	10,394	8,864	39,770	718,548
(46,789)	(7,899)	1,752	(2,254)	8,608	(38,668)
-	-	-	-	-	63
51,954	12,815	10,721	7,424	291	88,346
-	-	-	-	-	(145)
-	-	-	-	-	(17,462)
-	-	-	-	-	(1,479)
299	-	-	-	10,708	12,244
52,253	12,815	10,721	7,424	10,999	81,567
5,464	4,916	12,473	5,170	19,607	42,899
3,600	-	-	-	-	36,368
3,600	-	-	-	-	36,368
9,064	4,916	12,473	5,170	19,607	79,267
559,034	178,668	129,309	85,707	10,533	1,797,541
$ 568,098	$ 183,584	$ 141,782	$ 90,877	$ 30,140	$ 1,876,808

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, 2005

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Unemployment Insurance Taxes			
Fees	$ 86,889	Charges for Services	$ 86,889
Sales of Goods and Services	446,833	Charges for Services	446,833
Investment Income (Loss)	15,442	Unrestricted Investment Earning	15,442
Rental Income	5,212	Charges for Services	5,212
Gifts and Donations	102,000	Operating Grants & Contributions	102,000
Federal Grants and Contracts	4,354	Operating Grants & Contributions	4,354
Other	19,150	Charges for Services	17,459
		Operating Grants & Contributions	1,691
TOTAL OPERATING REVENUES	679,880		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	223,243	Expenses	223,243
Operating and Travel	177,041	Expenses	177,041
Cost of Goods Sold	90,442	Expenses	90,442
Depreciation and Amortization	42,959	Expenses	42,959
Debt Service	38,388	Expenses	38,388
Foundation Program Distributions	146,475	Expenses	146,475
TOTAL OPERATING EXPENSES	718,548		
OPERATING INCOME (LOSS)	(38,668)		
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	63	Sales & Use Taxes	63
Investment Income (Loss)	88,346	Unrestricted Investment Earning	28,899
		Operating Grants & Contributions	59,447
Gain/(Loss) on Sale of Capital Assets	(145)	Expenses	(145)
Debt Service	(17,462)	Expenses	(17,462)
Other Expenses	(1,479)	Expenses	(1,479)
Other Revenues	12,244	Payment from State	10,708
		Capital Grants & Contributions	1,237
		Charges for Services	299
TOTAL NONOPERATING REVENUES (EXPENSES)	81,567		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	42,899		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	36,368	Operating Grants & Contributions	29,625
		Capital Grants & Contributions	3,143
		Payment from State	3,600
TOTAL CONTRIBUTIONS AND TRANSFERS	36,368		
CHANGE IN NET ASSETS	79,267		79,267
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	1,797,541		1,797,541
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 1,876,808		$ 1,876,808

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. In Fiscal Year 2004-05 the state implemented GASB Statement No. 40 – Deposits and Investment Risk Disclosures.

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. Under GASB Statement No. 39, individually significant legally-separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the state and the state can access those resources.

The following entities 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
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
CoverColorado

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

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

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

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop 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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

University of Northern Colorado Foundation, Inc.
Campus Box 20
Greeley, Colorado 80639

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 as amended by GASB Statement No. 39:

- 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
- Statewide Internet Portal Authority

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

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

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

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

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

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

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

The *Statement of Net Assets* presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the line item Restricted Net Assets. The nature of 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. They also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

<u>General Fund</u>
Transactions related to resources obtained and used for those services traditionally provided by state government, which are not 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.

<u>Public School Fund</u>
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.

<u>Highway Users Tax Fund</u>
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's primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11.

Other Special Revenue Funds

Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Other Special Revenue Funds. Individually significant funds include the Controlled Maintenance Trust Fund, the Help America Vote Fund, the Division of Registrations Cash Fund, the Children's Basic Health Plan Fund, the Conservation Trust Fund, and the Petroleum Storage Tank Fund. In addition to a large number of other smaller funds, two significant fund groups included in the Other Special Revenue Funds are the Natural Resources Extraction funds which account for severance taxes and mineral lease revenue and the Employment funds which account for surcharges on workers' compensation premiums and employer taxes. A combining schedule of total assets, total liabilities, and total nets assets for the larger of these individual funds is presented beginning on page 189.

PROPRIETARY FUND TYPE:

Higher Education Institutions

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.

CollegeInvest

CollegeInvest issues revenue bonds to originate and purchase student loans and operates a limited prepaid tuition program. 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 contingency reserve in the State Public School Fund. The funds are used primarily for open space purchases and recreational facilities throughout the state.

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

GOVERNMENTAL FUND TYPE:

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, and the Tobacco Impact Mitigation Fund.

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. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of certificates of participation issued by various departments and 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 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, College Access Network, 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. (Individual financial statements of these plans 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 operated an external investment account solely for the benefit of Pinnacol Assurance, a related organization. During Fiscal Year 2004-05, Pinnacol Assurance became responsible for investing its own funds pursuant to Senate Bill 05-54.

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

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

PRESENTATION OF INTERNAL BALANCES

Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

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

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

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

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

Justice
Department of Corrections, Division of Youth Corrections, Judicial Branch, Department of Law, Department of Public Safety, and the Civil Rights Division

Natural Resources
Department of Natural Resources

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

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the state's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2005.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2004.

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, 2004.

The four foundations presented as component units all follow FASB statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2005.

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 to estimate the following revenue accruals:

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

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

Expenditures are recognized in governmental funds when:

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

Under these recognition criteria, compensated absences, claims and judgments, 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 Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting and has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures. 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 uses 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, pooled cash with the State Treasurer, and warrants payable.

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 and the Colorado State University Foundation each consider highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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

The University of Northern Colorado Foundation considers all cash on deposit in demand savings and time deposits with maturity of three months or less to be cash equivalents.

The University of Colorado Foundation considers money market accounts and investments purchased with original maturities of less than three months to be cash equivalents.

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

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

E. CAPITAL ASSETS

Primary Government

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

Infrastructure owned by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81, is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded (see Note RSI-2 to the Required Supplementary Information, page 142, for more information on the modified approach). Other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	40
Equipment	3	50
Software	3	23
Library Books	5	20
Collections	23.5	23.5
Infrastructure	25	50

Component Units

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

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures 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 the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. After earning the maximum accrual, each employee converts five hours of unused 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 that will ultimately retire from the hospital.

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

H. INSURANCE

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

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

I. NET ASSETS AND FUND BALANCES

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

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

On the *Balance Sheet – Governmental Funds,* assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation. 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.

<u>Invested in Capital Assets Net of Related Debt</u> – 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.

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

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

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

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

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

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

<u>Restricted for Court Awards and Other Purposes</u> – 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. The state received \$73.1 million and \$73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme

Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted.

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

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

Reserved for Encumbrances - In the General Fund, this reserve 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. The reserve also includes earned augmenting revenue, such as insurance proceeds, that agencies are not required to revert into General Fund fund balance.

In the Special Revenue Funds and Capital Projects Fund this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects. 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 undesignated fund balance is greater than zero. On a GAAP basis, General Fund assets were not adequate to meet the Fiscal Year 2004-05 statutorily required reserve of $237.4 million. This resulted in the $198.8 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 General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues. See Note 8B for more information on the current year amount of the emergency reserve.

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

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

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, part of the Tobacco Impact Mitigation Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,

- Sales of products,
- Rents and royalties,
- Donations and contributions,
- 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 2004-05. The Plan uses cost from Fiscal Year 2002-03 that will be incorporated in state agency indirect cost rates to be charged to federal grants in Fiscal Year 2006-07. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

Primary Government

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

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

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

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

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

Component Units

The Denver Metropolitan Major League Baseball Stadium District defines operating revenues as those revenues for which cash flows are reported as 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. OVEREXPENDITURES

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

If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 132.

Within the limitations discussed below, the State Controller may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the

Medicaid program. The Department of Human Services is allowed $1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan, which it transferred to the Department of Personnel & Administration in Fiscal Year 2004-05. 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.

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

Total overexpenditures at June 30, 2005, were $2,592,416, as described below.

Medicaid Overexpenditures:

- Medicaid Mental Health Fee for Service Payments – The Department of Health Care Policy and Financing overexpended this line item by $79,004 of general funds. The department overexpended the line because the payments are entitlements that are beyond the department's control and because the needed appropriation was underestimated. The estimation difficulty stemmed from the transition of the program from the Department of Human Services, and the historical data is not adequately predictive of future needs.

- Medicaid Mental Health - Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $1,204,441 of general funds. The department overexpended the line because the payments are entitlements that are beyond the department's control and because the needed appropriation was underestimated. The estimation difficulty stemmed from the transition of the program from the Department of Human Services to the Department of Health Care Policy and Financing.

- Services for People with Disabilities – Federally Matched Local Programs – The Department of Health Care Policy and Financing overexpended this line item by $1,160,875 of cash funds for which the supporting revenues are exempt from TABOR limits. The line item funds the Department of Human Services Administered Medicaid Programs, and the overexpenditure occurred because funds provided by local Community Center Boards were increased after the appropriation and supplemental budget processes for Fiscal Year 2004-05 were complete. The additional local match resulted in additional expenditures and the overexpenditure.

Department of Human Services Overexpenditures Other Than Medicaid:

- Office of Information Technology Services – Legacy Systems Shutdown – The Department of Human Services overexpended this budget line item by $69,899 of general funds. The overexpenditure occurred because the department was unable to earn revenues to support the appropriation in the proportions required by the appropriation. As a result of the funding mix problem, additional expenditures were billed as allowable costs to a federal grant that required a general fund match. The general fund match exceeded the general fund appropriation available.

- Office of Information Technology Services – Operating Expenditures - OITS – The Department of Human Services overexpended this budget line item by $42,985 of general funds. The overexpenditure occurred because the department expected additional savings that did not materialize when it converted from an outdated mainframe computer connection. However, the costs to migrate to the new system were still incurred and resulted in the overexpenditure.

Statewide Overexpenditures Subject to the $1 million Limit:

- Executive Director's Office - Legal Services – The Department of Personnel & Administration overexpended this line item by $3,709 of cash funds and $6,609 of general funds. The overexpenditure occurred because the department was unable to reduce legal services expenditures by the amount by which its legal services appropriation was reduced for Fiscal Year 2004-05.

- Executive Director's Office - Vehicle Lease – The Department of Military and Veterans Affairs overexpended this line item by $2,860 of general funds. The department overexpended the line item because the department's negative lease line supplemental did not align with the lease charges invoiced to the department by the Department of Personnel & Administration.

Overexpenditures not Subject to Statutory Approval:

- Executive Director's Office - Local Armory Incentive Plan – The Department of Military and Veterans Affairs overexpended this line item by $22,034 of cash funds. The department overexpended the line item because it made expenditures for repairs and maintenance in anticipation of a supplemental budget increase that it ultimately did not receive.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Annual revenues that exceed the constitutional limitation must be refunded unless voters approve otherwise. Before Fiscal Year 2001-02, the state exceeded the revenue growth limitation in each year since Fiscal Year 1996-97. State revenues did not exceed the TABOR limit in Fiscal Years 2003-04, 2002-03, or 2001-02. The revenues would have exceeded the TABOR limit in Fiscal Year 2003-04 by $374.7 million if not for the growth dividend. The growth dividend is the result of legislation passed in the 2002 legislative session, and it allows the state to increase the TABOR limit by up to 6.0 percentage points over the nine years following the passage of the legislation. The increase allows the state to recoup amounts refunded to taxpayers during the 1990's that would not have been refunded if the intercensus population estimates accurately matched the 2000 population census.

The state is required to refund $41.1 million in Fiscal Year 2005-06 because TABOR revenues exceeded the adjusted TABOR limit in Fiscal Year 2004-05. The refund was reduced by $3.1 million related to misclassifications of revenue in prior years. In addition, the TABOR limit and refund were adjusted per House Bill 1310 enacted in 2005 that directed the state to take credit for excess refunds made in Fiscal Years 2001-02, 2002-03, and 2003-04. In those years, TABOR revenues were reduced by excess refunds even though doing so further reduced the base, which was declining due to economic down turn. The adjustment in Fiscal Year 2004-05 increased the base on which the limit was calculated, and thereby, reduced the use of growth dividend for Fiscal Year 2003-04. The adjustment to the base and the credit for excess refunds combined to reduce the Fiscal Year 2004-05 refund required to be made in Fiscal Year 2005-06 by $222.5 million.

The Department of Revenue establishes the amount of individual refunds per taxpayer based on the State Controller's certification of TABOR revenues and related refunds. At September 30, 2005, the State Controller certified TABOR revenues and a refund liability of $43,035,538. Audit adjustments identified after that date resulted in the reduction of the required refund to $41,063,503. The same legislation that adjusted the Fiscal Year 2004-05 refunds also required that future refunds be adjusted for any over/under refund that occurs as a result of variances between the total amount due and the estimate of individual refunds.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2004-05 this amount was $254,488,898. At June 30, 2005, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $24,000,000
- Subsequent Injury Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $20,000,000
- Worker's Compensation Cash Fund, a portion of the Other Special Revenue Fund, a major fund – $12,000,000
- Operational Account of the Severance Tax Trust Fund, a portion of the Other Special Revenue Funds, a major fund – $6,000,000
- Colorado River Recovery Program Loan Fund, part of the Water Projects Fund, a nonmajor Special Revenue Fund – $6,000,000
- Fish and Wildlife Resources Fund, part of the Water Projects Fund, a nonmajor Special Revenue Fund – $3,000,000
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $98,695,000. The Wildlife Cash Funds net assets not invested in capital assets (net of related debt) total $27,247,093, and that amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets* in the Comprehensive Annual Financial Report. The remaining $71,447,907 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $69,338,976 of cash and receivables that are reported as restricted.

The Long Appropriations Act designated up to $89,005,000 of state properties as the remainder of the emergency reserve. Of this amount, $84,793,898 is needed to complete the reserve requirement. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund and general capital assets would have to be liquidated to meet the constitutional requirement.

C. BOND COVENANT NONCOMPLIANCE

The State Fair Authority is required by its bond covenant to generate sufficient revenue to cover general operating expenses plus 125 percent of the annual debt service on its outstanding bonds. The Authority was not incompliance with this requirement for the year ended June 30, 2005. As a result, the 2005 Colorado State Fair was reduced from 16 days to 11 days in order to reduce operating expenses.

NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

The GAAP requirement to reduce unrestricted net assets for amounts invested in capital assets (net of related debt) results in some funds showing unrestricted net asset deficits. These deficits do not represent a legal infraction. The following net asset deficits appear on combining statements presented in supplementary information in the Comprehensive Annual Financial Report.

The State Fair Authority, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of $1,276,378 on the *Combining Statement of Net Assets – Enterprise Funds*.

The Telecommunications Fund, an Internal Service Fund, shows a deficit unrestricted net assets of $549,225 on the *Combining Statement of Net Assets – Internal Service Funds.*

NOTE 10 through 18 – DETAILS OF ASSET ITEMS

NOTE 10 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $4,084.5 million of claims of the state's funds on monies in the treasurer's pooled cash. At June 30, 2005, the treasurer had invested $4,035.8 million of the pool with the balance of $48.7 million held in demand deposits and certificates of deposit. At June 30, 2005, the state had cash balances in all funds with a carrying value of $805.7 million; this amount includes the $48.7 million held as cash in the treasurer's pool. Under the GASB Statement No. 40 definitions, $357.2 million of the state's total bank balance of $803.6 million was exposed to custodial credit risk because the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $7.1 million at June 30, 2005, and a related bank balance of $13.0 million. The balances are held in the authority's name and are insured or collateralized.

At December 31, 2004, the Colorado Water Resources and Power Development Authority had not implemented GASB Statement No. 40. It reported a bank balance of $3,478,014 of which $100,000 was federally insured, $409,588 was collateralized with the securities held by the pledging institution in a collateral pool, and the remaining $2,968,426 was collateralized with the securities held by the pledging institution's trust department or agent, but not in the authority's name. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above. The authority also reported as cash and cash equivalents $63.2 million held by the State Treasurer in a Treasurer's Agency Fund and $96.8 million held in a local government investment pool. These amounts are not subject to custodial risk classification.

At December 31, 2004 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of $58,941. They also had $2.1 million 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. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

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 $835.2 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $674.6 million, primarily of self-assessed income, estate, and sales taxes recorded in the General Fund. In addition, $111.4 million of taxes receivable is expected to be collected after one year and is reported as an Other Long-Term Asset, offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $103.6 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund,
- $27.6 million recorded in nonmajor Special Revenue Funds, of which, approximately $10.6 million is from

gaming taxes, $17.0 million is insurance premium taxes, and the balance is primarily from severance taxes and employment taxes.

In addition, $58.8 million of taxes receivable and $220.9 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government, and both were reported as restricted receivables.

The other receivables of $353.9 million shown on the government-wide *Statement of Net Assets* are net of $85.1 million in allowance for doubtful accounts and primarily comprise the following:

- $175.3 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund,
- $58.6 million of receivables recorded in the General Fund, of which, $21.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $27.8 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $6.0 million of patient receivables.
- $66.7 million of receivables recorded by Other Governmental Funds including $44.7 million of tobacco settlement revenues expected within the following year and $12.6 million recorded by the Water Projects Fund, and $9.5 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,004.3 million of student loan receivables of CollegeInvest, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported as Other Long-Term Assets. These receivables are restricted to paying the debt service of bonds issued by CollegeInvest.

Component Units

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (18 percent), Medicaid (8 percent), managed care (43 percent), other commercial insurance (3 percent), and self-pay and medically indigent (23 percent). The self-pay patient accounts receivable increased from 11 percent to 23 percent in Fiscal Year 2004-05 due to slower write-off rates resulting from legislation requiring healthcare providers to send written notice of debt payments 30 days before beginning any collection activity. 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 2004-05 was approximately $156.1 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the year ended June 30, 2005, decreased approximately $0.4 million, due to final settlements.

The hospital reports pledges at their net present value. As a result, two pledges received during 2001 totaling $40.0 million were discounted at rates ranging from 4.25 percent to 5.75 percent. At June 30, 2005, after the discounts were applied to these particular receivables, the hospital reported receivables restricted by donors in the amount of $12.3 million. Three pledges restricted to the Center for Dependency, Addiction, and Rehabilitation received during 2004 totaling $12.0 million were discounted at a rate of 5.75 percent. After the discounts were applied to these receivables at June 30, 2005, the hospital reported receivables restricted by donors in the amount of $10.6 million.

The Colorado Water Resources and Power Development Authority had loans receivable of $904.0 million at December 31, 2004. During 2004, the authority made new loans of $226.9 million and canceled or received repayments for existing loans of $43.0 million.

The University of Colorado Foundation previously recorded $65.0 million of contributions to be received over a five-year period from a single donor. To date, the foundation has collected $47.8 million of this pledge; the remaining $17.2 million was distributed to the University of Colorado Hospital Authority per an agreement between the authority and the foundation to transfer all assets held for the benefit of the authority to the authority. An additional $700,000 in other pledges was transferred from the foundation to the authority during Fiscal Year 2005. Contributions receivable of $13.6 million and $15.6 million are reported as Contributions Receivable, current and long-term portions, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2005, the amount reported as contributions receivable includes $36.7 million of unconditional promises to give which were offset by a $9.7 million allowance for uncollectible contributions and a $1.6 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2005, the Contributions Receivables amount shown for the Colorado State University Foundation includes contributions of $14.5 million, which were offset by $1.4 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate.

At June 30, 2005, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $5.9 million was offset by $330,266 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 45 percent of the foundation's contributions receivable at June 30, 2005, consists of pledges from three donors, and approximately $3.0 million is due from irrevocable remainder trusts.

NOTE 13 – INVENTORY

Inventories of $53.1 million shown on the government-wide *Statement of Net Assets* at June 30, 2005, primarily comprise:

- $9.3 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $17.6 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $15.7 million and the Colorado Lottery, a major Enterprise Fund, recorded $1.0 million.
- $20.4 million of consumable supplies inventories, of which, $5.4 million was recorded by the Highway User's Tax Fund, a major Special Revenue Fund, $6.8 million by the Higher Education Institutions, a major Enterprise Fund, and $6.6 million by the General Fund.

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances and Deferred Charges of $37.4 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $10.7 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $5.9 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund, and
- $4.0 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game.

NOTE 15 – INVESTMENTS

Primary Government

In Fiscal Year 2004-05, the state implemented Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures. The standard primarily changes the required disclosures of deposit and investment custodial risk and adds disclosures of investment credit quality and interest rate risk.

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. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of 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)	$ 805,720
Investments:	
Governmental Activities	4,536,262
Business-Type Activities	1,349,552
Fiduciary Activities	2,294,276
Total	$ 8,985,810
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 3,298,487
Add: Warrants Payable Included in Cash	183,534
Total Cash and Pooled Cash	3,482,021
Add: Restricted Cash	1,359,541
Add: Restricted Investments	919,695
Add: Investments	3,224,553
Total	$ 8,985,810

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 $1,048,179 for Fiscal Year 2004-05. Excluding the Individual Investment Trust Fund, the Deferred Compensation Plan, and the Defined Contribution Plan, the state recognized $23,713,150 of net realized gains from the sale of investments of other funds during Fiscal Year 2004-05.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2005 and 2004, the treasurer had $41.7 million and $51.3 million at fair value, respectively, of GOCO's funds on deposit and invested. At the beginning of Fiscal Year 2004-05, the treasurer maintained an individual investment account (reported as an Investment Trust Fund) for Pinnacol Assurance, a related organization. During Fiscal Year 2004-05, Pinnacol Assurance achieved a funded status that allowed it to manage its own investments. Therefore, the basic financial statements show zero balances at June 30, 2005, on the *Statement of Fiduciary Net Assets* and limited additions and significant deductions on the *Statement of Changes in Net Assets – Fiduciary Funds* related to the Investment Trust Fund.

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 investment earnings of the Unclaimed Property Tourism Trust Fund, a Private Purpose Trust Fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a part of the major fund Other Special Revenue Funds.

Custodial Credit Risk

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the state's name.

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

(Amounts in Thousands)

	GOVERNMENTAL ACTIVITIES				
	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
INVESTMENT TYPE					
U.S. Government Securities	$ 1,902,087	$ -	$15,951	$ 170,133	$ 2,088,171
Commercial Paper	1,012,886	-	-	9,675	1,022,561
Corporate Bonds	468,766	-	43,344	62,635	574,745
Asset Backed Securities	602,099	-	-	45,187	647,286
Mortgages Securities	-	4,130	-	148,603	152,733
Mutual Funds	50,000	-	-	366	50,366
Other	-	-	-	400	400
TOTAL INVESTMENTS	$ 4,035,838	$ 4,130	$59,295	$ 436,999	$ 4,536,262
INVESTMENTS SUBJECT TO CUSTODIAL RISK					
Commercial Paper	$ -	$ -	$ -	$ 9,675	$ 9,675
TOTAL SUBJECT TO CUSTODIAL RISK	$ -	$ -	$ -	$ 9,675	$ 9,675

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. The table also shows the fair value of securities held by these funds that are subject to custodial credit risk:

(Amounts in Thousands)

	BUSINESS-TYPE ACTIVITIES				FIDUCIARY
	HIGHER EDUCATION INSTITUTIONS	COLLEGE INVEST	OTHER ENTERPRISE	TOTAL	FIDUCIARY
INVESTMENT TYPE					
U.S. Government Securities	$ 105,197	$ 4,958	$ -	$ 110,155	$ 2,560
Commercial Paper	3,970	-	-	3,970	-
Corporate Bonds	88,037	30,302	-	118,339	2,003
Corporate Securities	27,930	-	-	27,930	-
Repurchase Agreements	226,227	-	-	226,227	-
Asset Backed Securities	41,873	-	-	41,873	1,504
Mortgages Securities	73,618	-	137	73,755	2,318
Mutual Funds	558,022	24,015	13	582,050	2,264,234
Other	5,615	159,638	-	165,253	21,657
	$ 1,130,489	$ 218,913	$ 150	$ 1,349,552	$ 2,294,276
INVESTMENTS SUBJECT TO CUSTODIAL RISK					
U.S. Government Securities	$ 204	$ -	$ -	$ 204	$ -
Corporate Bonds	3,124	-	-	3,124	-
Corporate Securities	14,438	-	-	14,438	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 17,766	$ -	$ -	$ 17,766	$ -

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the state. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not reported. However, credit quality ratings are reported for obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government. The fair value amount of rated and unrated debt securities is detailed in the following table, which shows the Treasurer's Pooled Cash Investments, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate.

In addition, to the amounts shown in the following table, CollegeInvest held a funding agreement valued at $21.7 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk. The Defined Contribution Plan terminated its contract with Valic Funds on June 30, 2005. On June 28, 2005, Valic transferred the total $5.5 million of investments it held for the Defined Contribution Plan to ICMA, Hartford, and Great West, which were selected by plan participants as fund managers of the transferred funds. Therefore due to timing constraints, credit quality risk and interest rate risk is not presented for $3.6 million of investments that were recorded by ICMA and Hartford after July 1, 2005.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Total
Treasurer's Pool:								
Long-term Ratings								
Gilt Edge	$ 1,196,063	$ -	$ 26,890	$ 602,122	$ 50,000	$ -	$ -	$ 1,875,075
High Grade	-	-	149,742	-	-	-	-	149,742
Upper Medium	-	-	292,134	-	-	-	-	292,134
Short-term Ratings								
Highest	-	1,012,886	-	-	-	-	-	1,012,886
Higher Education Institutions:								
Long-term Ratings								
Gilt Edge	$ 68,544	$ 1,987	$ 7,462	$ 62,943	$ 162,742	$ 531	$ -	$ 304,209
High Grade	-	-	22,055	3,340	-	-	-	25,395
Upper Medium	-	-	19,133	1,223	-	24	-	20,380
Lower Medium	-	-	19,601	650	-	53	-	20,304
Speculative	-	-	5,831	349	-	192	-	6,372
Very Speculative	-	-	807	-	-	833	-	1,640
High Default Risk	-	-	723	1,303	-	277	-	2,303
Short-term Ratings								
Highest	-	992	5,487	-	-	543	-	7,022
High	-	-	3,743	-	-	35	-	3,778
Good	-	-	478	-	-	-	-	478
Unrated	27,208	992	2,039	44,770	47,291	32,590	-	154,890
Fiduciary Funds:								
Long-term Ratings								
Gilt Edge	$ 102,165	$ -	$ 494	$ 3,822	$ -	$ -	$ -	$ 106,481
High Grade	-	-	503	-	-	-	7,292	7,795
Upper Medium	-	-	1,006	-	-	-	-	1,006
Lower Medium	-	-	-	-	-	-	-	-
Very Speculative	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	15,363	-	15,363
All Other Funds:								
Long-term Ratings								
Gilt Edge	$ 143,966	$ -	$ 17,944	$ 193,789	$ 366	$ -	$ -	$ 356,065
High Grade	-	-	48,215	-	-	-	-	48,215
Upper Medium	-	-	70,122	-	-	-	-	70,122
Short-term Ratings								
Highest	-	9,675	-	-	-	-	-	9,675
Unrated	12,923	-	-	4,130	24,015	-	159,638	200,706

Interest Rate Risk

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

In addition to statutory limitations, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund for which the Treasurer is investing. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings.

The University of Colorado, which operates a treasury function separate of the State Treasurer, uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no greater than five years. UPI requires its securities to be rated A or better, and limits investments in a single issuer to $1.0 million or less.

The CollegeInvest program has investments reported in the CollegeInvest major Enterprise Fund and in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest manages interest rate risk using weighted average maturity for the Enterprise Fund; it also uses laddering to ensure cash flow and liquidity matched to debt service and operating requirements. CollegeInvest reports the weighted average maturity of selected mutual funds in the College Savings Plan to disclose the related interest rate risk, but it does not actively manage that risk for the College Savings Plan except through its mutual fund selection process.

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

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 1,902,087	2.100	$ 12,076	1.412	$ 2,007	9.600	$ 191,042	9.558
Commercial Paper	1,012,886	0.100	3,970	0.252	-	-	9,675	0.080
Corporate Bonds	468,766	2.300	31,348	2.375	2,003	9.200	136,281	5.961
Asset Backed Securities	602,099	2.600	95	1.000	3,822	17.800	193,789	13.305
Money Market Mutual Funds	50,000	0.100	22,279	0.045	-	-	-	-
Bond Mutual Funds	-	-	1,181	1.800	136,086	6.996	-	-
Total Investments	$ 4,035,838		$ 70,949		$ 143,918		$ 530,787	

The University of Colorado manages interest rate risk in its treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associations Incorporated data. For approximately $10.8 million of asset backed securities, the custodian was unable to provide duration amounts, and the University estimated the duration of the underlying mortgages to be between 5.5 and 6.5 years.

Some state agencies invest in mutual funds or are the fiduciary in offering mutual fund investments to participants where the mutual fund manages investment risk using a duration measure. The following table presents the duration measure and fair value amount for state agencies that manage investments using the duration measure:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
U.S. Government Securities	$100,621	2.480
Repurchase Agreements	4,019	0.083
Bond Mutual Funds	15,363	6.800
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	205,368	4.300
Bond Mutual Fund-2	146,675	1.600
Bond Mutual Fund-3	146,468	8.900
Bond Mutual Fund-4	36,290	4.600
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Government Securities	$ 89,765	4.876
Corporate Bonds	55,123	4.763
Repurchase Agreements	226,227	1.262
Asset Backed Securities	114,484	5.900
Bond Mutual Funds	32,250	2.836
Colorado State University:		
Bond Mutual Funds	$ 1,321	3.460
State Fair:		
Department of Agriculture:		
Asset Backed Securities	$ 137	28.000

Foreign Currency Risk

Certain of the University of Colorado Treasury's investments in equity securities are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. Presented in thousands of United States dollars, the University held investments denominated in the following currencies; Euro - $17,850, Australian Dollar - $2,030, Denmark Kroner - $245, Hong Kong Dollar - $840, Japanese Yen – $12,530, Singapore Dollar - $945, Swedish Krona - $910, Swiss Franc - $4,900, British Pound - $15,435, and Canadian Dollar - $1,680.

Concentration of Credit Risk

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major Special Revenue Fund. The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investment in the fund; Bristol-Myers Squibb - 9.0 percent, First Data Corporation - 8.9 percent, Verizon - 8.9 percent, Eli Lilly - 9.2 percent, Bank of America - 9.3 percent, Citigroup - 9.3 percent, Colgate Palmolive - 9.2 percent, and General Electric - 9.1 percent. The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance. However, the State Education Fund investments have not grown as expected because the Legislature has appropriated the fund's resources. The Treasurer is gradually liquidating the investments to mitigate the credit risk concentration.

The State Treasurer purchases investments separate of the Treasurer's Pool for the Unclaimed Property Tourism Trust Fund (UPTT), a Private Purpose Trust Fund. The UPTT has a concentration of credit risk because the following investment holdings each exceed 5 percent of the total investment in the fund; Caterpillar – 6.4 percent, First Data Corporation – 6.4 percent, Citigroup – 6.4 percent, and General Electric Capital Corporation - 6.3 percent. The concentration occurred because the fund was newly established in Fiscal Year 2004-05, and these were the Treasurer's initial investments for the fund. The percentages are expected to be below the required five percent within six months as the Treasurer completes investing the fund's resources.

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. This measure is not meaningful for the Investment Trust Fund in Fiscal Year 2004-05 because the state did not manage the investments for this fund category at the end of the current fiscal year; therefore, the Investment Trust Fund has been excluded from the following schedule. The schedule shows the state's net unrealized gains and (losses) for all other funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2004-05	Fiscal Year 2003-04
Governmental Activities:		
Major Funds		
General Fund	$ (6,843)	$ (26,385)
Highway Users Tax	(4,394)	(12,097)
Capital Projects	(519)	157
State Education	731	(12,121)
NonMajor Funds:		
State Lands	5,250	(22,524)
Other Permanent Trusts	(59)	(186)
Water Projects	(627)	(2,306)
Labor	54	(124)
Gaming	(963)	(3,166)
Tobacco Impact Mitigation	(798)	(1,379)
Other Special Revenue	(5,471)	(7,915)
Highways (Internal Service)	(25)	(76)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	2,249	16,309
CollegeInvest	(4,978)	2,266
Lottery	(218)	(861)
NonMajor Funds:		
Wildlife	(710)	(2,142)
College Access Network	(275)	(725)
State Fair Authority	4	(27)
Correctional Industries	(39)	(166)
State Nursing Homes	(39)	(61)
Prison Canteens	(38)	26
Other Enterprise Activities	(36)	(6)
Fiduciary:		
Pension/Benefits Trust	(49)	(52)
Private Purpose Trust	18,558	120,667
	$ 765	$ 47,106

Component Units – Non-Foundations – GASB 40

In Fiscal Year 2004-05, the University of Colorado Hospital Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The remaining component units, that are not foundations, reported investments under Governmental Accounting Standards Board Statement No. 3 – Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements. Foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board.

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2005:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
Cash Equivalents	$ 6,159
U.S. Government Securities	91,537
Corporate Bonds	16,051
Corporate Securities	50,839
Other	137,951
TOTAL INVESTMENTS	$ 302,537

Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-man rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and BBB or better for other investment types. The following table presents the credit quality ratings by investment type for the authority at June 30, 2005:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 25,223	$ -	$ 20,694	$ 148,182	$ 194,099
Lower Medium	-	1,827	-	-	1,827
Short-term Ratings					
Highest	-	7,228	-	-	7,228
High	-	195	-	-	195
Good	-	6,801	-	-	6,801

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the authority's investments at June 30, 2005:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Years
U.S. Government Securities	$ 47,827	2.630
Corporate Bonds	16,051	2.542
Asset Backed Securities	20,694	2.460

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2005, the authority had the following foreign currency exposures in thousands of United States dollars: Euro - $3,270, British Pound - $1,999, Japanese Yen - $984, Swedish Krona - $728, and South Korean Won - $625. An additional $2,286,000 was held in various international currencies, none of which exceeded $500,000.

Concentration of Credit Risk

At June 30, 2005, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer.

Investments Highly Sensitive to Interest Rate Risk

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, 2005, the hospital was party to a basis swap agreement having a notional amount of $72.0 million, a fixed to floating rate swap having a notional value of $50.0 million, and a floating to fixed rate swap having a notional value of $110.0 million. At June 30, 2005, the agreements had fair values of ($181,000), ($44,000), and ($7,030,904), and are scheduled to terminate in 2006, 2010, and 2033, respectively. In Fiscal Year 2004-05, these three swap agreements produced a net cash outflow of approximately $654,000. Realized and unrealized gains and losses are reported in income, as the agreements do not qualify for hedge accounting.

Component Units – Non-Foundations – GASB 3

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which governmental units may invest. The risk criteria are defined as follows:

- 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 Colorado Water Resources and Power Development Authority investments are reported at fair value. The authority is allowed to invest in instruments authorized for Colorado governmental units, which are similar to the investments authorized for the State Treasurer's portfolio disclosed above. The authority owns all of the securities shown in risk category "C" below. Those investments are purchased and held in a trustee's Federal Reserve account pursuant to bond indentures. The trustee is considered to be the purchaser as well as the custodian of these investments.

CoverColorado has not implemented Governmental Accounting Standards Board Statement No. 40. All of CoverColorado's investments are included in Category A in the table below. CoverColorado's investments at fair value totaled $39.1 million, of which, $23.7 million matures within one year, and the remaining $15.4 million matures between one and five years.

The following table lists by type and risk category the investments of component units that are not foundations:

(Amounts in Thousands)

Type of Investment	Risk Category A	Risk Category B	Risk Category C	Total Fair Value
U.S. Government Securities	$ 59,548	$ -	$ 9,965	$ 69,513
Repurchase Agreements	-	-	390,880	390,880
Subtotal	$ 59,548	$ -	$ 400,845	460,393
Investments not Subject to Categorization:				
Guaranteed Investment Contracts				-
Other				-
Total				$ 460,393

Component Units - Foundations

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

At June 30, 2005, the University of Colorado Foundation held $239.9 million of domestic equity securities, $100.0 million of international equity securities, $99.2 million of fixed income securities, and $212.2 million of alternative investments including real estate, private equities, hedge funds, and oil and gas assets. The fair value of the alternative investments have been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's investment income of $52.0 million is net of $2.1 million of investment fees and comprises $9.3 million of interest and dividends, $16.5 million of realized gains, and $28.2 million of unrealized gains.

At June 30, 2005, the Colorado State University Foundation held individual small and large capitalization equity securities totaling $9.5 million, fixed income mutual funds of $36.2 million, alternative and other investment mutual funds of $53.7 million, and various equity mutual funds of $79.8 million.

At June 30, 2005, the Colorado School of Mines Foundation (CSMF) held bonds and bond mutual funds totaling $18.7 million, stocks and stock mutual funds totaling $63.9 million, and investments in limited partnerships and limited liability companies totaling $37.5 million in its long term investments pool. Of the foundation's $153.9 million of investments, $16.3 million, or 10.6 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.7 million and a long-term trust valued at $1.9 million which are reported as Investments on the *Statement of Net Assets – Component Units.* 24% of the foundations investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2005, the University of Northern Colorado Foundation held $22.5 million of fixed income securities (including $17.1 million of corporate notes), $58.2 million of equity securities, and $4.7 million of other investments. These amounts include $3.5 million of assets held in a separate trust for the benefit of the foundation.

NOTE 16 – TREASURER'S INVESTMENT POOL

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

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2004-05, the State Treasury loaned U.S. government and federal agencies' securities held for the Colorado Treasury Pool, the Public School Permanent Fund, and the State Education Fund, to Morgan Stanley.

Through November 30, 2004, the State Treasury loaned U.S. government, federal agencies, mortgage pools, and Collateralized Mortgage Obligation securities held for Pinnacol Assurance to Morgan Stanley. As of December 1, 2004, Pinnacol Assurance assumed full control of its investments; and therefore, Pinnacol Assurance was no longer a party to the agreement between the State Treasury and Morgan Stanley.

The agreement with Morgan Stanley requires that all securities must be collateralized to at least 105 percent of the market value of the securities loaned. The collateral is deposited and held in a custodial bank. Currently, collateral held by the custodial bank includes A-rated or better domestic corporate securities. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the treasurer accept cash as collateral.

Morgan Stanley, acting as principal, agent, and fiduciary, is directly responsible for safeguarding the assets, and it carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2005, the market value of securities on loan to Morgan Stanley was $1,673,107,884, and the market value of the collateral securities pledged was $1,749,379,416 on June 29, 2005. The State Treasurer monitors the pledged collateral on an ongoing basis to ensure compliance with the 105 percent requirement.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2004-05 the state capitalized $4.4 million of interest incurred during the construction of capital assets. Of that amount, the Parking Fund, a nonmajor Other Enterprise Fund, capitalized $420,816, and the balance was capitalized by Higher Education Institutions, a major Enterprise Fund.

The following page shows the capital asset activity for Fiscal Year 2004-05.

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 78,767	$ 4,550	$ -	$ (2,826)	$ 80,491
Land Improvements	2,575	-	-	-	2,575
Collections	8,197	634	-	-	8,831
Construction in Progress (CIP)	1,334,614	262,355	(362,539)	(69,254)	1,165,176
Infrastructure	10,141,839	14,281	251,327	(51,411)	10,356,036
Total Capital Assets Not Being Depreciated	11,565,992	281,820	(111,212)	(123,491)	11,613,109
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	85,230	5,612	1,591	(14,568)	77,865
Buildings	1,344,317	39,059	3,932	(1,061)	1,386,247
Vehicles and Equipment	509,789	50,063	105,494	(22,080)	643,266
Library Materials and Collections	6,072	382	-	(1,331)	5,123
Other Capital Assets	21,218	1,082	-	-	22,300
Infrastructure	37,872	38,435	195	-	76,502
Total Capital Assets Being Depreciated	2,004,498	134,633	111,212	(39,040)	2,211,303
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(33,752)	(3,025)	-	-	(36,777)
Buildings	(450,378)	(31,193)	-	1,088	(480,483)
Vehicles and Equipment	(266,315)	(51,895)	-	20,843	(297,367)
Library Materials and Collections	(4,654)	(263)	-	1,071	(3,846)
Other Capital Assets	(16,978)	(7)	-	-	(16,985)
Infrastructure	(7,022)	(19,866)	-	-	(26,888)
Total Accumulated Depreciation	(779,099)	(106,249)	-	23,002	(862,346)
Total Capital Assets Being Depreciated, net	1,225,399	28,384	111,212	(16,038)	1,348,957
TOTAL GOVERNMENTAL ACTIVITIES	12,791,391	310,204	-	(139,529)	12,962,066
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	187,297	12,020	-	(24)	199,293
Land Improvements	12,431	101	-	(170)	12,362
Collections	12,215	570	-	-	12,785
Construction in Progress (CIP)	156,462	216,899	(193,014)	(1,750)	178,597
Total Capital Assets Not Being Depreciated	368,405	229,590	(193,014)	(1,944)	403,037
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	313,135	4,231	30,528	(3,746)	344,148
Buildings	3,082,009	18,049	159,274	(6,709)	3,252,623
Vehicles and Equipment	665,466	61,327	2,772	(30,166)	699,399
Library Materials and Collections	369,744	20,613	-	(2,246)	388,111
Other Capital Assets	8,674	-	-	-	8,674
Infrastructure	18,723	21	440	-	19,184
Total Capital Assets Being Depreciated	4,457,751	104,241	193,014	(42,867)	4,712,139
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(119,036)	(13,700)	-	2,143	(130,593)
Buildings	(1,018,334)	(111,313)	-	3,785	(1,125,862)
Vehicles and Equipment	(435,447)	(66,352)	-	25,061	(476,738)
Library Materials and Collections	(232,841)	(20,022)	-	2,047	(250,816)
Infrastructure	(7,882)	(470)	-	-	(8,352)
Total Accumulated Depreciation	(1,813,540)	(211,857)	-	33,036	(1,992,361)
Total Capital Assets Being Depreciated, net	2,644,211	(107,616)	193,014	(9,831)	2,719,778
TOTAL BUSINESS-TYPE ACTIVITIES	3,012,616	121,974	-	(11,775)	3,122,815
TOTAL CAPITAL ASSETS, NET	$ 15,804,007	$ 432,178	$ -	$ (151,304)	$ 16,084,881

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	$ 8,288
Business, Community, and Consumer Affairs	3,501
Education	821
Health and Rehabilitation	5,350
Justice	27,054
Natural Resources	3,619
Social Assistance	7,100
Transportation	11,593
Internal Service Funds (Charged to programs and BTAs based on useage)	18,501
Total Depreciation Expense Governmental Activities	85,827
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	201,765
CollegeInvest	332
State Lottery	193
Other Enterprise Funds	7,301
Total Depreciation Expense Business-Type Activities	209,591
Total Depreciation Expense Primary Government	$ 295,418

Component Units

At June 30, 2005, the University of Colorado Hospital Authority reported gross amounts for the nondepreciable assets of land and construction in progress of $17.1 million. Depreciable assets included buildings and improvements of $460.7 million and equipment of $203.7 million. Accumulated depreciation related to these capital assets was $294.9 million.

As of June 30, 2005, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient Pavilion, the Center for Dependency, Addiction, and Rehabilitation (CeDAR), and the Fitzsimons Campus. Costs incurred for these projects approximated $192.1 million while estimated costs to complete are $156.2 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $43,149, net of accumulated depreciation of $139,785, at December 31, 2004.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, construction in process, buildings, and other property and equipment, of $160.0 million, net of accumulated depreciation of $43.9 million, at December 31, 2004. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment, of $67.7 million, net of accumulated depreciation of $7.4 million, at June 30, 2005.

NOTE 18 – OTHER LONG-TERM ASSETS

The $475.7 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 $111.4 million, related to the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund*, but rather they are shown in Taxes Receivable and are offset by Deferred Revenue.

The $239.0 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 ($11.5 million), a major Special Revenue Fund, and the Water Projects Fund ($209.3 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, ($4.3 million), a nonmajor Permanent Fund, 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 $119.4 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and CollegeInvest, but also includes deferred debt issuance costs. Most of the CollegeInvest student loans are not reported in this line but rather are reported as restricted receivables.

NOTE 19 through 26 – DETAILS OF LIABILITY ITEMS

NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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 as follows.

Service Retirement Benefits
(Other Than Troopers)

Minimum Service Credit	Minimum Age
30 years*	50
Age and Service = 80 years or more	55
5 years	65
Less than 5 years	65

*Members hired on or after July 1, 2005, will not be eligible for service retirement benefits at age 50 with 30 years of service, but will be eligible at any age with 35 years of service.

Reduced Service Retirement Benefits
(Other Than Troopers)

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 years 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 increase at 3.5 percent (the lesser of 3 percent or actual inflation for those employees hired on or after July 1, 2005) 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 paid to member contribution accounts from January 1, 2004 through June 30, 2004 was 6.8 percent. However, legislation passed during 2004 changed the interest rate to a maximum of 5 percent, set annually by the PERA Board. Effective July 1, 2004, the PERA Board set the rate at 5 percent.

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 percent 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 surviving spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

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

In January 2001, the MatchMaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. From January 1, 2004 to May 31, 2004, the matching amount was set at 100 percent of up to 1 percent of employee gross covered wages (5 percent for judges in the Judicial Branch).

Legislation passed in the 2004 legislative session terminated the employer's match for pay periods ending after May 31, 2004. The match is only available when the actuarial value of the defined benefit plan assets is one hundred ten percent of actuarially accrued plan liabilities. This condition was not met during Fiscal Year 2004-05.

During Fiscal Year 2004-05, the state contributed 10.15 percent (12.85 percent for state troopers and 13.66 percent for judges in the Judicial Branch) of the employee's gross covered wages, which was allocated by PERA as follows:

- 1.02 percent was allocated to the Health Care Trust Fund.
- 9.13 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 40 years is deemed actuarially sound. At December 31, 2004, 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. However, upon recommendation from the PERA Board and with advice from the actuary, the employer or member contribution rates may be adjusted by the general assembly. In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement that requires PERA employers to pay an additional .5 percent of salary in 2006, 1.0 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

The state made retirement contributions of $189.4 million, $167.7 million, $155.7 million, $135.8 million, $156.0 million, $174.2 million, and $184.9 million in Fiscal Years 2004-05, 2003-04, 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 (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2004-05 and 2003-04, the Department of Local Affairs transferred $3.80 million and the State Treasurer transferred $3.66 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. State payments to ensure the actuarial soundness of the FPPA plan were suspended in Fiscal Years 2003-04 and 2004-05. The state transferred $29.1 million to the FPPA in Fiscal Year 2002-03 for the combined insurance premium and actuarial contribution.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of $154,000 to this plan in Fiscal Year 2004-05. The other plan is single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $13.0 million and $10.7 million in Fiscal Years 2004-05 and 2003-04, respectively. Those amounts were equivalent to the annual required contribution. At July 1, 2004, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 1998. The authority also provides three other retirement plans, as discussed in Note 21.

Employees of CoverColorado and the Colorado Water Resources and Power Development Authority are covered under the State 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. An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because state statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage.

Beginning July 1, 2004, the state contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The state paid contributions of $21.2 million, $20.4 million, $24.6 million, $24.8 million, $21.3 million, $18.6 million, $14.0 million in Fiscal Years 2004-05, 2003-04, 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 PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2004, there were 39,668 participants, including spouses and dependents, from all contributors to the plan.

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

Life Insurance Program

During Fiscal Year 2004-05, PERA provided its members access to two group decreasing term life insurance plans offered by Prudential Insurance Company and Anthem Life. Effective April 1, 2005, PERA consolidated the two plans, and UnumProvident became the administrator. Members who transition to the new plan may continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means.

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.

The state provides employees with access to a non-contributory group term life insurance policy.

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 $62.5 million and $58.3 million during Fiscal Years 2004-05 and 2003-04, respectively. In addition, the state paid $54.4 million and $51.2 million in FICA and Medicare taxes on employee wages during Fiscal Years 2004-05 and 2003-04, 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. Between January 1, 2000, and June 30, 2005, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. 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. Employee healthcare premiums are allowed on a pretax basis under the state's flexible spending account benefits plan.

Effective July 1, 2005, the state terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare. After July 1, 2005, the state will continue to offer the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado.

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 2004, 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 $13,000. In 2005, the maximum increased to $14,000. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $4,000 catch-up contribution in 2005, for a total contribution of $18,000. Contributions and earnings are tax deferred. On December 31, 2004, the plan had net assets of $1,204.7 million and 73,634 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, a participant of the Public Officials' and Employees' Defined Contribution Plan appointed by the Governor, and two members of the General Assembly – one each appointed by the President of the Senate and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was $303.8 million and $281.5 million at June 30, 2005, and June 30, 2004, 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 Retirement Plan

On January 1, 1999, the state began providing a defined contribution retirement plan for certain eligible employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-206 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 state employees are eligible for participation: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the Governor's Office. Participation in the plan by eligible employees is voluntary; however, those who do not designate a pension plan become members of the Public Employees Retirement Association (PERA). At June 30, 2005, 346 individuals had accounts with the defined contribution retirement 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 2004-05, the state contribution rate was 10.15 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 following page presents 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, 2005

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 827	$ 65	$ 5,874	$ 6,766
Other Receivables, net	1,876	-	3	1,879
Prepaids, Advances, and Deferred Charges	4	-	14	18
Total Current Assets	2,707	65	5,891	8,663
Noncurrent Assets:				
Mutual Funds	301,235	7,119	-	308,354
Total Noncurrent Assets	301,235	7,119	-	308,354
TOTAL ASSETS	303,942	7,184	5,891	317,017
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	139	4	1,131	1,274
Total Current Liabilities	139	4	1,131	1,274
				-
Noncurrent Liabilities:				
Accrued Compensated Absences	7	-	26	33
Total Noncurrent Liabilities	7	-	26	33
TOTAL LIABILITIES	146	4	1,157	1,307
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	303,067	7,123	4,421	314,611
Unrestricted	729	57	313	1,099
TOTAL NET ASSETS	$ 303,796	$ 7,180	$ 4,734	$ 315,710

STATEMENT OF CHANGES IN NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Additions By Participants	$ -	$ 14	$ -	$ 14
Member Contributions	34,628	611	73,855	109,094
Employer Contributions	1,260	686	78,162	80,108
Investment Income/(Loss)	14,785	429	330	15,544
Employee Deferral Fees	335	121	-	456
Other Additions	-	-	133	133
TOTAL ADDITIONS	51,008	1,861	152,480	205,349
DEDUCTIONS:				
Distributions to Participants	-	1,045	-	1,045
Benefits and Withdrawals	28,093	-	-	28,093
Health Insurance Premiums Paid	-	-	122,264	122,264
Other Benefits Plan Expense	-	-	28,166	28,166
Administrative Expense	442	62	-	504
Other Deductions	130	24	1,088	1,242
Transfers-Out	55	1	86	142
TOTAL DEDUCTIONS	28,720	1,132	151,604	181,456
CHANGE IN NET ASSETS	22,288	729	876	23,893
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	281,508	6,451	3,858	291,817
FISCAL YEAR ENDING	$ 303,796	$ 7,180	$ 4,734	$ 315,710

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

Component Units

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

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the authority to make matching contributions of $3.9 million in Fiscal Year 2004-05. The hospital also provides a single employer tax deferred plan (457b) that did not require authority contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the authority.

NOTE 22 – RISK MANAGEMENT

Primary Government

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

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (for workers' compensation claims), and the University of Northern Colorado (for property claims), 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 2004-05 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 participates 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 excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence.

The University of Colorado at Denver and 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 $150,000 per person and $5.5 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 at Denver and Health Sciences Center also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $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 is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. A liability is recorded for the University's employee long-term disability plan based on expected claims payout as determined by the third party administrator. Starting in Fiscal Year 2004-05, the University is self-insured for worker's compensation up to $400,000, and has purchased re-insurance for individual claims up to $1.0 million. See Note 28 for more information on the prior period adjustment related to the University assuming the worker's compensation liability from the Department of Personnel &

Administration during Fiscal Year 2004-05. The University is self-insured for property damage, but has purchase excess insurance providing coverage up to $1.0 billion per occurrence. The Department of Personnel & Administration covered the general liability risks of the University through July 31, 2005; however, effective August 1, 2005, the University becomes self-insured for general liability.

The Department of Human Services Workers' Compensation Plan was self-insured during the period from July 1, 1985, to June 30, 1990. In Fiscal Year 2004-05, the department transferred the related liability to the Department of Personnel & Administration. Since both departments report the liability as a long-term governmental activity, no prior period adjustment occurred related to the transfer.

Changes in claims liabilities were as follows:

(Amounts in Thousands)

Fiscal Year	Restated Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
Risk Management:				
Liability Fund				
2004-05	$ 24,541	$ (142)	$ 5,437	$ 18,962
2003-04	39,750	(8,083)	7,126	24,541
2002-03	25,475	21,731	7,456	39,750
Workers' Compensation				
2004-05	69,582	27,421	22,931	74,072
2003-04	68,730	35,242	29,842	74,130
2002-03	65,011	25,952	22,233	68,730
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2004-05	12,841	8,838	6,667	15,012
2003-04	12,033	7,025	6,217	12,841
2002-03	10,886	4,769	3,622	12,033
University of Colorado Health Sciences Center:				
Medical Malpractice				
2004-05	7,639	(225)	858	6,556
2003-04	8,759	149	1,269	7,639
2002-03	7,707	2,147	1,095	8,759
Housestaff Health Benefits				
2004-05	812	5,166	5,006	972
2003-04	788	4,135	4,111	812
2002-03	669	4,484	4,365	788
Colorado State University:				
Medical, Dental, and Disability Benefits				
2004-05	9,322	16,166	15,246	10,242
2003-04	5,293	11,313	11,832	4,774
2002-03	3,577	12,932	11,216	5,293
Department of Human Services:				
Workers' Compensation				
2004-05	693	(693)	-	-
2003-04	785	51	143	693
2002-03	663	194	72	785

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 2004-05, the hospital recorded premium and administrative expenses of $317,000. The trust had a fund balance of $4.5 million in excess of reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, general liability, automobile, employee health, dental, and accident claims through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss.

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2004. There were no significant reductions in insurance coverage from the prior year.

NOTE 23 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2005, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

	Land	Buildings	Equipment and Other
Governmental Activities	$ -	$ 15,202	$ 11,601
Business-Type Activities	5,418	86,235	18,070
Total	$ 5,418	$ 101,437	$ 29,671

At June 30, 2005, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ -	$ 50	$ 50
Business-Type Activities	-	167	167
Total	$ -	$ 217	$ 217

During the year ended June 30, 2005, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 7	$ 7
Total	$ -	$ 7	$ 7

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2005, for the space and vehicles was $480,668 and $315,322, respectively. The Colorado State University System leases equipment and land and buildings from the foundation and has a total lease obligation of $4,079,246.

Aurora Community College made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

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

Trinidad State Junior College made operating lease payments of $104,077 to the Trinidad State Junior College Educational Foundation.

The State Board for Community Colleges and Occupational Education made lease payments of $275,000 to the Colorado Community College System Foundation.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2004-05, the state recorded building and land rent of $35.1 million and $19.7 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $6.0 million and $24.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program. The state recorded $0.71 million of lease interest costs in the governmental activities and $0.95 million in the business-type activities.

The $26.8 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Transportation issuing $20.1 million of certificates of participation for the purchase and upgrade of buildings. These proceeds were not fully expended at June 30, 2005. The Department of Human Services recorded $4.7 million of leases that financed the acquisition of desktop computers. An equivalent amount of capital outlay expenditure was recognized at the inception of the Department of Human Services leases, and therefore, there was no impact on fund balance.

Future minimum payments at June 30, 2005, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2006	$ 26,723	$ 12,689	$ 4,949	$ 11,120
2007	21,622	9,743	4,510	9,953
2008	18,610	7,885	2,351	8,571
2009	15,631	6,434	705	7,804
2010	10,437	5,167	623	8,573
2011 to 2015	30,134	9,689	3,853	35,792
2016 to 2020	8	2,240	5,598	32,606
2021 to 2025	-	22	5,434	20,076
2026 to 2030	-	-	-	9,251
2031 to 2035	-	-	-	1,426
Total Minimum Lease Payments	123,165	53,869	28,023	145,172
Less: Imputed Interest Costs	-	-	5,715	55,032
Present Value of Minimum Lease Payment	$ 123,165	$ 53,869	$ 22,308	$ 90,140

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.1 million for Fiscal Years 2004-05. Future minimum lease payments for these leases at June 30, 2005, are:

(Amounts in Thousands)

Fiscal Year	Amount
2006	$ 6,538
2007	1,839
2008	1,663
2009	1,144
2010	559
Thereafter	4,176
Total Minimum Obligations	$15,919

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease expiring in 2005. Total rental expense for the year ended December 31, 2004 was $119,488. The total minimum rental commitment under this lease is $103,375 for 2005.

CoverColorado leases office facilities under an operating lease that expires in 2007. Total rental expense for the year ended December 31, 2004, was $23,473. The total minimum rental commitment under this lease is $87,600 for years 2005 through 2007.

Effective October 1, 1999, the University of Colorado Foundation entered an agreement to lease the building in which it operated. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which are currently $5.1 million. Total minimum lease payments including interest at June 30, 2005, were $8.4 million. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $3,731,750, net of accumulated depreciation of $2,018,250, as of June 30, 2005.

NOTE 24 – SHORT-TERM DEBT

The State Treasurer issued General Fund Tax Revenue Anticipation Notes in the amount of $650.0 million on July 1, 2004. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2005, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. The State Treasurer issued $225.0 million of Series 2004A Education Loan Program Tax and Revenue Anticipation Notes on July 1, 2004, and $295.0 million of Series 2004B Education Loan Program Tax and Revenue Anticipation Notes on December 15, 2004.

School districts were required to repay the loans prior to the state's fiscal year end, and the State Treasurer placed the loan repayments in a separate account that was restricted to paying off the notes on the August 9, 2005, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2005:

(Amount in Thousands)

	Beginning Balance July 1	Changes: Additions	Changes: Reductions	Ending Balance June 30
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 650,000	$ (650,000)	$ -
Education Loan Anticipation Notes	395,000	520,000	(395,000)	520,000
Total Governmental Activities Short-Term Financing	395,000	1,170,000	(1,045,000)	520,000
Total Short-Term Financing	$ 395,000	$ 1,170,000	$ (1,045,000)	$ 520,000

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

Many Higher Education Institutions, the Highway Fund, the State Nursing Homes, and CollegeInvest have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. During Fiscal Year 2004-05, the state's governmental activities had $84.8 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the state's business-type activities had $284.8 million of available net revenue after operating expenses to meet the $135.7 million of debt service requirement related to these bonds. However, the revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. The State Fair Authority, a nonmajor enterprise fund, did not earn adequate net available revenues from pledged sources to fund its debt service.

The state recorded $196.1 million of interest costs, of which, $105.0 million was recorded by governmental activities and $90.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $24.6 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $78.9 million of Highway User Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $1.1 million of interest primarily on certificates of participation issued primarily by internal service funds in the Department of Personnel & Administration. The business-type activities interest cost primarily comprises $49.2 million of interest on revenue bonds issued by Higher Education Institutions, $30.3 million of interest on bonds issued by CollegeInvest, and $10.9 million of interest on bonds issued by the College Access Network, a nonmajor enterprise fund.

Annual maturities of notes and bonds payable at June 30, 2005, are as follows:

(Amounts in Thousands)

Governmental Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2006	$ 92,835	$ 75,156	$ 520,000	$ 13,496	$ 15,560	$ 2,087	$ 628,395	$ 90,739
2007	97,491	70,492	-	-	11,895	1,641	109,386	72,133
2008	102,475	65,514	-	-	7,620	1,335	110,095	66,849
2009	107,795	60,197	-	-	3,290	1,179	111,085	61,376
2010	113,300	54,691	-	-	2,245	1,092	115,545	55,783
2011 to 2015	663,875	176,083	-	-	3,535	4,798	667,410	180,881
2016 to 2020	283,750	14,606	-	-	1,995	4,443	285,745	19,049
2021 to 2025	-	-	-	-	3,640	3,826	3,640	3,826
2026 to 2030	-	-	-	-	5,960	2,698	5,960	2,698
2031 to 2035	-	-	-	-	7,000	911	7,000	911
Subtotals	1,461,521	516,739	520,000	13,496	62,740	24,010	2,044,261	554,245
Unamortized Prem/Discount	51,466	-	-	-	592	-	52,058	-
Totals	$1,512,987	$ 516,739	$ 520,000	$ 13,496	$ 63,332	$ 24,010	$2,096,319	$ 554,245

(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
2006	$ 74,993	$ 78,416	$ 618	$ 265	$ 41	$ 9	$ 10,020	$ 3,474	$ 85,672	$ 82,164
2007	73,726	74,599	608	262	43	7	3,110	3,139	77,487	78,007
2008	51,514	71,974	608	260	45	5	2,789	3,003	54,956	75,242
2009	58,965	69,459	607	257	48	2	2,914	2,880	62,534	72,598
2010	37,785	67,279	1,048	411	-	-	3,029	2,751	41,862	70,441
2011 to 2015	211,865	310,731	4,259	608	-	-	11,075	12,260	227,199	323,599
2016 to 2020	187,848	271,158	1,535	112	-	-	12,995	9,459	202,378	280,729
2021 to 2025	365,836	222,272	-	-	-	-	14,508	6,122	380,344	228,394
2026 to 2030	184,158	157,983	-	-	-	-	11,305	2,594	195,463	160,577
2031 to 2035	449,130	100,969	-	-	-	-	4,445	452	453,575	101,421
2036 to 2040	353,540	25,288	-	-	-	-	-	-	353,540	25,288
Subtotals	2,049,360	1,450,128	9,283	2,175	177	23	76,190	46,134	2,135,010	1,498,460
Unamortized Prem/Discount	14,018	-	(58)	-	-	-	(461)	-	13,499	-
Totals	$2,063,378	$1,450,128	$ 9,225	$ 2,175	$ 177	$ 23	$ 75,729	$ 46,134	$2,148,509	$1,498,460

Component Units

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2004, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2005	$ 36,305	$ 41,671	$ 77,976
2006	39,665	39,906	79,571
2007	41,420	38,109	79,529
2008	42,825	36,222	79,047
2009	43,840	34,217	78,057
2010 to 2014	231,405	137,234	368,639
2015 to 2019	196,590	82,509	279,099
2020 to 2024	128,270	38,471	166,741
2025 to 2029	23,625	18,570	42,195
2030 to 2034	17,150	14,336	31,486
2035 to 2039	22,055	9,419	31,474
2040 to 2044	22,195	2,988	25,183
Total Future Payments	$ 845,345	$ 493,652	$ 1,338,997

The original principal amount for the outstanding bonds was $1.1 billion. Total interest paid during 2004 amounted to $38.4 million.

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 Water Resources Revenue Bonds, Series 2003A, 2003B, 2004A, 2004B, 2004C, 2004D, and 2004E are insured as to payment of principal and interest by MBIA Insurance Corporation. In 2005, the authority issued Series 2005A and 2005B revenue bonds in the amount of $54.0 million and $2.3 million, respectively. The authority has provided a Debt Service Bond Reserve Fund of $8.5 million that is reported as a restricted net asset.

In November 2004, the University of Colorado Hospital Authority issued a combined total of $160.0 million of Series 2004A and 2004B Revenue Bonds with variable interest rates averaging 1.98 percent and 1.99 percent, respectively. Proceeds from the bonds will be used for construction and equipping of Phase II of the Anschutz Inpatient Pavilion.

During Fiscal Year 2004-05, the authority met all the financial ratio requirements of its bond indenture. Cash paid for interest by the hospital in Fiscal Year 2004-05 approximated $19.9 million. Total interest cost capitalized in Fiscal Year 2004-05 amounted to ($0.5) million, which is net of $2.8 million of investment income from the unexpended bond funds. The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2005, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2006	6,880	19,987	26,867
2007	7,275	19,583	26,858
2008	7,595	19,258	26,853
2009	7,935	18,935	26,870
2010	8,285	18,600	26,885
2011 to 2015	41,650	87,363	129,013
2016 to 2020	50,870	75,623	126,493
2021 to 2025	89,480	60,432	149,912
2026 to 2030	95,730	40,513	136,243
2031 to 2036	145,935	14,943	160,878
Total Long-Term Debt Payments	461,635	$ 375,237	$ 836,872
Less: Unamortized Discount	(3,677)		
Deferred Amount on Refunding of Series 1997A Bonds	(6,003)		
Total Carrying Amount of Long-Term Debt	$ 451,955		

Bear Creek I, LLC (Bear Creek) is a Colorado limited liability company whose sole member is the University of Colorado Foundation. Bear Creek borrowed $69.1 million of the proceeds from the Colorado Educational and Cultural Facilities Authority (CECFA) 2002 Student Housing Revenue Bonds issuance. CECFA is a related party of the state. Bear Creek used the borrowing proceeds to fund construction and furnishing of a student housing facility and a community center, to fund interest costs during the construction period, and to pay issuance costs. The bonds carry a true interest cost of 5.2 percent. They are payable from loan payments made by Bear Creek to CECFA, from funds held by the bond trustee, and from a Commitment of Support agreement in which Bear Creek has agreed to make up any deficiency from the first two sources. At June 30, 2005, scheduled payments on principal for the bonds at June 30 of each of the following years were $1.2 million for 2006, $1.0 million for 2007, $1.2 million for 2008, $1.4 million for 2009, $1.5 for 2010, and $62.8 million thereafter. At June 30, 2005, the trustee held $6.4 million in overnight repurchase agreements for various purposes related to Bear Creek's activities and debt service.

In June 2004, the University of Colorado Foundation established a $20.0 million unsecured line of credit with a bank. The credit line carries variable interest based on the LIBOR or the prime rate. As of June 30, 2005, no amounts were outstanding.

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2004-05:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 10	$ 7	$ (1)	$ 16	$ 3,211
Accrued Compensated Absences	112,104	7,227	(7,913)	111,418	7,900
Claims and Judgments Payable	350,522	117,070	(36,614)	430,978	38,738
Capital Lease Obligations	13,220	6,255	(570)	18,905	3,403
Bonds Payable	1,512,695	-	(92,544)	1,420,151	92,835
Certificates of Participation	27,359	36,149	(15,735)	47,773	15,560
Other Long-Term Liabilities	195,434	57,467	(54,381)	198,520	-
Total Governmental Activities Long-Term Liabilities	2,211,344	224,175	(207,758)	2,227,761	161,647
Business-Type Activities					
Accrued Compensated Absences	128,633	16,164	(12,914)	131,883	14,103
Claims and Judgments Payable	19,879	10,928	(10,788)	20,019	8,233
Capital Lease Obligations	80,993	9,039	(5,931)	84,101	6,039
Bonds Payable	1,504,622	566,037	(82,273)	1,988,386	74,993
Certificates of Participation	67,574	8,534	(10,399)	65,709	10,020
Notes, Anticipation Warrants, Mortgages	5,681	4,211	(1,150)	8,742	659
Other Long-Term Liabilities	53,364	2,044	(3,386)	52,022	3,928
Total Business-Type Activities Long-Term Liabilities	1,860,746	616,957	(126,841)	2,350,862	117,975
Fiduciary Activities					
Deposits Held In Custody For Others	40,219	28,197	(14,133)	54,283	212,353
Accrued Compensated Absences	29	7	(3)	33	-
Other Long-Term Liabilities	2,205	89	(268)	2,026	-
Total Fiduciary Activities Long-Term Liabilities	42,453	28,293	(14,404)	56,342	212,353
Total Primary Government Long-Term Liabilities	$ 4,114,543	$ 869,425	$ (349,003)	$ 4,634,965	$ 491,975

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. For the long-term portion of Deposits Held in Custody it is not possible to identify or estimate the amount that will be paid within one year.

At June 30, 2005, the following obligations were classified as other long-term liabilities on the government-wide *Statement of Net Assets.*

The $198.5 million shown for governmental activities represents tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The $52.0 million shown for business-type activities primarily comprises:

- $38.6 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest.
- $6.8 million of deferred revenue that is not expected to be recognized within the following year. The deferred revenue is primarily related to a ground lease at the University of Northern Colorado ($2.3 million) and advance receipts from a contract entered into by the Colorado School of Mines ($2.5 million).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 296,415	$ 160,715	$ 5,175	$ 451,955	$ 6,880
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 623,169	$ 220,580	$ 35,898	$ 807,851	$ 36,305
Other Long-Term Liabilities	$ 142,847	$ 235,141	$ 106,092	$ 271,896	$ 150,010

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including gift annuities, charitable remainder trusts, unitrusts, and a pooled income fund. After termination of the agreements, the assets revert to the foundation to create an endowment to support University activities. The related assets are generally marketable equity and fixed income securities recorded as investments at fair market value. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gift and Donation revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gift and Donation revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*.

At June 30, 2005, the University of Colorado Foundation held $87.5 million of endowments for the University of Colorado. On the *Statement of Net Assets – Component Units,* this liability is reported as Deposits Held in Custody.

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

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

At June 30, 2005, total life income agreement assets of CSUF were $1.2 million. Life income agreements payable at the same date totaled $1.1 million. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* At June 30, 2005, the foundation held $12.5 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets – Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2005, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.3 million; related liabilities of $6.8 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

CSMF has also entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as an Other Long-Term Liability of $3.1 million on the *Statement of Net Assets – Component Units.* At June 30, 2005, CSMF reported $10.9 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 27 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2004-05, debt was defeased in the business-type activities.

At June 30, 2005, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 666,485
Business-Type Activities:	
University of Northern Colorado	$ 21,865
Western State College	17,810
Auraria Higher Education Center	14,730
Colorado School of Mines	7,200
CollegeInvest	6,000
Fort Lewis College	5,850
Front Range Community College	4,360
Mesa State College	4,035
Red Rocks Community College	2,380
University of Colorado	1,910
Pikes Peak Community College	1,110
Total	$ 753,735

The University of Colorado issued $2,205,000 of University Enterprise Refunding and Improvement Revenue Bonds Series 2005A to defease $2,240,000 of Research Building Revolving Fund Refunding Revenue Bonds Series 1995. The defeased debt had interest rates ranging from 5.00 percent to 6.00 percent, and the new debt has interest rates ranging from 3.50 percent to 5.00 percent. The term of the debt remained unchanged at 4 years, and the debt service cash flows increased by $82,749. The refunding resulted in an economic gain of $67,929 and a book gain of $35,000 that was not consider material and was recognized in the current period.

The State Board for Community Colleges and Occupational Education (SBCCOE) issued $2,795,000 of SBCCOE Series 2004 Systemwide Revenue Refunding Bonds to defease $2,620,000 of State Board for Community Colleges and Occupational Education Westminster Series 1995. The defeased debt had interest rates ranging from 5.10 percent to 5.70 percent, and the new debt has interest rates ranging from 3.00 percent to 3.65 percent. The term of the debt remained unchanged at 11 years, and the debt service cash flows decreased by $189,960. The refunding resulted in an economic gain of $178,375 and a book loss of $110,540 that will be amortized over approximately 11 years.

The State Board for Community Colleges and Occupational Education issued $1,900,000 of SBCCOE Series 2004 Systemwide Revenue Refunding Bonds to defease $1,740,000 of State Board for Community Colleges and Occupational Education FR/Larimer Series 1996. The defeased debt had interest rates ranging from 5.25 percent to 5.875 percent, and the new debt has interest rates ranging from 3.00 percent to 3.65 percent. The term of the debt remained unchanged at 11 years, and the debt service cash flows decreased by $97,761. The refunding resulted in an economic gain of $94,347 and a book loss of $116,658 that will be amortized over approximately 11 years.

CollegeInvest issued $6,000,000 of Student Loan Revenue Bonds Subordinate 2004 Series IX-B4 to current refund $6,000,000 of Student Loan Asset-Backed Notes Senior Subordinate 1993 Series 1-B. The refunded debt had an interest rate of 5.7 percent and the new debt has an interest rate of 3.09 percent. The term of the debt increased from 13 years to 34 years, and the debt service cash flows increased by $256,628. The refunding resulted in an economic gain of $232,520 and a book loss of $71,056 that is not considered material and was expensed in Fiscal Year 2004-05. The refunding preserved the attributes of the refunded debt for purposes of billing the federal government under the Department of Education regulations.

The Colorado School of Mines issued $10,555,000 of Colorado School of Mines Development Corporation Variable Rate Demand Bonds – Series 2005 to current refund $10,860,000 of Colorado School of Mines Development Corporation Variable Rate Demand Bonds – Series 2001. The interest rate on the old debt was variable, and the interest rate on the new debt is also variable. The term of the debt decreased slightly from 21.67 years to 21 years, but the estimate debt service cash flows decreased by $2,470,605. The refunding resulted in an economic loss of $682,835 and a book gain of $305,000 that will be amortized into interest expense over 20 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. The refunding resulted in legal defeasance and a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2005, the unamortized deferred loss on refunding is $6.0 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by $6.0 million and to obtain an economic gain of $3.2 million.

At December 31, 2004, the Colorado Water Resources and Power Development Authority had $2.4 million of bonds previously issued but defeased, and therefore, not reflected in bonds payable. In addition, on January 6, 2005, the authority issued $36.7 million in bonds to advance refund three existing issuances totaling $35.3 million, resulting in savings of approximately $2.1 million from the advance refunding. The savings will be passed through to the 11 local governments that have loans funded by the defeased bonds.

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, 2004. The cost of the related escrow securities was $14.7 million.

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

NOTE 28 – PRIOR PERIOD ADJUSTMENTS

Primary Government

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $1,337,251 as follows:

- The Department of Personnel & Administration increased beginning net assets of the Governmental Activities by $3,068,226 because legislation authorized Colorado State University to assume its share of liabilities related to worker's compensation risk. Because these liabilities were long term, there was no effect on the General Fund in which the department reports current worker's compensation activities. As part of the same transaction, the Department recognized as a reduction of beginning General Fund fund balance $1,479,866 of current worker's compensation liabilities that were previously reported on the government-wide statements. This part of the transaction did not affect the government-wide net assets.
- The Department of Agriculture reduced beginning net assets of the Governmental Activities by $1,964,619 (reducing Other Special Revenue Funds by $2,085,707 and reducing long-term liabilities and capital assets by a net amount of $121,088) because legislation authorized the Brand Inspection Fund to begin operating as a TABOR exempt enterprise. The same legislation reduced the Brand Estray Fund, an Other Special Revenue Fund, by $235,813 and increased the Other Private Purpose Trust Funds by the same amount. This change reduced the beginning net assets of the Governmental Activities because the Private Purpose Trust Funds are not reported on the government-wide financial statements.
- The Department of Transportation reduced beginning net assets of the Governmental Activities by $77,851,725 as the result of correcting errors in recording and depreciating capital assets in prior years.
- The Department of Human Services increased beginning net assets of the Governmental Activities by $84,147,845 when it capitalized the costs incurred in prior years to create the Colorado Benefits Management System.
- The Department of Natural Resources reduced the beginning fund balance of the Other Permanent Funds by $105,940 and increased the Other Special Revenue Funds beginning fund balance when it determined that the Land and Water Management Fund was incorrectly classified as a Permanent Fund. This change did not affect the government-wide financial statements.
- The Department of Personnel & Administration increased beginning net assets of the Governmental Activities and the Central Services Fund, an Internal Service Fund, by $278,382 when it corrected an error in recording certificates of participation used to fund fleet vehicles.
- The Department of Natural Resources reduced beginning net assets of the Governmental Activities and the State Lands Permanent Fund, a nonmajor Other Governmental Fund, by $7,605,045 when it removed long term receivables in Fiscal Year 2004-05 that should have been removed from the books of record in Fiscal Year 2003-04.
- The Department of Labor and Employment increased beginning net assets of the Governmental Activities by $1,500,000 when it capitalized assets that were recorded as expenditures in a prior year. The adjustment did not affect any fund in the fund level statements. The Department increased the beginning fund balance of the Labor Fund, a nonmajor Special Revenue Fund, by $11,504,000 when it removed liabilities related to claims inappropriately accrued in the Labor Fund. The adjustment did not affect the government-wide financial statements because the claims are appropriately accrued on the government-wide financial statements.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* increased by $15,893,816 as follows:

- The Department of Agriculture increased beginning net assets of the Business-Type Activities and the Other Enterprise Funds by $1,964,619 because legislation authorized the Brand Inspection Fund to begin operating as an enterprise.

- The Colorado Community College System increased beginning net assets of the Business-Type Activities and the Higher Education Institutions Enterprise Funds by $208,907 when it determined that a previously reported liability was reported in error because an activity within the enterprise fund was misclassified. The System increased beginning net assets of the Business-Type Activities and the Higher Education Institutions Enterprise Funds by $16,067,478 to correct errors in recording and depreciating capital assets donated in prior years. The System also increased beginning net assets of the Business-Type Activities and the Higher Education Institutions Enterprise Funds by $721,038 to capitalize leases incorrectly reported as operating leases in prior years.
- The Colorado State University decreased beginning net assets of the Business-Type Activities and the Higher Education Institutions Enterprise Funds by $3,068,226 when it assumed the risk management liabilities related to worker's compensation from the Department of Personnel & Administration.

Component Units

The University of Colorado Foundation reduced its beginning net assets by $10,860,370 on the government wide *Statement of Activities* and on the *Statement of Revenues, Expenses, and Change in Net Assets – Component Units.* Part of the reduction was the result of removing a pledged receivable that was duplicated as a leased capital asset, and another portion was related to removing net assets of trusts that were required by the grantor to be held by the University of Colorado rather than the University of Colorado Foundation.

NOTE 29 – FUND EQUITY

On the *Balance Sheet – Governmental Funds,* the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The deficit unreserved fund balance of $12.5 million is the result of encumbrances for construction contracts authorized by multi-year budgets (see Note RSI-1B). The cash funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund.

NOTE 30 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2005, were:

SELLER'S / LENDER'S RECEIVABLE	General Fund	Public School	Highway Users Tax	Capital Projects
GOVERNMENTAL FUNDS:				
General	$ -	$19	$ 321	$ 12
Public School	-	-	-	-
Highway Users Tax	141	-	-	20
Capital Projects	-	-	-	-
State Lands	-	-	-	-
Other Permanent Trust	-	-	-	-
Water Projects	-	-	-	164
Labor	131	-	-	-
Gaming	35	-	-	-
Other Special Revenue	217	-	117	-
PROPRIETARY FUNDS:				
Higher Education Institutions	2,086	-	13	-
Unemployment Insurance	27	-	-	-
CollegeInvest	-	-	-	-
Wildlife	24	-	-	-
College Access Network	-	-	-	-
Correctional Industries	10	3	-	-
State Fair	16	-	-	-
Nursing Homes	1,730	-	-	-
Other Enterprise	8	-	-	-
INTERNAL SERVICE FUNDS				
Central Services	-	-	-	-
FIDUCIARY FUNDS				
College Savings Plan	-	-	-	-
Treasurer's Agency Funds	-	-	-	-
Revenue Agency Funds	-	-	-	-
Total	$ 4,425	$22	$ 451	$ 196

The $27.8 million payable shown for the State Lottery is related to distributions to other state agencies and agency funds that were accrued at June 30, 2005, and were paid early in Fiscal Year 2005-06. The Treasurer's Agency Funds had $12.2 million due from the Lottery that the Treasurer distributes to the Great Outdoors Colorado Program, a related party. The Conservation Trust Fund had $11.1 million and the Department of Natural Resources Lottery Distribution Fund had $2.8 million due from the Lottery Fund; both funds are Other Special Revenue Funds. The Public School Fund in the Department of Education had $1.7 due from the Lottery because Lottery's net revenues exceeded the statutory threshold for distribution to the Public School Fund.

The $46.6 million receivable in the General Fund, which is shown as primarily payable from All Other Funds, is primarily related to the Gaming Fund distribution of $40.6 million. The Gaming Fund distribution to various funds was accrued at June 30, 2005, and was paid early in Fiscal Year 2004-05. The Gaming Fund is a nonmajor Special Revenue Fund. In addition, the General Fund had a $2.4 million receivable from the Criminal Alien Assistance Cash Fund, an Other Special Revenue Fund, for federal prisoners held in state facilities.

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Other Special Revenue	Higher Education Institutions	Unemploy-ment Insurance	CollegeInvest	State Lottery	All Other Funds	Total
$ 2,967	$ 573	$ 1,016	$ -	$ 10	$ 41,709	$ 46,627
-	-	-	-	1,692	3,601	5,293
-	-	-	-	-	636	797
-	4,455	43	-	-	38	4,536
-	-	-	-	-	100	100
-	-	-	-	-	10	10
1,530	-	-	-	-	-	1,694
-	45	-	-	-	-	176
-	-	-	-	-	-	35
-	14	-	-	13,890	38,318	52,556
279	976	-	-	-	246	3,600
-	-	-	-	-	-	27
-	-	-	-	-	342	342
19	-	-	-	-	-	43
-	-	-	411	-	-	411
-	590	-	-	-	5	608
-	-	-	-	-	-	16
-	-	-	-	-	-	1,730
-	-	-	-	-	-	8
-	76	-	-	-	-	76
-	-	-	260	-	-	260
-	-	-	-	12,198	-	12,198
-	-	-	-	-	169	169
$ 4,795	$ 6,729	$ 1,059	$ 671	$ 27,790	$ 85,174	$ 131,312

The $52.6 million receivable in the Other Special Revenue Funds is primarily due from the Lottery Fund (as discussed above) and the Water Projects Fund. The Severance Tax Trust Fund, an Other Special Revenue Fund, held a long-term receivable of $38.1 million that was 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 generally accepted accounting principles require that expenses/expenditures and revenues be accrued and when the related payment is made.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2005, were as follows:

TRANSFER-OUT FUND	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 2,340,589	$ 81,212	$ 41,657
Public School	736	-	-	-
Highway Users	35,032	-	-	2,108
Capital Projects	467	-	-	-
State Education	-	2,500	-	-
Other Special Revenue	92,968	49,000	100	4,315
Higher Education Institutions	3,090	-	-	-
CollegeInvest	23	-	-	-
Lottery	310	1,691	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	4,880	-	-	-
Labor	273	-	-	-
Gaming	41,382	-	-	1,046
Tobacco Impact Mitigation	77,296	-	-	-
PERMANENT FUNDS:				
State Lands Trust Expendable	159	32,638	-	-
State Lands Trust Nonexpendable	-	-	-	-
Other Permanent Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	3,858	-	-	-
College Access Network	102	-	-	-
Correctional Industries	527	-	-	-
Nursing Homes	88	-	-	-
Prison Canteens	73	-	-	31
Other Enterprise Funds	446	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	1,744	-	-	-
General Government Computer Center	1,183	-	-	-
Telecommunications	363	-	-	-
Capitol Complex	779	-	-	-
Administrative Hearings	241	-	-	-
Debt Collection	203	-	-	-
FIDUCIARY FUNDS:				
College Savings Plan	-	-	-	-
Treasurer's Private Purpose	1,754	-	-	-
Other Fiduciary Funds	142	-	-	-
TOTAL	$ 268,119	$ 2,426,418	$ 81,312	$ 49,157

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. Due to revenue shortfalls in Fiscal Years 2001-02 and 2002-03, the state transferred $726.1 million and $555.8 million, respectively, from various funds to augment the General Fund. In Fiscal Year 2003-04, nonroutine transfers of $54.4 million into the General Fund were roughly equivalent to the nonroutine transfers out to repay cash funds for prior year support of the General Fund. Based on legislation from the 2004 General Assembly, the state transferred $65.4 million into the General Fund in Fiscal Year 2004-05, of which, $39.2 million came from the Tobacco Settlement Cash Fund and $26.2 million came from the Tobacco Settlement Trust Fund. Both funds are part of the Tobacco Impact Mitigation Fund, a nonmajor Special Revenue Fund.

The state transferred $185.6 million from the General Fund to the Controlled Maintenance Trust Fund, a nonmajor Special Revenue Fund. This transfer was to temporarily return a portion of the money to the Controlled Maintenance Trust Fund that was transferred to the General Fund in Fiscal Year 2001-02. Of the amount transferred, $130.6 million was appropriated, and therefore, was subject to legal limits on General Fund appropriation growth.

(Amounts in Thousands)

TRANSFER-IN FUND

Other Special Revenue	Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 194,851	$ 596,824	$ -	$ 3,008	$ 3,258,141
164	-	-	-	900
-	-	-	83,140	120,280
8	-	-	3,693	4,168
2,539	2,167	-	-	7,206
-	-	-	11,068	157,451
-	-	-	-	3,090
-	-	-	-	23
51,868	-	-	-	53,869
403	-	-	-	5,283
-	-	-	-	273
186	-	-	-	42,614
21,632	-	-	-	98,928
52	82	-	-	32,931
4,078	326	-	-	4,404
17	-	-	-	17
-	-	-	-	3,858
-	-	-	-	102
31	-	-	-	558
-	-	-	-	88
-	-	-	-	104
-	-	-	-	446
-	-	-	-	1,744
-	-	-	-	1,183
-	-	-	21	384
-	-	-	286	1,065
-	-	-	4	245
-	-	-	-	203
-	-	241	-	241
-	-	-	65	1,819
-	-	-	-	142
$ 275,829	$ 599,399	$ 241	$ 101,285	$ 3,801,760

The remaining $55.0 million was not subject to the legal limits on General Fund appropriation growth. (See the General Fund Surplus Schedule on Page 139.)

The following paragraphs describe the large routine transfers into the General Fund that are generally specified in the Long Appropriations Act, which is the state's primary budget document.

The $35.0 million transfer into the General Fund from the Highway Users Tax Fund, a major Special Revenue Fund, is primarily indirect cost transfers and specific funding of highway related programs reported in the General Fund (other than construction and maintenance).

The $41.4 million transfer into the General Fund from the Gaming Fund, a nonmajor Special Revenue Fund, is a routine transfer done because the Gaming Fund is allowed to retain only a portion of gaming taxes and fees and the remaining balance becomes general-purpose revenue of the General Fund.

The $93.0 million transfer into the General Fund from Other Special Revenue Funds is primarily related to on-going funding of programs reported in the General Fund by cash funded programs that collect specific fees and other revenues. This amount includes indirect cost transfers from a large number of cash funds to the General Fund.

NOTE 32 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows a special item expense of $1.1 million. Per an Executive Order from the Governor's Office during Fiscal Year 2004-05, the Department of Local Affairs distributed moneys from the Disaster Emergency Fund for the purchase of two air tankers and one helicopter that were specially equipped to fight forest fires.

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 $5.4 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported $280,910 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds.* The President of the university authorizes the expenditure of investment income on endowment earnings, and the university's Board of Governors is notified of those expenditures.

Colorado State University reported $107,093 of net appreciation on its donor-restricted endowments held by its foundation. The full amount was available for spending. On the *Statement of Net Assets – Proprietary Funds*, the university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, and a management fee of 1 to 1.5 percent.

NOTE 34 – SEGMENT INFORMATION

Primary Government

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

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

Other Enterprise Funds' Segments:

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

Higher Education Institutions' Segments:

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado at Denver and Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund. UPI also provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the state. UCHA paid UPI approximately $33.1 million and $31.5 million in Fiscal Years 2004-05 and 2003-04, respectively.

The Colorado State University - Pueblo student activities segment charges students fees for programs and facilities provided at the campus.

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

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

The following two pages present condensed financial information for the state's segments that are not presented as major funds.

CONDENSED STATEMENT OF NET ASSETS

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY OF COLORADO UNIVERSITY PHYSICIANS INCORPORATED
ASSETS:		
Current Assets	$ 280	$ 68,917
Due From Other Funds	16	-
Other Assets	184	40,349
Capital Assets	10,377	18,847
Total Assets	10,857	128,113
LIABILITIES:		
Current Liabilities	2,393	17,560
Due To Other Funds	718	-
Noncurrent Liabilities	170	19,895
Total Liabilities	3,281	37,455
NET ASSETS:		
Invested in Capital Assets , Net of Related Debt	8,852	(1,199)
Restricted for Permanent Endowments:		
Expendable	-	-
Unrestricted	(1,276)	91,857
Total Net Assets	$ 7,576	$ 90,658

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

OPERATING REVENUES :		
Tuition and Fees	$ -	$ -
Sales of Goods and Services	6,932	220,589
Other	472	-
Total Operating Revenues	7,404	220,589
OPERATING EXPENSES:		
Depreciation	614	1,654
Other	8,154	207,802
Total Operating Expenses	8,768	209,456
OPERATING INCOME (LOSS)	(1,364)	11,133
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income	12	1,884
Gifts and Donations	442	-
Other Nonoperating Revenues	-	-
Debt Service	(147)	(432)
Other Nonoperating Expenses	77	(3,352)
Total Nonoperating Revenues(Expenses)	384	(1,900)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions and Additions to Endowments	77	-
Transfers-In	-	-
Transfers-Out	(25)	-
Total Contributions, Transfers, and Other	52	-
CHANGE IN NET ASSETS	(928)	9,233
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	8,504	81,425
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 7,576	$ 90,658

CONDENSED STATEMENT OF CASH FLOWS

NET CASH PROVIDED (USED) BY:		
Operating activities	$ (141)	$ 7,655
Noncapital Financing Activities	(25)	(2,828)
Capital and Related Financing Activities	(488)	(1,756)
Investing Activities	108	3,912
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(546)	6,983
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	546	11,943
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ -	$ 18,926

COLORADO STATE UNIVERSITY - PUEBLO	COLORADO SCHOOL OF MINES		AURARIA HIGHER EDUCATION CENTER	
STUDENT ACTIVITIES	AUXILIARY HOUSING	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDENT FACILITIES
$ 321	$ 3,112	$ 119	$ 4,617	$ 8,521
-	-	-	-	-
547	16,523	97	11,643	7,020
4,614	43,433	10,989	42,294	37,614
5,482	63,068	11,205	58,554	53,155
848	1,849	-	5,575	5,061
-	-	399	-	-
2,901	61,079	10,555	36,241	36,234
3,749	62,928	10,954	41,816	41,295
-	140	434	10,893	4,954
-	-	-	2,112	823
1,733	-	(183)	3,733	6,083
$ 1,733	$ 140	$ 251	$ 16,738	$ 11,860

$ 1,122	$ 958	$ -	$ -	$ 4,642
5,138	-	-	7,418	20,379
139	7,584	-	193	101
6,399	8,542	-	7,611	25,122
363	1,106	294	964	1,802
5,209	5,361	1	5,924	20,558
5,572	6,467	295	6,888	22,360
827	2,075	(295)	723	2,762
127	507	-	376	176
60	-	-	-	-
14	918	659	-	-
(465)	(2,790)	(276)	(776)	(1,000)
-	-	(261)	-	-
(264)	(1,365)	122	(400)	(824)
-	-	-	-	168
820	-	-	-	-
(728)	(29)	-	-	-
92	(29)	-	-	168
655	681	(173)	323	2,106
1,078	(541)	424	16,415	9,754
$ 1,733	$ 140	$ 251	$ 16,738	$ 11,860

$ (219)	$(13,478)	$ (11)	$ 2,122	$ 4,904
-	-	-	-	-
-	13,255	(11)	(17,622)	(14,342)
-	(905)	-	13,899	12,128
(219)	(1,128)	(22)	(1,601)	2,690
1,098	3,936	141	5,913	4,385
$ 879	$ 2,808	$ 119	$ 4,312	$ 7,075

NOTE 35 – COMPONENT UNITS

The state reports eight component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. All of the component units are considered major except Cover-Colorado, 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 568 beds with six outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority (UCHA). It also includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado at Denver and Health Sciences Center (UCDHSC), a state institution of higher education. The hospital's mission is to provide education, research, and a full spectrum of primary, secondary, and tertiary health care services to the Denver metropolitan area and the Rocky Mountain Region. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(a) as a not-for-profit entity. The hospital is in the process of relocating its main campus from east central Denver to the Fitzsimons Campus in the Denver suburb of Aurora.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants.

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing and operating a major league baseball stadium. To accomplish this purpose, the 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 2004, the district refunded $1.0 million, of the sales tax levy to the six counties initially included in the district because the funds were deemed unnecessary for the expenses and reserves of the district.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado (a state institution of higher education) and the University of Colorado Hospital Authority (a component unit of the state). The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2004-05, it received $8.2 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services. For the fiscal year ended June 30, 2005, the foundation distributed $48.5 million to the University of Colorado and $19.5 million to the University of Colorado Hospital Authority. The University contributed $3.6 million to fund the operating costs of Bear Creek, a limited liability company of which the foundation is the sole member. The foundation holds $81.0 million of endowments and related earnings that the University can request at any time as long as the request is consistent with donor intent.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing contributions, gifts, and bequests. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2004-05, the foundation transferred $35.2 million to the university.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1966 to promote the general welfare, development, growth, and well being of the University of Northern Colorado (UNC). The foundation accomplishes this mission through solicitation and acquisition of gifts, investing and managing property, and furnishing funds, facilities, equipment, and services. The foundation owed UNC $270,477 at June 30, 2005.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $1.4 million to the university during Fiscal Year 2004-05 and owed $135,169 at June 30, 2005.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as, providing program development grants to Adams State College. The foundation provided $1.1 million and $757,804 in scholarships and grants during Fiscal Year 2004-05 and 2003-04, respectively.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2004-05, the college drew $440,194 from the foundation primarily for athletic scholarships, and the foundation funded regular operations of the college through cash and in-kind contributions of $157,327. The foundation also donated real property to the college valued at $429,297 and awarded $387,158 of scholarships directly to students of the college.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.4 million and $2.6 million of funding to the college in Fiscal Year 2004-05 and 2003-04, respectively. The foundation also reimbursed the college $141,913 for services provided by college employees in Fiscal Year 2004-05. At June 30, 2005, the foundation owed the college $321,673.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $1.9 million and $1.4 million to the college in Fiscal Years 2004-05 and 2003-04, respectively.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of Front Range Community College, no foundations made annual transfers to their related colleges in excess of $500,000. The Front Range Community College Foundation was established to benefit Front Range Community College. The foundation transferred $611,929 to the college during Fiscal Year 2004-05 for student scholarships and instructional support.

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, 2005, and June 30, 2004, were $3.3 million and $2.6 million, respectively. At June 30, 2005, the Building Corporation has a receivable of $399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued $10.9 million of bonds in October 2002 and the construction funded by the bonds was completed in Fiscal Year 2002-03. The 2002 bonds were fully refunded and replaced by $10.6 million of bonds issued January 2005. The net assets of the Development Corporation were $250,757 and $424,030 at June 30, 2005 and 2004, 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 2004-05 and 2003-04, the board funded $24.3 million and $20.6 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2005, GOCO owed the Department of Natural Resources $4.0 million.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $446.8 million, which it recorded net of third-party contractual allowances ($764.2 million), indigent and charity care ($110.5 million), provision for bad debt ($41.3 million), and self-pay discounts ($14.1 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $31.8 million for Fiscal Year 2004-05. The hospital implemented the self-pay discount program during Fiscal Year 2004-05 to reduce uninsured patients' liabilities by up to 35 percent.

The Hospital Authority and the University of Colorado at Denver and Health Sciences Center have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education approved the transfer of 186 acres of land (plus 41 additional acres) and buildings at the Fitzsimons Army Medical Center to the University of Colorado. Various quitclaim deeds convey the property in an "as is" condition, without warranty, and include conditions subsequent that, if not met, provide for reverting the property to the Department of Education. In July 2004, the authority entered into a 98-year Amended and Restated Ground Lease agreement with a one-dollar annual fee. The original lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of the property. The amended agreement increases the leased property to 45.5 acres, with an option for the authority to include an additional 7.1 acres, and provides for two renewals, up to 99 years each, for $100 per year. With certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

On January 14, 2005, the authority exercised its option to include the additional 7.1 acres under the Amended Ground Lease. On April 29, 2005, the lease was again amended to add the additional acreage to the land currently leased to the authority. The authority intends to use the 7.1 additional acres for the expansion of Anschutz Inpatient Pavilion and associated surface parking.

In 2005, the authority requested an additional 98-year Ground Lease for 4.2 acres of land adjacent to where the Anschutz Inpatient Pavilion is located. The authority intends to sublease the acreage to a development team that will construct, own, and operate an office building and parking structure. The authority intends to lease a portion of the office building and parking structure from the owner under a 10-year operating lease.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the University of Colorado at Denver and Health Sciences Center. Approximately $27.7 million was paid for these services in Fiscal Year 2004-05. Other contracts with the Regents for services that include educational support, clinic services, and research projects, resulted in reimbursements of approximately $2.7 million in Fiscal Year 2004-05.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $2.1 million were billed to CRC for the cost of these services during Fiscal Year 2004-05. The amount due from the University of Colorado at Denver and Health Sciences Center, including CRC, amounted to $1.2 million at June 30, 2005.

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 2004 and 2005. 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 received dividends of approximately $440,000 in Fiscal Year 2004-05.

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

The hospital and two other entities participate in Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO that serves Medicaid patients. In August 2001, the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest, which was 4.5 percent at June 30, was originally due on or before August 24, 2004. Currently, Colorado Access is unable to specify a repayment timeline due to negotiations with the Division of Insurance regarding required levels of risk-based capital. The hospital does not feel an allowance is necessary based on Colorado Access' required reserves.

Prior to May 2005, the hospital coordinated fund-raising initiatives through the University of Colorado Foundation. In May 2005 the hospital became responsible for its own fund raising, and the Foundation transferred $8.6 million in pledges that were restricted to the hospital's use.

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 College Access Network, in the event of adverse loss experience, could be liable for approximately 25 percent ($1,399.3 million) of the outstanding balance of loans in repayment status ($5,597.4 million). However, the probability of a material loss is remote.

At June 30, 2005, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $588.7 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby, require the state to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that are not individually or in aggregate considered material.

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 $6.69 billion are outstanding. Of this amount, $5.83 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 $40.0 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 state paid Kansas $34,615,146 on April 29, 2005. The Special Master instructed the parties to resolve remaining technical issues by the end of 2005. Kansas seeks litigation cost reimbursement that it estimates at $10.0 million. The parties are negotiating the remaining technical issues and litigation cost claims. The state estimates the range of remaining potential liability between $2.0 million and $10.0 million.

Plaintiffs filed suit in state court challenging the constitutionality of $442.7 million of transfers from cash funds to the General Fund made in Fiscal Years 2001-02, 2002-03, 2003-04 to mitigate general-purpose revenue shortfalls. The suit seeks class action status and alleges that the transfers caused the increase or continuation of cash fund fees that it contends are tax increases not approved by voters. Plaintiffs seek to prevent similar future transfers, to terminate existing fees replenishing the cash funds, to prevent fee increases intended to replenish the cash funds, and to require the General Fund to replenish the cash funds. Plaintiffs have appealed the district court's dismissal for Summary Judgment.

The Department of Health Care Policy and Financing may be responsible for between $3.9 million and $7.8 million of attorney's fees incurred by a class of Aid to Needy Disabled (AND) program clients. The state advanced the AND benefits to clients expected to win appeals to the federal government for Social Security benefits. The state was reimbursed for the AND benefits from the Social Security benefits awarded; however, the state did not reimburse the AND clients for the attorney's fees the clients incurred in pursuing the Social Security benefits. State statutes were subsequently changed to clarify that the state will not reimburse such attorney's fees.

During Fiscal Year 2004-05, the Department of Health Care Policy and Financing and the Department of Human Services implemented the Colorado Benefits Management System (CBMS). CBMS is an automated system that supports program administration, eligibility determination, benefit issuance, and reporting for various medical and public assistance programs. These programs include Medicaid, Food Stamps, and Temporary Assistance for

Needy Families (TANF). Benefits are paid to, or on behalf of beneficiaries, and the state receives reimbursement for a portion of these payments from the federal government. The federal oversight agency for the Food Stamp program has notified the Department of Human Services that it will disallow $1.07 million of Food Stamp payments made to ineligible beneficiaries during the year due to problems incurred during the implementation of CBMS. The state has appealed the decision and the resolution of this is currently not known. Therefore, no estimate of the liability, if any, for disallowed costs has been accrued in the financial statements. The state could incur additional disallowances related to the implementation of CBMS from other federal oversight agencies.

The state believes it has a good chance of prevailing in the actions discussed in this footnote, but the ultimate outcome cannot presently be determined. No provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

Component Units

The Denver Metropolitan Major League Baseball Stadium District received Notices of Claim from 27 persons arising from an incident involving an escalator at Coors Field (the district's stadium) on July 2, 2003. The notices generally allege that the escalator failed by rapidly accelerating without warning, causing claimants to be hurled down the escalator resulting in injuries to the claimants. In May 2005, one of the claimants filed a lawsuit naming the District as a defendant. The amount of damages has not been established, but the district's lease with its tenant requires the lessee to indemnify the district in this matter. The escalator manufacturer has tentatively agreed to indemnify the tenant. Because the amount of damages is not determinable, the district has made no provision for any loss or expense related to this incident.

The Colorado School of Mines Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines formed for the purpose of purchasing, constructing, otherwise acquiring, extending or improving an educational facility for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the foundation may be called upon to repay principal, not to exceed $10.9 million in the event of default of the Development Corporation.

NOTE 38 – SUBSEQUENT EVENTS

A. DEBT ISSUANCE

On July 1, 2005, the State Treasurer issued $700.0 million of General Fund Tax Revenue Anticipation Notes, Series 2005A. The notes are due and payable on June 27, 2006, at an average coupon rate of 3.81 percent. The total interest related to this issuance will be $26.4 million. The notes are issued for cash management purposes.

On July 1, 2005, the State Treasurer issued $225.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2005A. The notes carry an average coupon rate of 4.17 percent, which will result in about $10.0 million of interest due at maturity. The notes mature on August 7, 2006, but the State Treasurer has established a Series 2005A Note Repayment Account that it will fund by June 27, 2006, in an amount adequate to fully defease the outstanding notes.

On December 13, 2005, the State Treasurer issued $190.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2005B. The notes carry an average coupon rate of 6.25 percent, which will result in about $7.0 million of interest due at maturity. The notes mature August 7, 2006, but the State Treasurer has established a Series 2005B Note Repayment Account that it will fund by June 27, 2006, in an amount adequate to fully defease the outstanding notes.

On July 28, 2005, the University of Northern Colorado issued $85.0 million of Auxiliary Facilities System Revenue Bonds, Series 2005. The bonds were issued to fund construction of a sports and recreation facility and student housing, as well as campus parking improvements. In addition, $1.8 million of the new issuance was dedicated to refunding a portion of certain 1994 bonds.

On September 1, 2005, CollegeInvest issued its Tax-Exempt Bonds, Series 2005XI-A1 and 2005XI-A2, of $65.0 million and $66.0 million, respectively, and its Taxable Notes, Series 2005XI-A3 of $50.0 million. The purchasers of these bonds have the same priority in repayment as the purchasers of the 1999 Series IV Master Indenture. The bonds proceeds will be used to acquire student loans.

On September 15, 2005, Mesa State College issued $20.8 million of Auxiliary Facilities System Revenue Bonds, Series 2005. The bonds were issued to fund construction of student housing and parking facilities, and to expand and equip the college's auxiliary facilities system. The bonds have a net interest rate of 4.38 percent with final payments due in May 2035.

On September 29, 2005, the Auraria Higher Education Center issued $17.5 million of Certificates of Participation, Series 2005, which were used to advance refund $16.9 million of Series 1998 Certificates of Participation. The defeased debt had interest rates ranging from 4.500 percent to 5.125 percent and the new debt has interest rates ranging from 3.250 percent to 4.500 percent. The term of the debt decreased from 30 years to 23 years.

On September 30, 2005, the University of Colorado issued $25.2 million of University Enterprise Revenue Bonds, Series 2005B. The proceeds of the bonds will be used to finance capital improvements and acquisitions for a parking facility at the Fitzsimons site of the University of Colorado and Denver Health Sciences Center (UCDHSC) and certain energy-related improvements to facilities on the CU-Colorado Springs campus. The bonds have interest rates ranging from 3.0 to 5.0 percent with a final maturity in 2035 and optional redemption provisions at various dates.

On December 14, 2005, the State of Colorado, acting by and through the Board of Regents of the University of Colorado issued Certificates of Participation with a par value of $192.6 million and a premium of $7.6 million. The proceeds will be used to finance the costs of acquisition, construction, improvement, and equipping of buildings associated with the UCDHSC Fitzsimons Academic Projects, which includes 7 buildings on the Fitzsimons campus. The certificates have interest rates ranging from 3.75 percent to 5.25 percent and mature in November 2030.

B. OTHER

In the November 2005 election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. For the following five fiscal years, if TABOR revenues exceed the TABOR limits, Referendum C allows the state to retain and spend the excess revenues that would otherwise be refunded to the citizens (See Note 8B for more information on the TABOR limits). In the same election, voters disapproved Referendum D – a legislatively referred measure, contingent on the passage of Referendum C, that would have authorized the state to borrow $2.07 billion to fund transportation, capital construction, and certain fire and police pension obligations of local governments.

CollegeInvest contracts with Citigroup for management of a significant portion of the College Savings Plan, a Private Purpose Trust Fund. On July 1, 2005, Citigroup announced its intent to sell its worldwide asset management business (CAM) in exchange for Legg Mason, Inc.'s private client brokerage and capital markets businesses. Both parties have signed a definitive agreement, and the transaction is expected to close by December 31, 2005. It is subject to regulatory and CAM mutual fund board and shareholder approvals and customary closing conditions. CollegeInvest is in the process of determining the effect of this transaction on its agreement with CAM.

On November 1, 2005, College Access Network received $41.2 million when it expanded its relationship with Nelnet, Inc. by outsourcing its administrative and support services. Nelnet originates, consolidates, securitizes, holds, and services student loans. The agreement has an initial term of ten years and includes cancellation and renewal provision. Nelnet will receive 70 percent of College Access Network revenues over term of the contract, and College Access Network will retain 30 percent of its revenues for contract monitoring and related activities.

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, 2005

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,104,829	
Income Taxes			3,713,801	
Other Taxes			219,437	
Federal Grants and Contracts			11,427	
Sales and Services			683	
Interest Earnings			29,909	
Other Revenues			41,456	
Transfers-In			147,952	
TABOR Refund (See Note 8B)			(41,064)	
TOTAL REVENUES AND TRANSFERS-IN			6,228,430	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 4,228	$ 4,193	4,055	$ 138
Corrections	500,200	496,779	493,467	3,312
Education	2,539,580	2,514,558	2,514,402	156
Governor	15,838	15,891	15,803	88
Health Care Policy and Financing	1,258,646	1,280,224	1,253,995	26,229
Higher Education	587,988	588,069	587,810	259
Human Services	465,505	485,157	482,487	2,670
Judicial Branch	219,577	219,004	218,764	240
Law	7,184	7,174	6,716	458
Legislative Branch	28,541	28,644	26,571	2,073
Local Affairs	4,926	8,675	8,566	109
Military and Veterans Affairs	4,032	3,965	3,878	87
Natural Resources	22,353	22,478	22,062	416
Personnel & Administration	8,393	7,867	7,663	204
Public Health and Environment	13,075	13,137	13,106	31
Public Safety	56,810	56,509	56,272	237
Regulatory Agencies	1,032	1,030	1,030	-
Revenue	168,346	166,431	161,644	4,787
Treasury	213,188	209,412	200,655	8,757
SUB-TOTAL OPERATING BUDGETS	6,119,442	6,129,197	6,078,946	50,251
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	750	14	-	14
Corrections	3,313	1,905	1,175	730
Education	425	-	-	-
Governor	-	314	4	310
Health Care Policy and Financing	-	2,214	431	1,783
Higher Education	35,543	16,876	5,797	11,079
Human Services	3,679	1,694	320	1,374
Judicial Branch	262	262	4	258
Military and Veterans Affairs	1,312	9	-	9
Personnel & Administration	6,442	12,025	4,809	7,216
Public Health and Environment	-	982	494	488
Public Safety	-	158	158	-
Revenue	-	555	290	265
Budgets/Transfers Not Booked by Department	122,409	122,409	122,409	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	174,135	159,417	135,891	23,526
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 6,293,577	$ 6,288,614	6,214,837	$ 73,777
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 13,593	

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, 2005

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 651,991	
Income Taxes			313,934	
Other Taxes			852,340	
Tuition and Fees			942,690	
Sales and Services			893,854	
Interest Earnings			223,630	
Other Revenues			1,746,558	
Transfers-In			4,774,875	
TOTAL REVENUES AND TRANSFERS-IN			10,399,872	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 24,119	$ 24,056	22,030	$ 2,026
Corrections	57,844	54,702	43,670	11,032
Education	2,813,712	2,826,997	2,825,771	1,226
Governor	19,090	28,189	7,740	20,449
Health Care Policy and Financing	279,425	247,010	216,180	30,830
Higher Education	2,086,596	2,092,700	1,836,957	255,743
Human Services	650,784	295,736	274,441	21,295
Judicial Branch	86,231	82,195	78,101	4,094
Labor and Employment	454,554	454,531	435,559	18,972
Law	62,054	62,626	61,109	1,517
Legislative Branch	2,502	2,480	1,680	800
Local Affairs	215,325	214,988	128,604	86,384
Military and Veterans Affairs	2,939	1,832	1,661	171
Natural Resources	459,841	442,211	267,091	175,120
Personnel & Administration	452,886	444,256	332,204	112,052
Public Health and Environment	98,116	112,610	91,074	21,536
Public Safety	121,724	118,612	99,631	18,981
Regulatory Agencies	67,366	67,795	60,221	7,574
Revenue	627,922	629,882	577,929	51,953
State	22,232	18,025	12,864	5,161
Transportation	269,435	272,264	127,180	145,084
Treasury	1,191,512	1,191,660	1,171,069	20,591
SUB-TOTAL OPERATING BUDGETS	10,066,209	9,685,357	8,672,766	1,012,591
Capital and Multi-Year Budgets:				
Departmental:				
Corrections	472	1,097	50	1,047
Higher Education	107,683	409,796	64,424	345,372
Human Services	921	2,410	1,683	727
Labor and Employment	18,200	44,181	29,471	14,710
Military and Veterans Affairs	950	325	147	178
Natural Resources	47,849	59,829	23,616	36,213
Personnel & Administration	16,528	13,358	6,553	6,805
Public Health and Environment	7,750	10,880	2,579	8,301
Public Safety	-	1,659	1,154	505
Regulatory Agencies	-	298	280	18
Revenue	1,255	8,333	3,139	5,194
Transportation	1,530,724	1,529,014	649,727	879,287
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	1,732,332	2,081,180	782,823	1,298,357
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 11,798,541	$ 11,766,537	9,455,589	$ 2,310,948
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 944,283	

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, 2005

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,022,465	
TOTAL REVENUES AND TRANSFERS-IN			4,022,465	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 1,725	$ 14,868	4,114	$ 10,754
Corrections	(188)	14,064	5,816	8,248
Education	413,109	654,861	442,540	212,321
Governor	17,528	137,416	75,081	62,335
Health Care Policy and Financing	1,478,825	1,519,905	1,479,737	40,168
Higher Education	19,805	147,991	93,959	54,032
Human Services	510,667	1,125,394	887,566	237,828
Judicial Branch	1,455	6,109	3,578	2,531
Labor and Employment	89,630	173,207	120,830	52,377
Law	824	941	800	141
Legislative Branch	-	22	2	20
Local Affairs	48,393	250,874	103,241	147,633
Military and Veterans Affairs	122,949	15,356	9,423	5,933
Natural Resources	23,917	52,709	27,775	24,934
Personnel & Administration	72	5,840	4,118	1,722
Public Health and Environment	170,138	314,677	200,123	114,554
Public Safety	42,206	70,794	36,519	34,275
Regulatory Agencies	1,088	1,697	1,597	100
Revenue	1,807	3,960	1,766	2,194
State	-	41,349	5,832	35,517
Transportation	299,745	644,000	444,017	199,983
Treasury	-	119,404	106,990	12,414
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,243,695	5,315,438	4,055,424	1,260,014
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 3,243,695	$ 5,315,438	4,055,424	$ 1,260,014
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (32,959)	

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, 2005

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES						
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER SPECIAL REVENUE	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:							
Revenues and Transfers-In:							
General	$ 6,185,466	$ -	$ -	$ 42,964	$ -	$ -	$ -
Cash	711,120	2,428,309	1,536,862	78,304	323,039	853,225	750,814
Federal	3,194,599	-	443,797	26,104	-	205,044	640
Sub-Total Revenues and Transfers-In	10,091,185	2,428,309	1,980,659	147,372	323,039	1,058,269	751,454
Expenditures/Expenses and Transfers-Out							
General Funded	6,200,917	-	-	13,920	-	-	-
Cash Funded	702,639	2,435,479	1,627,231	80,295	347,188	560,052	664,206
Federally Funded	3,194,609	-	443,797	26,098	-	263,201	640
Expenditures/Expenses and Transfers-Out	10,098,165	2,435,479	2,071,028	120,313	347,188	823,253	664,846
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(6,980)	(7,170)	(90,369)	27,059	(24,149)	235,016	86,608
BUDGETARY BASIS ADJUSTMENTS:							
Increase/(Decrease) for Unrealized Gains/Losses	(6,843)	-	(4,394)	(519)	730	(5,471)	2,857
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	3,860	28,102
Increase/(Decrease) for GAAP Expenditures Not Budgeted	126,742	-	(6,454)	63,957	-	175	1,611
Increase/(Decrease) for GAAP Revenue Adjustments	(119,508)	-	6,453	(63,958)	-	(371)	(1,611)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(6,589)	(7,170)	(94,764)	26,539	(23,419)	233,209	117,567
GAAP BASIS FUND BALANCES/NET ASSETS:							
FUND BALANCE/NET ASSETS, JULY 1	246,982	18,327	1,112,348	35,980	147,286	700,467	934,254
Prior Period Adjustments (See Note 28)	(1,480)	-	-	-	-	(2,216)	3,793
FUND BALANCE/NET ASSETS, JUNE 30	$ 238,913	$ 11,157	$ 1,017,584	$ 62,519	$ 123,867	$ 931,460	$ 1,055,614

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

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,228,430
1,386,247	468,955	59,239	422,590	190,894	91,595	1,098,679	10,399,872
-	11,716	25,162	-	114,562	841	-	4,022,465
1,386,247	480,671	84,401	422,590	305,456	92,436	1,098,679	20,650,767
-	-	-	-	-	-	-	6,214,837
1,360,541	336,244	65,542	420,758	180,453	92,466	582,495	9,455,589
-	18,068	-	-	108,170	841	-	4,055,424
1,360,541	354,312	65,542	420,758	288,623	93,307	582,495	19,725,850
25,706	126,359	18,859	1,832	16,833	(871)	516,184	924,917
(749)	-	(4,976)	(218)	(1,134)	(25)	18,509	(2,233)
-	-	-	175	16,312	440	-	48,889
1,302	(4,945)	-	(456)	(7,657)	(6,198)	(10)	168,067
-	-	-	-	719	-	-	(178,276)
156,574	-	-	-	-	-	(1,523,114)	(1,366,540)
182,833	121,414	13,883	1,333	25,073	(6,654)	(988,431)	(405,176)
3,008,769	200,311	129,042	1,716	276,903	37,634	3,379,837	10,229,856
13,929	-	-	-	1,965	278	236	16,505
$ 3,205,531	$ 321,725	$ 142,925	$ 3,049	$ 303,941	$ 31,258	$ 2,391,642	$ 9,841,185

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. Unspent restricted appropriations are reported as reversions on the schedule.

The $85.1 million deficit in Ending General Fund Surplus anticipated at the end of the fiscal year was the result of the increasing estimate of the required TABOR refund and the increase in expenditures resulting from a legislative appropriation to the Controlled Maintenance Trust Fund late in the fiscal year.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$2,017,600	$2,004,400	$ 2,007,963		
Other Excise Taxes	96,600	94,900	96,867		
Individual Income Tax, net	3,347,900	3,400,400	3,421,186		
Corporate Income Tax, net	239,000	278,400	292,615		
Estate Tax	15,000	22,500	26,004		
Insurance Tax	173,400	167,500	189,202		
Parimutuel, Courts, and Other	67,900	57,700	59,039		
Investment Income	11,200	11,800	27,704		
Gaming	41,200	39,400	40,239		
TABOR Refund (See Note 8B)	(82,300)	(107,100)	(41,064)		
TOTAL GENERAL PURPOSE REVENUES	5,927,500	5,969,900	6,119,755		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,228	4,192	4,055	$ 137	$ -
Corrections	500,200	496,830	493,689	3,141	9
Education	2,539,580	2,514,561	2,514,407	154	19
Governor	15,838	15,891	15,803	88	27
Health Care Policy and Financing	1,258,646	1,279,201	1,253,384	25,817	5
Higher Education	587,988	587,988	587,958	30	177
Human Services	465,505	485,217	483,481	1,736	562
Judicial Branch	219,577	219,005	218,764	241	1,113
Law	7,184	7,184	6,743	441	55
Legislative Branch	28,541	28,629	26,710	1,919	328
Local Affairs	4,926	8,675	8,571	104	95
Military and Veterans Affairs	4,032	3,965	3,878	87	80
Natural Resources	22,353	22,359	22,035	324	-
Personnel & Administration	8,393	7,864	7,755	109	661
Public Health and Environment	13,075	13,136	13,106	30	111
Public Safety	56,810	56,499	56,262	237	3
Regulatory Agencies	1,032	1,030	1,030	-	-
Revenue	168,346	166,407	161,621	4,786	1
State	-	-	-	-	37
Treasury	19,029	15,253	15,027	226	-
Appropriation to the Capital Projects Fund	153	153	153	-	-
Appropriation to the Controlled Maintenance Trust Fund	-	130,628	130,628	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	5,925,436	6,064,667	6,025,060	$ 39,607	$ 3,283
Variance Between Actual and Estimated Budgets	(3,936)	(13,667)	-		
TOTAL ESTIMATED BUDGET	5,921,500	6,051,000	6,025,060		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	6,000	(81,100)	94,695		
EXCESS AUGMENTING REVENUES			3,283		
TRANSFERS:					
Transfers-In from Various Cash Funds	27,000	64,400	65,712		
Transfers-Out to Various Cash Funds	-	(55,000)	(55,000)		
Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds	(112,000)	(121,800)	(121,818)		
TOTAL TRANSFERS	(85,000)	(112,400)	(111,106)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			(13,128)		
BEGINNING GENERAL FUND SURPLUS	112,000	121,800	121,818		
GAAP Revenues/(Expenditures) Not Budgeted			2,991		
(Increase)/Decrease in Long-Term Asset Reserve			108		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(8,300)	(13,400)	(13,772)		
ENDING GENERAL FUND SURPLUS	$ 24,700	$ (85,100)	$ 98,017		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2005-06 for Budget			(155,937)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2005-06 for Budget			(65,364)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			84,627		
GAAP Basis - Shortfall in Statutory Reserve			38,657		
ENDING GAAP UNRESERVED FUND BALANCE			$ -		

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 132 to 134). These schedules are presented in the budgetary fund structure discussed below. Higher Education 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 significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

Historically, TABOR refunds have been presented as an expenditure on the General Funded budget-to-actual schedule in compliance with House Bill 98-1414, which required restriction of excess revenues in the following fiscal year. However, House Bill 03-1238 made this provision inapplicable after July 1, 2003. As a result, the first TABOR refund recorded after that date is presented as a reduction of revenues in the same year that the excess revenues were recorded.

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 estimates of 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 those excess expenditures are considered general funded expenditures. If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

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

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 136) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 132 to 134) 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, General Fund payroll disbursements for employee time worked in June and Medicaid payments accrued but not paid by June 30 are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to accrued Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal 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 and major replacements or improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81. Assets accounted for under the modified approach include approximately 22,600 lane miles of roads and 3,700 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 necessary to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

ROADWAY

Measurement Scale

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

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse, longitudinal, or fatigue. Slight rutting in the wheel paths.	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse or longitudinal or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring 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 percent of roadways will be in the good and fair categories.

Assessed Conditions

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

Rating	2004	2003	2002	2001	2000	1999
Good/Fair	61%	58%	58%	54%	54%	51%
Poor	39%	42%	42%	46%	46%	49%

BRIDGES

Measurement Scale

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3700 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 elements are sound but may have minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service – beyond corrective action.

Established Condition Level

The expected condition level for bridges is that no more than 25 percent shall be rated as “structurally deficient”. “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.

Assessed Conditions

The following table reports the percentage of bridges whose condition was assessed as “structurally deficient”.

Year	Percent
2005	6.2%
2004	6.5%
2003	6.3%
2002	6.6%
2001	6.7%
2000	6.3%
1999	6.5%

Budgeted and Estimated Costs to Maintain

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 presents the estimated cost to maintain the infrastructure and the related actual expenditures:

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2004-05	$ 138.0	$ 452.8
2003-04	554.1	529.9
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	$ 6,544.4	$ 6,858.5

The Department reported $255.2 million of construction in progress additions in Fiscal Year 2004-05 that will be capitalized as infrastructure in future years.

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, 2005

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 277,494	$ -	$ -	$ 277,494
Taxes Receivable, net	27,592	-	-	27,592
Other Receivables, net	57,214	-	9,475	66,689
Due From Other Governments	-	341	2	343
Due From Other Funds	1,905	-	110	2,015
Prepaids, Advances, and Deferred Charges	33	-	-	33
Restricted Cash and Pooled Cash	100,818	2,957	20,265	124,040
Restricted Investments	-	-	406,525	406,525
Restricted Receivables	14,700	-	-	14,700
Investments	20,032	-	-	20,032
Other Long-Term Assets	209,285	-	4,261	213,546
Land and Nondepreciable Infrastructure	-	-	13,771	13,771
TOTAL ASSETS	$ 709,073	$ 3,298	$ 454,409	$ 1,166,780
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 5,453	$ -	$ 62	$ 5,515
Due To Other Governments	20,796	-	-	20,796
Due To Other Funds	79,424	-	3,761	83,185
Deferred Revenue	319	-	1,324	1,643
Other Current Liabilities	17	-	-	17
Deposits Held In Custody For Others	10	-	-	10
TOTAL LIABILITIES	106,019	-	5,147	111,166
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	210,915	-	18,032	228,947
Debt Service	-	3,298	-	3,298
Emergencies	53,000	-	-	53,000
Funds Reported as Restricted	63,851	-	419,350	483,201
Unreserved, Reported in:				
Nonmajor Special Revenue Funds	274,941	-	-	274,941
Nonmajor Permanent Funds	-	-	1,954	1,954
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds				
Reported in Nonmajor Special Revenue Funds	347	-	-	347
Reported in Nonmajor Permanent Funds	-	-	9,926	9,926
TOTAL FUND BALANCES	603,054	3,298	449,262	1,055,614
TOTAL LIABILITIES AND FUND BALANCES	$ 709,073	$ 3,298	$ 454,409	$ 1,166,780

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Excise	$ 80,692	$ -	$ -	$ 80,692
Other Taxes	137,383	-	-	137,383
Licenses, Permits, and Fines	88,271	-	-	88,271
Charges for Goods and Services	827	-	92	919
Rents	258	-	55,198	55,456
Investment Income (Loss)	12,386	40	26,387	38,813
Federal Grants and Contracts	640	-	-	640
Other	746	-	195	941
TOTAL REVENUES	321,203	40	81,872	403,115
EXPENDITURES:				
Current:				
Business, Community and Consumer Affairs	17,019	-	-	17,019
Education	23,371	-	20	23,391
Health and Rehabilitation	3,284	-	-	3,284
Natural Resources	4,445	-	122	4,567
Social Assistance	3,091	-	-	3,091
Capital Outlay	31	-	-	31
Intergovernmental:				
Cities	18,161	-	-	18,161
Counties	25,395	-	10	25,405
School Districts	16,524	-	-	16,524
Special Districts	1,103	-	-	1,103
Federal	463	-	-	463
Other	451	-	-	451
Debt Service	-	91,158	-	91,158
TOTAL EXPENDITURES	113,338	91,158	152	204,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITUR	207,865	(91,118)	81,720	198,467
OTHER FINANCING SOURCES (USES):				
Transfers-In	11,022	86,451	75	97,548
Transfers-Out	(147,098)	-	(37,352)	(184,450)
Sale of Capital Assets	-	-	6,002	6,002
TOTAL OTHER FINANCING SOURCES (USES)	(136,076)	86,451	(31,275)	(80,900)
NET CHANGE IN FUND BALANCES	71,789	(4,667)	50,445	117,567
FUND BALANCE, FISCAL YEAR BEGINNING	519,761	7,965	406,528	934,254
Prior Period Adjustment (See Note 28)	11,504	-	(7,711)	3,793
FUND BALANCE, FISCAL YEAR END	$ 603,054	$ 3,298	$ 449,262	$ 1,055,614

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 IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional state tax on cigarettes and tobacco products approved by state voters in the 2004 general election and the expenditure of those tax revenues.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)

	WATER PROJECTS	LABOR
ASSETS:		
Cash and Pooled Cash	$ 68,909	$ 21,353
Taxes Receivable, net	-	17,009
Other Receivables, net	12,153	310
Due From Other Funds	1,694	176
Prepaids, Advances, and Deferred Charges	-	-
Restricted Cash and Pooled Cash	8,547	44,000
Restricted Receivables	453	-
Investments	-	20,032
Other Long-Term Assets	209,285	-
TOTAL ASSETS	$ 301,041	$ 102,880
LIABILITIES:		
Accounts Payable and Accrued Liabilities	$ 1,189	$ 453
Due To Other Governments	-	-
Due To Other Funds	38,135	(12)
Deferred Revenue	-	-
Other Current Liabilities	-	1
Deposits Held In Custody For Others	-	-
TOTAL LIABILITIES	39,324	442
FUND BALANCES:		
Reserved for:		
Noncurrent Assets	210,915	-
Emergencies	9,000	44,000
Funds Reported as Restricted	-	-
Unreserved:		
Designated for Unrealized Investment Gains:		
Reported in Nonmajor Special Revenue Funds	-	347
Undesignated	41,802	58,091
TOTAL FUND BALANCES	261,717	102,438
TOTAL LIABILITIES AND FUND BALANCES	$ 301,041	$ 102,880

GAMING	TOBACCO IMPACT MITIGATION	TOTALS
$ 116,196	$ 71,036	$ 277,494
10,583	-	27,592
90	44,661	57,214
35	-	1,905
33	-	33
-	48,271	100,818
-	14,247	14,700
-	-	20,032
-	-	209,285
$ 126,937	$ 178,215	$ 709,073
$ 1,632	$ 2,179	$ 5,453
20,796	-	20,796
40,553	748	79,424
319	-	319
16	-	17
10	-	10
63,326	2,927	106,019
-	-	210,915
-	-	53,000
1,333	62,518	63,851
-	-	347
62,278	112,770	274,941
63,611	175,288	603,054
$ 126,937	$ 178,215	$ 709,073

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)

	WATER PROJECTS	LABOR
REVENUES:		
Taxes:		
Excise	$ -	$ -
Other Taxes	-	38,302
Licenses, Permits, and Fines	-	74
Charges for Goods and Services	148	-
Rents	-	-
Investment Income (Loss)	8,391	2,520
Federal Grants and Contracts	-	-
Other	90	267
TOTAL REVENUES	8,629	41,163
EXPENDITURES:		
Current:		
Business, Community and Consumer Affairs	-	9,368
Education	-	-
Health and Rehabilitation	-	-
Natural Resources	4,445	-
Social Assistance	-	-
Capital Outlay	-	-
Intergovernmental:		
Cities	9	-
Counties	205	-
School Districts	30	-
Special Districts	408	-
Federal	463	-
Other	139	-
TOTAL EXPENDITURES	5,699	9,368
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,930	31,795
OTHER FINANCING SOURCES (USES):		
Transfers-In	11,022	-
Transfers-Out	(5,283)	(273)
TOTAL OTHER FINANCING SOURCES (USES)	5,739	(273)
NET CHANGE IN FUND BALANCES	8,669	31,522
FUND BALANCE, FISCAL YEAR BEGINNING	253,048	59,412
Prior Period Adjustment (See Note 28)	-	11,504
FUND BALANCE, FISCAL YEAR END	$ 261,717	$ 102,438

GAMING	TOBACCO IMPACT MITIGATION	TOTALS
$ -	$ 80,692	$ 80,692
99,081	-	137,383
605	87,592	88,271
679	-	827
258	-	258
1,561	(86)	12,386
640	-	640
86	303	746
102,910	168,501	321,203
7,651	-	17,019
23,242	129	23,371
-	3,284	3,284
-	-	4,445
-	3,091	3,091
30	1	31
18,152	-	18,161
18,162	7,028	25,395
622	15,872	16,524
414	281	1,103
-	-	463
5	307	451
68,278	29,993	113,338
34,632	138,508	207,865
-	-	11,022
(42,614)	(98,928)	(147,098)
(42,614)	(98,928)	(136,076)
(7,982)	39,580	71,789
71,593	135,708	519,761
-	-	11,504
$ 63,611	$ 175,288	$ 603,054

PERMANENT FUNDS

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

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)

	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 9,475	$ -	$ 9,475
Due From Other Governments	-	2	2
Due From Other Funds	100	10	110
Restricted Cash and Pooled Cash	13,319	6,946	20,265
Restricted Investments	406,525	-	406,525
Other Long-Term Assets	4,261	-	4,261
Capital Assets Held as Investments	13,376	395	13,771
TOTAL ASSETS	$ 447,056	$ 7,353	$ 454,409
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 8	$ 54	$ 62
Due To Other Funds	3,761	-	3,761
Deferred Revenue	1,323	1	1,324
TOTAL LIABILITIES	5,092	55	5,147
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	17,637	395	18,032
Funds Reported as Restricted	413,164	6,186	419,350
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Nonmajor Permanent Funds	9,926	-	9,926
Undesignated	1,237	717	1,954
TOTAL FUND BALANCES	441,964	7,298	449,262
TOTAL LIABILITIES AND FUND BALANCES	$ 447,056	$ 7,353	$ 454,409

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)

	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 92	$ -	$ 92
Rents	55,198	-	55,198
Investment Income (Loss)	26,223	164	26,387
Other	186	9	195
TOTAL REVENUES	81,699	173	81,872
EXPENDITURES:			
Current:			
Education	-	20	20
Natural Resources	-	122	122
Counties	10	-	10
TOTAL EXPENDITURES	10	142	152
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,689	31	81,720
OTHER FINANCING SOURCES (USES):			
Transfers-In	75	-	75
Transfers-Out	(37,335)	(17)	(37,352)
Sale of Capital Assets	6,002	-	6,002
TOTAL OTHER FINANCING SOURCES (USES)	(31,258)	(17)	(31,275)
NET CHANGE IN FUND BALANCES	50,431	14	50,445
FUND BALANCE, FISCAL YEAR BEGINNING	399,138	7,390	406,528
Prior Period Adjustment (See Note 28)	(7,605)	(106)	(7,711)
FUND BALANCE, FISCAL YEAR END	$ 441,964	$ 7,298	$ 449,262

OTHER ENTERPRISE FUNDS

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

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ACCESS NETWORK	This fund records the activities of College Access Network 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 Aurora, 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 smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2005

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 6,121	$ 41,684	$ -
Student and Other Receivables, net	614	649	69
Due From Other Governments	189	2,193	42
Due From Other Funds	43	411	16
Inventories	683	69	37
Prepaids, Advances, and Deferred Charges	457	62	132
Total Current Assets	8,107	45,068	296
Noncurrent Assets:			
Restricted Cash and Pooled Cash	65,586	3,025	-
Restricted Receivables	3,753	23	-
Investments	-	-	150
Other Long-Term Assets	-	-	34
Depreciable Capital Assets and Infrastructure, net	48,490	800	9,705
Land and Nondepreciable Infrastructure	109,614	-	672
Total Noncurrent Assets	227,443	3,848	10,561
TOTAL ASSETS	235,550	48,916	10,857
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	8,647	1,041	238
Due To Other Governments	2	5,721	-
Due To Other Funds	38	106	718
Deferred Revenue	31,039	-	688
Compensated Absences Payable	386	-	-
Leases Payable	71	111	55
Notes, Bonds, COP's Payable	-	-	1,406
Other Current Liabilities	6	666	6
Total Current Liabilities	40,189	7,645	3,111
Noncurrent Liabilities:			
Accrued Compensated Absences	4,553	638	106
Capital Lease Payable	15	103	64
Notes, Bonds, COP's Payable	-	-	-
Total Noncurrent Liabilities	4,568	741	170
TOTAL LIABILITIES	44,757	8,386	3,281
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	158,018	586	8,852
Restricted for:			
Emergencies	27,247	-	-
Court Awards and Other Purposes	-	2,933	-
Unrestricted	5,528	37,011	(1,276)
TOTAL NET ASSETS	$ 190,793	$ 40,530	$ 7,576

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 3,684	$ 4,433	$ 4,727	$ 9,147	$ 69,796
1,454	631	384	242	4,043
143	792	-	84	3,443
608	1,730	-	8	2,816
9,682	148	287	137	11,043
35	4	1	252	943
15,606	7,738	5,399	9,870	92,084
-	-	-	-	68,611
-	-	-	-	3,776
-	-	-	-	150
780	514	-	218	1,546
4,872	28,642	1,216	2,067	95,792
952	3,831	-	7,131	122,200
6,604	32,987	1,216	9,416	292,075
22,210	40,725	6,615	19,286	384,159
1,280	3,081	402	994	15,683
-	144	-	-	5,867
-	-	-	-	862
-	2	-	1,366	33,095
20	162	-	9	577
-	7	-	-	244
-	325	-	-	1,731
8	-	-	47	733
1,308	3,721	402	2,416	58,792
790	1,049	112	534	7,782
-	8	-	-	190
-	5,062	-	8,392	13,454
790	6,119	112	8,926	21,426
2,098	9,840	514	11,342	80,218
5,824	27,013	1,216	806	202,315
-	-	-	-	27,247
-	-	-	110	3,043
14,288	3,872	4,885	7,028	71,336
$ 20,112	$ 30,885	$ 6,101	$ 7,944	$ 303,941

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 63,728	$ -	$ -
Tuition and Fees	20	-	-
Sales of Goods and Services	1,951	9,799	6,932
Investment Income (Loss)	-	1,141	-
Rental Income	-	-	447
Federal Grants and Contracts	13,376	90,801	-
Intergovernmental Revenue	13,752	-	-
Other	1,785	2,791	25
TOTAL OPERATING REVENUES	94,612	104,532	7,404
OPERATING EXPENSES:			
Salaries and Fringe Benefits	50,921	12,014	4,073
Operating and Travel	31,655	61,522	3,395
Cost of Goods Sold	-	-	-
Depreciation and Amortization	3,441	657	614
Intergovernmental Distributions	2,703	-	-
Debt Service	-	10,948	-
Prizes and Awards	28	1	686
TOTAL OPERATING EXPENSES	88,748	85,142	8,768
OPERATING INCOME (LOSS)	5,864	19,390	(1,364)
NONOPERATING REVENUES AND (EXPENSES):			
Fines and Settlements	416	-	-
Investment Income (Loss)	965	-	12
Rental Income	162	-	-
Gifts and Donations	1,302	5	442
Gain/(Loss) on Sale of Capital Assets	287	-	77
Debt Service	(11)	-	(147)
Other Expenses	(1)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	3,120	5	384
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	8,984	19,395	(980)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	24	-	77
Additions to Permanent Endowments	-	-	-
Transfers-In	-	-	-
Transfers-Out	(3,858)	(102)	(25)
TOTAL CONTRIBUTIONS AND TRANSFERS	(3,834)	(102)	52
CHANGE IN NET ASSETS	5,150	19,293	(928)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	185,643	21,237	8,504
Prior Period/Other Adjustments (See Note 28)	-	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 190,793	$ 40,530	$ 7,576

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 1,085	$ 64,813
-	-	-	473	493
28,303	27,628	10,334	2,751	87,698
-	-	-	-	1,141
-	-	-	851	1,298
57	9,634	-	698	114,566
-	94	-	-	13,846
160	9	18	61	4,849
28,520	37,365	10,352	5,919	288,704
7,805	26,964	2,271	5,755	109,803
5,948	6,897	1,732	2,223	113,372
13,405	-	6,127	281	19,813
956	1,381	58	194	7,301
-	1,620	-	-	4,323
-	-	-	-	10,948
-	1	1	1	718
28,114	36,863	10,189	8,454	266,278
406	502	163	(2,535)	22,426
-	-	-	13	429
44	67	116	301	1,505
146	6	-	-	314
5	2	-	427	2,183
-	(4)	-	1	361
-	(360)	-	(4)	(522)
-	(42)	-	(11)	(54)
195	(331)	116	727	4,216
601	171	279	(1,808)	26,642
-	431	-	-	532
-	-	-	11	11
-	3,007	-	37	3,044
(558)	(88)	(104)	(421)	(5,156)
(558)	3,350	(104)	(373)	(1,569)
43	3,521	175	(2,181)	25,073
20,069	27,364	5,926	8,160	276,903
-	-	-	1,965	1,965
$ 20,112	$ 30,885	$ 6,101	$ 7,944	$ 303,941

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 20	$ -	$ -
Fees for Service	64,905	9,589	4,998
Sales of Products	532	-	124
Gifts, Grants, and Contracts	17,228	91,603	25
Income from Property	162	-	447
Other Sources	16,831	2,674	1,703
Cash Payments to or for:			
Employees	(43,786)	(11,521)	(1,710)
Suppliers	(31,806)	(7,014)	(4,256)
Sales Commissions and Lottery Prizes	(4,323)	(1,471)	-
Others for Student Loans and Loan Losses	-	(65,199)	-
Other Governments	(2,703)	-	-
Other	(1,743)	-	(1,472)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,317	18,661	(141)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	-	-	-
Transfers-Out	(3,858)	(102)	(25)
Receipt of Deposits Held in Custody	6	56	-
Release of Deposits Held in Custody	-	-	-
Gifts for Other Than Capital Purposes	1,302	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(2,550)	(46)	(25)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(14,779)	(1,127)	(215)
Capital Gifts, Grants, and Contracts	24	-	-
Proceeds from Sale of Capital Assets	-	-	-
Capital Debt Proceeds	-	-	29
Capital Debt Service Payments	(6)	-	(292)
Capital Lease Payments	(6)	-	(10)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(14,767)	(1,127)	(488)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 8	$ -	$ -	$ 473	$ 501
4,427	26,666	-	1,844	112,429
24,085	27	10,263	927	35,958
57	9,991	-	686	119,590
146	6	-	975	1,736
160	9	18	1,233	22,628
(7,533)	(24,682)	(1,579)	(4,566)	(95,377)
(21,207)	(9,844)	(8,657)	(3,462)	(86,246)
-	-	-	-	(5,794)
-	-	-	-	(65,199)
-	(1,608)	-	-	(4,311)
(44)	(69)	(3)	(134)	(3,465)
99	496	42	(2,024)	32,450
-	3,007	-	37	3,044
(558)	(88)	(104)	(421)	(5,156)
-	1	-	12	75
(1)		(7)	-	(8)
5	1	-	438	1,746
-	267	-	-	267
-	(645)	-	-	(645)
(554)	2,543	(111)	66	(677)
(529)	(636)	(20)	(3,360)	(20,666)
-	-	-	-	24
2	7	-	-	9
-	71	-	8,994	9,094
-	(394)	-	(680)	(1,372)
-	(1)	-	-	(17)
(527)	(953)	(20)	4,954	(12,928)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(Continued)

(DOLLARS IN THOUSANDS)

	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	1,676	1,417	12
Proceeds from Sale/Maturity of Investments	-	-	96
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(710)	(275)	
NET CASH FROM INVESTING ACTIVITIES	966	1,142	108
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(1,034)	18,630	(546)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	72,741	26,079	546
Prior Period Adjustment		-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 71,707	$ 44,709	$ -

	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 5,864	$ 19,390	$ (1,364)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,441	657	614
Investment/Rental Income and Other Revenue in Operating Income	-	(1,141)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	578	5	442
Loss on Disposal of Capital Assets	-	-	77
Compensated Absences	(309)	(234)	13
Interest and Other Expense in Operating Income	-	80	51
(Increase) Decrease in Operating Receivables	2,073	2,190	(81)
(Increase) Decrease in Inventories	(18)	7	(18)
(Increase) Decrease in Other Operating Assets	693	(21)	21
Increase (Decrease) in Accounts Payable	569	(2,469)	567
Increase (Decrease) in Other Operating Liabilities	2,426	197	(463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,317	$ 18,661	$ (141)

	WILDLIFE	COLLEGE ACCESS NETWORK	STATE FAIR AUTHORITY
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	77
Gain/(Loss) on Disposal of Capital Assets	287	-	(77)
Assumption of Capital Lease Obligation or Mortgage	-	111	95

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	OTHER ENTERPRISE ACTIVITIES	TOTALS
83	106	155	337	3,786
-	-	-	-	96
(39)	(39)	(38)	(36)	(1,137)
44	67	117	301	2,745
(938)	2,153	28	3,297	21,590
4,622	2,280	4,699	2,230	113,197
-	-	-	3,620	3,620
$ 3,684	$ 4,433	$ 4,727	$ 9,147	$ 138,407
$ 406	$ 502	$ 163	$ (2,535)	$ 22,426
956	1,381	58	194	7,301
-	-	-	-	(1,141)
146	5	-	13	1,189
74	-	-	-	151
51	8	22	(103)	(552)
-	33	-	12	176
227	(527)	(69)	144	3,957
(1,391)	121	(1)	36	(1,264)
(8)	64	(1)	(7)	741
(361)	(1,090)	(130)	129	(2,785)
(1)	(1)	-	93	2,251
$ 99	$ 496	$ 42	$ (2,024)	$ 32,450
-	431	-	-	508
(73)	(4)	-	1	134
-	9	-	-	215

INTERNAL SERVICE FUNDS

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

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other state agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, and motor pool.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold to other state agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining state office space in the complex surrounding the State Capitol.
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, 2005

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 16,811	$ 2,512	$ 1,986
Other Receivables, net	262	46	94
Due From Other Governments	-	-	228
Due From Other Funds	76	-	-
Inventories	439	-	-
Prepaids, Advances, and Deferred Charges	6	202	70
Total Current Assets	17,594	2,760	2,378
Noncurrent Assets:			
Other Long-Term Assets	522	-	-
Depreciable Capital Assets and Infrastructure, ne	38,838	485	6,903
Total Noncurrent Assets	39,360	485	6,903
TOTAL ASSETS	56,954	3,245	9,281
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,911	1,023	2,713
Due To Other Funds	20	-	56
Deferred Revenue	1,727	-	2
Compensated Absences Payable	5	8	-
Leases Payable	4	-	-
Notes, Bonds, COP's Payable	11,915	-	-
Total Current Liabilities	16,582	1,031	2,771
Noncurrent Liabilities:			
Accrued Compensated Absences	384	327	158
Capital Lease Payable	11	-	-
Notes, Bonds, COP's Payable	26,000	-	-
Total Noncurrent Liabilities	26,395	327	158
TOTAL LIABILITIES	42,977	1,358	2,929
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	908	485	6,901
Unrestricted	13,069	1,402	(549)
TOTAL NET ASSETS	$ 13,977	$ 1,887	$ 6,352

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ 1,514	$ 2,962	$ 268	$ 791	$ 404	$ 27,248
46	-	6	12	5	471
-	-	-	-	-	228
-	-	-	-	-	76
158	524	-	-	-	1,121
-	-	-	1	2	281
1,718	3,486	274	804	411	29,425
-	-	-	-	-	522
14,017	177	3,675	138	48	64,281
14,017	177	3,675	138	48	64,803
15,735	3,663	3,949	942	459	94,228
1,004	172	36	265	134	8,258
-	-	-	-	-	76
3	-	-	-	-	1,732
-	-	-	-	-	13
179	-	-	-	-	183
-	-	-	-	-	11,915
1,186	172	36	265	134	22,177
222	-	-	217	44	1,352
13,430	-	-	-	-	13,441
-	-	-	-	-	26,000
13,652	-	-	217	44	40,793
14,838	172	36	482	178	62,970
408	177	3,675	138	48	12,740
489	3,314	238	322	233	18,518
$ 897	$ 3,491	$ 3,913	$ 460	$ 281	$ 31,258

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 41,225	$ 12,451	$ 17,570
Rental Income	-	-	-
Other	166	33	419
TOTAL OPERATING REVENUES	41,391	12,484	17,989
OPERATING EXPENSES:			
Salaries and Fringe Benefits	6,755	3,921	1,889
Operating and Travel	18,213	6,929	14,957
Cost of Goods Sold	5,361	-	-
Depreciation and Amortization	14,518	259	3,146
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	44,847	11,109	19,992
OPERATING INCOME (LOSS)	(3,456)	1,375	(2,003)
NONOPERATING REVENUES AND (EXPENSES):			
Fines and Settlements	2	-	-
Investment Income (Loss)	336	-	-
Federal Grants and Contracts	-	-	-
Gain/(Loss) on Sale of Capital Assets	569	-	-
Debt Service	(895)	(1)	-
Other Expenses	(111)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(99)	(1)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,555)	1,374	(2,003)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	-	118	62
Transfers-In	311	-	-
Transfers-Out	(1,744)	(1,183)	(384)
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,433)	(1,065)	(322)
CHANGE IN NET ASSETS	(4,988)	309	(2,325)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	18,687	1,578	8,677
Prior Period/Other Adjustments (See Note 28)	278	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 13,977	$ 1,887	$ 6,352

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ -	$ 2,624	$ 210	$ 3,482	$ 1,452	$ 79,014
9,754	-	-	-	-	9,754
11	-	9	-	-	638
9,765	2,624	219	3,482	1,452	89,406
2,793	1,076	319	2,887	746	20,386
5,904	1,244	252	490	443	48,432
-	-	-	-	2	5,363
25	48	462	23	20	18,501
3	-	-	-	-	3
8,725	2,368	1,033	3,400	1,211	92,685
1,040	256	(814)	82	241	(3,279)
-	-	-	-	-	2
-	(25)	-	-	-	311
841	-	-	-	-	841
(36)	-	-	-	-	533
(104)	-	-	-	-	(1,000)
-	-	-	-	-	(111)
701	(25)	-	-	-	576
1,741	231	(814)	82	241	(2,703)
-	-	-	-	-	180
-	-	382	-	-	693
(1,065)	-	-	(245)	(203)	(4,824)
(1,065)	-	382	(245)	(203)	(3,951)
676	231	(432)	(163)	38	(6,654)
221	3,260	4,345	623	243	37,634
-	-	-	-	-	278
$ 897	$ 3,491	$ 3,913	$ 460	$ 281	$ 31,258

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 7	$ -	$ -
Fees for Service	40,576	12,405	17,476
Sales of Products	1,383	-	1
Gifts, Grants, and Contracts	-	-	-
Income from Property	-	-	-
Other Sources	407	33	416
Cash Payments to or for:			
Employees	(5,432)	(3,803)	(1,820)
Suppliers	(24,686)	(6,780)	(14,505)
Other Governments	-	-	-
Other	(1)	-	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,254	1,855	1,566
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	311	-	-
Transfers-Out	(1,744)	(1,183)	(384)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,433)	(1,183)	(384)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(18,007)	(321)	(14)
Proceeds from Sale of Capital Assets	6,523	-	-
Capital Debt Proceeds	20,493	-	-
Capital Debt Service Payments	(17,227)	(1)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(8,218)	(322)	(14)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE HEARINGS	DEBT COLLECTION	TOTALS
$ -	$ -	$ 4	$ -	$ -	$ 11
-	1,551	290	3,471	1,451	77,220
-	1,072	-	-	-	2,456
841	-	-	-	-	841
9,711	-	-	-	-	9,711
3	-	9	-	-	868
(2,704)	(1,043)	(318)	(2,840)	(727)	(18,687)
(5,285)	(1,478)	(254)	(529)	(324)	(53,841)
(3)	-	-	-	-	(3)
(1)	(3)	-	-	(97)	(104)
2,562	99	(269)	102	303	18,472
-	-	382	-	-	693
(1,065)	-	-	(245)	(203)	(4,824)
(1,065)	-	382	(245)	(203)	(4,131)
(618)	(32)	-	(110)	-	(19,102)
13	-	-	-	-	6,536
185	-	-	-	-	20,678
(390)	-	-	-	-	(17,618)
(810)	(32)	-	(110)	-	(9,506)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	336	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	-	-	-
NET CASH FROM INVESTING ACTIVITIES	336	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	2,939	350	1,168
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	13,872	2,162	818
CASH AND POOLED CASH, FISCAL YEAR END	$ 16,811	$ 2,512	$ 1,986
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (3,456)	$ 1,375	$ (2,003)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,518	259	3,146
Rents, Fines, Donations, and Grants and Contracts in NonOperating	2	-	-
Compensated Absences	4	(94)	(27)
Interest and Other Expense in Operating Income	-	6	-
(Increase) Decrease in Operating Receivables	72	(46)	(93)
(Increase) Decrease in Inventories	(14)	-	-
(Increase) Decrease in Other Operating Assets	48	(54)	195
Increase (Decrease) in Accounts Payable	158	409	352
Increase (Decrease) in Other Operating Liabilities	922	-	(4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,254	$ 1,855	$ 1,566
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	118	62
Gain/(Loss) on Disposal of Capital Assets	569	-	-
Assumption of Capital Lease Obligation or Mortgage	6	-	-

CAPITOL COMPLEX		HIGHWAYS		PUBLIC SAFETY		ADMINISTRATIVE HEARINGS		DEBT COLLECTION		TOTALS
-		-		-		-		-		336
-		(25)		-		-		-		(25)
-		(25)		-		-		-		311
687		42		113		(253)		100		5,146
827		2,920		155		1,044		304		22,102
$	1,514	$	2,962	$	268	$	791	$	404	$ 27,248
$	1,040	$	256	$	(814)	$	82	$	241	$ (3,279)
25		48		462		23		20		18,501
841		-		-		-		-		843
15		-		-		(10)		(25)		(137)
494		-		-		-		-		500
(44)		-		87		(11)		-		(35)
(4)		(182)		-		-		-		(200)
-		-		-		-		(1)		188
202		(23)		(4)		18		68		1,180
(7)		-		-		-		-		911
$	2,562	$	99	$	(269)	$	102	$	303	$ 18,472
-		-		-		-		-		180
(36)		-		-		-		-		533
117		-		-		-		-		123

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are included in this category. However, financial statements for the state's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated 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 payout from the fund based on historical percentages of payouts in relation to total receipts.
COLLEGE SAVINGS PLAN	The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the state.
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, 2005

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 140,948	$ 517	$ 373	$ 141,838
Other Receivables, net	48	4,570	-	4,618
Due From Other Funds	-	260	-	260
Noncurrent Assets:				
Investments:				
Government Securities	2,007	-	553	2,560
Corporate Bonds	2,003	-	-	2,003
Asset Backed Securities	1,504	-	-	1,504
Mortgages	2,318	-	-	2,318
Mutual Funds	-	1,955,880	-	1,955,880
Other Investments	-	21,657	-	21,657
TOTAL ASSETS	148,828	1,982,884	926	2,132,638
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 50,213	$ 4,474	$ -	54,687
Due To Other Funds	-	247	-	247
Noncurrent Liabilities:				
Other Long-Term Liabilities	1,772	-	-	1,772
TOTAL LIABILITIES	51,985	4,721	-	56,706
NET ASSETS:				
Held in Trust for:				
Individuals, Organizations, and Other Entities	96,843	1,978,163	926	2,075,932
TOTAL NET ASSETS	$ 96,843	$ 1,978,163	$ 926	$ 2,075,932

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:				
Additions By Participants	$ -	$ 489,443	$ -	$ 489,443
Investment Income/(Loss)	2,705	82,413	15	85,133
Unclaimed Property Receipts	98,752	-	-	98,752
Other Additions	337	2	1,192	1,531
TOTAL ADDITIONS	101,794	571,858	1,207	674,859
DEDUCTIONS:				
Payments in Accordance with Trust Agreements	30,855	129,915	1,236	162,006
Transfers-Out	1,819	241	-	2,060
TOTAL DEDUCTIONS	32,674	130,156	1,236	164,066
CHANGE IN NET ASSETS	69,120	441,702	(29)	510,793
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	27,723	1,536,461	719	1,564,903
Prior Period Adjustment	-	-	236	236
FISCAL YEAR ENDING	$ 96,843	$ 1,978,163	$ 926	$ 2,075,932

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS JUNE 30, 2005

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 65,482	$ 1,691,026	$ 1,668,530	$ 87,978
Taxes Receivable, net	77,734	22,690	6,737	93,687
Due From Other Funds	-	169	-	169
TOTAL ASSETS	$ 143,216	$ 1,713,885	$ 1,675,267	$ 181,834
LIABILITIES:				
Tax Refunds Payable	$ 780	$ 444	666	$ 558
Due To Other Governments	140,191	2,566,807	2,526,951	180,047
Due To Other Funds	1,647	799	1,647	799
Claims and Judgments Payable	293	3,095	3,207	181
Other Current Liabilities	141	-	141	-
Other Long-Term Liabilities	164	95	10	249
TOTAL LIABILITIES	$ 143,216	$ 2,571,240	$ 2,532,622	$ 181,834

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 153,742	$ 226,341	$ 261,055	$ 119,028
Investments	5,643	-	5,643	-
Taxes Receivable, net	3,821	459	330	3,950
Other Receivables, net	414	448	597	265
Due From Other Funds	6	2	8	-
Inventories	4	88	92	-
Other Long-Term Assets	8,463	9,283	2,303	15,443
TOTAL ASSETS	$ 172,093	$ 236,621	$ 270,028	$ 138,686
LIABILITIES:				
Tax Refunds Payable	$ 10	$ 57	-	$ 67
Accounts Payable and Accrued Liabilities	361	11,118	10,944	535
Due To Other Governments	6,825	111,560	111,290	7,095
Due To Other Funds	18	12,121	12,134	5
Claims and Judgments Payable	252	61	22	291
Notes, Bonds, COP's Payable	-	25	25	-
Other Current Liabilities	158,569	114,530	148,010	125,089
Deposits Held In Custody For Others	6,056	2,771	3,228	5,599
Other Long-Term Liabilities	2	3	-	5
TOTAL LIABILITIES	$ 172,093	$ 252,246	$ 285,653	$ 138,686

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 109,835	$ 139,730	$ 124,057	$ 125,508
Due From Other Funds	10,506	12,198	10,506	12,198
TOTAL ASSETS	$ 120,341	$ 151,928	$ 134,563	$ 137,706
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 127	127	$ -
Other Current Liabilities	86,177	148,272	145,427	89,022
Deposits Held In Custody For Others	34,164	28,145	13,625	48,684
TOTAL LIABILITIES	$ 120,341	$ 176,544	$ 159,179	$ 137,706

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 329,059	$ 2,057,097	$ 2,053,642	$ 332,514
Investments	5,643	-	5,643	-
Taxes Receivable, net	81,555	23,149	7,067	97,637
Other Receivables, net	414	448	597	265
Due From Other Funds	10,512	12,369	10,514	12,367
Inventories	4	88	92	-
Other Long-Term Assets	8,463	9,283	2,303	15,443
TOTAL ASSETS	$ 435,650	$ 2,102,434	$ 2,079,858	$ 458,226
LIABILITIES:				
Tax Refunds Payable	$ 790	$ 501	$ 666	$ 625
Accounts Payable and Accrued Liabilities	361	11,245	11,071	535
Due To Other Governments	147,016	2,678,367	2,638,241	187,142
Due To Other Funds	1,665	12,920	13,781	804
Claims and Judgments Payable	545	3,156	3,229	472
Notes, Bonds, COP's Payable	-	25	25	-
Other Current Liabilities	244,887	262,802	293,578	214,111
Deposits Held In Custody For Others	40,220	30,916	16,853	54,283
Other Long-Term Liabilities	166	98	10	254
TOTAL LIABILITIES	$ 435,650	$ 3,000,030	$ 2,977,454	$ 458,226

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, 2005

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Legislature	$ -	$ -	$ -	$ -
Military Affairs	791	177	20,416	-
Personnel & Administration	2,946	2,460	48,937	-
Revenue	2,738	2,899	11,389	-
Subtotal	6,475	5,536	80,742	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	2,040	-
[1]GOV, OEC, OED	-	-	-	-
Labor and Employment	612	109	8,252	-
Local Affairs	-	126	1,472	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	301	-
State	-	-	-	-
Subtotal	1,135	235	12,065	-
EDUCATION				
Education	78	118	8,671	910
Higher Education	1,305	-	3,499	8,831
Subtotal	1,383	118	12,170	9,741
HEALTH AND REHABILITATION				
Public Health and Environment	188	-	8,132	-
Human Services	3,105	4,609	33,546	-
Subtotal	3,293	4,609	41,678	-
JUSTICE				
Corrections	3,872	4,904	542,171	-
DHS, Division of Youth Services	75	1,765	107,065	-
Judicial	1,605	-	5,188	367
Law	-	-	-	-
Public Safety	658	77	7,619	-
Regulatory Agencies	-	-	-	-
Subtotal	6,210	6,746	662,043	367
NATURAL RESOURCES				
Natural Resources	47,555	23,558	29,397	-
SOCIAL ASSISTANCE				
Human Services	-	199	-	-
Military Affairs	-	2,662	2,528	-
Health Care Policy and Finance	-	-	-	-
Subtotal	-	2,861	2,528	-
TRANSPORTATION				
Transportation	14,440	-	65,142	-
TOTAL GENERAL FIXED ASSETS	$ 80,491	$ 43,663	$ 905,765	$ 10,108

[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
$ 474	$ -	$ -	$ -	$ 474
381	-	3,995	-	25,760
86,819	39	7,746	-	148,947
2,759	-	360	-	20,145
90,433	39	12,101	-	195,326
1,116	-	1	-	3,259
29	-	-	-	29
12,780	658	15,485	-	37,896
418	-	-	-	2,016
496	-	-	-	496
232	-	-	-	954
1,683	-	-	-	1,683
16,754	658	15,486	-	46,333
1,395	-	-	-	11,172
167	-	4,619	-	18,421
1,562	-	4,619	-	29,593
4,423	16	1,093	-	13,852
2,291	61	230	-	43,842
6,714	77	1,323	-	57,694
7,848	53	190	-	559,038
360	-	-	-	109,265
3,993	-	-	-	11,153
78	-	-	-	78
14,168	-	1,302	-	23,824
7	-	-	-	7
26,454	53	1,492	-	703,365
3,647	4,487	25,495	14,287	148,426
108,857	-	3,674	-	112,730
56	-	-	-	5,246
28	-	-	-	28
108,941	-	3,674	-	118,004
91,393	-	1,100,986	10,391,364	11,663,325
$ 345,898	$ 5,314	$ 1,165,176	$ 10,405,651	$ 12,962,066

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provides a summary of assets, liabilities, and net assets of the 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, 2005

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife For Future Generation (Nonexpendable)	33-1-112(7)	$ 5,608	$ -	$ 5,608
Wildlife For Future Generation (Expendable)	33-1-112	1,166	54	1,112
Other Permanent-Nonexpendable	Various	553	-	553
Veterans Monument Preservation	24-80-1401	18	-	18
Hall Hist Marker-Nonexpendable	24-80-209	7	-	7
Veterans Monument Preservation	24-80-1401	1	1	-
Total Other Permanent Funds		$ 7,353	$ 55	$ 7,298
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	554	-	554
Brand Estray Fund	35-41-102	238	-	238
Americans with Disabilities Act Contractor Settlement	24-34-301 ADA	134	-	134
Total Other Private Purpose Funds		$ 926	$ -	$ 926
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	13,084	8,552	4,532
Buildings and Grounds Rentals	None	1,627	57	1,570
Business Enterprise Program	None	1,107	340	767
Brand Inspection Fund	35-41-102	2,531	2,091	440
Statewide Tolling Operating	43-4-805	291	33	258
Enterprise Services	24-80-209	359	156	203
Work Therapy	None	196	44	152
Conference & Training	None	19	1	18
Clean Screen Authority	42-3-134	71	68	3
Other Enterprise Funds	Various	1	-	1
Total Other Enterprise Funds		$ 19,286	$ 11,342	$ 7,944
OTHER SPECIAL REVENUE FUNDS				
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	185,187	-	185,187
Severance Tax Trust -Base Account	39-29-109	144,488	3,281	141,207
Severance Tax	39-29-110(1)	142,737	20,460	122,277
Federal Tax Relief Act - 2003	Restricted	55,477	-	55,477
Mineral Leasing	34-63-102	52,815	8,418	44,397
Help America Vote Act Fund	HAVA 2002	39,024	1,107	37,917
Severance Tax Trust -Operating Account	39-29-109	28,620	3,281	25,339
Workers' Compensation Cash	8-44-112(7)	20,474	600	19,874
Employment Support Fund	8-77-109	21,706	3,619	18,087
Hazardous Substance Settlement	Restricted	12,734	61	12,673
Dept. of Natural Resources Lottery Distribution	33-60-103(1)	15,077	2,630	12,447
Aviation Fund	43-10-109	13,755	2,489	11,266
Economic Development Fund	24-46-105	10,045	7	10,038
Natural Resources Damage Recovery	25-16-104.7	9,881	23	9,858
Excess Title IV-E Reimbursement	26-1-111(2)D	10,741	949	9,792
Children's Basic Health Plan	26-19-105	14,179	5,181	8,998
Gear Up Scholarship Trust Fund	Restricted	8,484	-	8,484
Hazardous Substances Response	25-16-104.6	8,642	186	8,456
Supreme Court Committee	Crt Rule 227	8,905	543	8,362
Transportation Renovation	43-1-210 6(B	7,717	-	7,717
Species Conservation-Capital Account	24-33-111(2)	8,207	812	7,395
Victims' Assistance	24-4.2-104	6,383	33	6,350
Inactive Mines Fund	34-24-103(5)	6,110	-	6,110
Secretary of State Fees	24-21-104	9,879	4,412	5,467
Breast & Cervical Cancer Prevention	26-4-532(7)	5,463	-	5,463
Consumer Protection -Custodial	6-1-103	5,451	-	5,451
Disaster Emergency Fund	24-32-2106	5,812	435	5,377
Petroleum Storage Tank Fund	8-20.5-103	5,945	863	5,082
Mined Land Subsidence Fund	Pl95-87 401C	5,067	5	5,062
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Division of Registrations Cash Fund	24-34-105	16,102	11,445	4,657

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2005

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Environmental Response Fund	34-60-124	4,332	50	4,282
Unemployment Revenue Fund	8-77-106	4,173	1	4,172
Victims' Compensation	24-4.1-124	4,046	47	3,999
Texaco Oil Overcharge Fund	None	3,957	68	3,889
Offender Services	16-11-214	4,147	314	3,833
Off Highway Vehicles	33-14.5-106	3,116	29	3,087
Housing Rehabilitation Revolving Loans	29-4-728	3,478	403	3,075
Other Expendable Trusts	Various	9,118	6,125	2,993
Supplemental Old Age Pension - Health & Medical	26-2-117(3)	2,982	-	2,982
Stripper Well Settlement	None	2,867	56	2,811
Public Employees Social Security System	24-53-105	2,709	-	2,709
Exxon Oil Overcharge Funds	None	2,368	-	2,368
Patient Benefit	None	2,113	7	2,106
Clerk & Recorder Technology	30-10-422	2,084	50	2,034
Operating Vouchers	None	2,192	161	2,031
Oil & Gas Conservation Fund	34-60-122	2,294	281	2,013
Species Conservation-Oper. & Maint. Account	24-33-111(2)	1,870	31	1,839
Real Estate Cash Fund	12-61-111.5	4,725	2,940	1,785
Performance Incentive Cash Fund	26-5-105.5(3	1,664	-	1,664
Stationary Sources	25-7-114.7(2	2,144	523	1,621
Traumatic Brain Injury Fund	26-1-210(1)	1,663	53	1,610
Natural Resources Foundation Fund	24-33-108	1,487	11	1,476
Parks Cash Fund	33-10-111	1,798	462	1,336
Newborn Genetics	25-4-1006	1,512	258	1,254
Library Trust Fund	24-90-105	1,143	4	1,139
Boiler Inspection	9-4-109(4)	1,119	-	1,119
Real Estate Proceeds	28-3-106	1,040	10	1,030
Fixed Utilities	40-2-114	1,476	462	1,014
State Patrol Contraband	24-33.5-225	1,019	16	1,003
HUD Section 8 Before Federal Fiscal Year 2004	None	994	-	994
Law Examiner Board Balance	Crt Rule 201	1,018	29	989
Workers' Compensation Guarantee Fund	8-44-206(4)	943	8	935
Inspection & Consumer Services Cash	35-1-106.5	1,466	538	928
Reclamation Warranty Forfeiture	34-32-122	910	-	910
Historical Society Unrestricted	24-80-209	949	43	906
Waste Tire Recycling Fund	25-17-202(3)	1,424	518	906
Victims' Assistance	24-33.5-506	990	105	885
Howard Fund	26-8-104(1)C	853	1	852
Continuing Legal Education Balance	Crt Rule 260	864	15	849
Travel and Tourism Additional	24-49.7-106	973	127	846
Cumulative Surplus-HUD - Sec 8 Voucher	29-4-708(K)	1,462	630	832
Ballot Information, Publication, and Distribution	1-40-124.5	826	-	826
Drug Offender Surcharge Fund	18-19-103(4)	1,162	338	824
Judicial Stabilization Cash	13-32-101	798	-	798
Colorado Comprehensive Health Education	22-25-109	802	6	796
Nursing Home Penalty Cash Fund	26-4-505(3)A	794	-	794
Water Quality	25-8-502(Ii)	1,034	259	775
Advance Technology Fund	23-1-106.5(9	775	-	775
Family Stabilization Services	19-1-125(2)	766	-	766
Disabled Telephone Users Fund	40-17-104	926	167	759
Records and Reports Fund	19-1-307(2.5	784	26	758
Building Regulation Fund	24-32-3309	805	77	728
Alcohol/Drug Driving Safety	42-4-1301.3	1,086	367	719
Division of Securities Cash Fund	11-51-707	1,832	1,121	711
Geological Survey Cash Fund	34-1-105	1,075	365	710
Motor Carrier	40-2-110.5	1,673	976	697
Public Deposit Administration	11-10.5-112	912	225	687
CF&I Settlement	Restricted	664	-	664
Notary Administration Cash	12-55-102.5	915	264	651

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2005

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Judicial Performance Cash Fund	13-5.5-107	634	9	625
Auto Theft Prevention Cash Fnd	42-5-112(4A)	629	12	617
Highway Crossing	43-4-201	614	-	614
Low Income Telephone Assist	40-3.4-108(2	599	-	599
Deaf and Hard of Hearing Fund	26-21-107(1)	674	77	597
Division of Insurance Cash	10-1-103	1,537	954	583
State Rail Bank Fund	43-1-1309	544	-	544
Workers Compensation Immediate Payment	8-44-206(3)	543	-	543
Uniform Commercial Code Custodial	Restricted	536	-	536
Legislative Legal Expenses	2-3-1002(1)	497	-	497
Ground Water Management	37-80-111.5	496	1	495
Organ and Tissue Donation Awareness	42-2-107(4)	475	-	475
Alternative Fuels Rebate	39-33-105	468	-	468
Pesticide Registration Fund	35-9-126	882	427	455
Colorado Dealer License Board	12-6-123	547	98	449
Mined Land Reclamation Fund	34-32-127	561	176	385
Colorado Children's Trust Fund	19-3.5-106	446	79	367
Colorado Family Support Loan	27-10.5-502	354	-	354
Western Slope Military Veteran's Cemetery	28-5-708	381	27	354
Workers' Compensation Cost Containment	8-14.5-108	342	-	342
Donations	25-1-107(U)	639	331	308
Persistent Drunk Driver	42-3-130.5	399	97	302
Assisted Living Residence Fund	25-27-107.5	371	73	298
Crude Oil Refund	Ex Ord 56-87	297	-	297
Family-Friendly Court Program	13-3-113(6)	339	50	289
Home Grant Revolving Loan Fund	None	284	-	284
Colorado Bureau of Investigation Contraband	24-33.5-415	249	-	249
Hazardous Waste Fees	25-15-304	339	95	244
Travel and Tourism Promotion	24-49.7-106	267	29	238
Liquor Law Enforcement	24-35-401	353	122	231
Racing Cash Fund	12-60-205	368	141	227
Uniform Consumer Credit Code	5-6-204	281	56	225
Vital Records	25-2-121(2)B	342	121	221
Police Officer Standards Training Custodial	Restricted	239	20	219
Financial Services Cash Fund	11-40-106(2)	743	527	216
Attorney's Fees and Costs	24-31-108(2)	209	-	209
Wine Development Fund	35-29.5-105	270	64	206
Division of Parks Stores Revolving Fund	33-10-111.5	213	9	204
Mandatory Fruit and Vegetable Inspection	35-23-114	599	397	202
School Construction and Renovation	22-43.7-103	2,942	2,744	198
Diamond Shamrock Settlement	None	197	-	197
Cervidae Disease Fund	35-50-114.5	195	-	195
Solid Waste Mgmnt Reserve	30-20-118	311	119	192
Kansas Vs. Colorado Damage Payment	24-31-502(1)	181	-	181
Vickers Oil Overcharge Funds	Ex Ord 56-87	179	-	179
Radiation Control	25-11-104(6)	302	129	173
Family Support Registry Fund	26-13-115.5	169	(4)	173
Food Distribution Program Service	26-1-121(4B)	170	-	170
Colorado National Guard Tuition Fund	23-5-111.4	188	38	150
Domestic Abuse Program	39-22-802	265	116	149
Displaced Homemakers	8-15.5-108	145	-	145
Agriculture Value-Added Fund	35-75-205	146	2	144
Patient Benefit Fund	26-12-106(2)	131	-	131
Satellite Monitoring	37-80-111.5	192	64	128
Older Coloradans Cash Fund	26-11-205.5	127	-	127
Colorado Bureau of Investigation Revolving	24-33.5-415	125	-	125
139 Funds with Net Assets Below $125,000		24,890	20,566	4,324
Total Other Special Revenue Funds		$ 1,048,633	$ 117,173	$ 931,460

STATISTICAL

SECTION

GOVERNMENT-WIDE SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Four Fiscal Years

(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES			
	2004-05	2003-04	2002-03	2001-02
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
Investments	10,440	10,209	-	-
Taxes Receivable, net	731,647	738,769	758,887	809,839
Other Receivables, net	146,906	143,717	104,475	125,181
Due From Other Governments	307,704	282,252	515,860	378,906
Internal Balances	18,122	22,070	(98,203)	20,287
Due From Component Units	110	-	-	-
Inventories	18,266	16,696	17,580	16,895
Prepaids, Advances, and Deferred Charges	23,700	29,628	27,413	99,893
Total Current Assets	3,201,646	2,630,810	2,038,268	2,022,294
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,199,258	1,360,083	1,236,865	1,306,432
Restricted Investments	465,819	408,790	571,970	-
Restricted Receivables	311,462	347,245	-	-
Investments	24,162	4,055	152,495	1,142,818
Other Long-Term Assets	356,325	325,376	332,964	244,499
Depreciable Capital Assets and Infrastructure, net	1,348,957	1,208,235	1,191,785	1,138,996
Land and Nondepreciable Infrastructure	11,613,109	11,583,157	11,032,850	10,827,222
Total Noncurrent Assets	15,319,092	15,236,941	14,518,929	14,659,967
TOTAL ASSETS	18,520,738	17,867,751	16,557,197	16,682,261
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	476,445	425,610	431,132	384,040
Accounts Payable and Accrued Liabilities	679,425	687,136	684,956	569,102
TABOR Refund Liability (Note 8B)	41,064	-	-	48,920
Due To Other Governments	192,611	172,239	151,989	172,691
Due to Component Units	-	-	-	-
Deferred Revenue	73,609	84,431	114,149	84,906
Accrued Compensated Absences	7,900	7,992	7,394	6,123
Claims and Judgments Payable	38,738	12,084	14,743	35,576
Leases Payable	3,403	2,821	3,492	1,298
Notes, Bonds, COP's Payable	628,395	419,778	21,125	19,530
Other Current Liabilities	25,092	37,152	33,987	37,050
Total Current Liabilities	2,166,682	1,849,243	1,462,967	1,359,236
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	10	8	12
Accrued Compensated Absences	111,418	112,104	113,548	112,027
Claims and Judgments Payable	430,978	29,200	29,200	-
Capital Lease Obligations	18,905	13,219	5,054	2,175
Notes, Bonds, COP's Payable	1,467,924	1,540,053	1,309,153	1,328,072
Other Long-Term Liabilities	198,520	516,756	501,390	263,034
Total Noncurrent Liabilities	2,227,761	2,211,342	1,958,353	1,705,320
TOTAL LIABILITIES	4,394,443	4,060,585	3,421,320	3,064,556
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,771,877	11,747,276	11,444,442	10,633,044
Restricted for:				
Highway Construction and Maintenance	679,440	559,450	509,354	1,376,522
State Education	123,867	147,286	218,545	303,827
Unemployment Insurance	-	-	-	-
Debt Service	3,298	7,965	5,241	6,495
Emergencies	71,000	172,202	150,762	81,917
Permanent Funds and Endowments:				
Expendable	1,953	1,297	986	810
Nonexpendable	433,538	392,542	378,369	356,004
Court Awards and Other Purposes	141,933	134,658	95,135	16,006
Unrestricted	899,389	644,490	333,043	843,080
TOTAL NET ASSETS	$14,126,295	$13,807,166	$13,135,877	$13,617,705

BUSINESS-TYPE ACTIVITIES				PRIMARY GOVERNMENT TOTAL			
2004-05	2003-04	2002-03	2001-02	2004-05	2003-04	2002-03	2001-02
$ 872,618	$ 678,233	$ 754,879	$ 1,193,338	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
670,346	182,572	-	-	680,786	192,781	-	-
103,598	92,485	46,597	36,237	835,245	831,254	805,484	846,076
206,946	180,707	219,048	884,919	353,852	324,424	323,523	1,010,100
95,170	86,355	98,017	74,061	402,874	368,607	613,877	452,967
(18,122)	(22,070)	98,203	(20,287)	-	-	-	-
9,294	5,406	-		9,404	5,406	-	-
34,797	33,065	33,861	35,315	53,063	49,761	51,441	52,210
13,723	18,396	19,138	22,441	37,423	48,024	46,551	122,334
1,988,370	1,255,149	1,269,743	2,226,024	5,190,016	3,885,959	3,308,011	4,248,318
160,283	121,764	114,642	40,136	1,359,541	1,481,847	1,351,507	1,346,568
453,876	243,390	114,292	140,074	919,695	652,180	686,262	140,074
1,015,134	889,108	-	-	1,326,596	1,236,353	-	-
225,329	577,619	888,232	663,412	249,491	581,674	1,040,727	1,806,230
119,359	99,358	832,622	74,237	475,684	424,734	1,165,586	318,736
2,719,778	2,623,814	2,259,846	1,899,066	4,068,735	3,832,049	3,451,631	3,038,062
403,037	371,552	520,085	651,292	12,016,146	11,954,709	11,552,935	11,478,514
5,096,796	4,926,605	4,729,719	3,468,217	20,415,888	20,163,546	19,248,648	18,128,184
7,085,166	6,181,754	5,999,462	5,694,241	25,605,904	24,049,505	22,556,659	22,376,502
-	-	-	-	476,445	425,610	431,132	384,040
350,347	334,136	332,990	188,839	1,029,772	1,021,272	1,017,946	757,941
-	-	-	-	41,064	-	-	48,920
38,472	37,120	26,570	45,626	231,083	209,359	178,559	218,317
1,607	703	-	-	1,607	703	-	-
145,432	131,496	138,313	138,382	219,041	215,927	252,462	223,288
14,103	9,719	10,582	8,526	22,003	17,711	17,976	14,649
8,233	-	-	-	46,971	12,084	14,743	35,576
6,039	5,537	5,283	3,840	9,442	8,358	8,775	5,138
85,672	80,127	60,105	97,064	714,067	499,905	81,230	116,594
107,228	107,611	92,272	89,335	132,320	144,763	126,259	126,385
757,133	706,449	666,115	571,612	2,923,815	2,555,692	2,129,082	1,930,848
-	-	-	-	16	10	8	12
131,883	128,635	124,853	121,127	243,301	240,739	238,401	233,154
20,019	-	-	-	450,997	29,200	29,200	-
84,101	80,994	80,636	43,382	103,006	94,213	85,690	45,557
2,062,837	1,578,762	1,546,903	1,199,426	3,530,761	3,118,815	2,856,056	2,527,498
52,022	70,174	76,251	144,027	250,542	586,930	577,641	407,061
2,350,862	1,858,565	1,828,643	1,507,962	4,578,623	4,069,907	3,786,996	3,213,282
3,107,995	2,565,014	2,494,758	2,079,574	7,502,438	6,625,599	5,916,078	5,144,130
2,238,068	2,195,837	2,142,940	2,045,202	14,009,945	13,943,113	13,587,382	12,678,246
						-	-
-	-	-	-	679,440	559,450	509,354	1,376,522
-	-	-	-	123,867	147,286	218,545	303,827
321,725	200,311	322,423	653,690	321,725	200,311	322,423	653,690
122,290	103,602	2,048	2,295	125,588	111,567	7,289	8,790
27,247	39,277	32,881	38,813	98,247	211,479	183,643	120,730
						-	-
16,483	17,449	17,746	47,015	18,436	18,746	18,732	47,825
76,460	49,659	46,851	49,200	509,998	442,201	425,220	405,204
303,714	297,765	189,466	198,696	445,647	432,423	284,601	214,702
871,184	712,840	750,349	579,756	1,770,573	1,357,330	1,083,392	1,422,836
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667	$18,103,466	$17,423,906	$16,640,581	$17,232,372

GOVERNMENT-WIDE SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Four Fiscal Years

(DOLLARS IN THOUSANDS) Programs/Functions	GOVERNMENTAL ACTIVITIES			
	2004-05	2003-04	2002-03	2001-02
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 357,241	$ 353,628	$ 327,134	$ 310,343
Service Fees	128,101	132,644	117,253	105,932
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	117,666	109,341	99,654	87,994
Rents and Royalties	61,524	45,340	32,314	31,673
Sales of Products	2,841	3,164	2,296	3,001
Unemployment Surcharge	21,524	20,112	19,500	19,630
Other	54,254	55,216	47,264	72,996
Operating Grants and Contributions	3,684,878	3,601,808	3,552,745	3,166,623
Capital Grants and Contributions	409,458	487,442	410,070	352,125
TOTAL PROGRAM REVENUES	4,837,487	4,808,695	4,608,230	4,150,317
EXPENSES:				
General Government	141,320	161,588	244,062	210,837
Business, Community, and Consumer Affairs	367,553	343,589	327,935	253,054
Education	194,723	173,823	194,436	285,636
Health and Rehabilitation	475,668	477,572	475,405	471,198
Justice	1,026,282	936,374	971,227	957,320
Natural Resources	62,638	81,114	103,888	103,801
Social Assistance	3,016,668	2,954,217	2,830,164	2,608,748
Transportation	919,388	746,153	890,081	750,759
Payments to School Districts	3,283,590	3,131,486	2,946,679	2,689,452
Payments to Other Governments	1,848,922	1,674,416	1,687,006	1,596,066
Interest on Debt	26,925	9,625	16,219	16,750
Higher Education Institutions	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest	-	-	-	-
Lottery	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	11,363,677	10,689,957	10,687,102	9,943,621
NET (EXPENSE) REVENUE	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Taxes:				
Sales and Use Taxes	1,980,785	1,920,934	1,829,380	1,881,162
Excise Taxes	182,726	112,741	86,048	91,761
Individual Income Tax	3,450,493	3,253,027	2,996,597	3,168,499
Corporate Income Tax	291,583	220,236	205,569	172,257
Other Taxes	491,214	465,826	371,089	363,190
Restricted Taxes	868,251	835,680	731,138	818,234
Unrestricted Investment Earnings	29,736	16,534	16,577	37,236
Other General Revenues	95,912	99,200	146,516	122,527
Special and/or Extraordinary Item	(1,112)	-	-	(21,000)
Transfers (Out) In	(545,175)	(546,580)	(634,674)	(662,141)
Internal Capital Contributions	(431)	(20)	(22,855)	25
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	6,843,982	6,377,578	5,725,385	5,971,750
TOTAL CHANGES IN NET ASSETS	317,792	496,316	(353,487)	178,446
NET ASSETS - BEGINNING	13,807,166	13,135,877	13,617,705	5,457,647
Prior Period Adjustment	1,337	174,973	(128,341)	(172,615)
Accounting Changes	-	-	-	8,154,227
NET ASSETS - ENDING	$14,126,295	$13,807,166	$13,135,877	$13,617,705

BUSINESS-TYPE ACTIVITIES				PRIMARY GOVERNMENT TOTAL			
2004-05	2003-04	2002-03	2001-02	2004-05	2003-04	2002-03	2001-02
$ 64,864	$ 66,196	$ 59,426	$ 57,546	$ 422,105	$ 419,824	$ 386,560	$ 367,889
273,541	242,809	188,614	153,983	401,642	375,453	305,867	259,915
1,294,488	1,227,187	1,143,890	1,062,083	1,294,488	1,227,187	1,143,890	1,062,083
596	554	1,025	1,379	118,262	109,895	100,679	89,373
21,527	44,783	16,576	21,084	83,051	90,123	48,890	52,757
467,088	449,910	440,902	459,317	469,929	453,074	443,198	462,318
462,416	338,063	190,461	153,024	483,940	358,175	209,961	172,654
120,145	117,682	130,239	255,970	174,399	172,898	177,503	328,966
1,403,928	1,344,191	1,398,401	1,176,005	5,088,806	4,945,999	4,951,146	4,342,628
16,667	73,952	28,662	47,202	426,125	561,394	438,732	399,327
4,125,260	3,905,327	3,598,196	3,387,593	8,962,747	8,714,022	8,206,426	7,537,910
-	-	-	-	141,320	161,588	244,062	210,837
-	-	-	-	367,553	343,589	327,935	253,054
-	-	-	-	194,723	173,823	194,436	285,636
-	-	-	-	475,668	477,572	475,405	471,198
-	-	-	-	1,026,282	936,374	971,227	957,320
-	-	-	-	62,638	81,114	103,888	103,801
-	-	-	-	3,016,668	2,954,217	2,830,164	2,608,748
-	-	-	-	919,388	746,153	890,081	750,759
-	-	-	-	3,283,590	3,131,486	2,946,679	2,689,452
-	-	-	-	1,848,922	1,674,416	1,687,006	1,596,066
-	-	-	-	26,925	9,625	16,219	16,750
3,294,154	3,128,126	3,108,493	2,942,776	3,294,154	3,128,126	3,108,493	2,942,776
352,712	591,789	742,745	583,508	352,712	591,789	742,745	583,508
54,453	37,355	45,213	41,351	54,453	37,355	45,213	41,351
367,474	354,159	341,907	349,955	367,474	354,159	341,907	349,955
267,408	246,988	253,633	229,773	267,408	246,988	253,633	229,773
4,336,201	4,358,417	4,491,991	4,147,363	15,699,878	15,048,374	15,179,093	14,090,984
(210,941)	(453,090)	(893,795)	(759,770)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
-	-	-	-	1,980,785	1,920,934	1,829,380	1,881,162
-	-	-	-	182,726	112,741	86,048	91,761
-	-	-	-	3,450,493	3,253,027	2,996,597	3,168,499
-	-	-	-	291,583	220,236	205,569	172,257
-	-	-	-	491,214	465,826	371,089	363,190
-	-	-	-	868,251	835,680	731,138	818,234
-	-	-	-	29,736	16,534	16,577	37,236
-	-	-	-	95,912	99,200	146,516	122,527
-	-	-	-	(1,112)	-	-	(21,000)
545,175	546,580	634,674	662,141	-	-	-	-
10,303	15,330	76,210	151,465	9,872	15,310	53,355	151,490
555,478	561,910	710,884	813,606	7,399,460	6,939,488	6,436,269	6,785,356
344,537	108,820	(182,911)	53,836	662,329	605,136	(536,398)	232,282
3,616,740	3,504,704	3,614,667	4,887,925	17,423,906	16,640,581	17,232,372	10,345,572
15,894	3,216	72,948	95,811	17,231	178,189	(55,393)	(76,804)
-	-	-	(1,422,905)	-	-	-	6,731,322
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667	$18,103,466	$17,423,906	$16,640,581	$17,232,372

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)

	2004-05	2003-04	2002-03	2001-02
REVENUES AND OTHER FINANCING SOURCES:				
Taxes	$ 7,323	$ 6,794	$ 6,261	$ 6,499
Less: Excess TABOR Revenues	(41)	-	-	-
Licenses, Permits, and Fines	565	551	517	504
Charges for Goods and Services	99	108	108	99
Rents (reported in 'Other' prior to FY05)	62	-	-	-
Investment Income	126	54	259	240
Federal Grants and Contracts	3,831	3,880	3,471	3,104
Other	321	358	351	299
TOTAL REVENUES AND OTHER SOURCES	12,286	11,745	10,967	10,745
EXPENDITURES AND OTHER USES BY FUNCTION:				
Current:				
General Government	278	267	229	238
Business, Community and Consumer Affairs	277	296	317	277
Education	129	119	116	122
Health and Rehabilitation	443	450	450	453
Justice	978	897	933	924
Natural Resources	90	85	82	82
Social Assistance	3,026	2,969	2,851	2,619
Transportation	983	1,098	1,105	1,127
Capital Outlay	92	74	136	276
Intergovernmental:				
Cities	218	211	198	209
Counties	1,474	1,319	1,328	1,229
School Districts	3,284	3,131	2,947	2,689
Other	157	144	160	158
Deferred Compensation Distributions	-	-	-	-
Debt Service	114	92	99	85
TOTAL EXPENDITURES AND OTHER USES	11,543	11,152	10,951	10,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	743	593	16	257
OTHER FINANCING SOURCES (USES)				
Transfers-In	3,198	2,819	3,507	3,987
Transfers-Out:				
Higher Education	(597)	(605)	(695)	(742)
Other	(3,136)	(2,750)	(3,406)	(3,880)
Face Amount of Debt Issued	-	235	-	208
Bond Premium/Discount	-	53	-	12
Capital Lease Debt Issuance	27	2	12	5
Sale of Capital Assets	10	12	3	3
Debt Refunding Issuance	-	280	443	10
Debt Refunding Payments	-	(311)	(436)	(10)
Other Sources (Uses)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(498)	(265)	(572)	(407)
NET CHANGE IN FUND BALANCE	245	328	(556)	(150)
FUND BALANCE - BEGINNING	3,196	2,827	3,383	4,043
Prior Period Adjustments	-	41	-	(510)
FUND BALANCE - ENDING	$ 3,441	$ 3,196	$ 2,827	$ 3,383

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

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
$ 7,501	$ 7,058	$ 6,443	$ 5,995	$ 5,265	$ 4,841
(927)	(941)	(680)	(563)	(139)	-
534	505	422	418	388	358
109	117	181	183	189	171
-	-	-	-	-	-
314	244	233	223	198	170
2,809	2,673	2,473	2,225	2,128	2,133
308	220	179	151	127	111
10,648	9,876	9,251	8,632	8,156	7,784
224	216	208	209	198	184
426	391	368	361	388	405
112	74	71	75	91	65
467	434	413	418	373	359
851	776	694	619	583	534
137	130	123	116	114	109
2,367	2,152	1,992	1,770	1,817	1,703
1,069	958	877	716	578	558
185	223	253	233	158	96
196	192	191	193	157	157
1,162	1,074	1,011	920	719	676
2,389	2,257	2,158	2,011	1,907	1,783
146	141	138	142	175	161
18	17	15			
54	5	23	41	55	43
9,803	9,040	8,535	7,824	7,313	6,833
845	836	716	808	843	951
676	469	772	513	582	500
(907)	(898)	(778)	(735)	(692)	(632)
(655)	(391)	(712)	(461)	(535)	(644)
539	536	-	-	-	-
-	-	-	-	-	-
1	4	3	1	15	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(6)
-	-			9	5
(346)	(280)	(715)	(682)	(621)	(775)
499	556	1	126	222	176
3,523	2,959	2,673	2,547	2,327	2,147
21	8	285	-	(2)	4
$ 4,043	$ 3,523	$ 2,959	$ 2,673	$ 2,547	$ 2,327

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.

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

(DOLLARS IN MILLIONS)

	2004-05	2003-04	2002-03	2001-02
Income Tax:				
Individual	$ 3,421	$ 3,189	$ 2,945	$ 3,086
Less: Excess TABOR Revenues	-	-	-	-
Corporate	293	218	214	165
Net Income Tax	3,714	3,407	3,159	3,251
Sales, Use, and Excise Taxes	2,146	2,005	1,915	1,962
Less: Excess TABOR Revenues	(41)	-	-	-
Net Sales, Use, and Excise Taxes	2,105	2,005	1,915	1,962
Estate Taxes	26	47	53	73
Insurance Tax	189	176	171	155
Other Taxes	40	40	38	34
Interest	28	20	51	25
Medicaid Provider Revenues	-	-	16	11
Other	59	72	74	61
TOTAL GENERAL REVENUES	$ 6,161	$ 5,767	$ 5,477	$ 5,572
Percent Change Over Previous Year	6.8%	5.3%	-1.7%	2.7%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2004-05	2003-04	2002-03	2001-02
Net Income Tax	60.3%	59.1%	57.7%	58.3%
Sales, Use, and Excise Taxes	34.1	34.8	34.9	35.3
Estate Taxes	0.4	0.8	1.0	1.3
Insurance Tax	3.1	3.1	3.1	2.8
Other Taxes	0.6	0.7	0.7	0.6
Interest	0.5	0.3	0.9	0.4
Medicaid Provider Revenues	0.0	0.0	0.3	0.2
Other	1.0	1.2	1.4	1.1
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
$ 3,867	$ 3,718	$ 3,327	$ 3,052	$ 2,573	$ 2,318
(209)	(192)	(30)	-	-	-
316	289	276	263	237	206
3,974	3,815	3,573	3,315	2,810	2,524
1,809	1,775	1,628	1,485	1,521	1,415
(719)	(750)	(650)	(563)	(139)	-
1,090	1,025	978	922	1,382	1,415
83	60	67	109	35	32
142	129	118	114	112	110
31	29	27	21	20	18
45	42	48	52	41	37
-	7	73	73	80	69
63	67	59	75	60	64
$ 5,428	$ 5,174	$ 4,943	$ 4,681	$ 4,540	$ 4,269
4.9%	4.7%	5.6%	3.1%	6.3%	6.8%
65.8%	65.5%	64.0%	63.2%	60.1%	59.1%
28.5	29.0	29.0	28.3	32.5	33.2
1.3	1.0	1.2	2.1	0.7	0.7
2.2	2.1	2.1	2.2	2.4	2.6
0.5	0.5	0.5	0.4	0.4	0.4
0.7	0.7	0.9	1.0	0.9	0.9
0.0	0.1	1.3	1.4	1.7	1.6
1.0	1.1	1.0	1.4	1.3	1.5
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)	2004-05	RESTATED 2003-04	2002-03	2001-02
Department:				
Agriculture	$ 4,107	$ 3,716	$ 8,700	$ 10,118
Corrections	495,234	467,207	476,972	443,334
Education	2,514,427	2,417,490	2,313,588	2,268,794
Governor	15,808	13,317	31,465	19,566
Health Care Policy and Financing	1,247,254	1,142,620	1,132,643	1,076,838
Higher Education	587,958	591,221	685,686	739,556
Human Services	568,461	534,759	551,299	560,716
Judicial Branch	219,612	207,432	213,939	214,619
Labor and Employment	-	-	-	-
Law	6,738	6,266	8,141	9,677
Legislative Branch	26,745	26,818	28,100	27,224
Local Affairs	8,573	4,565	7,419	10,361
Military and Veterans Affairs	3,883	3,739	4,273	3,973
Natural Resources	22,481	19,337	23,599	24,434
Personnel & Administration	7,805	7,457	12,282	14,028
Public Health and Environment	13,061	12,359	16,573	31,790
Public Safety	56,315	53,895	54,465	56,597
Regulatory Agencies	1,047	1,028	1,582	1,914
Revenue	57,702	57,066	66,898	69,297
Transportation	-	-	-	-
Treasury	15,027	690	62,171	4,198
Transfer to Capital Construction Fund	40,759	12,270	9,489	25,564
Transfer to Controlled Maintenance Trust Fund	185,628	-	-	-
Transfer to the Highway Users Tax Fund	81,212	5,559	-	35,179
Other Transfers	20,264	34,257	58,746	68,325
TOTALS	$ 6,200,101	$ 5,623,068	$ 5,768,030	$ 5,716,102
Percent Change Over Previous Year	10.3%	-2.5%	0.9%	-0.4%
(AS PERCENT OF TOTAL)				
Education	40.6%	43.0%	40.1%	39.7%
Health Care Policy and Financing	20.1	20.3	19.6	18.8
Higher Education	9.5	10.5	11.9	12.9
Human Services	9.2	9.5	9.6	9.8
Corrections	8.0	8.3	8.3	7.8
Transfer to Capital Construction Fund	0.7	0.2	0.2	0.4
Transfer to Controlled Maintenance Trust Fund	3.0	0.0	-	-
Judicial	3.5	3.7	3.7	3.8
Revenue	0.9	1.0	1.2	1.2
All Others	4.5	3.5	5.4	5.6
TOTALS	100.0%	100.0%	100.0%	100.0%

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
$ 9,866	$ 8,106	$ 7,675	$ 7,305	$ 11,165	$ 6,477
417,677	381,669	338,715	297,179	257,072	234,049
2,143,115	2,041,087	1,914,294	1,830,940	1,720,335	1,590,861
19,754	5,877	7,388	2,996	12,377	3,509
1,028,785	951,827	891,319	789,532	756,690	692,241
747,332	715,933	676,449	651,893	618,464	581,143
553,364	509,309	486,325	481,258	441,637	407,321
205,341	194,420	180,282	166,574	159,226	150,447
-	-	-	20	-	610
8,571	10,106	9,144	8,558	7,471	6,454
27,356	25,393	23,062	21,567	21,266	19,891
10,525	37,758	29,958	26,672	25,940	23,986
4,090	3,800	3,874	3,460	3,098	2,572
28,893	28,863	26,864	24,845	24,130	22,442
14,825	15,026	15,245	15,361	14,591	13,185
33,496	23,731	22,596	20,507	18,200	17,277
56,616	49,492	43,910	39,433	36,047	36,325
1,975	1,919	1,730	1,194	1,479	898
78,317	69,682	69,871	70,224	52,711	38,654
1	203	239	244	-	-
2,378	2,240	2,970	2,800	3,102	2,535
285,255	175,154	470,179	198,387	250,968	254,962
-	-	-	-	-	196,000
-	-	-	5,611	-	-
61,894	66,588	56,992	57,811	98,464	88,614
$ 5,739,426	$ 5,318,183	$ 5,279,081	$ 4,724,371	$ 4,534,433	$ 4,390,453
7.9%	0.7%	11.7%	4.2%	3.3%	12.2%
37.3%	38.4%	36.3%	38.8%	37.9%	36.2%
17.9	17.9	16.9	16.7	16.7	15.8
13.0	13.5	12.8	13.8	13.6	13.2
9.6	9.6	9.2	10.2	9.7	9.3
7.3	7.2	6.4	6.3	5.7	5.3
5.0	3.3	8.9	4.2	5.5	5.8
-	-	-	-	-	4.5
3.6	3.7	3.4	3.5	3.5	3.4
1.4	1.3	1.3	1.5	1.2	0.9
4.9	5.1	4.8	5.0	6.2	5.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2004-05	2003-04	2002-03	2001-02
Debt Service Expenditures				
Principal	$ 15,574	$ 11,932	$ 16,581	$ 9,245
Interest	98,829	80,281	82,116	76,096
TOTAL DEBT SERVICE EXPENDITURES	114,403	92,213	98,697	85,341
Percent Change Over Previous Year	24.1%	-6.6%	15.7%	58.5%
TOTAL NONCAPITAL EXPENDITURES	11,450,269	11,078,852	10,815,175	10,212,475
TOTAL CAPITAL EXPENDITURES	92,243	73,828	136,303	275,873
TOTAL GOVERNMENTAL EXPENDITURES	11,542,512	11,152,680	10,951,478	10,488,348
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES				
Principal	0.1%	0.1%	0.2%	0.1%
Interest	0.9%	0.7%	0.8%	0.7%
Total Debt Service Expenditures	1.0%	0.8%	0.9%	0.8%

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
$ 4,188	$ 3,943	$ 13,837	$ 25,207	$ 34,054	$ 26,538
49,658	1,491	8,687	15,814	21,350	16,734
53,846	5,434	22,524	41,021	55,404	43,272
890.9%	-75.9%	-45.1%	-26.0%	28.0%	-4.7%
9,620,382	8,817,399	8,282,321	7,590,661	7,155,330	6,737,808
184,945	223,490	253,159	233,159	157,757	95,952
9,805,327	9,040,889	8,535,480	7,823,820	7,313,087	6,833,760
0.0%	0.0%	0.2%	0.3%	0.5%	0.4%
0.5%	0.0%	0.1%	0.2%	0.3%	0.2%
0.6%	0.1%	0.3%	0.5%	0.8%	0.6%

FUND BALANCE - RESERVED AND UNRESERVED
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Four Fiscal Years

(DOLLARS IN THOUSANDS)

	2004-05	2003-04	2002-03	2001-02
GENERAL FUND:				
Reserved for:				
Encumbrances	$ 3,497	$ 2,106	$ 3,684	$ 2,093
Noncurrent Assets	192	300	231	320
Statutory Purposes	198,751	207,003	60,731	39,622
Risk Management	36,473	33,301	39,412	-
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	4,272	30,657	26,697
Undesignated	-	-	-	137,595
TOTAL RESERVED	238,913	242,710	104,058	42,035
TOTAL UNRESERVED	-	4,272	30,657	164,292
TOTAL FUND BALANCE	238,913	246,982	134,715	206,327
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ 629,430	$ 795,414	$ 916,053	$ 994,758
Noncurrent Assets	292,336	278,843	278,006	245,051
Debt Service	3,298	7,965	5,137	6,495
Statutory Purposes	10,263	11,565	10,929	14,328
Emergencies	71,000	172,202	150,762	81,917
Funds Reported as Restricted	1,104,061	998,428	770,874	1,118,886
Unreserved, Reported in:				
Special Revenue Funds	812,706	41,589	27,692	29,918
Capital Projects Funds	(12,545)	(39,986)	4,555	43,029
Nonmajor Special Revenue Funds	274,941	664,258	448,766	591,846
Nonmajor Permanent Funds	1,954	1,291	961	810
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	4,484	6,884	30,944	14,847
Reported in Nonmajor Special Revenue Funds	347	5,491	20,380	15,662
Reported in Nonmajor Permanent Funds	9,926	4,718	27,429	18,644
TOTAL RESERVED	2,110,388	2,264,417	2,131,761	2,461,435
TOTAL UNRESERVED	1,091,813	684,245	560,727	714,756
TOTAL FUND BALANCE	3,202,201	2,948,662	2,692,488	3,176,191
TOTAL RESERVED	2,349,301	2,507,127	2,235,819	2,503,470
TOTAL UNRESERVED	1,091,813	688,517	591,384	879,048
TOTAL FUND BALANCE	$ 3,441,114	$ 3,195,644	$ 2,827,203	$ 3,382,518

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2004-05	2003-04	2002-03	2001-02
DISTRICT REVENUES:				
Exempt District Revenues	11,015,958	11,650,100	12,059,372	11,702,980 [1]
Nonexempt District Revenues	8,482,963	8,331,991	7,712,512	7,752,211
TOTAL DISTRICT REVENUES	19,498,921	19,982,091	19,771,884	19,455,191
Percent Change In Nonexempt District Revenues	1.8%	8.0%	-0.5%	-12.7%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	11,015,958	11,650,100	12,059,372	11,702,980 [1]
Nonexempt District Expenditures	9,473,642	7,799,832	8,198,724	7,729,239
TOTAL DISTRICT EXPENDITURES	20,489,600	19,449,932	20,258,096	19,432,219
Percent Change In Nonexempt District Expenditures	21.5%	-4.9%	6.1%	11.3%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	(1,159,552)	532,159	(486,212)	22,972
LIMIT AND REFUND CALCULATIONS:				
Prior Fiscal Year Spending Limitation	8,331,991	7,712,512	7,752,211	7,948,550
Adjustments To Prior Year Limit	(383,102)	(31,732)	(12,865)	(53,497)
Adjusted Prior Year Fiscal Spending Limitation	7,948,889	7,680,780	7,739,346	7,895,053
Allowable Growth Rate (Population Plus Inflation)	2.2%	3.6%	6.9%	4.0%
Current Fiscal Year Spending Limitation	8,123,764	7,957,288	8,273,361	8,210,855
Adjustments To Current Year Limit	187,212	374,703	23,426	(84,666)
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,310,976	8,331,991	8,296,787	8,126,189
NONEXEMPT DISTRICT REVENUES	8,482,963	8,331,991	7,712,512	7,752,211
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	171,987	-	(584,275)	(373,978)
Correction Of Prior Years' Refunds	(130,924)	-	-	8,284
CURRENT FISCAL YEAR REFUND	41,063	-	-	-

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the state's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
8,213,400	7,437,634	6,398,011	5,845,712	5,141,032	4,939,738	4,417,493
8,877,105	8,502,952	7,923,019	7,435,202	6,647,618	6,124,314	5,757,317
17,090,505	15,940,586	14,321,030	13,280,914	11,788,650	11,064,052	10,174,810
4.4%	7.3%	6.6%	11.8%	8.5%	6.4%	6.9%
8,213,400	7,437,634	6,398,011	5,845,712	5,280,059	4,939,738	4,417,493
6,945,742	6,474,840	7,125,736	6,485,675	6,108,964	5,530,294	5,216,929
15,159,142	13,912,474	13,523,747	12,331,387	11,389,023	10,470,032	9,634,422
7.3%	-9.1%	9.9%	6.2%	10.5%	6.0%	5.8%
1,004,163	1,086,983	117,649	386,364	399,628	594,020	540,388
7,563,710	7,243,385	6,872,039	6,508,592	6,124,314	5,757,317	5,385,087
-	-	-	-	-	-	-
7,563,710	7,243,385	6,872,039	6,508,592	6,124,314	5,757,317	5,385,087
5.1%	4.4%	5.3%	5.5%	6.6%	7.0%	7.1%
7,949,459	7,562,093	7,236,257	6,866,565	6,528,518	6,160,329	5,767,428
(909)	1,617	7,128	5,474	(19,926)	-	-
7,948,550	7,563,710	7,243,385	6,872,039	6,508,592	6,160,329	5,767,428
8,877,105	8,502,952	7,923,019	7,435,202	6,647,618	6,124,314	5,757,317
928,555	939,242	679,634	563,163	139,026	(36,015)	(10,111)
(1,354)	1,887	-	-	-	-	-
927,201	941,129	679,634	563,163	139,026	-	-

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

	2004-05	2003-04	2002-03	2001-02
General Government	2,219	2,180	2,300	2,422
Business, Community, and Consumer Affairs	2,367	2,343	2,344	2,334
Education	32,664	32,595	32,435	31,887
Health and Rehabilitation	3,681	3,717	3,803	3,766
Justice	11,083	10,767	11,257	11,437
Natural Resources	1,472	1,446	1,453	1,453
Social Assistance	1,462	1,482	1,567	1,610
Transportation	3,098	3,113	3,080	3,065
TOTAL FTE	58,046	57,643	58,239	57,974
TOTAL CLASSIFIED FTE	30,967	30,770	31,857	32,092
AVERAGE MONTHLY SALARY	$ 3,955	$ 3,867	$ 3,913	$ 3,700
TOTAL NON-CLASSIFIED FTE	27,079	26,873	26,382	25,882
AVERAGE MONTHLY SALARY	$ 4,926	$ 4,759	$ 4,788	$ 4,563

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.

2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
2,409	2,422	2,411	2,375	2,371	2,333
2,284	2,290	2,311	2,337	2,303	2,267
31,165	29,463	28,774	28,203	27,522	26,862
3,668	3,726	3,784	3,797	3,771	4,043
11,100	10,542	9,730	9,020	8,468	8,140
1,395	1,397	1,372	1,351	1,339	1,337
1,570	1,530	1,514	1,479	1,432	1,138
3,048	3,015	3,025	3,053	3,068	3,103
56,639	54,385	52,921	51,615	50,274	49,223
31,510	30,866	30,157	29,470	28,839	28,483
$ 3,491	$ 3,364	$ 3,232	$ 3,091	$ 3,027	$ 2,954
25,129	23,519	22,764	22,145	21,435	20,740
$ 4,352	$ 4,387	$ 4,216	$ 4,100	$ 4,000	$ 3,935

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
1996 to 2005

(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							
2004-05	$ 84,787	$ -	$ 84,787	$ 5,870	$ 78,917	$ 84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest							
2004-05	$ 71,365	$ 55,119	$ 16,246	$ 44,077	$ 33,182	$ 77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Institutions							
2004-05	$623,247	$354,669	$268,578	$ 28,375	$ 30,028	$ 58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60
1999-00	552,417	399,148	153,269	17,585	18,026	35,611	4.30
1998-99	395,699	274,163	121,536	16,280	18,307	34,587	3.51
1997-98	367,883	253,538	114,345	16,060	18,926	34,986	3.27
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

In Fiscal Year 2004-05, CollegeInvest began reporting its pledged revenues without including student loan repayments as part of the gross revenue; however, those loan repayments were used to make the required debt service payments.

MAJOR EMPLOYERS
IN THE DENVER AREA
2005

Employer	Number of Employees
Federal Government (including the U.S. Postal Service)	46,439
State of Colorado (including the University of Colorado System)	47,128
Wal-Mart Stores Inc.	23,730
King Soopers Inc.	17,134
Denver Public Schools	13,452
City & County of Denver	13,006
Centura Health	12,000
Safeway Inc.	11,621
Qwest Communications International Inc.	10,400
Jefferson County Public Schools	9,197

Source: Denver Business Journal
Book of Lists 2005-06

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 1996 TO 2005

(Amounts in Millions)

Year	Residential	Non-Residential	Non-Building	Total
2005 est	$ 7,900	$ 3,050	$ 1,250	$ 12,200
2004 est	7,700	2,750	1,400	11,850
2003	6,258	2,593	1,734	10,585
2002	6,357	2,770	2,139	11,266
2001	6,593	3,456	1,596	11,645
2000	6,822	3,244	1,712	11,778
1999	6,036	3,602	1,576	11,214
1998	5,777	2,554	1,377	9,708
1997	4,659	3,274	1,145	9,078
1996	4,275	2,544	834	7,653

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

COLORADO SALES AND GROSS FARMING REVENUES 1996 to 2005

(Amounts in Billions)

Year	Retail Sales	Gross Farm Revenues
2005 est	$ 59.3	5.77
2004 est	56.1	5.62
2003	53.4	5.88
2002	52.9	5.40
2001	52.9	5.57
2000	52.2	5.40
1999	47.4	5.30
1998	43.1	5.16
1997	40.4	5.11
1996	38.2	5.01

Retail sales based on SIC Codes 52-59.

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

COLORADO DEMOGRAPHIC DATA
1996 TO 2005

Year	Population (000)	Percentage Share of U.S. Population	Per Capita Personal Income	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2005 est	4,694	1.58%	36,350	112.1%	2,468	4.8%
2004 est	4,636	1.57%	35,000	111.1	2,377	5.3%
2003	4,586	1.58	34,283	109.0	2,323	6.2
2002	4,521	1.57	33,723	109.5	2,298	5.7
2001	4,447	1.56	34,003	111.2	2,291	3.7
2000	4,340	1.54	33,371	111.8	2,286	2.8
1999	4,220	1.51	30,492	109.2	2,198	2.9
1998	4,106	1.49	28,784	107.1	2,156	3.8
1997	3,999	1.47	26,846	106.0	2,080	3.3
1996	3,905	1.45	25,570	105.8	2,005	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
1996-2005

(Amounts in Thousands)

Industry	2005 est	2004 est	2003	2002	2001	2000	1999	1998	1997	1996
Agriculture	25.7	25.3	25.4	27.5	25.0	25.5	25.7	26.0	26.3	26.0
Natural Resources and Mining	14.3	13.6	13.1	12.9	12.9	12.2	12.3	13.4	13.2	12.6
Construction	148.0	147.1	149.8	160.4	167.7	163.6	148.5	134.6	120.5	112.2
Manufacturing	155.8	154.0	156.2	168.1	181.9	191.3	190.7	194.4	189.3	182.9
Transportation, Trade, and Utilities	410.1	403.2	404.1	412.1	423.0	418.9	404.9	392.4	381.3	372.1
Information	83.3	82.0	84.9	92.9	107.3	108.4	97.0	86.4	73.7	67.9
Financial Activities	156.1	154.9	154.2	149.5	148.3	147.0	147.4	142.8	135.2	127.9
Professional and Business Services	310.5	295.7	286.5	292.2	308.4	315.2	298.1	279.2	270.2	252.1
Educational and Health Services	223.0	218.4	213.5	208.5	200.8	192.8	186.9	182.9	178.2	171.2
Leisure and Hospitality	253.9	248.7	245.5	247.0	247.2	246.0	238.5	231.0	226.6	220.1
Other Services	89.5	87.0	85.8	85.6	83.8	80.2	79.0	77.3	75.7	72.7
Government	358.3	355.1	356.8	355.4	344.1	337.0	328.3	322.2	315.6	308.7
Total	2,228.5	2,185.0	2,175.8	2,212.1	2,250.4	2,238.1	2,157.3	2,082.6	2,005.8	1,926.4

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

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

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

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 Nickname – Centennial State

State Animal - Rocky Mountain Bighorn Sheep

State Bird - Lark Bunting

State Fish - Greenback Cutthroat Trout

State Tree - Colorado Blue Spruce

State Flower - White and Lavender Columbine

State Mineral - Rhodochrosite

State Gemstone – Aquamarine

State Rock – Yule Marble

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